



Cyngor Celfyddydau Cymru
Arts Council of Wales

2012/13

Reports and Financial Statements
for the year ended 31 March 2013



General Activities Account

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Arts Council of Wales is committed to making information available in large print, Braille, audio and British Sign Language and will endeavour to provide information in languages other than Welsh or English on request.



Arts Council of Wales operates an equal opportunities policy.



Ruby Hughes as Ella in Huw Watkins's *In the Locked Room* - Music Theatre Wales (Image: Clive Barda)

Annual Report for the year ended 31 March 2013
Trustees' Annual Report

Reference and administrative details

Trustees

Council Members who served since 1 April 2012 were:

		Attendance at meetings during 2012/13			
		Council	Audit Committee	Capital Committee	Remuneration Committee
		Number of meetings held:			
		6	5	4	1
Professor Dai Smith, Chairman	(c)	6			Committee Chair 1
Dr Kate Woodward, Vice-chairman	(d)	3			
Emma Evans	(a)	2	Committee Chair 4		
Dr John Geraint	(c)	4			1
Michael Griffiths OBE		6			
Melanie Hawthorne		6			
Dr Lesley Hodgson		5			
Margaret Jervis MBE DL	(c) (v)	5			1
Marian Wyn Jones	(i) (iii)	5			
Andrew Miller		5			
Osi Rhys Osmond	(d)	5			
Richard Turner	(ii) (iv)	5			
Alan Watkin	(a)	5	5		
Professor Gerwyn Williams	(b)	5		Committee Chair 4	
John C Williams	(a) (b)	6	3	4	

Attendance at meetings during 2012/13			
Council	Audit Committee	Capital Committee	Remuneration Committee
Number of meetings held:			
6	5	4	1

Attendance of <i>independent</i> Committee members:					
Gareth Jones	(a)		3		
Phillip Westwood	(a)		5		
Jonathan Adams	(b)			3	
Mark Davies (appointed March 2013)	(b)			1/1	
Roland Wyn Evans (appointed March 2013)	(b)			0/1	
Janet Roberts	(b)			1	
Bethan Guilfoyle CBE	(c)				1

- (a) Member of Audit Committee
- (b) Member of Capital Committee
- (c) Member of Remuneration Committee
- (d) 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) Betsi Cadwaladr Health Board
- (ii) Monmouthshire County Council
- (iii) S4C
- (iv) University of Wales
- (v) 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:

Princes Park II
Princes Drive
Colwyn Bay
LL29 8PL

South Wales region and national office:

Bute Place
Cardiff
CF10 5AL

Auditor

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

Internal auditors

Deloitte LLP
5 Callaghan Square
Cardiff
CF10 5BT

Solicitors

Geldards LLP
Dumfries House
Dumfries Place
Cardiff
CF10 3ZF

Bankers

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

Annual Governance Statement

This governance statement is the personal responsibility of me, Nicholas Capaldi, the Arts Council of Wales' Accounting Officer and Chief Executive. It sets out the governance arrangements of the Arts Council of Wales and how I have discharged my responsibilities for ensuring the Arts Council of Wales conducts its business, in respect of both exchequer and lottery activities, in accordance with the law, adheres to proper standards and establishes the necessary safeguards to protect the use of public money. I also explain how these funds are properly accounted for, and used economically, efficiently and effectively to support the delivery of the Arts Council of Wales' plans and priorities.

Accountabilities:

The Arts Council of Wales – Cyngor Celfyddydau Cymru – exists to support and develop the arts in Wales. It does so for the benefit of people throughout Wales, and to support Welsh art internationally. It was established by Royal Charter on 30 March 1994, is a registered charity (number 1034245), a Welsh Government sponsored body, and a National Lottery Distributor.

Our Royal Charter stipulates our objectives. They are: to develop and improve the knowledge, understanding and practice of the arts; to increase the accessibility of the arts to the public; and, to work through the Welsh and English languages. We work with other public bodies in Wales, and with the other Arts Councils in the UK, to achieve these aims. A copy of our Royal Charter can be found on our website.

The Arts Council of Wales was accountable, for most of 2012/13, to the Welsh Government's Minister for Housing, Regeneration and Heritage. We operate within a broad framework that sets out the terms and conditions under which Welsh Ministers provide

our grant-in-aid funding, and how we are able to use this funding. As a public body we also have to operate within the guidance contained in *Managing Welsh Public Money*.

As a distributor of Lottery funds, under the National Lottery etc. Act 1993 (as amended), the Arts Council of Wales is accountable to the Secretary of State for Culture, Media and Sport. Our financial directions are issued by the Secretary of State, and our policy directions by the Welsh Ministers. These set out how we must operate. We have arrangements in place to ensure we separately account for our general and lottery distribution activities. Both sets of accounts are subject to separate external audit.

As a charity we operate under the Charities Acts 1960, 2006 and 2011, and guidance issued by the Charity Commission. We are also subject to the Consumer Credit Act and guidance issued by the Office of Fair Trading; the Freedom of Information Act 2000 and the Data Protection Act 1998.

The systems and processes we use to run our organisation and activities take account of these various accountabilities. Within these frameworks the Arts Council of Wales makes independent decisions regarding the strategic direction of the organisation, grant funding, and other financial decisions.

Both the Public Services Ombudsman for Wales and the Parliamentary Commissioner for Administration are able to investigate the Council's affairs.

Governance:

The organisation is governed by a Board of Trustees – Council – consisting of a Chair and fourteen members, one of whom is appointed as Vice-Chair. They bring specific expertise and knowledge to the oversight and development of our activities.

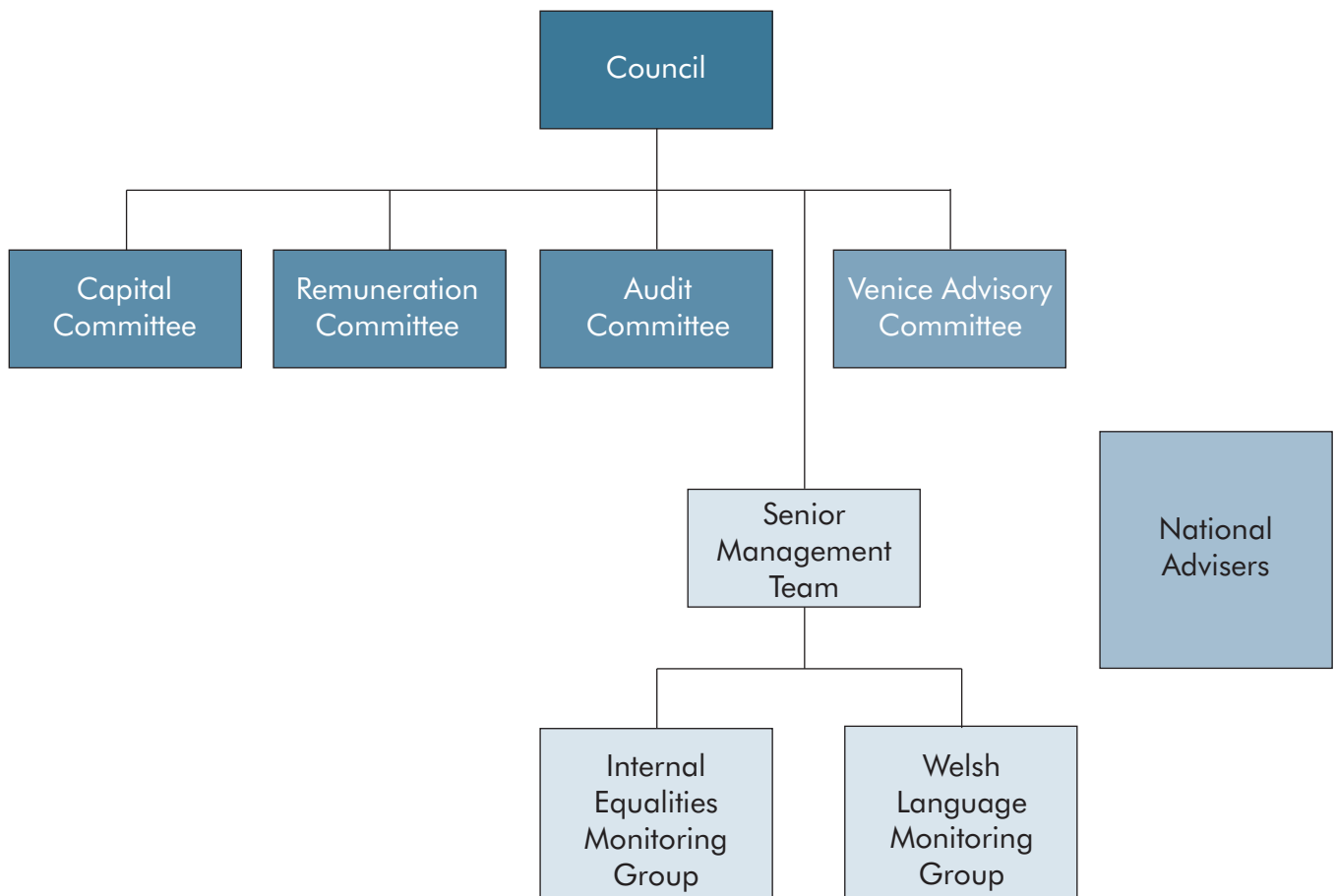
The Chair and members were previously appointed by the Welsh Government's Minister for Housing, Regeneration and Heritage, usually for three years, renewable once. Looking ahead, appointments will be made by the Minister for Culture and Sport.

The Chair of Council is a remunerated position. All other members provide their time and expertise on a voluntary basis, but are reimbursed for out-of-pocket expenses incurred on Council business. A summary is contained in note 9b of these financial statements.

As the ultimate decision making body for the organisation, Council 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 members make decisions on corporate policy and formulate our Corporate and Operational Plans. They set the annual budget, decide on the annual allocation of grants to revenue-funded organisations, and approve grants of over £50,000, or over £250,000 in the case of Lottery funded capital projects. Council members are responsible for any major alterations to the terms and conditions of service for staff.

To help support their work, Council has appointed three committees to provide specialist advice. These are the Audit, Capital and Remuneration Committees. It also has ad hoc advisory committees and internal monitoring groups to assist in meeting its responsibilities.



The executive management of the organisation is headed up by the Chief Executive and supported by a Senior Management Team of five Directors, each of whom has responsibility for particular aspects of the organisation.

A list of National Advisers has been established, appointed by the executive staff of Council to provide specialist advice.

Each committee operates under specific terms of reference. Minutes of each committee meeting are provided to the next available meeting of Council.

Each committee is made up of Council members, one of whom acts as chair, and co-opted individuals. Independent committee members are appointed for their specialist skills and experience, through an open selection process. All new members of Council and Committees undergo an induction process appropriate to their role.

The Audit Committee is responsible for providing assurance to Council on the effectiveness of our governance, risk management and internal control arrangements. It produces an annual report for Council which summarises its work and, when applicable, draws attention to material issues.

There were three key themes to the Committee's work during the year. Firstly, regular monitoring of progress in implementing all audit recommendations; generally the Committee was content with the progress made. Secondly, given the level of investment we make in them, monitoring RFO clients, with an emphasis on higher risk organisations. And thirdly, the Committee also pursued best practice of governance arrangements through an on-going process of review of systems and procedures. No material issues were reported during 2012/13.

The Capital Committee is responsible for advising Council on the development of policy, on all aspects of capital development, including funding priorities and schemes. It has delegated authority to make funding decisions on lottery capital grants from £50,001 to £250,000. It makes recommendations on larger capital grants to Council.

The Remuneration Committee reviews the performance of the Chief Executive against agreed objectives, and sets targets for the forthcoming year. It also agrees the level of remuneration for the Chair within the limits determined by the Welsh Ministers.

Details of membership of Council and these three committees, together with details of members' attendance at meetings, can be found in the *Reference and administrative details* section at the beginning of this Trustees' Annual Report. During the past year we also had a Venice Advisory Committee to inform and oversee the organisation of our presence at the 2013 Venice Biennale of Art. We also had two important internal monitoring groups, the Equalities Monitoring Group, and the Welsh Language Monitoring Group.

The Senior Management Team is led by the Chief Executive, supported by Arts Development and Corporate Services teams. The Arts Development team is based around three directorates – Arts; Engagement and Participation; and Enterprise and Regeneration; and a Corporate Services Team incorporating two directorates – Finance and Resources; and Investment and Funding. Each Director has responsibility for particular aspects of the organisation. Further details are contained in the Remuneration Report and note 9.

Council has delegated to staff the power to make funding decisions on grants up to £50,000.

Promoting values of good governance:

The Arts Council of Wales supports Lord Nolan's seven Principles for public life and strives to ensure that all of our employees, Trustees, Committee members and National Advisers apply and adhere to the Principles.

The Council has a Code of Best Practice, a copy of which can be found on the Council's website. It helps ensure the roles and responsibilities of members and officers are clearly defined, and it contains the expected standards of propriety that members and staff should adhere to.

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 that changes in circumstances are promptly notified.

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

Our Council meetings all have agendas, and written reports circulated in advance for consideration by members. Tabled items and verbal reports are only accepted in exceptional circumstances. Agendas and minutes of Council meetings are published on our website.

The Corporate Governance code issued by HM Treasury does not directly apply to the Arts Council. However, as Accounting Officer I am satisfied that the arrangements we have in place reflect good practice, and the Arts Council has complied with the principles of accountability, effectiveness, and leadership expressed within the Treasury's Code, in so far as they are relevant to Welsh Government Sponsored Bodies and Lottery Distributors. Council endorses this view.

Taking informed decisions:

Decisions taken by Council and Committees are informed by advice provided by staff of the Arts Council. Where appropriate this is supplemented with specialist advice from our National Advisers.

Papers and reports submitted by officers to Committees and to Council are expected to clearly show all relevant information needed to enable Council to reach informed decisions. Where appropriate specialist expert advice and legal opinions are also obtained and reported to Council and Committees.

Key policy proposals are put out to public consultation. Responses and feedback further inform discussions at Council before policies are finalised.

Matters considered by Council:

Council met six times during 2012/13 to discharge its responsibilities. In total the fifteen members attended on 73 out of a possible 90 occasions. Satisfactory explanations of absence were received in all cases.

Council considered reports on a range of issues, including: matters of strategy; setting plans and budgets; and monitoring performance against operational and financial targets. It also received reports from each sub-committee meeting.

Council reviewed the Governance arrangements, including the role of Committees. It decided to extend the remit of the Remuneration Committee to include involvement in senior appointments. In future it will be known as the Remuneration and Appointment Committee.

Following preparatory work during the previous year, a new Organisational structure took effect in May 2012. Council received regular updates

on the implementation of the new structure and work programmes throughout the project. Our internal auditors carried out two independent reviews of the process, both of which were received by Council.

As part of its review of the organisational structure, Council decided not to continue with the advisory Regional Committee structure. Instead it has committed to an on-going series of public meetings held in locations across Wales. The purpose of these meetings will be to gather views and opinions on matters of relevance to the Council.

A number of other strategically important matters were also considered. Amongst the most significant were reports relating to the world music expo, WOMEX 2013, which is being delivered by Cerdd Cymru: Music Wales, in which the Arts Council has a 50% interest. This is a key strategic priority for the Council in 2013/14.

Members also engaged in discussions regarding the development of a review of the Arts Council's arts strategies, and in the development of the 2013-2018 Corporate Plan.

Council carried out a self-assessment review of its own performance during the year. Overall it concluded that it was satisfied that it was operating effectively against the thirteen categories contained in its Board Assessment Framework. As part of a process of continual improvement, however, some further enhancements will be introduced during the next year. These include reviewing the effectiveness of our strategic planning cycle; strengthening Council's processes of assurance and self-assessment; and, creating more opportunities for Council members to meet with members of staff to ensure that dialogue between Council and the executive is active,

open and informed. Council will continue to monitor its performance against the Assessment Framework.

Council was satisfied with the data and information provided for its use, and that the information it receives in respect of grant funding is reliable. The systems used to provide the information are reviewed annually as part of the internal audit programme. In the rare instances where the information provided does not meet the required standards, the paper is rejected, and a replacement commissioned. There was one such instance during the year.

Third Party Funding:

As a major distributor of funding – from the Welsh Government, the National Lottery and other sources, including European funds – to the arts sector in Wales we take our responsibilities very seriously, and have developed systems and procedures to support this key part activity.

Clear guidelines for each of our Lottery funded grant funding programmes are published annually, details of which can be found on our website.

We have open and transparent application processes for our grant funding programmes, and rigorous assessment, decision making, and monitoring processes for all of the funding we award to artists and arts organisations. These are reviewed regularly.

We take a risk-based approach to our assessment of applications and monitoring of grants awarded. Information collected from grant recipients is used in our monitoring procedures to ensure that the stated outcomes for which our funding was provided were, in the end, actually achieved.

Decisions to award an organisation Revenue Funded Organisation (RFO) status are taken by

Council based on the advice of, and supported by, rigorous assessments carried out by officers.

A full list of General Activities grants offered during the financial year can be found in the annex to this Annual Report. Grants offered from Lottery funds are listed in the separately published Lottery Distribution accounts.

Council receives regular reports on the risk assessment of each of our annually funded RFOs. This is supported by an annual report that summarises the findings of our annual survey of attendance and participation levels amongst our RFOs, and the level of revenue funding per attendee/participant.

When necessary we take a pro-active approach to organisations that run into difficulties, and invest time and energy to help them to resolve matters of concern. During the year we commissioned independent reviews of one of our RFOs. Regular updates were provided to Council in respect of another organisation that had experienced difficulties during the previous financial year. On the basis of advice from officers and external experts, Council approved a series of recommendations designed to help stabilise the organisations and to move them towards a more sustainable position in the medium term.

Council takes fraud, corruption and maladministration very seriously and has policies to prevent, and deal with, such occurrences, including "Whistle-blowing" and Anti-fraud policies. No instances were reported during the year.

Our grant making and monitoring processes are subject to annual review by our internal auditors, as well as scrutiny by the Wales Audit Office. Taking account of issues arising from a previous special review, in order to introduce a fresh perspective, we introduced a different approach

to the internal audit reviews during the year. This involved focusing on all funding received by a sample of clients, rather than on particular funding streams. We will build on this during the year ahead.

Risk Management:

We have developed a system of internal control designed to identify and prioritise the risks to the achievement of Council policies, aims and objectives. It evaluates the likelihood of those risks being realised, considers the impact should they occur, and seeks to manage them efficiently, effectively and economically.

Council recognises that any ambitious developmental strategy has to accept the potential of some risk of failure to achieve policies, aims and objectives. Our system of internal control is designed to manage risk to a reasonable and appropriate level, and can therefore only provide reasonable and not absolute assurance of effectiveness.

We aim to promote a more innovative, less risk adverse culture in order that we can support artists, organisations and projects to deliver our objectives. The ever-increasing need to maximise the benefits of our investment for the sector and the public also means we need to take appropriate but considered risks on occasions, and to acknowledge that there might be occasional failures. However, we would not consider ourselves reckless, nor would we willfully squander our reputation. Council takes a considered view of risk in line with both its responsibilities as a publically-funded body and the nature of the sector it serves.

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. Assessment of risk is required in all significant papers presented to Council.

The Audit Committee instigated the development of a Board Assurance Framework. The purpose of this framework is to further enhance the robustness of the underlying controls and assurance process used to identify and manage key strategic risks. This will help ensure that Council feels more confident that it is able to make properly informed decisions. We will be introducing this in 2013/14.

Management of risk is supported by the work of our internal auditors. Further details are shown below.

Key risks facing the Arts Council:

Risks to our key strategic and operational activities have been identified, assessed and considered by Senior Management Team, and action taken to mitigate them. Risks and the actions to manage them are reviewed regularly. This is supported by our internal audit programme which reviews key areas of potential risk and where appropriate makes recommendations to management to help address and mitigate them. Updates are reported to Council and the Audit Committee.

One of the key risks identified last year was the implementation and delivery of our Organisational review. This was successfully delivered, and has been reviewed by our internal auditors. We no longer consider it to be a key risk.

Looking ahead, there are however a number of key risks facing us in the next year or so:

The most significant strategic risk in the immediate future is the impact of cuts to public expenditure and the potential impact it may have on the wider arts sector. Council is mindful of the need to continually monitor and address issues where we are a key funder and have direct influence. However, the risk and impact of cuts by other public sector funders is very real

and could have serious consequences for the arts infrastructure across Wales.

We re-opened our Lottery funded capital programme during the year. All large scale projects, whether new builds or the refurbishment of older buildings, are inherently risky. Our procedures and controls reflect this. Currently, we have two large projects in construction; both are being closely monitored with the help of independent specialists using our rigorous monitoring procedures.

Our Lottery income has increased as a result of increased ticket sales, an increase in our share of the Good Causes funds, and the end of our contributions towards the London 2012 Olympics. This poses risks in the short term of increased balances in the National Lottery Distribution Fund and an inability to commit the new levels of income. This is being closely monitored.

WOMEX 2013, which is being held in Cardiff in October 2013, is a major event involving artists and promoters from across the world. The scale and complexity of the event and the numbers of attendees inevitably brings with it many risks. Although it is being delivered by Cerdd Cymru:Music Wales, it is strategically important to the Arts Council and we are investing resources to ensure it is a success.

Security of data:

We treat our obligations under the Data Protection Act seriously. Our ICT systems and controls ensure that the security of data is tightly controlled. We regularly assess our security arrangements and have taken steps to make them more robust. We will continue to monitor them closely.

There were no matters of concern arising from the external or internal audit review carried out during the year. The high level review over IT

controls carried out by our external auditors did not highlight any issues. The internal audit programme during the year included reviews of Data Protection, and our ICT infrastructure and security arrangements. Both reviews resulted in substantial assurance gradings.

To the best of my knowledge and belief, no loss of data occurred during the year.

Ministerial directions:

As a Welsh Government sponsored body we are subject to non-statutory instruments, containing appropriate directions. No Directions were issued to us during the year, nor were we issued with any Ministerial Directions in respect of our Lottery activities.

Control issues identified during the year:

Our internal audit service is provided by Deloitte LLP working to Government Internal Audit Standards under the guidance of a nominated Head of Internal Audit, working to Government Internal Audit Standards up to March 2013 and Public Sector Internal Audit Standards from April 2013.

The Audit Committee agrees a programme of reviews which our internal auditors carry out during the term of their appointment. Each annual plan contains reviews of key business activities, as well as examining key areas of potential risk to the organisation. They are designed to assist management in identifying improvements where necessary.

Ten reviews were carried out during the year. With one exception, all reviews resulted in at least a substantial level of assurance. The one exception related to an aspect of our recruitment processes which gave rise to a limited assurance rating. All audit recommendations raised by internal audit have been, or are being, addressed.

The internal auditors provided the following opinion on the adequacy and effectiveness of the Council's arrangements in their Annual Report: *"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 its objectives. We identified one high priority issue that gave rise to a limited assurance rating, this has now been remedied by management."*

The annual findings of the Wales Audit Office are reported in an Additional Assurance Report and Management Letter addressed to Council. The Audit Committee also considers it, and a copy is provided to the Permanent Secretary of the Welsh Government. All external audit recommendations raised have been, or are being, addressed.

Overall assessment of governance and internal control:

In my opinion, the Arts Council of Wales' systems of governance and internal control are sufficient to enable me to discharge my responsibilities as Accounting Officer.



Nicholas Capaldi
Accounting Officer
5 July 2013

Endorsed on behalf of Council:



Professor Dai Smith
Chairman
5 July 2013

Structure, governance and management

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 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.

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.

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 2012/13 are set out in the table below according to our Corporate Plan themes, alongside key achievements made in relation to each operational target during the year:

Corporate Plan theme/ Operational target	By the end of March 2013 we will have...	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 2013 we will be investing in a portfolio of funded organisations better able to succeed artistically and financially</p>	<ul style="list-style-type: none"> Produced a new Arts Strategy document (a successor to our current Artform Strategies and Arts Council/WAI International Strategy). 	<ul style="list-style-type: none"> Terms of Reference for <i>Creativity and the Arts</i> were approved by Council in October. These Terms of Reference stressed the emphasis we would be attaching to consulting widely with our stakeholders, artists and arts organisations as part of the development of our Arts Strategy for 2013/18. This consultation took place via four sessions of Sgwrs Gelfyddydol, which ran in Llandudno, Aberystwyth, Abertillery, and Cardiff with over 70 discussion topics being generated by the Open Space approach. <p>Material from the Sgwrs is now posted on line and a further programme of follow up focus groups is being planned over April/ May 2013.</p> <p>Publication of the new Strategy document <i>Creativity and the Arts</i> is planned for September 2013.</p>
	<ul style="list-style-type: none"> Reviewed the impact of the implementation of new funding programmes/ strategies (Festivals, National Touring, Theatre Development, Public Art, Music Industry Development Fund) 	<ul style="list-style-type: none"> Data from the RFO Survey undertaken during the year has been published on our website. This provides much of the baseline information required to undertake a review of the impact of the new funding programmes. <p>However, more time is needed for us to refine the data and to undertake the impact assessment. This work has been scheduled for early in 2013/14.</p>

Corporate Plan theme/ Operational target	By the end of March 2013 we will have...	Achievements and performance
	<ul style="list-style-type: none"> Commissioned a Public Satisfaction Survey into the arts promoted by RFOs 	<ul style="list-style-type: none"> Pressure of other activity – and additional priorities – has meant that we did not complete this target in 2012/13. <p>As part of our future planning we want to re-examine the case for the survey as currently defined, and to explore whether during 2013/14 there might be value in a more broadly defined Public Satisfaction Survey. We think it unlikely that we will look solely at the RFO portfolio.</p>
	<ul style="list-style-type: none"> Worked with our portfolio of RFOs to support them in their efforts to increase audiences, to exchange knowledge and share best practice 	<ul style="list-style-type: none"> The RFO Survey was published on our website in January 2013. Key findings portray a positive picture with an increase of over one million in audience attendances across the RFO portfolio and many of the venue organisations showing increases in generated income. <p>RFO Annual Review Meeting reports for 2011/12 are published on our website for all but one of our RFOs. Reports for 2012/13 will be published by July 2013.</p>
	<ul style="list-style-type: none"> Achieved increased international recognition for Welsh artists and arts organisations 	<ul style="list-style-type: none"> Key current projects – our presence at the Venice Biennale and WOMEX 13 - are on track and to plan. <p>Work with British Council under our partnership agreement, continues with a forthcoming focus on Edinburgh showcase (August 2013).</p> <p>A full programme under the International Opportunities Funding strand continues. The Writers Chain project in India has been extended to embrace writers and musicians.</p>
	<ul style="list-style-type: none"> Established a new project delivery partnership for Wales in Venice 2013 	<ul style="list-style-type: none"> This action has been completed. The new project partner was established through working with the Visual Arts Galleries Wales network of galleries and visual arts organisations in Wales. The proposition

Corporate Plan theme/ Operational target	By the end of March 2013 we will have...	Achievements and performance
		<p>from a joint partnership from Mostyn working with Oriel Davies was selected to be Wales's project for the 55th Venice Biennale.</p>
	<ul style="list-style-type: none"> Ensured nationwide monitoring of the quality of our RFOs 	<ul style="list-style-type: none"> Implementation of our Organisational Review and the review and recruitment of the National Advisers in Quarters 2 and 3 has had an impact on our achievement of this target. <p>We adjusted the target to set a more realistic measure. However, figures at year end show that we completed 168 Quality Appraisal Reports across our portfolio of Revenue Funded Organisations, against a revised target of 213.</p> <p>The current work following up the Annual Review Meetings needs to probe the reasons for this under-performance.</p>
	<ul style="list-style-type: none"> Supported a strong cohort of artists through the Creative Wales awards 	<ul style="list-style-type: none"> This has been completed. Earlier in the year, 22 artists were selected through Creative Wales awards, including 2 Creative Ambassador Awards. <p>A further 20 Creative Wales Awards and two Creative Wales Ambassador Awards were made on March 21st 2013 in a conclusion to an afternoon of Creative Wales Conversations held at the Grand Theatre Swansea. Details of the awards are posted on the web.</p>
	<ul style="list-style-type: none"> Used our media contacts to promote the arts in Wales 	<ul style="list-style-type: none"> Regular conversations, further supported by monthly forward planning meetings, have been held between the Arts Council's Communications Team and key media contacts throughout 2012/13. <p>Draft agreements are also been drawn up with both the BBC and S4C.</p>

Corporate Plan theme/ Operational target	By the end of March 2013 we will have...	Achievements and performance
	<ul style="list-style-type: none"> Maintained effective partnerships with British Council and Cadw 	<ul style="list-style-type: none"> We have worked closely with British Council throughout the year, including review of the current partnership agreement and project work. <p>Ongoing partnership work now embraces work on the international dimensions of Dylan Thomas 100.</p> <p>We have signed a Memorandum of Understanding with Cadw. Artist Lucy Harvey has been appointed at Valley Crucis Abbey for the inaugural residency which will last six month, starting in February 2013.</p>
	<ul style="list-style-type: none"> Established a new list of National Advisers 	<ul style="list-style-type: none"> The recruitment process for the new advisers was undertaken during 2012/13 resulting in 46 advisers in place, 18 of which are new. <p>Each Adviser has been assigned to one or more RFO and invited to attend our Annual Conference and a series of induction sessions arranged.</p> <p>A successful session entitled Meeting of Minds was organised as both induction and strategic discussion day with National Advisers.</p> <p>Work on skills gaps has included digital expertise and circus.</p>

Corporate Plan theme/ Operational target	By the end of March 2013 we will have...	Achievements and performance
<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. We want people to enjoy and experience work of quality that inspires, entertains and challenges. By doing so, we want to persuade more people that attending and taking part in the arts should be an important part of their everyday lives.</p>		
<p>By 2013 we will have increased levels in attendance and participation in the arts in Wales by 3%</p>	<ul style="list-style-type: none"> Implemented our Young Creators and Child Poverty strategies 	<ul style="list-style-type: none"> Agreed targets for year one of our Action Plan have been met. We concluded our RFO mapping exercise and produced a report on arts and education activity in December 2012, for the Welsh Government's Arts and Education Task Force review. <p>We commissioned a consultation exercise with young people about a national event celebrating young people's creativity.</p> <p>The roll out of Criw Celf has progressed well and national Youth Arts Wales has begun its organisational review.</p>
	<ul style="list-style-type: none"> Promoted greater awareness and implemented our new Strategic Equality Plan 	<ul style="list-style-type: none"> Our Strategic Equality Plan was published in April 2012 and a more detailed action plan published our website at the end of October 2012. <p>Considerations for the Equalities Guidelines formed part of the Sgwrs Gelfyddydol discussions that took place during Quarter 4. Therefore the finalised Equality Guidelines will not now be published until early 2013/14.</p>
	<ul style="list-style-type: none"> Reviewed the impact of the implementation of new Creative Steps programme 	<ul style="list-style-type: none"> The review of Creative Steps was not completed by the end of the year and will now be rescheduled to early April. Recommendations for future development of the programme will be formulated by the end of Quarter 1 2013/14.

Corporate Plan theme/ Operational target	By the end of March 2013 we will have...	Achievements and performance
	<ul style="list-style-type: none"> Worked with our portfolio of RFOs to support them in their efforts to increase arts participation 	<ul style="list-style-type: none"> The RFO Report was presented to Council in December and circulated to the RFOs in January. However further work is required against this action as there is no specific initiative currently underway to support the RFOs to increase arts participation.
	<ul style="list-style-type: none"> Piloted new methods of engaging 'hard to reach' young people through the delivery of the Splash Arts and Reach the Heights the programmes 	<ul style="list-style-type: none"> During 2012/13 total funding of £77,571 was provided for 18 Splash Arts Cymru projects. We are in the process of compiling an evaluation report. <p>All Reach the Heights projects have now been completed and we are in the process of competing our final claims. 17 projects have received follow on funding to continue activity.</p>
	<ul style="list-style-type: none"> Piloted new initiative to explore innovative ways of encouraging increased arts attendance by low income families 	<ul style="list-style-type: none"> We are considering a proposal for a bespoke Wales programme linked to the TMA family Friendly initiative. <p>We funded 2 projects through the Our Space initiative both of which are now up and running.</p>
	<ul style="list-style-type: none"> Delivered the Wales component of the 2012 Cultural Olympiad 	<ul style="list-style-type: none"> Wales' Cultural Olympiad programme was successfully completed over the summer period. The final Evaluation report was received and final claims submitted to LTUK. This project is now closed.
	<ul style="list-style-type: none"> Monitored levels of overall attendance and participation in the arts in Wales 	<ul style="list-style-type: none"> The Omnibus Survey and Children's Omnibus Survey were both completed in 2012/13. <p>Headline statistics confirm the conclusions of the good progress made by the RFOs in the RFO Survey showing attendance figures up by 2% on previous year and arts participation increasing from 27% in the previous year to 40%. This is the largest year on year change in the history of the survey.</p>

Corporate Plan theme/ Operational target	By the end of March 2013 we will have...	Achievements and performance
	<ul style="list-style-type: none"> Promoted high quality touring activity in local communities across Wales through our Night Out service 	<ul style="list-style-type: none"> During 2012/13 a total of 572 events were booked through the Night Out scheme, 142 of which were in community first areas. The number of events in Community First areas was reduced this year due to reorganisation of the community first network and uncertainty regarding the revised boundaries for Community First areas. <p>There were 28 Young Promoter Projects.</p>
	<ul style="list-style-type: none"> Supported BME artists' development programme through a service agreement with BVSNW 	<ul style="list-style-type: none"> Agreed services were delivered. Due to changes affecting BVSNW, it was agreed to tender for this work in 2013/14.
	<ul style="list-style-type: none"> Supported Voluntary Arts development of <i>Running Your Group</i> programme in Wales 	<ul style="list-style-type: none"> The web resource has been launched in Wales and 3,000 people have registered to the site. Monitoring meetings have been held and work has been on target. <p>We have agreed a further year's funding to build on Running Your Group in Wales.</p>
	<ul style="list-style-type: none"> Increased the diversity of the Arts Council of Wales Council members and its staff 	<ul style="list-style-type: none"> The diversity of the Council members has improved following recruitment of new members earlier this year. <p>However, findings detailed in our Annual Equality Report presented to Council in Quarter 3 suggest further work is required with regards to increasing diversity amongst staff.</p>

Corporate Plan theme/ Operational target	By the end of March 2013 we will have...	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. We want to foster a greater spirit of entrepreneurship in ourselves and the arts that we support. By doing so we want to encourage less of a dependency on government subsidy.</p>		
<p>By 2013 we will have increased our own turnover with at least 10% of our income coming from new sources.</p>	<ul style="list-style-type: none"> • Implemented a new Lottery Capital strategy and funding programme 	<ul style="list-style-type: none"> • The Capital Strategy and guidelines have been published on our website. Application values requested total in excess of £28 million and the first major award under this Scheme has been made. <p>We are now working through the project registrations to agree those projects that will progress to feasibility and development planning stages.</p>
<p>In addition, we will have increased the value and impact of our existing investment in the arts.</p>		
	<ul style="list-style-type: none"> • Formulated strategies for: <ul style="list-style-type: none"> ◦ the Creative Industries ◦ Digital Arts ◦ training and workforce development ◦ Arts and Regeneration ◦ European funding 	<ul style="list-style-type: none"> • All of these strands are integral to the Arts Strategies Review and, for this reason, formed part of the Sgwrs Gelfyddydol discussions and will feature in Creativity and the Arts when written. <p>We have spent the year engaging in dialogue and establishing collaborations with organisations to inform our position on all of these areas and are now in a much stronger position to develop strategies and partnerships to further our aims.</p> <p>For example, we have been working with organisations with a significant track record in digital work such as Native HQ and Watershed, a Digital Media centre in Bristol, to explore potential opportunities to work with them in introducing relevant project to Wales.</p>

Corporate Plan theme/ Operational target	By the end of March 2013 we will have...	Achievements and performance
		<p>We have been scoping demand for workforce development in association with other relevant bodies such as Creative Skills and Cyfle. We have developed 2 further Welsh language internships with WMC. We are also working with the Clore Foundation, MMM and Arts and Business Cymru about enhancing skills development and leadership provision.</p> <p>We have also contributed to the Welsh Government's Regeneration Review and established links with major regeneration led developments in Swansea, Caernarfon, Rhyl and Colwyn Bay.</p> <p>We have developed a Digital R&D Fund in partnership with NESTA to commence in 2013.</p>
	<ul style="list-style-type: none"> • Re-launched Collectorplan to increase the number and value of art purchase loans 	<ul style="list-style-type: none"> • Following a recent tender exercise we appointed an external consultant to undertake a review of our current Collectorplan. Towards the end of this year we received the first draft of the Consultant's report and are currently working on developing an action plan. <p>During 2012/13 we processed a total of 877 Collectorplan applications with a total value of £593,417. These figures show a small decline on the previous year when we had processed a total of 979 applications totalling loans to the value of £715,758.</p>
	<ul style="list-style-type: none"> • Using existing research/data, established the level and extent of employment in the arts in Wales 	<ul style="list-style-type: none"> • We continued to make progress with this throughout the year and the findings of the RFO Survey also contributed to this work. <p>A tool has been developed by Skillset and CC Skills to compile employment data. CI BETS have awarded the contract for the CI mapping project and Creative Industries has also commissioned some research work.</p>

Corporate Plan theme/ Operational target	By the end of March 2013 we will have...	Achievements and performance
		<p>We have also commissioned a research project for Digital Research and Development for 2013/14.</p>
	<ul style="list-style-type: none"> Capitalised on the opportunity provided by WOMEX 2013 to develop new markets for the Welsh music industry 	<ul style="list-style-type: none"> Work has been ongoing on this throughout the year, including the creation of the Cerdd Cymru:Music Wales Collaboration Agreement with the project partners. Cerdd Cymru:Music Wales has been successful in securing additional funding from the Welsh Government. Meanwhile we have continued its cash flow facility and agreed a further £50,000 underpinning of the project in 2013/14. The team have secured the opening concert which will be "curated" by Cerys Matthews.
	<ul style="list-style-type: none"> Delivered a successful annual Arts Council Marketing Symposium 	<ul style="list-style-type: none"> The event took place on April the 18th in the Grand Theatre, Swansea. On-line registration was opened in March.
	<ul style="list-style-type: none"> Delivered an Organisational Development Programme for RFOs 	<ul style="list-style-type: none"> The first tranche of training took place during Quarter 3 and focussed on business planning, whilst the second phase of training for the Revenue Funded Organisations in Quarter 4 covered aspects of Governance. Early indications are that the sessions, some of which were delivered through the medium of Welsh, were well received and found to be useful by the organisations that attended.
	<ul style="list-style-type: none"> Facilitated meetings of Wales European Arts Forum 	<ul style="list-style-type: none"> In addition to regular email updates, two meetings have been held with the European Arts Forum over the course of the year. These have included training for those organisations looking to apply for the EU Culture Programme for funding and networking with cultural operators from across Europe. <p>Two of our clients who submitted proposals as lead partners have been successfully selected for EU funding (Chapter/Coreo Cymru and Ffotogallery).</p>

Corporate Plan theme/ Operational target	By the end of March 2013 we will have...	Achievements and performance
	<ul style="list-style-type: none"> Developed a new partnership with Local Government that reflects the outcomes of the Welsh Government's Simpson Review 	<ul style="list-style-type: none"> Funding for Ffynnon Training has been approved for each of the 4 regions to assist with the development of the RBA Scorecards within the Local Authorities. <p>Directors will continue to have an overarching lead role with respect to each of the 4 new regions.</p> <p>1:2:1 meetings have taken place during the year, further meetings need to be scheduled before end of year. Some delay has occurred due to other work commitments.</p>
	<ul style="list-style-type: none"> Developed Public Value Partnerships with BBC Cymru Wales and S4C 	<ul style="list-style-type: none"> Work has been ongoing on this throughout 2012/13. Draft copies of the partnership documents are with the respective Heads of the BBC and S4C. Meanwhile conversations are ongoing with both organisations to finalise a series of projects that will be key to the successful outcome of these partnerships.
	<ul style="list-style-type: none"> Developed a Memorandum of Understanding with Creative Industries Sector Team at Welsh Government 	<ul style="list-style-type: none"> Different emphases of policy between ourselves and the Welsh Government in this area have meant that we have been unable to meet this target.
	<ul style="list-style-type: none"> Worked in partnership with the Welsh Government to develop joint projects 	<ul style="list-style-type: none"> We worked on a number of joint projects with colleagues in the Welsh Government during 2012/13. These included managing the applications for the projects to mark the celebrations for the 100th anniversary of the birth of Dylan Thomas. We have also worked closely with consultants in support of the Llangollen International Music Eisteddfod and we have supported the work of the Welsh Government Arts and Education Task Force which is chaired by Dai Smith.

Corporate Plan theme/ Operational target	By the end of March 2013 we will have...	Achievements and performance
<p>Making the Arts Council an effective and efficient public organisation</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 2013 we will be able to demonstrate that we are a more efficient and effective organisation.</p>	<ul style="list-style-type: none"> Reviewed our HR policies 	<ul style="list-style-type: none"> Due to pressures of other activities we completed reviews of 16 of our 25 HR Policies. All policies reviewed were also submitted to our union for consideration. <p>The remaining policies will be reviewed during 2013/14.</p>
	<ul style="list-style-type: none"> Implemented our ICT Strategy 	<ul style="list-style-type: none"> We have made significant progress in implementing our ICT Strategy over the course of the year. <p>Arts Directory is complete and currently being populated. Conferencing Software (EventBrite) has been implemented. IGAM/online applications delivered. PSBA has been achieved.</p> <p>The new mobile workforce resulting from the Organisational Review is in place and the first phase of the new intranet was rolled out to staff in February 2013.</p> <p>Work on the Collectorplan website is currently suspended pending the outcome of the Collectorplan review, and the development of the Night Out Website and Single Database is ongoing.</p>
	<ul style="list-style-type: none"> Implemented our Accommodation Strategy 	<ul style="list-style-type: none"> The move for Colwyn Bay Office was completed successfully in Quarter 3. During this quarter staff were also relocated to the second and third floors at the Cardiff Office, thus vacating the first floor for sub-letting. Whilst this work is largely complete

Corporate Plan theme/ Operational target	By the end of March 2013 we will have...	Achievements and performance
		<p>further work is required to finalise the layout of the third floor and find tenants for the first floor.</p> <p>Considerations for the Carmarthen Office have also now been bought forward from 2013/14 to Quarter 4 of this year and, whilst potential alternative premises have been identified this work is currently ongoing.</p>
	<ul style="list-style-type: none"> Implemented an online applications process (IGAM) 	<ul style="list-style-type: none"> This has been completed and applied to all lottery project funding applications from 1 April 2012.
	<ul style="list-style-type: none"> Established our new Information Service 	<ul style="list-style-type: none"> As a result of the Organisational Review a new Information Team was set up in May 2012. Work is now scheduled to ensure operational efficiencies are achieved.
	<ul style="list-style-type: none"> Implemented cost cutting measures to help us to achieve our Organisational Review targets 	<ul style="list-style-type: none"> Target reductions resulting from the Organisational Review were achieved for 2012/13.
	<ul style="list-style-type: none"> Published an annual report on the financial and organisational performance of the RFO portfolio 	<ul style="list-style-type: none"> This action has been completed. A survey across our RFO Portfolio was conducted during 2012/13 and a copy of the final report published on our website in January 2013.
	<ul style="list-style-type: none"> Achieved published targets for processing of grants applications 	<ul style="list-style-type: none"> During 2012/13 we received 833 applications for funding - 710 to our funding schemes, 16 Capital applications and 107 applications to our International Opportunities Fund – all of which were processed within agreed timescales.
	<ul style="list-style-type: none"> Achieved published targets for the processing of financial payments 	<ul style="list-style-type: none"> End of year figures for 2012/13 show 93.87% of supplier invoices had been paid within agreed terms, 72.16% of which were processed within 10 working days.

Corporate Plan theme/ Operational target	By the end of March 2013 we will have...	Achievements and performance
	<ul style="list-style-type: none"> Achieved high level of public satisfaction with our Information Service 	<ul style="list-style-type: none"> Please see previous comments (above) regarding a wider review of our operational efficiencies. A public satisfaction survey will now be scheduled for 2013/14.
	<ul style="list-style-type: none"> Improved the quality of our engagement with partners and stakeholders across Wales 	<ul style="list-style-type: none"> The first regional advice surgeries took place in during Quarter 3. Five lottery funding advice surgeries were held at venues across Wales and were attended by a total of 47 potential applicants. An additional four surgeries were also held for Creative Wales applications across Wales, attended by a total of 41 potential applicants. <p>In addition, there were four sessions of Sgwrs Gelfyddydol, which ran in Llandudno, Aberystwyth, Abertillery, and Cardiff with over 70 discussion topics being generated using the Open Space approach.</p>
	<ul style="list-style-type: none"> Provided clearer information on our Governance arrangements 	<ul style="list-style-type: none"> This action has been completed. Our Governance Statement was included in 2011/12 Annual Report and Accounts; and approved by external audit.
	<ul style="list-style-type: none"> Dealt effectively with Complaints and Freedom of Information requests 	<ul style="list-style-type: none"> We received a total of 22 Freedom of Information requests and 1 formal complaint during 2012/13. All Complaints and FOI requests were responded to in full within the specified timescales.

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

Grant making policies

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

Recurrent, or annual revenue, grants are made to a portfolio of organisations to deliver high quality artistic services. Consideration of revenue status for any organisation is dependent on the availability of funding, the sustainability of the organisation, and demonstration of strong fit with the Council's strategic priorities. Currently, each revenue-funded organisation enters into a funding agreement for a term of one to three years which sets out the anticipated level of funding, the programme of activity to be delivered, requirements for monitoring and annual review, standard conditions of grant, and any additional conditions. They are at the heart of the Council's future strategy to develop the arts in Wales.

One-off grants are available to help fund time-limited artistic projects of high quality which best meet the Council's funding priorities.

On-going monitoring of our grant aid programmes alerts us to any specific risk issues. Identified risks lead to an escalation of the level of monitoring and, if necessary, can result in the

payment of funding being with-held and/or deferred.

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.

Financial review

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

Reserves

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

Most of the Council's unrestricted funds are committed during the year, in accordance with the conditions of grant-in-aid issued by the Welsh Government. Any surplus funds are carried forward and used in furtherance of the Council's chartered objectives in the following year. There were no designated funds at 31 March 2013 (2012: £Nil).

Our holding of cash reserves is restricted by the Welsh Government's month-end and year-end flexibility directions. Within those parameters, our policy is to manage cash flow by drawing down funds each month to meet planned

expenditure with a modest allowance for unforeseen short-term cash requirements. We review this policy and our reserves position annually.

Investment

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

Financial results

The accounts, excluding Lottery distribution activities, show total incoming resources for the year of £37,114,000 (2011/12: £36,561,000), net incoming resources of £332,000 (2011/12: £395,000), net current assets of £2,925,000 (2012: £2,616,000) and total fund balances at 31 March 2013 of £3,235,000 (2012: £2,903,000).

At 31 March 2013 the Council had formally offered forward grants for 2013/14 of £28,129,000 (2012/13: £28,302,000).

The Lottery distribution account shows the Council's 2012/13 share of the proceeds from the National Lottery of £19,355,000 (2011/12: £15,083,000). The combined total incoming resources for both general and Lottery activities for 2012/13 was £56,599,000 (2011/12: £51,793,000).

General grants are charged to the Statement of Financial Activities as soon as they are offered, except for forward commitments as described in Accounting policy note 1f. Lottery grants are charged only when the formal offer has been accepted by the recipient. Although not all charged as expenditure in the Statement of Comprehensive Net Income, during 2012/13 Council approved Lottery grants amounting to £11,958,000 (2011/12: £9,334,000). On this basis, the combined total direct charitable arts expenditure for both general and Lottery activities for 2012/13 was £50,055,000 (2011/12: £46,816,000).

Plans for future periods

Our priorities are built around qualitative and quantitative targets.

This presents some interesting challenges in terms of consistent, evidence based reporting. The measuring 'tools' that we use to count things (such as the number of people enjoying and taking part in the activities that we fund) won't offer the same yardstick for measuring the quality of those activities. For example, how do we demonstrate that we're "supporting the creation of the best in great art"?

We want to be able to monitor accurately our progress across the full range of our activities.

To help us do this, each of our four priorities begins with a statement of ambition – a description, in narrative form, of what we believe success would look like. We then set out our detailed Targets according to one of the following six categories:

- **Policy** – a commitment to introduce, review or update an Arts Council policy or strategy
- **Projects** – these are discrete initiatives or activities that are specific and time limited.

The Target here will usually relate to the successful completion of the Project, and progress is monitored against a series of 'milestone' events

- **Services** – a significant amount of our work is not time limited. Often it will be demand led or will recur on an on-going basis. Examples might include enquiries to our Information Services, or our processing of financial transactions. Each year we'll set a series of Service Standards. We'll publish both the Standard, and our success in meeting it
- **Partnerships** – some of our most important work emerges from the relationships that we initiate and build with other organisations. This relationship is usually defined in a specific Partnership Agreement or Memorandum of Understanding. Examples might include the partnerships we develop with organisations as diverse as the British Council, Cadw and the BBC. We'll report at the year end, in narrative form, on the 'strength' of our Partnerships and the successes that we've achieved

- **Governance** – our Council sets exacting performance standards for itself, its Committees, its executive staff and its Advisers. Examples might include the attendance records of Council members, or the extent of our use of National Advisers. Council will set annual Standard's and will report against them
- **Compliance** – some aspects of our performance relate to our success in meeting mandatory legal requirements or discretionary standards of good practice. Examples might include our performance against the obligations set out in our Strategic Equality Plan, the number of Complaints or Freedom of Information Requests we receive, or our progress in making the Arts Council a more environmentally sustainable business. Council will publish an annual Performance Statement detailing our progress in meeting our commitments.

Our priorities for 2013/14 are set out in the following table:

Supporting the best in the creation of great art

What will success look like?

We are passionate about the arts. We are ambitious for their success. At their best – and it's the best we're interested in – the arts have the power to excite, inspire, move and challenge. We want to shape an environment for our artists and organisations in which they can create their best work. We want the people of Wales to be able to enjoy and take part in the best that our nation has to offer. And we believe that the best experience of art only happens when this chord is struck, when art connects. That's our definition of great art. Making art, sharing art, being a part of it, in the community, in performance, off the page, in a space, in lives – this is when art works, inspirationally, individually, collectively.

Of course, we can't guarantee that every artist or arts organisation that we support will always be producing work at the top of their game. However, we can help to create an environment in which ambitious, exciting and compelling work becomes a more likely outcome.

We'll know that we're making progress if:

- the quality of work produced by organisations that we fund delivers an increase, year on year, in attendance and participation
- demand for the work of our artists and organisations grows nationally and internationally
- in the judgement of our professional Officers and Advisers, the quality of work delivered by our revenue funded organisations is consistently pushing the boundaries of innovation as benchmarked against the highest standards
- proposals submitted to our Creative Wales awards are of a high quality and the competition for the awards is challenging
- there is regular and positive media coverage of the arts in Wales, and growing critical debate about the quality of the art made in Wales
- competition for Lottery grants focuses funding decisions on the strongest and most persuasive applications
- our partnerships with other bodies are providing new opportunities to highlight interesting arts activities and develop new opportunities and contexts for the arts to work in

Priorities for 2013/14

1. Produce a new corporate strategy for arts development (Creativity and the Arts) ensuring it recognises Council's priorities to promote:
 - a. participation, engagement and inclusion
 - b. arts education, children and young people
 - c. the creative industries and cultural regeneration
 - d. support to the individual artist
 - e. international work and opportunities
 - f. well-being and sustainability
2. Deliver successful Cymru yn Fenis/Wales in Venice project with featured artist Bedwyr Williams
3. Contribute to the planning, development and delivery of a successful Dylan Thomas 100 Festival during 2014
4. Support the development of our National Advisers and their engagement with our work
5. Ensure nationwide monitoring of the quality of our RFOs
6. Deliver a full year programme of grant awards to individuals and organisations

7. Deliver programme of projects and services that assist artists and arts organisations to exploit the international potential of their work

8. Use our media contacts to promote the arts in Wales

9. Deliver effective presence at external events, promoting and supporting the arts in Wales

Encouraging more people to enjoy and take part in the arts

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.

We'll know that we're making progress if:

- evidence shows that audiences and participants are being drawn from a more diverse cross section of the population, and that those who've previously faced barriers to engaging with the arts have found it easier to be involved
- we see an increase in the number of participatory projects delivered in Communities First areas and an increase in the number of people living in Communities First areas attending arts events
- our Night Out scheme, delivering high quality performances to local communities, sees an increase in audience numbers, specifically amongst people from areas of high deprivation, in both urban and rural localities
- we see an increase in the number of children and young people engaging directly in creative (artistic) activity
- we see an increase in the number of projects (for audiences and participants) that:
 - are delivered in areas of high deprivation, tackling the issues that contribute to child poverty
 - remove the barriers that prevent participation
 - increase the number of children and young people actively involved from Communities First areas
 - demonstrate a positive impact on the lives of those young people
- we see an increase in the number of artists from diverse backgrounds being supported to create, present and promote work

Priorities for 2013/14
10. Work with the Welsh Government to support the implementation of the findings of the Arts and Education Review
11. Address the recommendations on Participation in the Arts from National Assembly Communities, Equalities and Local Government Committee
12. Implement our strategies for Young Creators and Child Poverty
13. Implement our Strategic Equality Plan
14. Promote our Welsh Language Scheme through the implementation of the 15 key targets in our Welsh Language Action Plan for 2013/14
15. Work with our portfolio of presenting organisations (venues and galleries) to increase and diversify their audiences
16. Support methods of engaging 'hard to reach' young people through the delivery of the <i>Splash Arts</i> and <i>Reach the Heights</i> programmes
17. Expand the <i>Developing Talent</i> programme of activity
18. Promoting high quality touring activity in local communities across Wales, especially through the work of the Arts Council's <i>Night Out</i> service
19. Work with specialist agencies (Voluntary Arts Wales, Disability Arts Cymru, Diverse Cymru, Stonewall Cymru) to provide support that helps us to deliver our strategic objectives
Growing the arts economy
<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 can only prove an impediment to innovation, development and sustainability.</p> <p>The Arts Council will use all its powers of advocacy to encourage the widest possible range of public and private sector agencies to invest in the arts. However, we believe that success will largely depend on the extent to which artists and arts organisations are able to build their own business capability and exploit the full value of their artistic worth.</p>

As we encourage growth, we must also encourage sustainability. Ways of working that squander resources rather than enhance and protect them run counter to the spirit of the time. We need to address the demands of the present without compromising future generations' economic, social and cultural well being.

We'll know that we're making progress if:

- artists and arts organisations demonstrate an entrepreneurial approach to developing new local, national and international markets for their work
- artists and arts organisations are investing in their professional and organisation development
- our revenue funded arts organisations are able to reduce the level of subsidy as a proportion their overall income
- we see more examples of organisations working together to develop creative projects or to share costs and services
- the opportunities offered by new digital technologies are understood and widely used across the arts in Wales
- the arts in Wales are operating on a more sustainable basis, offering practical solutions to environmental challenges
- local government across Wales values the arts and maintains levels of funding and service delivery
- our principal public service broadcasters – BBC Cymru Wales, S4C and ITV Wales – develop new partnerships with the arts
- there is more evidence of the use of the arts in public partnerships and major developments, such as in strategic regeneration areas

Priorities for 2013/14

20. Agree a new three year strategy for Arts Council investment in the arts

21. Encourage our portfolio of RFOs to become more resilient and sustainable (culturally, organisationally and financially), and provide information on the portfolio's performance.

22. Develop *Ideas, People, Places*, a challenge fund invest in arts-led regeneration projects that promote art in the public realm

23. Deliver our Lottery capital priorities

24. Initiate a programme of activity that encourages the development of digital capacity in the arts
25. Re-launch the Collectorplan scheme
26. Deliver WOMEX 2013 as a world class event to realise its potential as a catalyst for music sector in Wales
27. Deliver successful Arts Council corporate events (Annual Conference, Marketing Symposium and Sgwrs Gelfyddydol)
28. Develop the entrepreneurial leadership skills that help artists and arts organisations to develop forward looking, sustainable and resilient business practice
29. Embed our new three stranded (national, regional and individual) partnership with local government across Wales
30. Develop Public Value Partnerships with BBC Cymru Wales and S4C
31. Nurture partnerships that support the delivery of our arts priorities, developing new opportunities for artists to commission, develop and present work
32. Maximise benefits to the arts from European Programme 2014-2020 including structural funds

Making the Arts Council an effective and efficient public organisation

What will success look like?

During 2012/13 we implemented the outcomes of our Organisational Review. A new staffing structure is in place. Now our challenge is 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.

We'll know that we're making progress if:

- the individuals, organisations and stakeholders that we work with express a high level of satisfaction with the quality of our services
- we fully exploit the potential of new technology

- we process applications, grant payments and financial transactions in a prompt and timely fashion
- we're seen to be improving our environmental sustainability
- we retain our Investors in People accreditation
- we're reducing our running costs

Priorities for 2013/14

33. Developing the professional capability, skill and well being of our staff

34. Implement our ICT Strategy

35. Develop a suite of Corporate publications and video, promoting the Arts Council brand and the work that we do

36. Manage our office estate efficiently, safely and at best value

37. Develop our Information Service

38. Implement cost cutting measures to help us to achieve our Organisational Review financial targets

39. Retain liP accreditation

40. Assess independently the effectiveness of our organisation

41. Achieve published targets for processing:

- a. of grants applications
- b. financial payments

42. Review and simplify our grant making processes.

43. Manage our financial resources to the highest standards of accountability

44. Develop a constructive relationship with Welsh Government through:

- a. Delivery and reporting on requirements of the Remit Letter 2013/14
- b. Biannual meetings with the Minister
- c. Culture Forum
- d. Quarterly Monitoring Meetings with officials

45. Annual Report for 2012/13 published

46. Support the corporate management of the Arts Council's business through: <ol style="list-style-type: none"> a. the management and organisation of Council and its Committees b. the management and organisation of Senior Management Team c. the management and organisation of Management Board
47. Ensure the diversity of the Arts Council of Wales Council members and its staff
48. Deal effectively with Welsh Government enquiries, Complaints and Freedom of Information requests
49. Meet our environmental responsibilities in accordance with the Welsh Government's Sustainability Duty
50. Implement new payroll systems

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 2012/13 staff sickness absence totalled 364 days (2011/12: 963 days). This represented 1.97% (2011/12: 4.30%) of working days, including 0.16% (2011/12: 1.77%) as a result of long term absence (over 28 days).

Employee communication

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

Pension scheme

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

Payment of creditors

Under the Late Payment of Commercial Debts (Interest) Act 1998, and the UK Government's

Better Payment Practice Code, the Council is required to pay suppliers' invoices not in dispute within 30 days of receipt of goods or services or valid invoice, whichever is the later.

The Council aims to pay 100% of invoices, including disputed invoices once the dispute has been settled, in line with these terms. During the year ended 31 March 2013, the Council paid 94% (2011/12: 96%) of all invoices within the terms of its payment policy. Since November 2008 the Council, in line with Welsh Government policy, aims to pay invoices within 10 days. For 2012/13 72% (2011/12: 86%) of invoices have been paid within 10 days. It is not anticipated that our policy will alter in future years.

Financial risk and capital management

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

Liquidity risk - The Council is satisfied that it has sufficient liquid resources, in the form of cash at bank and agreed funding for 2013/14, to meet all current contracted commitments. The Council does not consider that its general activities are exposed to any significant liquidity risk.

Interest rate risk - Cash balances, which are drawn down from the Welsh Government to pay grant commitments and operating costs, are held in instant access variable rate bank accounts which on average carried an interest rate of 0.50% (2011/12: 0.50%) in the year. The effective unrestricted year-end cash balance

held by the Council in the bank was £1,065,000 (2012: £1,739,000, although the Welsh Government had remitted the first instalment of our 2012/13 grant-in-aid, amounting to £5,800,000, on 30 March 2012 so our actual unrestricted year-end cash balance was £7,539,000). The Council does not consider that its general activities are exposed to significant interest rate risks.

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

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

Personal data related incidents

The Council has controls and policies in place to ensure data integrity. ICT 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.

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.

Sustainability

The Welsh Government's White Paper "*A Sustainable Wales – Better Choices for a Better Future*" sets out its vision and proposals for embedding sustainability as the central organising principle for the wider public services in Wales when the Sustainable Development Bill becomes legislation. The Arts Council of Wales is amongst the first wave of organisations subject to the Sustainability Duty, beginning 1 April 2015.

We will therefore reflect this into the development of our new strategies and in our Corporate Plan which will be published early in 2013/14. During the next year we will also be developing our plans to meet our duties under the *Sustainable Development Bill* in order to ensure that we fully play our part in delivering the Welsh Government's vision.

Audit

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

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

Environmental Report

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 performance. These are an integral part of our business and operating methods.

Recent guidance from the Welsh Government, based on HMT guidelines for Sustainable Reporting, introduced a de minimis level for those organisations required to report on their environmental performance.

Although below the de minimis level, we have decided voluntarily to report more fully on our environmental performance for 2012/13. We believe this is in line with the spirit of the Welsh Government's White Paper – *A Sustainable Wales – Better Choices for a Better Future*.

Review of progress:

Since introducing an environmental policy we have made good progress in improving our environmental performance. This has been achieved through a combination of financial investment, the introduction of systems and different ways of operating, and through the commitment of our staff.

We currently operate from three locations across Wales, which at the start of the year had a combined floor area of 1,464 square metres. As part of our accommodation strategy, we have now relocated staff based in North Wales to smaller premises, and moved our Cardiff based staff into a smaller area within our existing office. We are currently reviewing our office requirements in West Wales. Our target is to reduce the size of our estate by at least 25% by the end of March 2014.

Prior to moving in approximately 5 years ago, we fitted our Cardiff office with a range of energy saving devices and equipment. These

included the zoning of the air conditioning system, low energy lighting, and movement sensors to reduce lighting consumption. Printers, photocopiers and faxes have been replaced with more energy efficient multi-functional devices; double sided printing was introduced as the default; and we completed a programme to virtualise our IT servers thus reducing energy for power and cooling. Our new North Wales office also contains many similar features.

The locations of both offices are on public transport networks. More visitors now use public transport to reach us. We have also seen an increase in the number of staff using trains and buses for their journeys to and from work. We are currently considering other initiatives, such as loans for season tickets, to encourage further reductions in our environmental impact.

As well as taking steps to improve the environmental performance of our offices, we have also made progress in changing organisational behaviours.

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 now have car parking space at only one of our offices. We have provided cycle racks in our Cardiff office, and are considering introducing further incentives.

We actively promote the use of video conferencing as an alternative to travel. All three offices are fully equipped with video conferencing facilities. We encourage its use as an alternative to travelling. We are upgrading and extending our video conferencing capacity to include mobile working during 2013/14.

Over 50% of our staff are now equipped with appropriate equipment such as laptops and smartphones to enable them to operate on a mobile basis, thus reducing their dependency on having to work from our offices. This has helped reduce their travel to work journeys and, in turn, their carbon dioxide (CO₂) emissions. We are not in a position to report accurately on the impact of this but will be examining if we can do so in future reports.

The introduction of a new staffing structure and flexible, more mobile working arrangements has however resulted in a need for some staff to travel more between offices, and to increase the level of visits made to funded organisations. We expect to see the initial impact of this trend reversed as the new structure settles into place.

Environmental Awareness is included in our induction programme and members of staff given periodic training and updates as appropriate.

We promote the minimisation of waste amongst our staff by encouraging reduction, reuse and recycling. Recycling and waste separation, which reduces the amount sent to landfill, is also actively promoted internally, and we use licensed and appropriate organisations to dispose of our waste. We recycle our surplus and redundant IT and office equipment.

All our major suppliers of office equipment and supplies have Environmental policies and reporting mechanisms in place, and during selection of contractors and suppliers we consider environmental performance and awareness as part of our selection scoring criteria. Energy-saving devices and equipment are used to reduce electricity consumption, and staff are encouraged to reduce consumption whenever possible.

Our cleaning contractors have environmental policies in place that ensure they use eco-friendly products and equipment; any change to cleaning products has to be agreed with us.

A key focus of our ICT strategy has been to extend the use of our information technology infrastructure to provide business and environmental benefits. We introduced technology to scan incoming mail and invoices etc. which reduces our storage requirements, and enables staff to access documents remotely. For example, our finance systems are now fully electronic from receipt of order through to payment, with supporting documents scanned and accessible electronically. Our on-line grant application system went live during the year; this too will help reduce the volume of paper we receive, handle, store and re-cycle.

We have significantly reduced, in recent years, the number of printed paper copies of our corporate publications, and now actively use electronic means wherever possible. This has helped reduce paper consumption, the quantities delivered, and our storage requirements.

Allied to this, we have invested in an improved website enabling us to improve our level of service, and provide a wide range of information to grant applicants, artists and arts organisations, and to the general public without the need to print and send paper copies.

We have standardised our stationery, and use recycled paper supplies for at least 90% of our copying and other internal needs. Managers are provided with monthly reports analysing printing and copying activity, to encourage lower overall usage.

We will now be pursuing Green Dragon accreditation, and have set a target of securing level 3 accreditation by the end of March 2015.

Our performance:

We have enhanced our internal reporting systems to enable us to capture and measure details of our use of consumables, waste, energy, water and staff travel, and thus our CO₂ emissions. There are however a number of indicators that we are unable to accurately report.

We share occupancy of two of our largest offices, and as such certain costs are included within our service charge, particularly relating to waste costs and water usage. We are exploring with our landlords the practicalities of putting in place a system to accurately separate water usage costs for 2013/14. We are not currently able to accurately determine the cost of our waste. We have therefore included the weight of our waste in the table below:

	2012/13	2011/12
Waste:		
Non-financial (tonnes)		
Landfill - <i>estimate</i>	2.2	2.5
Reused/recycled - <i>estimate</i>	7.45	9.8
Greenhouse gas emissions (CO₂)		
Gross emissions, scope 1 (indirect)	8,800	9,271
Energy consumption (Kwh)		
Electricity (non-renewable)	126,708	133,496
Electricity (renewable)		
Gas	N/A	N/A
Financial indicators (£)		
Expenditure – energy	18,900	20,800
Water supply costs (office estate) – currently unable to assess, included in service charge	N/A	N/A
Travel emissions (CO₂)		
Rail	2,202	1,463
Air	6,927	5,496
Car/vans	6,370	6,555
Travel cost (£)		
Rail	33,194	32,993
Air	19,981	18,266
Car/vans	39,440	40,760
Travel (miles)		
Rail	154,806	104,977
Air	540,671	391,525
Car/vans	86,789	90,757

Our target is to reduce our overall CO₂ emissions by at least 5% during 2013/14.

Our ability to influence:

As well as seeking to improve our own environmental performance, as the largest grant distributor in the arts sector in Wales, we are uniquely placed to influence changes in behaviour and performance amongst the individuals and organisations we fund.

Last year we funded the *Emergence – Eginiaid* programme which focused on the development of a low-carbon arts infrastructure; and developing the role of the arts as a crucible of ideas and visions for a low-carbon *One Wales, One Planet*. Our work helped fund and develop the Emergence summit, a major arts and sustainability event presented by Volcano and the Centre for Alternative Technology in Machynlleth in September 2012. We further supported artists' commissions and film work as part of this event which in turn featured on the BBC/Arts Council England initiative **The Space**. We have subsequently inaugurated an artist in residence project at the Centre for Alternative Technology, and offered further support for Emergence to scope a web-based documentation project.

We also actively encourage high environmental standards in the capital projects we grant fund. The major new build project in Bangor – Pontio – will be built to the BREEAM Excellent standard, whilst the Glynn Vivian project in Swansea will reach BREEAM Very Good, due to its status as an historic building.

Looking ahead:

As well as continuing to minimise our own impact on the environment, we are keen to support the organisations that we fund do the same. We have a number of measures planned for the year ahead aimed at further reducing CO₂ emissions.

Working in partnership with our portfolio of revenue funded organisations we will be developing measures that will include sharing best practice, funding technical improvements, and introducing guidance on sustainable development issues. We are being assisted in this process by work currently being undertaken by Creu Cymru.

Our re-opened Lottery funded capital programme will continue to place emphasis on the buildings we help fund to achieve high environmental standards.

Environmental performance is, of course, only a part – albeit an important part – of the wider sustainability agenda. We will, therefore, be exploring a number of other initiatives that will allow us to play our part in minimising the impact we – and the organisations we fund – have on the environment, and which will enable us to fully play our part in delivering the Welsh Government's vision for a Sustainable Wales.



Nicholas Capaldi
Accounting Officer
5 July 2013



Professor Dai Smith
Chairman
5 July 2013

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. Current guidance from the Welsh Government means that consolidated basic increases are not 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 and the Chief Executive waived his entitlement to a non-consolidated award for 2011/12.

Further details of the remuneration and pension benefits of the Chairman, Chief Executive and other senior directors are provided in note 9b to the financial statements. This information is audited.

Council members are appointed by the Welsh Ministers for a period of three years and may be re-appointed for a further three year period. The current Chairman, Professor Dai Smith, was appointed as a Council member on 1 April 2004 but took over the chairmanship on 1 April 2006. The Minister for Culture, Sport and the Welsh Language subsequently appointed Professor Smith for a term of three years from 1 April 2007 until 31 March 2010, the Heritage Minister renewed his appointment for a further three years to 31 March 2013 and the Housing, Regeneration and Heritage Minister has announced that Professor Smith will continue to serve as chairman until 31 March 2016. The Chief Executive and 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 Remuneration Committee members who served since 1 April 2012 were:

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



Nicholas Capaldi
Accounting Officer
5 July 2013



Professor Dai Smith
Chairman
5 July 2013

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

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

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

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

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



Nicholas Capaldi
Accounting Officer
5 July 2013



Professor Dai Smith
Chairman
5 July 2013

The Certificate and Report of the Auditor General for Wales to the Arts Council of Wales

I certify that I have audited the financial statements of the Arts Council of Wales General Activities Account for the year ended 31 March 2013 under Article 11 of the Council's Royal Charter. These comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Council, Accounting Officer and auditor

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

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Arts Council of Wales' circumstances and

have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Arts Council of Wales; and the overall presentation of the financial statements.

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

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

Opinion on Financial Statements

In my opinion the financial statements:

- give a true and fair view of the state of the Arts Council of Wales's affairs as at 31 March 2013 and of its surplus and cash flows for the year then ended; and
- have been properly prepared in accordance with the Welsh Ministers' directions issued under Article 11 of the Council's Royal Charter.

Opinion on Regularity

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

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Huw Vaughan Thomas
Auditor General for Wales
24 Cathedral Road
Cardiff
CF11 9LJ
15 July 2013

The maintenance and integrity of the Arts Council of Wales' website is the responsibility of the Arts Council of Wales; the work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements once they were initially presented on the website.

Statement of Financial Activities
for the year ended 31 March 2013

	Note	Unrestricted funds £'000	Restricted funds £'000	2013 Total £'000	2012 Total £'000
INCOMING RESOURCES					
Incoming resources from generated funds					
<i>Voluntary income:</i>					
Grant-in-aid from the Welsh Government	3	29,657	4,590	34,247	34,728
Other grants and donations	4	51	2,358	2,409	1,416
Sub-total Voluntary income		29,708	6,948	36,656	36,144
<i>Activities for generating funds:</i>					
Services and sponsorship	5	179	88	267	293
<i>Investment income:</i>					
Bank interest		17	-	17	15
Other incoming resources	6	174	-	174	109
Total incoming resources		30,078	7,036	37,114	36,561
RESOURCES EXPENDED					
Charitable activities	7,8,9	29,786	6,892	36,678	36,063
Governance costs	10	87	-	87	88
Bank interest surrendered to Welsh Consolidated Fund		17	-	17	15
Total resources expended		29,890	6,892	36,782	36,166
Net incoming/(outgoing) resources		188	144	332	395
Gross transfers between funds	16	(156)	156	-	-
Net movement in funds		32	300	332	395
Fund balances brought forward		2,791	112	2,903	2,508
Total funds carried forward		2,823	412	3,235	2,903

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

The notes on pages 53 to 73 form part of these financial statements

Balance Sheet
as at 31 March 2013

		2013		2012	
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Intangible fixed assets	11a		15		37
Tangible fixed assets	11b		295		299
			<u>310</u>		<u>336</u>
Investment in Cerdd Cymru:Music Wales Ltd	1b, 21		-		-
Current assets					
Grants paid in advance	12	516		469	
Other debtors and prepayments	13	2,281		1,530	
Cash at bank and in hand ¹		1,491		7,651	
		<u>4,288</u>		<u>9,650</u>	
Creditors: amounts falling due within one year					
Grants payable		(104)		(344)	
Other creditors falling due within one year ¹		(1,259)		(6,690)	
	14	<u>(1,363)</u>		<u>(7,034)</u>	
Net current assets			<u>2,925</u>		<u>2,616</u>
Total assets less current liabilities			3,235		2,952
Creditors: amounts falling due after more than one year					
Deferred income	15		-		(49)
Net assets			<u>3,235</u>		<u>2,903</u>
Represented by:					
Funds					
Unrestricted funds	16		2,823		2,791
Restricted funds	16		412		112
			<u>3,235</u>		<u>2,903</u>

¹ The Welsh Government remitted the first instalment of our 2012/13 grant-in-aid, amounting to £5,800,000, on 30 March 2012. Although included in the year end cash balance this was not recognised in the 2011/12 Statement of Financial Activities but was included in Other creditors falling due within one year as income in advance.
Cash at bank and in hand includes £14,000 (2012: £Nil) representing the Council's share of the balances held by Cerdd Cymru:Music Wales Limited (note 21).

There are no gains or losses other than those shown above.
The notes on pages 53 to 73 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 2013



Professor Dai Smith, Chairman
5 July 2013

Cash Flow Statement
for the year ended 31 March 2013

	Note	2013 £'000	2012 £'000
Net cash inflow from operating activities	18a	(6,101)	6,449
Bank interest		17	15
		<u>(6,084)</u>	<u>6,464</u>
Capital expenditure	18b	(76)	(71)
Increase/(Decrease) in cash in the year¹	18c	<u>(6,160)</u>	<u>6,393</u>

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

The notes on pages 53 to 73 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 modified to include certain fixed assets at their value to the Council on a current cost basis. They have been prepared in accordance with the Accounts Direction issued by Welsh Ministers and meet the requirements of the Charities Acts 2006 and 2011, of the Charity Commission's directions Accounting and Reporting by Charities: Statement of Recommended Practice (revised 2005), and of the Statements of Standard Accounting Practice and Financial Reporting Standards issued and adopted by the Accounting Standards Board so far as those requirements are appropriate. In addition to compliance with the Charities SORP regard is given to the requirements of the *Government Financial Reporting Manual* issued by HM Treasury to the extent that it clarifies or builds on the requirements of the SORP. A summary of the principle accounting policies which have been applied consistently are set out below.

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

b. Cerdd Cymru:Music Wales Limited

The Council has a 50 per cent interest in Cerdd Cymru:Music Wales Limited, a joint arrangement with the Welsh Music Foundation.

In accordance with FRS 9 this interest is accounted for as a joint arrangement that is not an entity (JANE) and not consolidated into the Council's financial statements. Instead, the Council's share of the cash flows within Cerdd Cymru:Music Wales have been identified and accounted for within the Statement of Financial Activities as if they were part of the Council's operations. Any amounts owing to or due from Cerdd Cymru:Music Wales are shown under the appropriate balance sheet headings. As the joint arrangement is not consolidated, any investment in Cerdd Cymru:Music Wales is recorded at historic cost less impairment to reflect the Council's share of the net assets, where this is lower. The financial statements do not take into consideration any surplus generated and held within Cerdd Cymru:Music Wales as there are restrictions and uncertainties on its distribution. (See note 21)

c. Income

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

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

d. Lottery distribution

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

The Council incurs costs which support both its general activities and the lottery distribution function. In accordance with the Financial Direction issued by the Welsh Government, the Council apportions indirect costs properly

between these two areas of activity with reference to the time spent on or the consumption of the relevant resources by the respective activities.

e. Resources expended

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

f. Grants awarded

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

Forward commitments made in the year relating to next year's activity, as disclosed in note 20, are not charged to the Statement of Financial Activities. As the grant-in-aid to meet these commitments cannot be recognised until it is received, the Trustees do not believe their inclusion would provide a true and fair view of the application of the Council's resources.

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

All grants offered are listed in the annex to this Annual Report.

g. Services and sponsorship

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

h. Allocation of operating costs

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

i. Governance costs

Governance costs comprise all costs involving the public accountability of the Council as a charity and its compliance with regulation and good practice. These costs are analysed in note 10.

j. Foreign currency

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

k. Recognition of liabilities

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

l. Fund accounting

Restricted funds are those which are to be used in accordance with specific restrictions imposed by donors or which have been raised

by the Council for particular purposes. The cost of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

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

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

m. Fixed assets

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

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

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

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

n. Amortisation and depreciation

Individual assets costing £1,000 or above are capitalised and a full year's amortisation or

depreciation is provided in the year of acquisition. Amortisation of intangible fixed assets and depreciation on tangible fixed assets is provided at rates calculated to write off the cost or valuation of each asset to its residual value on a straight line basis over its expected useful life as follows:

Computer software licences - over 3 years

Leasehold improvements - over the term of the lease

Furniture, fixtures and fittings - over 10 years

Equipment - over 4 years

Website development costs - over 3 years

Computer system - over 3 years

o. Leases

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

p. Pensions

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

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

q. Taxation

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

r. Deferred income

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

s. Financial instruments

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

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

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

The separate Lottery distribution account shows the Council's 2012/13 share of the proceeds from the National Lottery of £19,355,000 (2011/12: £15,083,000). The combined total incoming resources for both general and Lottery activities for 2012/13 was £56,599,000 (2011/12: £51,793,000).

General grants are charged to the Statement of Financial Activities as soon as they are offered. Lottery grants are charged only when the formal offer has been accepted by the recipient. Although not all charged as expenditure in the Statement of Comprehensive Net Income, during 2012/13 Council approved Lottery grants amounting to £11,958,000 (2011/12: £9,334,000). On this basis, the combined total direct charitable arts expenditure for both general and Lottery activities for 2012/13 was £50,055,000 (2011/12: £46,816,000).

3. Incoming resources

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

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

	Unrestricted funds £'000	Restricted funds £'000	2013 Total £'000	2012 Total £'000
Cash grant-in-aid paid in full	29,657	4,590	34,247	34,728
Grant-in-aid credited to incoming resources in the Statement of Financial Activities	29,657	4,590	34,247	34,728

4. Incoming resources

Voluntary income: Other grants and donations

	Unrestricted funds £'000	Restricted funds £'000	2013 Total £'000	2012 Total £'000
Grants from European funds	-	1,851	1,851	984
Legacy Trust UK	-	507	507	425
Prior years' grants no longer required	51	-	51	1
Millennium Stadium Trust (for Young Promoters Scheme)	-	-	-	6
	51	2,358	2,409	1,416

5. Incoming resources

Activities for generating funds: Services and sponsorship

	Unrestricted funds £'000	Restricted funds £'000	2013 Total £'000	2012 Total £'000
Community Touring scheme:				
- contributions from venues/promoters	126	-	126	132
Wales Arts International:				
- contribution from the British Council	-	40	40	43
- contributions from others	-	15	15	24
Collectorplan charges	24	-	24	28
Legacy Trust UK - management fees	24	-	24	21
Cultural Olympiad 2012:				
- contribution from the Welsh Government	-	33	33	29
Annual Conference - delegate fees	4	-	4	-
Fees for exhibition work at Gwydyr House, Whitehall	1	-	1	-
Arts Marketing Symposium - trainee fees	-	-	-	2
Contribution towards the <i>Ashes</i> commission	-	-	-	10
Contributions towards the Venice Biennale of Art	-	-	-	4
	179	88	267	293

6. Incoming resources

Other incoming resources

	Unrestricted funds £'000	Restricted funds £'000	2013 Total £'000	2012 Total £'000
Lease incentive - release of deferred income (note 15)	59	-	59	58
Contribution from the Lottery Distribution account for use of fixed assets	41	-	41	51
Share of income of Cerdd Cymru:Music Wales (note 21)	74	-	74	-
	174	-	174	109

7. Resources expended

Charitable activities

	Direct activities £'000	Support costs £'000	2013 Total £'000	2012 Total £'000
Grant making and arts development ¹	30,113	300	30,413	31,271
Arts strategy and research	1,551	237	1,788	1,075
International	500	109	609	929
European funded projects	2,101	54	2,155	1,118
WOMEX 2013	-	-	-	79
Services: <i>Night Out & Collectorplan</i>	595	75	670	674
Cultural Olympiad 2012 & Legacy Trust UK	598	23	621	598
Advocacy	241	30	271	319
Impairment of investment in Cerdd Cymru:Music Wales (note 21)	60	-	60	-
Share of expenditure of Cerdd Cymru:Music Wales (note 21)	91	-	91	-
	35,850	828	36,678	36,063

	2013 Total £'000	2012 Total £'000
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¹ Including grants:

- to public bodies
- to private bodies

	4,535	4,575
	24,591	24,654
	29,126	29,229

All grants are listed in the annex to this Annual Report.

8. Operating costs

	Gross costs £'000	Deduct Recharges to Lottery Distribution £'000	2013 Net charge to General Activities £'000	2012 Net charge to General Activities £'000
Charged to Direct activities (note 7)				
Grant making and arts development	456	251	205	368
Arts strategy and research	267	106	161	116
International	75	-	75	70
European funded projects	37	-	37	10
Services: <i>Night Out & Collectorplan</i>	51	-	51	53
Cultural Olympiad 2012 & Legacy Trust UK	16	-	16	30
Advocacy	45	25	20	24
	947	382	565	671
Charged to Support costs (note 7)				
Staff related costs	53	29	24	7
Organisational review	20	10	10	26
Infrastructure	185	93	92	97
Office running costs	17	8	9	12
Professional fees	56	41	15	10
Irrecoverable VAT	53	29	24	22
Amortisation and depreciation	43	15	28	31
	427	225	202	205
Total	1,374	607	767	876

9. Staff costs

a. Total staff costs consist of:

	Gross costs £'000	Deduct Recharges to Lottery Distribution £'000	2013 Net charge to General Activities £'000	2012 Net charge to General Activities £'000
Wages and salaries	2,629	739	1,890	1,886
Social security costs	216	62	154	174
Other pension costs	514	148	366	418
Redundancy costs	17	1	16	301
Agency costs	5	2	3	10
	3,381	952	2,429	2,789

			2013	2012
		Deduct	Net	Net
		Recharges	charge to	charge to
		to Lottery	General	General
		Distribution	Activities	Activities
Gross costs				
£'000	£'000	£'000	£'000	£'000

Staff costs are incorporated in the financial statements as follows:

Charged to Direct activities (note 7)

Grant making and arts development	1,031	389	642	1,160
Arts strategy and research	670	164	506	366
International	234	-	234	222
European funded projects	116	-	116	31
Services – <i>Night Out & Collectorplan</i>	160	-	160	166
Cultural Olympiad 2012 & Legacy Trust UK	49	-	49	95
Advocacy	97	33	64	75
	2,357	586	1,771	2,115

Charged to Support costs (note 7)

Management and internal control	460	177	283	302
Finance	194	64	130	121
Information and computer technology	121	41	80	71
Facilities management	57	19	38	39
Human resources	33	11	22	45
Communications	110	37	73	66
	975	349	626	644

Charged to Governance (note 10)

Chairman's remuneration	49	17	32	30
	3,381	952	2,429	2,789

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

	Across whole Council	On Lottery Distribution activities	2013 On General activities	2012 On General activities
	No	No	No	No
On charitable activities: directly charged	14	-	14	22
On charitable activities: recharged	50	14	36	28
In support of our charitable activities	17	9	8	13
Agency staff	-	-	-	2
	81	23	58	65

	2013	2012
The median annual remuneration (full time equivalents) at 31 March was (whole Council):	£30,000	£30,000

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
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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	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
<£9,999	-	2	-	4	-	6
£10,000 to £24,999	1	2	-	3	1	5
£25,000 to £49,999	-	3	-	1	-	4
£50,000 to £99,999	-	1	-	2	-	3
Total number of exit packages	1	8	-	10	1	18
Total cost (£'000)	16	236	-	230	16	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 employees' posts either disappeared in the new structure or were filled by other employees who would otherwise have been compulsorily redundant. There is no difference in the payment entitlements of volunteers and those who are compulsorily redundant.

b. The Chief Executive and Directors are responsible for directing the Council's activities. Their actual emoluments were as follows:

Name and position	2013	2012	2013		2013		2013	2013	
	Emoluments ¹ band £'000	£'000	Real increase in pension and related lump sum at age 65 £'000		Total accrued pension at age 65 as at 31/03/13 and related lump sum £'000		Cash ² Equivalent Transfer Value at 31/03/12 £'000	Cash Equivalent Transfer Value at 31/03/13 £'000	2013 Real ³ Increase in Cash Equivalent Transfer Value £'000
Nick Capaldi <i>Chief Executive</i>	90-95	90-95	Pension Lump sum	0-2.5 2.5-5	Pension Lump sum	5-10 15-20	55	77	20
David Alston <i>Director of Arts</i>	65-70	65-70	Pension Lump sum	0-2.5 0-2.5	Pension Lump sum	5-10 15-20	83	104	19
Katherine Davies <i>Director of Investment and Funding Services</i>	50-55	5-10 (FTE*: 50-55)	Pension Lump sum	0-2.5 5-7.5	Pension Lump sum	15-20 50-55	189	243	49
Diane Hebb <i>Director of Engagement and Participation</i>	50-55	5-10 (FTE: 50-55)	Pension Lump sum	0-2.5 2.5-5	Pension Lump sum	5-10 25-30	97	129	29
Sian Tomos <i>Director of Enterprise and Regeneration</i>	50-55	5-10 (FTE: 50-55)	Pension Lump sum	0-2.5 2.5-5	Pension Lump sum	10-15 35-40	158	190	27
Hywel Tudor <i>Director of Finance and Resources</i>	65-70	65-70	Pension Lump sum	0-2.5 0.2-5	Pension Lump sum	10-15 30-35	143	168	21

* Full time equivalent

¹ **Emoluments** – The Chief Executive waived his entitlement to a performance-related non-consolidated award for 2011/12. 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 remunerated for his services but receives no bonus payments and is not a member of the pension scheme. Other Council Members, Committee Members and National Advisers receive no payment for their services. Council meeting costs for 2012/13 include an aggregate amount of £9,801 (2011/12: £13,251) reimbursed to 12 (2011/12: 13) Council members.

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

	2013 £	2012 £
Chairman		
Salary	<u>43,810</u>	<u>43,810</u>
Chief Executive		
Salary	93,380	93,380
Employer's pension contribution	<u>16,155</u>	<u>16,155</u>
	<u>109,535</u>	<u>109,535</u>

Travel and subsistence expenses incurred and defrayed whilst on Council business:

Chairman	2,882	3,823
Chief Executive	8,283	6,148

66.04% (2011/12: 62.50%) of the Chairman's and Chief Executive's emoluments are charged in these financial statements and the remainder to lottery distribution activities.

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

An independent actuarial valuation of the Arts Council Retirement Plan 1994 normally takes place every three years. The most recent valuation, as at 31 March 2010, came into effect on 1 April 2011. The valuation introduced new contribution rates for the Council in respect of accruing benefits, and also introduced a minimum level of payment to be made each year towards the past service deficit, at a rate advised by the scheme actuary. In order to eliminate the deficit, the actuary recommended increased employer contributions over the next 13 years, compared to the 9 years used previously.

On the assumption that the recommended amounts would be paid to the Plan, the actuary's opinion was that the resources of the scheme are likely in the normal course of events to meet in full the liabilities of the scheme as they fall due. The main actuarial assumptions used were: that price inflation would be 3.3% per annum; pay increases would be 3.3% per annum for the first 5 years and 4.8% thereafter; pension increases would be 3.3% per annum on pensions in excess of Guaranteed Minimum Pensions (GMPs); pension increases of deferred pensions would be 3.3% per annum on pensions accrued before April 2009 and 2.5% on pensions accrued after that date, both subject to statutory revaluations; the past service discount rate would be 5.7% per annum.

Contributions by the Council and its employees were:

For staff joining the Plan:	Council		Employees	
	2013	2012	2013	2012
on or before 31 August 2006	19.3%	19.3%	1.5%	1.5%
from 1 September 2006 to 31 March 2010	17.3%	17.3%	3.5%	3.5%
on or after 1 April 2010	14.8%	14.8%	6.0%	6.0%

The Council contributes a further 1.5% towards the deficit; however, this is subject to a minimum payment of £48,000 per annum.

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

10. Resources expended

Governance costs

	2013	2012
	Total	Total
	£'000	£'000
Chairman's remuneration	32	30
Auditor's remuneration - Audit	22	22
Additional assurance	4	4
Adjustment for over-accrued fee in prior year	-	(4)
Internal audit	11	13
Council meetings, including Members' travel and subsistence	7	14
Committee meetings, including travel and subsistence	11	9
	<u>87</u>	<u>88</u>

11. Fixed assets

a. Intangible fixed assets

	Computer software licences
	£'000
Cost at 1 April 2012	571
Additions	3
Disposals	-
Cost at 31 March 2013	<u>574</u>
Amortisation at 1 April 2012	534
Charge for the year	25
Disposals	-
Amortisation at 31 March 2013	<u>559</u>
Net book value at 31 March 2013	<u>15</u>
Net book value at 1 April 2012	<u>37</u>

b. Tangible fixed assets

	Alterations to leasehold properties £'000	Computer system, furniture, etc. £'000	Website £'000	Total £'000
Cost at 1 April 2012	243	615	40	898
Additions	-	52	24	76
Disposals	(51)	(28)	-	(79)
Cost at 31 March 2013	<u>192</u>	<u>639</u>	<u>64</u>	<u>895</u>
Depreciation at 1 April 2012	170	429	-	599
Charge for the year	14	42	21	77
Disposals	(51)	(25)	-	(76)
Depreciation at 31 March 2013	<u>133</u>	<u>446</u>	<u>21</u>	<u>600</u>
Net book value at 31 March 2013	<u>59</u>	<u>193</u>	<u>43</u>	<u>295</u>
Net book value at 1 April 2012	<u>73</u>	<u>186</u>	<u>40</u>	<u>299</u>

	2013 £'000	2012 £'000
Amortisation and depreciation charged has been allocated to charitable activities as follows (note 7):		
Direct activities	74	102
Support costs	28	31
	<u>102</u>	<u>133</u>

- c. Net book value at 31 March 2013 represents fixed assets used by the Council in support of its charitable activities.

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

The freehold title of the Sherman Theatre does not include the electricity substation which is located within the car park area. This belongs to Cardiff University and supplies electricity to the Theatre and to some University buildings. The tenant organisation undertook a major redevelopment of the Theatre during 2011/12 which necessitated the relocation of the electricity substation, so the Council and the University agreed to exchange plots of land without monetary consideration – the University giving the Council the original plot, which has been leased to the tenant alongside their existing demise, and the Council giving the University the plot for the new location.

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

12. Grants paid in advance

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

	2013	2012
	£'000	£'000
Payments in respect of the following year's grants	<u>516</u>	<u>469</u>

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

a. Analysis by type

	2013	2012
	£'000	£'000
<i>Collectorplan</i> loans	315	389
Trade debtors	55	58
Other debtors	1,246	401
Prepayments	<u>623</u>	<u>284</u>
	2,239	1,132
Due from Lottery distribution fund	41	398
Share of debtors and prepayments of Cerdd Cymru: Music Wales (note 21)	1	-
	<u>2,281</u>	<u>1,530</u>

b. Intra-government balances

Balances with other central government bodies	822	481
Balances with local authorities	<u>6</u>	<u>5</u>
<i>Sub-total: Intra-government balances</i>	828	486
Balances with bodies external to government	<u>1,453</u>	<u>1,044</u>
Total debtors and prepayments	<u>2,281</u>	<u>1,530</u>

14.Creditors: amounts falling due within one year	2013	2012
	£'000	£'000
a. Analysis by type		
Grants payable	104	344
Taxation and social security	71	75
Trade creditors	110	139
Other creditors	62	70
Accruals and deferred income	920	606
Share of current liabilities of Cerdd Cymru:Music Wales (note 21)	32	-
2012/13 grant-in-aid received in advance ¹	-	5,800
	<u>1,299</u>	<u>7,034</u>
Due to Lottery distribution fund	64	-
	<u>1,363</u>	<u>7,034</u>

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

b. Intra-government balances

Balances with other central government bodies	71	5,875
Balances with local authorities	3	8
<i>Sub-total: Intra-government balances</i>	<u>74</u>	<u>5,883</u>
Balances with bodies external to government	1,289	1,151
Total creditors	<u>1,363</u>	<u>7,034</u>

15.Creditors: amounts falling due after more than one year

Deferred income

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

	2013	2012
	£'000	£'000
a. Analysis by type		
Deferred income	-	49
	<u>-</u>	<u>49</u>
b. Intra-government balances		
Intra-government balances	-	-
Balances with bodies external to government	-	49
Total creditors	<u>-</u>	<u>49</u>

16. Statement of funds

	At 1 April 2012 £'000	Incoming resources £'000	Resources expended £'000	Transfers £'000	At 31 March 2013 £'000
Unrestricted funds					
General fund	2,791	30,078	(29,890)	(156)	2,823
Total unrestricted funds	2,791	30,078	(29,890)	(156)	2,823
Restricted funds					
Income					
Welsh Government for specific arts activity					
	-	4,590	(4,389)	99	300
European Funded Projects					
	-	1,851	(1,894)	43	-
Wales Arts International: contributions from the British Council and Welsh Government Cultural Olympiad 2012 & Legacy Trust UK					
	-	55	(56)	1	-
	-	540	(553)	13	-
	-	7,036	(6,892)	156	300
Capital					
Alun Llywelyn Williams Memorial Fund (income to provide bursary for young artist)					
	13	-	-	-	13
Brian Ross Memorial Fund (income to provide bursary for young visual artist)					
	99	-	-	-	99
	112	-	-	-	112
Total restricted funds	112	7,036	(6,892)	156	412
Total funds	2,903	37,114	(36,782)	-	3,235

The Alun Llywelyn Williams and Brian Ross Memorial Funds are represented by cash at bank and are within the total of £1,491,000 shown on the balance sheet.

17. Analysis of net assets between funds

	Unrestricted funds £'000	Restricted funds £'000	Total £'000
Fund balances at 31 March 2013 are represented by:			
Fixed assets	310	-	310
Current assets	3,876	412	4,288
Creditors: amounts falling due within one year	(1,363)	-	(1,363)
Total net assets	2,823	412	3,235

18. Cash flow information

	2013 £'000	2012 £'000
a. Reconciliation of changes in resources to net inflow from operating activities		
Net incoming resources	332	395
Bank interest	(17)	(15)
Amortisation and depreciation (note 11c)	102	133
Increase in grants paid in advance	(47)	(319)
Increase in debtors and prepayments	(751)	(32)
(Decrease)/Increase in grants payable	(240)	245
(Decrease)/Increase in other creditors falling due within one year	(5,431)	6,100
Decrease in creditors falling due after more than one year ¹	(49)	(58)
Net cash inflow/(outflow) from operating activities	(6,101)	6,449
b. Analysis of cash flows		
Capital expenditure		
Payments to acquire intangible fixed assets (note 11a)	(3)	(17)
Payments to acquire tangible fixed assets (note 11b)	(76)	(54)
Loss on disposal of tangible fixed assets (note 11b)	3	-
	(76)	(71)
c. Reconciliation of net cash flow to movement in net funds		
Increase/(Decrease) in cash in the year ¹	(6,160)	6,393
Net funds at 1 April	7,651	1,258
Net funds at 31 March¹	1,491	7,651

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

19. Commitments on operating leases

At 31 March 2013 the Council had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Equipment	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Operating leases which expire				
within one year	-	37	1	1
one to five years	25	25	5	4
over five years	206	189	-	-

20. Forward commitments

	2013	2012
	£'000	£'000
Grants		
Forward funding - grants formally offered	28,129	28,302

Forward funding at 31 March 2013 represents allocations to organisations and individuals in respect of projects due to commence in 2013/14 and where payments are expected to be made within 12 months.

21. Cerdd Cymru: Music Wales Limited

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

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

During 2011/12, Cerdd Cymru: Music Wales successfully bid and contracted to host WOMEX, the World Music Expo, in Cardiff in October 2013.

The investment in Cerdd Cymru: Music Wales represents the Council's agreed injection of working capital. As the Council's share of net assets is less than the cost of investment the value of the investment has been impaired accordingly.

	2013 £'000	2012 ¹ £'000
As at 1 April	-	N/A
Additions	60	50
	<u>60</u>	<u>50</u>
Impairment adjustment (note 7)	(60)	(50)
As at 31 March	<u>-</u>	<u>-</u>

The Council's interest in the income, expenditure and underlying assets and liabilities of Cerdd Cymru:Music Wales is as follows:

	Total £'000	2013 Arts Council of Wales' share £'000	Total £'000	2012 ¹ Arts Council of Wales' share £'000
Profit & Loss Account				
Income (note 6)	148	74	50	25
Expenditure (note 7)	(182)	(91)	(50)	(25)
Net incoming/(outgoing) resources	<u>(34)</u>	<u>(17)</u>	<u>-</u>	<u>-</u>
Statement of Financial Position				
Current assets:				
Debtors and prepayments (note 13)	2	1	-	-
Cash at bank and in hand	28	14	-	-
	<u>30</u>	<u>15</u>	<u>-</u>	<u>-</u>
Current liabilities (note 14)	(64)	(32)	-	-
Net assets/(liabilities)	<u>(34)</u>	<u>(17)</u>	<u>-</u>	<u>-</u>
Reserves	<u>(34)</u>	<u>(17)</u>	<u>-</u>	<u>-</u>

¹ There has been a minor change to the treatment of the Council's share of the income and expenditure compared with the previous year. This did not result in material changes so no prior period adjustment has been made.

22. Financial instruments

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

Liquidity risks – In 2012/13 £34,247,000 or 92.3% of the Council's income was derived from the Welsh Government (2011/12: £34,728,000 or 95%). Of the remaining income £2,867,000 or 7.7% was derived from bank interest and sundry income (2011/12: £1,833,000 or 5%). The Council does not consider that its general activities are exposed to any significant liquidity risk, and is satisfied that future income is sufficient to meet its commitments.

Interest rate risks – Cash balances which are drawn down from the Welsh Government to pay grant commitments and operating costs are held in an instant access, variable rate bank account which on average carried an interest rate of 0.50% in the year (2011/12: 0.50%). The effective unrestricted cash balance at the year end was £1,065,000 (2012: £1,739,000, although the Welsh Government had remitted the first instalment of our 2012/13 grant-in-aid, amounting to £5,800,000, on 30 March 2012 so our actual unrestricted year-end cash balance was £7,539,000). The Council does not consider that its general activities are exposed to significant interest rate risks.

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

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

23. Corporation Tax

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

24. Post balance sheet event

Authorisation of these financial statements for issue

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

25. Related party transactions

Public bodies

The Council is a Welsh Government sponsored body.

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

Individuals

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

Council Members

A number of Council Members and/or their close family were members of the Boards of Management (or equivalent) or senior employees of organisations who were offered grants or other payments from the Council in 2012/13. 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 Role	Organisation	Transaction (number)	Total value £	Total balance outstanding of 31 March 2013 £
Michael Griffiths Board member	National Dance Company Wales	Grant (1)	875,000	Nil
Margaret Jervis Director	Valleys Kids	Grant (1)	122,000	Nil
Osi Rhys Osmond Employee	Swansea Metropolitan University	Invoice (3)	174,478	Nil
Richard Turner Chairman	South Wales Intercultural Community Arts	Grant (1)	90,000	Nil
Business Consultant	Butetown History & Arts Centre	Grant (1)	23,000	Nil
Alan Watkin Board member	Clwyd Theatr Cymru	Grant (2)	1,877,850	Nil
Gerwyn Williams Employee	Bangor University	Grant (1)	105,000	Nil
John C Williams Employee	Theatr Iolo	Grant (1)	246,225	Nil
Dr Kate Woodward Employment (family member)	Theatr Genedlaethol Cymru	Grant (2)	1,053,242	Nil
		Invoice (5)	3,660	Nil
Self-employment (family member)	Steve Eaves Band	Invoice (2)	800	Nil
Board member (family member)	Audiences Wales	Invoice (5)	74,808	Nil

Key managerial staff

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



Soundwalk at Llangorse (digital music workshops using the FEED app developed by Head for Arts)
Part of the History & Mystery project in Merthyr

Annex to the Annual Report (not forming part of the Financial statements)

General Activities - Grants 2012/13

Annual Revenue

Aberystwyth Arts Centre	£560,000
Arad Goch	£378,250
Artes Mundi Prize Limited	£147,500
Arts Care Limited	£132,500
Arts Connection / Cyswllt Celf	£65,000
Disability Arts Cymru	£170,000
BBC National Orchestra of Wales	£844,525
Canolfan Gerdd William Mathias Cyf	£80,000
Chapter (Cardiff) Ltd.	£686,000
Clwyd Theatr Cymru	£1,645,000
Clwyd Theatr Cymru TYP	£232,850
Community Music Wales	£105,000
g39	£70,000
Galeri Caernarfon Cyf	£325,000
Cwmni'r Fran Wen	£182,075
Dawns i Bawb	£85,000
Dawns TAN TAN Dance Ltd.	£90,000
National Dance Company Wales	£875,000
Earthfall Dance Ltd.	£245,000
Ffotogallery	£205,000
Glynn Vivian Art Gallery	£125,000
Grand Theatre Swansea	£73,000
Ballet Cymru	£200,000
Head for Arts	£150,000
Hijinx Theatre	£160,000
Live Music Now Wales	£45,000
Llantarnam Grange Arts Centre	£85,000
Mid Wales Opera	£104,000
Mission Gallery	£95,000
Music Theatre Wales	£225,000
National Theatre Wales	£1,685,000
NoFit State Community Circus Ltd	£200,000
NEW Dance	£75,287
Oriel Davies Gallery	£230,000
Oriel Davies Gallery – for Wales in Venice	£106,600
Oriel Mostyn	£400,000
Oriel Myrddin Trust	£47,000
Pontardawe Arts Centre	£63,000
Powys Dance	£112,250
Rhondda Cynon Tâf County Borough Council	£155,000
Rhondda Cynon Taff Community Arts	£205,500

The Riverfront	£125,000
Rubicon Dance	£200,000
Ruthin Craft Centre	£400,000
Sherman Cymru	£1,325,000
Sinfonia Cymru	£115,000
South Wales Intercultural Community Arts	£90,000
St. David's Hall	£65,000
Taliesin Arts Centre	£226,000
Theatr Bara Caws	£287,556
Theatr Brycheiniog	£230,000
Theatr Felinfach	£60,000
Theatr Genedlaethol Cymru	£1,052,942
Venue Cymru	£78,000
Hafren	£106,680
Theatr Iolo	£246,225
Theatr Mwldan	£245,000
Theatr na n'Óg	£324,850
Theatr Ffynnon	£75,000
Torch Theatre Company Limited	£460,000
Touch Trust Ltd.	£150,000
trac - Music Traditions Wales	£80,000
Ucheldre Centre	£75,000
Valley & Vale Community Arts Ltd.	£180,000
Valleys Kids	£122,000
Volcano Theatre Company Ltd	£215,000
Wales Millennium Centre	£4,000,000
Tŷ Cerdd - Music Centre Wales	£328,000
Welsh National Opera	£4,755,808
WJEC CBAC Ltd.	£250,000
Literature Wales	£851,915
	<hr/>
	£28,385,313

Creative Steps

Cardiff Wales Lesbian Gay Bisexual Transgender Mardi Gras	£12,150
Cave-Berry, Joolz	£19,404
Legall, Kyle	£23,710
The Republic of Imagination	£1,000
White, David (2 awards)	£25,800
Williams, Liara	£40,350
	<hr/>
	£122,414

Dylan Thomas 100

Literature Wales	£30,000
	<hr/>
	£30,000
	<hr/>

International Opportunities Fund

Alencar, Tete de	£350
Arad Goch	£2,113
Disability Arts Cymru	£2,268
Ashill, Kathryn	£1,220
Atkinson, Tiffany	£1,762
Awst, Manon	£1,700
Ayscough, Duncan	£2,164
Ball, Dave	£1,147
Barnes, David (2 awards)	£1,840
Bonada, Marja (2 awards)	£5,648
Britton, David	£1,490
Calan	£1,520
Collins, Emilie	£556
Cook, Matthew	£2,250
Crawshaw, Daniel	£3,000
Creative Assault Art Production Organisation	£540
Davey, Holly	£3,000
Davies, Tim	£2,994
Davis, Eleanor	£1,500
Davies, Rose	£1,120
Earthfall Dance Ltd.	£3,000
Edwards, Fred Langford	£2,865
Edwards, Sean	£3,000
Ffotogallery	£3,000
Fishguard Arts Society	£2,750
Foulkes, Lauren	£2,300
Gibbard, Gwenan	£1,685
Gilhespy, Tom	£446
Glynn Vivian Art Gallery	£2,382
Goodfellow, Ann	£1,330
Granjon, Paul	£1,633
Greenhalgh, Jill	£2,954
Harris, Alan (2 awards)	£2,762
Hillard, Ainsley	£700
Huws, Sioned	£3,000
Ingham, Karen	£2,000

International Ceramics Festival	£2,980
Johnson, Justine	£600
Joyner, Siriol	£1,135
Lighthouse Theatre Ltd	£3,000
Macklin, Judy	£3,000
McNairn-Yanagi, Saya	£2,017
Moore, James	£2,884
National Theatre Wales	£3,000
NoFit State Community Circus Ltd	£1,000
Norris, Linda	£3,000
The Original Print Place	£1,600
Penrhyn-Jones, Sara	£3,000
Perry, Samuel	£3,000
Phillips, Ian	£3,000
Roberts, Osian	£2,470
Skoulding, Zoe	£600
Theatr Genedlaethol Cymru	£300
Tinnemans, Jobina	£2,373
Trezise, Rachel	£1,059
Tyson, James	£1,250
James Tyson Productions	£1,050
UCAN Productions	£1,759
University of Wales Trinity Saint David	£900
Valley & Vale Community Arts Ltd.	£1,813
Theatre Versus Oppression	£3,000
Volcano Theatre Company Ltd	£2,700
Wales Arts Review	£1,979
Williams, Sue	£1,000
Williams, Lois	£1,805
Zarrilli, Phillip	£2,700

£133,963

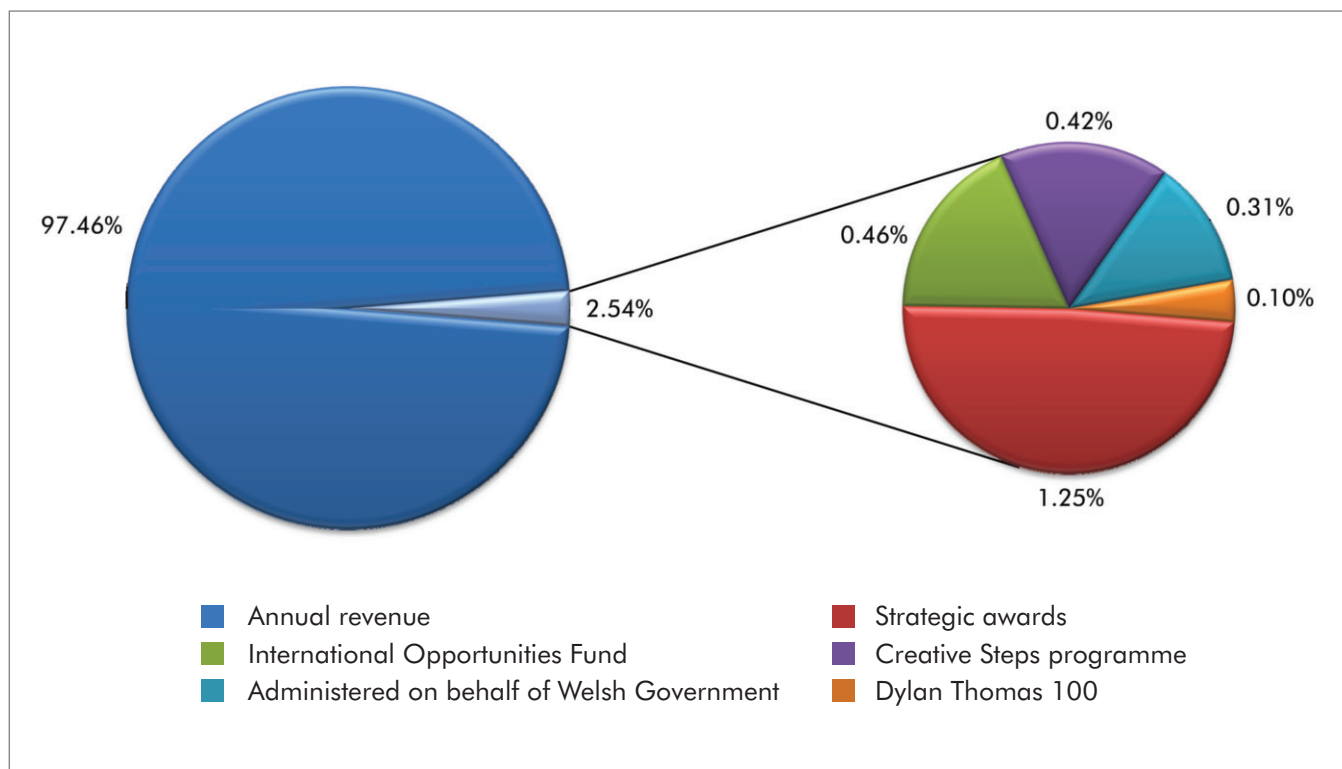
Strategic awards

Bangor University	£105,000
Celtic Neighbours	£10,000
Drama Association of Wales	£5,000
Ffotogallery	£25,000
Hay Festival of Literature and the Arts Ltd	£60,000
Llantarnam Grange Arts Centre	£4,450
National Theatre Wales	£20,000
Royal Welsh College of Music and Drama (2 awards)	£83,640
Theatr Brycheiniog	£49,646
	<hr/>
	£362,736

Administered on behalf of Welsh Government

Artes Mundi Prize Limited	£25,000
Conwy Events C.I.C	£30,000
Volcano Theatre Company Ltd (2 awards)	£36,500
	<hr/>
	£91,500
	<hr/>
Total Grants Offered	£29,125,926

Grants by Type



What did our grants support?

	Value of grants		No of grants
Grants to support:			
Theatres and arts centres	£7,117,680	24.44%	17
Theatre production and presentation	£6,830,498	23.45%	9
Opera	£5,084,808	17.46%	3
Visual & applied arts	£1,911,100	6.56%	11
Dance	£1,882,537	6.46%	8
Arts and Young People	£1,614,250	5.54%	6
Music	£1,492,525	5.12%	6
Community arts	£1,095,000	3.76%	9
Literature	£851,915	2.92%	1
Circus & carnivals	£290,000	1.00%	2
Disability arts	£170,000	0.58%	1
Arts & health	£150,000	0.52%	1
International opportunities	£133,963	0.46%	69
Creative Steps programme	£122,414	0.42%	7
Dylan Thomas 100	£30,000	0.10%	1
Other grants:			
Strategic awards	£257,736	0.88%	9
Administered on behalf of Welsh Government	£91,500	0.31%	4
	£29,125,926		164

Lottery Distribution Account

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Annual Report for the year ended 31 March 2013
Trustees' Annual Report

Reference and administrative details

Trustees

Council Members who served since 1 April 2012 were:

		Attendance at meetings during 2012/13			
		Council	Audit Committee	Capital Committee	Remuneration Committee
		Number of meetings held:			
		6	5	4	1
Professor Dai Smith, Chairman	(c)	6			Committee Chair 1
Dr Kate Woodward, Vice-chairman	(d)	3			
Emma Evans	(a)	2	Committee Chair 4		
Dr John Geraint	(c)	4			1
Michael Griffiths OBE		6			
Melanie Hawthorne		6			
Dr Lesley Hodgson		5			
Margaret Jervis MBE DL	(c) (v)	5			1
Marian Wyn Jones	(i) (iii)	5			
Andrew Miller		5			
Osi Rhys Osmond	(d)	5			
Richard Turner	(ii) (iv)	5			
Alan Watkin	(a)	5	5		
Professor Gerwyn Williams	(b)	5		Committee Chair 4	
John C Williams	(a) (b)	6	3	4	

Attendance at meetings during 2012/13			
Council	Audit Committee	Capital Committee	Remuneration Committee
Number of meetings held:			
6	5	4	1

Attendance of <i>independent</i> Committee members:					
Gareth Jones	(a)		3		
Phillip Westwood	(a)		5		
Jonathan Adams	(b)			3	
Mark Davies (appointed March 2013)	(b)			1/1	
Roland Wyn Evans (appointed March 2013)	(b)			0/1	
Janet Roberts	(b)			1	
Bethan Guilfoyle CBE	(c)				1

- (a) Member of Audit Committee
- (b) Member of Capital Committee
- (c) Member of Remuneration Committee
- (d) 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) Betsi Cadwaladr Health Board
- (ii) Monmouthshire County Council
- (iii) S4C
- (iv) University of Wales
- (v) 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:

Princes Park II
Princes Drive
Colwyn Bay
LL29 8PL

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 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 six 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 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.

Details of the Council's structure, accountability, internal control framework and risk management arrangements are set out in the Annual Governance Statement, later in this Report.

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.

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, 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 was available throughout this period. The Council has now consulted on a new Capital strategy which has operated from August 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 2012/13 are set out in the table below according to our Corporate Plan themes, alongside key achievements made in relation to each operational target during the year:

Corporate Plan theme/ Operational target	By the end of March 2013 we will have...	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 2013 we will be investing in a portfolio of funded organisations better able to succeed artistically and financially</p>	<ul style="list-style-type: none"> Produced a new Arts Strategy document (a successor to our current Artform Strategies and Arts Council/WAI International Strategy). 	<ul style="list-style-type: none"> Terms of Reference for <i>Creativity and the Arts</i> were approved by Council in October. These Terms of Reference stressed the emphasis we would be attaching to consulting widely with our stakeholders, artists and arts organisations as part of the development of our Arts Strategy for 2013/18. This consultation took place via four sessions of Sgwrs Gelfyddydol, which ran in Llandudno, Aberystwyth, Abertillery, and Cardiff with over 70 discussion topics being generated by the Open Space approach. <p>Material from the Sgwrs is now posted on line and a further programme of follow up focus groups is being planned over April/ May 2013.</p> <p>Publication of the new Strategy document <i>Creativity and the Arts</i> is planned for September 2013.</p>
	<ul style="list-style-type: none"> Reviewed the impact of the implementation of new funding programmes/ strategies (Festivals, National Touring, Theatre Development, Public Art, Music Industry Development Fund) 	<ul style="list-style-type: none"> Data from the RFO Survey undertaken during the year has been published on our website. This provides much of the baseline information required to undertake a review of the impact of the new funding programmes. <p>However, more time is needed for us to refine the data and to undertake the impact assessment. This work has been scheduled for early in 2013/14.</p>

Corporate Plan theme/ Operational target	By the end of March 2013 we will have...	Achievements and performance
	<ul style="list-style-type: none"> Commissioned a Public Satisfaction Survey into the arts promoted by RFOs 	<ul style="list-style-type: none"> Pressure of other activity – and additional priorities – has meant that we did not complete this target in 2012/13. <p>As part of our future planning we want to re-examine the case for the survey as currently defined, and to explore whether during 2013/14 there might be value in a more broadly defined Public Satisfaction Survey. We think it unlikely that we will look solely at the RFO portfolio.</p>
	<ul style="list-style-type: none"> Worked with our portfolio of RFOs to support them in their efforts to increase audiences, to exchange knowledge and share best practice 	<ul style="list-style-type: none"> The RFO Survey was published on our website in January 2013. Key findings portray a positive picture with an increase of over one million in audience attendances across the RFO portfolio and many of the venue organisations showing increases in generated income. <p>RFO Annual Review Meeting reports for 2011/12 are published on our website for all but one of our RFOs. Reports for 2012/13 will be published by July 2013.</p>
	<ul style="list-style-type: none"> Achieved increased international recognition for Welsh artists and arts organisations 	<ul style="list-style-type: none"> Key current projects – our presence at the Venice Biennale and WOMEX 13 - are on track and to plan. <p>Work with British Council under our partnership agreement, continues with a forthcoming focus on Edinburgh showcase (August 2013).</p> <p>A full programme under the International Opportunities Funding strand continues. The Writers Chain project in India has been extended to embrace writers and musicians.</p>
	<ul style="list-style-type: none"> Established a new project delivery partnership for Wales in Venice 2013 	<ul style="list-style-type: none"> This action has been completed. The new project partner was established through working with the Visual Arts Galleries Wales network of galleries and visual arts organisations in Wales. The proposition

Corporate Plan theme/ Operational target	By the end of March 2013 we will have...	Achievements and performance
		<p>from a joint partnership from Mostyn working with Oriel Davies was selected to be Wales's project for the 55th Venice Biennale</p>
	<ul style="list-style-type: none"> Ensured nationwide monitoring of the quality of our RFOs 	<ul style="list-style-type: none"> Implementation of our Organisational Review and the review and recruitment of the National Advisers in Quarters 2 and 3 has had an impact on our achievement of this target. <p>We adjusted the target to set a more realistic measure. However, figures at year end show that we completed 168 Quality Appraisal Reports across our portfolio of Revenue Funded Organisations, against a revised target of 213.</p> <p>The current work following up the Annual Review Meetings needs to probe the reasons for this under-performance.</p>
	<ul style="list-style-type: none"> Supported a strong cohort of artists through the Creative Wales awards 	<ul style="list-style-type: none"> This has been completed. Earlier in the year, 22 artists were selected through Creative Wales awards, including 2 Creative Ambassador Awards. <p>A further 20 Creative Wales Awards and two Creative Wales Ambassador Awards were made on March 21st 2013 in a conclusion to an afternoon of Creative Wales Conversations held at the Grand Theatre Swansea. Details of the awards are posted on the web.</p>
	<ul style="list-style-type: none"> Used our media contacts to promote the arts in Wales 	<ul style="list-style-type: none"> Regular conversations, further supported by monthly forward planning meetings, have been held between the Arts Council's Communications Team and key media contacts throughout 2012/13. <p>Draft agreements are also been drawn up with both the BBC and S4C.</p>

Corporate Plan theme/ Operational target	By the end of March 2013 we will have...	Achievements and performance
	<ul style="list-style-type: none"> Maintained effective partnerships with British Council and Cadw 	<ul style="list-style-type: none"> We have worked closely with British Council throughout the year, including review of the current partnership agreement and project work. <p>Ongoing partnership work now embraces work on the international dimensions of Dylan Thomas 100.</p> <p>We have signed a Memorandum of Understanding with Cadw. Artist Lucy Harvey has been appointed at Valley Crucis Abbey for the inaugural residency which will last six month, starting in February 2013.</p>
	<ul style="list-style-type: none"> Established a new list of National Advisers 	<ul style="list-style-type: none"> The recruitment process for the new advisers was undertaken during 2012/13 resulting in 46 advisers in place, 18 of which are new. <p>Each Adviser has been assigned to one or more RFO and invited to attend our Annual Conference and a series of induction sessions arranged.</p> <p>A successful session entitled Meeting of Minds was organised as both induction and strategic discussion day with National Advisers.</p> <p>Work on skills gaps has included digital expertise and circus.</p>

Corporate Plan theme/ Operational target	By the end of March 2013 we will have...	Achievements and performance
<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. We want people to enjoy and experience work of quality that inspires, entertains and challenges. By doing so, we want to persuade more people that attending and taking part in the arts should be an important part of their everyday lives.</p>		
<p>By 2013 we will have increased levels in attendance and participation in the arts in Wales by 3%</p>	<ul style="list-style-type: none"> Implemented our Young Creators and Child Poverty strategies 	<ul style="list-style-type: none"> Agreed targets for year one of our Action Plan have been met. We concluded our RFO mapping exercise and produced a report on arts and education activity in December 2012, for the Welsh Government's Arts and Education Task Force review. <p>We commissioned a consultation exercise with young people about a national event celebrating young people's creativity.</p> <p>The roll out of Criw Celf has progressed well and national Youth Arts Wales has begun its organisational review.</p>
	<ul style="list-style-type: none"> Promoted greater awareness and implemented our new Strategic Equality Plan 	<ul style="list-style-type: none"> Our Strategic Equality Plan was published in April 2012 and a more detailed action plan published our website at the end of October 2012. <p>Considerations for the Equalities Guidelines formed part of the Sgwrs Gelfyddydol discussions that took place during Quarter 4. Therefore the finalised Equality Guidelines will not now be published until early 2013/14.</p>
	<ul style="list-style-type: none"> Reviewed the impact of the implementation of new Creative Steps programme 	<ul style="list-style-type: none"> The review of Creative Steps was not completed by the end of the year and will now be rescheduled to early April. Recommendations for future development of the programme will be formulated by the end of Quarter 1 2013/14.

Corporate Plan theme/ Operational target	By the end of March 2013 we will have...	Achievements and performance
	<ul style="list-style-type: none"> Worked with our portfolio of RFOs to support them in their efforts to increase arts participation 	<ul style="list-style-type: none"> The RFO Report was presented to Council in December and circulated to the RFOs in January. However further work is required against this action as there is no specific initiative currently underway to support the RFOs to increase arts participation.
	<ul style="list-style-type: none"> Piloted new methods of engaging 'hard to reach' young people through the delivery of the Splash Arts and Reach the Heights the programmes 	<ul style="list-style-type: none"> During 2012/13 total funding of £77,571 was provided for 18 Splash Arts Cymru projects. We are in the process of compiling an evaluation report. <p>All Reach the Heights projects have now been completed and we are in the process of competing our final claims. 17 projects have received follow on funding to continue activity.</p>
	<ul style="list-style-type: none"> Piloted new initiative to explore innovative ways of encouraging increased arts attendance by low income families 	<ul style="list-style-type: none"> We are considering a proposal for a bespoke Wales programme linked to the TMA family Friendly initiative. <p>We funded 2 projects through the Our Space initiative both of which are now up and running.</p>
	<ul style="list-style-type: none"> Delivered the Wales component of the 2012 Cultural Olympiad 	<ul style="list-style-type: none"> Wales' Cultural Olympiad programme was successfully completed over the summer period. The final Evaluation report was received and final claims submitted to LTUK. This project is now closed.
	<ul style="list-style-type: none"> Monitored levels of overall attendance and participation in the arts in Wales 	<ul style="list-style-type: none"> The Omnibus Survey and Children's Omnibus Survey were both completed in 2012/13. <p>Headline statistics confirm the conclusions of the good progress made by the RFOs in the RFO Survey showing attendance figures up by 2% on previous year and arts participation increasing from 27% in the previous year to 40%. This is the largest year on year change in the history of the survey.</p>

Corporate Plan theme/ Operational target	By the end of March 2013 we will have...	Achievements and performance
	<ul style="list-style-type: none"> Promoted high quality touring activity in local communities across Wales through our Night Out service 	<ul style="list-style-type: none"> During 2012/13 a total of 572 events were booked through the Night Out scheme, 142 of which were in community first areas. The number of events in Community First areas was reduced this year due to reorganisation of the community first network and uncertainty regarding the revised boundaries for Community First areas. <p>There were 28 Young Promoter Projects.</p>
	<ul style="list-style-type: none"> Supported BME artists' development programme through a service agreement with BVSNW 	<ul style="list-style-type: none"> Agreed services were delivered. Due to changes affecting BVSNW, it was agreed to tender for this work in 2013/14.
	<ul style="list-style-type: none"> Supported Voluntary Arts development of <i>Running Your Group</i> programme in Wales 	<ul style="list-style-type: none"> The web resource has been launched in Wales and 3,000 people have registered to the site. Monitoring meetings have been held and work has been on target. <p>We have agreed a further year's funding to build on Running Your Group in Wales.</p>
	<ul style="list-style-type: none"> Increased the diversity of the Arts Council of Wales Council members and its staff 	<ul style="list-style-type: none"> The diversity of the Council members has improved following recruitment of new members earlier this year. <p>However, findings detailed in our Annual Equality Report presented to Council in Quarter 3 suggest further work is required with regards to increasing diversity amongst staff.</p>

Corporate Plan theme/ Operational target	By the end of March 2013 we will have...	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. We want to foster a greater spirit of entrepreneurship in ourselves and the arts that we support. By doing so we want to encourage less of a dependency on government subsidy.</p>		
<p>By 2013 we will have increased our own turnover with at least 10% of our income coming from new sources.</p>	<ul style="list-style-type: none"> • Implemented a new Lottery Capital strategy and funding programme 	<ul style="list-style-type: none"> • The Capital Strategy and guidelines have been published on our website. Application values requested total in excess of £28 million and the first major award under this Scheme has been made. <p>We are now working through the project registrations to agree those projects that will progress to feasibility and development planning stages.</p>
<p>In addition, we will have increased the value and impact of our existing investment in the arts.</p>		
	<ul style="list-style-type: none"> • Formulated strategies for: <ul style="list-style-type: none"> ◦ the Creative Industries ◦ Digital Arts ◦ training and workforce development ◦ Arts and Regeneration ◦ European funding 	<ul style="list-style-type: none"> • All of these strands are integral to the Arts Strategies Review and, for this reason, formed part of the Sgwrs Gelfyddydol discussions and will feature in Creativity and the Arts when written. <p>We have spent the year engaging in dialogue and establishing collaborations with organisations to inform our position on all of these areas and are now in a much stronger position to develop strategies and partnerships to further our aims.</p> <p>For example, we have been working with organisations with a significant track record in digital work such as Native HQ and Watershed, a Digital Media centre in Bristol, to explore potential opportunities to work with them in introducing relevant project to Wales.</p>

Corporate Plan theme/ Operational target	By the end of March 2013 we will have...	Achievements and performance
		<p>We have been scoping demand for workforce development in association with other relevant bodies such as Creative Skills and Cyfle. We have developed 2 further Welsh language internships with WMC. We are also working with the Clore Foundation, MMM and Arts and Business Cymru about enhancing skills development and leadership provision.</p> <p>We have also contributed to the Welsh Government's Regeneration Review and established links with major regeneration led developments in Swansea, Caernarfon, Rhyl and Colwyn Bay.</p> <p>We have developed a Digital R&D Fund in partnership with NESTA to commence in 2013.</p>
	<ul style="list-style-type: none"> • Re-launched Collectorplan to increase the number and value of art purchase loans 	<ul style="list-style-type: none"> • Following a recent tender exercise we appointed an external consultant to undertake a review of our current Collectorplan. Towards the end of this year we received the first draft of the Consultant's report and are currently working on developing an action plan. <p>During 2012/13 we processed a total of 877 Collectorplan applications with a total value of £593,417. These figures show a small decline on the previous year when we had processed a total of 979 applications totalling loans to the value of £715,758.</p>
	<ul style="list-style-type: none"> • Using existing research/data, established the level and extent of employment in the arts in Wales 	<ul style="list-style-type: none"> • We continued to make progress with this throughout the year and the findings of the RFO Survey also contributed to this work. <p>A tool has been developed by Skillset and CC Skills to compile employment data. CI BETS have awarded the contract for the CI mapping project and Creative Industries has also commissioned some research work.</p>

Corporate Plan theme/ Operational target	By the end of March 2013 we will have...	Achievements and performance
		<p>We have also commissioned a research project for Digital Research and Development for 2013/14.</p>
	<ul style="list-style-type: none"> Capitalised on the opportunity provided by WOMEX 2013 to develop new markets for the Welsh music industry 	<ul style="list-style-type: none"> Work has been ongoing on this throughout the year, including the creation of the Cerdd Cymru:Music Wales Collaboration Agreement with the project partners. Cerdd Cymru:Music Wales has been successful in securing additional funding from the Welsh Government. Meanwhile we have continued its cash flow facility and agreed a further £50,000 underpinning of the project in 2013/14. The team have secured the opening concert which will be "curated" by Cerys Matthews.
	<ul style="list-style-type: none"> Delivered a successful annual Arts Council Marketing Symposium 	<ul style="list-style-type: none"> The event took place on April the 18th in the Grand Theatre, Swansea. On-line registration was opened in March.
	<ul style="list-style-type: none"> Delivered an Organisational Development Programme for RFOs 	<ul style="list-style-type: none"> The first tranche of training took place during Quarter 3 and focussed on business planning, whilst the second phase of training for the Revenue Funded Organisations in Quarter 4 covered aspects of Governance. Early indications are that the sessions, some of which were delivered through the medium of Welsh, were well received and found to be useful by the organisations that attended.
	<ul style="list-style-type: none"> Facilitated meetings of Wales European Arts Forum 	<ul style="list-style-type: none"> In addition to regular email updates, two meetings have been held with the European Arts Forum over the course of the year. These have included training for those organisations looking to apply for the EU Culture Programme for funding and networking with cultural operators from across Europe. <p>Two of our clients who submitted proposals as lead partners have been successfully selected for EU funding (Chapter/Coreo Cymru and Ffotogallery).</p>

Corporate Plan theme/ Operational target	By the end of March 2013 we will have...	Achievements and performance
	<ul style="list-style-type: none"> Developed a new partnership with Local Government that reflects the outcomes of the Welsh Government's Simpson Review 	<ul style="list-style-type: none"> Funding for Ffynnon Training has been approved for each of the 4 regions to assist with the development of the RBA Scorecards within the Local Authorities. <p>Directors will continue to have an overarching lead role with respect to each of the 4 new regions.</p> <p>1:2:1 meetings have taken place during the year, further meetings need to be scheduled before end of year. Some delay has occurred due to other work commitments.</p>
	<ul style="list-style-type: none"> Developed Public Value Partnerships with BBC Cymru Wales and S4C 	<ul style="list-style-type: none"> Work has been ongoing on this throughout 2012/13. Draft copies of the partnership documents are with the respective Heads of the BBC and S4C. Meanwhile conversations are ongoing with both organisations to finalise a series of projects that will be key to the successful outcome of these partnerships.
	<ul style="list-style-type: none"> Developed a Memorandum of Understanding with Creative Industries Sector Team at Welsh Government 	<ul style="list-style-type: none"> Different emphases of policy between ourselves and the Welsh Government in this area have meant that we have been unable to meet this target.
	<ul style="list-style-type: none"> Worked in partnership with the Welsh Government to develop joint projects 	<ul style="list-style-type: none"> We worked on a number of joint projects with colleagues in the Welsh Government during 2012/13. These included managing the applications for the projects to mark the celebrations for the 100th anniversary of the birth of Dylan Thomas. We have also worked closely with consultants in support of the Llangollen International Music Eisteddfod and we have supported the work of the Welsh Government Arts and Education Task Force which is chaired by Dai Smith.

Corporate Plan theme/ Operational target	By the end of March 2013 we will have...	Achievements and performance
<p>Making the Arts Council an effective and efficient public organisation</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 2013 we will be able to demonstrate that we are a more efficient and effective organisation.</p>	<ul style="list-style-type: none"> Reviewed our HR policies 	<ul style="list-style-type: none"> Due to pressures of other activities we completed reviews of 16 of our 25 HR Policies. All policies reviewed were also submitted to our union for consideration. <p>The remaining policies will be reviewed during 2013/14.</p>
	<ul style="list-style-type: none"> Implemented our ICT Strategy 	<ul style="list-style-type: none"> We have made significant progress in implementing our ICT Strategy over the course of the year. <p>Arts Directory is complete and currently being populated. Conferencing Software (EventBrite) has been implemented. IGAM/online applications delivered. PSBA has been achieved.</p> <p>The new mobile workforce resulting from the Organisational Review is in place and the first phase of the new intranet was rolled out to staff in February 2013.</p> <p>Work on the Collectorplan website is currently suspended pending the outcome of the Collectorplan review, and the development of the Night Out Website and Single Database is ongoing.</p>
	<ul style="list-style-type: none"> Implemented our Accommodation Strategy 	<ul style="list-style-type: none"> The move for Colwyn Bay Office was completed successfully in Quarter 3. During this quarter staff were also relocated to the second and third floors at the Cardiff Office, thus vacating the first floor for sub-letting. Whilst this work is largely complete

Corporate Plan theme/ Operational target	By the end of March 2013 we will have...	Achievements and performance
		<p>further work is required to finalise the layout of the third floor and find tenants for the first floor.</p> <p>Considerations for the Carmarthen Office have also now been bought forward from 2013/14 to Quarter 4 of this year and, whilst potential alternative premises have been identified this work is currently ongoing.</p>
	<ul style="list-style-type: none"> Implemented an online applications process (IGAM) 	<ul style="list-style-type: none"> This has been completed and applied to all lottery project funding applications from 1 April 2012.
	<ul style="list-style-type: none"> Established our new Information Service 	<ul style="list-style-type: none"> As a result of the Organisational Review a new Information Team was set up in May 2012. Work is now scheduled to ensure operational efficiencies are achieved.
	<ul style="list-style-type: none"> Implemented cost cutting measures to help us to achieve our Organisational Review targets 	<ul style="list-style-type: none"> Target reductions resulting from the Organisational Review were achieved for 2012/13.
	<ul style="list-style-type: none"> Published an annual report on the financial and organisational performance of the RFO portfolio 	<ul style="list-style-type: none"> This action has been completed. A survey across our RFO Portfolio was conducted during 2012/13 and a copy of the final report published on our website in January 2013.
	<ul style="list-style-type: none"> Achieved published targets for processing of grants applications 	<ul style="list-style-type: none"> During 2012/13 we received 833 applications for funding - 710 to our funding schemes, 16 Capital applications and 107 applications to our International Opportunities Fund – all of which were processed within agreed timescales.
	<ul style="list-style-type: none"> Achieved published targets for the processing of financial payments 	<ul style="list-style-type: none"> End of year figures for 2012/13 show 93.87% of supplier invoices had been paid within agreed terms, 72.16% of which were processed within 10 working days.

Corporate Plan theme/ Operational target	By the end of March 2013 we will have...	Achievements and performance
	<ul style="list-style-type: none"> Achieved high level of public satisfaction with our Information Service 	<ul style="list-style-type: none"> Please see previous comments (above) regarding a wider review of our operational efficiencies. A public satisfaction survey will now be scheduled for 2013/14.
	<ul style="list-style-type: none"> Improved the quality of our engagement with partners and stakeholders across Wales 	<ul style="list-style-type: none"> The first regional advice surgeries took place in during Quarter 3. Five lottery funding advice surgeries were held at venues across Wales and were attended by a total of 47 potential applicants. An additional four surgeries were also held for Creative Wales applications across Wales, attended by a total of 41 potential applicants. <p>In addition, there were four sessions of Sgwrs Gelfyddydol, which ran in Llandudno, Aberystwyth, Abertillery, and Cardiff with over 70 discussion topics being generated using the Open Space approach.</p>
	<ul style="list-style-type: none"> Provided clearer information on our Governance arrangements 	<ul style="list-style-type: none"> This action has been completed. Our Governance Statement was included in 2011/12 Annual Report and Accounts; and approved by external audit.
	<ul style="list-style-type: none"> Dealt effectively with Complaints and Freedom of Information requests 	<ul style="list-style-type: none"> We received a total of 22 Freedom of Information requests and 1 formal complaint during 2012/13. All Complaints and FOI requests were responded to in full within the specified timescales.

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 new registrations for major awards between April 2007 and March 2012 but the Capital programme re-opened in August 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 2013, expires on 31 March 2014. 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.

On-going monitoring of our grant aid programmes alerts us to any specific risk issues. Identified risks lead to an escalation of the level of monitoring and, if necessary, can result in the payment of funding being with-held and/or deferred.

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 810 (2011/12: 689) lottery applications in the year of which 21 (2011/12: 7) were for capital schemes and 789 (2011/12: 682) for revenue schemes. In total 471 (2011/12: 589) offers of grant were made amounting to £11,958,000 (2011/12: £9,334,000) of which £3,928,000 (2011/12: £1,195,000) were capital grants, and £8,030,000 (2011/12: £8,139,000) were revenue scheme grants. Hard commitments (i.e. grants accepted but not yet paid over) at the end of the year amounted to £11,871,000 (2012: £8,076,000), of which £6,461,000 (2012: £3,655,000) were for capital grants and £5,410,000 (2012: £4,421,000) 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, 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, 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 2012/13 share of the proceeds from the National Lottery of £19,355,000 (2011/12: £15,083,000), and an increase in funds for the year of £3,396,000 (2011/12: £1,494,000) 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 were transferred every three months until August 2012. During 2012/13 there were transfers totalling £1,010,000 (2011/12 £2,169,000).

Grant offers made in the year totalled £11,958,000 (2011/12: £9,334,000). £12,101,000 (2011/12: £8,587,000) 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 2013, not recorded as expenditure in the Statement of Comprehensive Net Income, totalled £339,000 (2012: £864,000).

The balance held in the National Lottery Distribution Fund at 31 March 2013 was £20,601,000 (2012: £15,566,000). The accounts show cumulative reserves of £10,195,000 (2012: £6,799,000).

The level of grant offers made during the year increased compared to the previous year, as did the level of hard commitments. These include significant sums relating to major capital projects, payments for which will be released on a prompt and timely basis at key points during the life of each project. A number of the more complex projects have taken longer to progress than originally envisaged. Income was also higher than projected. The combination of these factors affected the level of balances.

Plans for future periods

Our priorities are built around qualitative and quantitative targets.

This presents some interesting challenges in terms of consistent, evidence based reporting. The measuring 'tools' that we use to count things (such as the number of people enjoying and taking part in the activities that we fund) won't offer the same yardstick for measuring the quality of those activities. For example, how do we demonstrate that we're "supporting the creation of the best in great art"?

We want to be able to monitor accurately our progress across the full range of our activities.

To help us do this, each of our four priorities begins with a statement of ambition – a description, in narrative form, of what we believe success would look like. We then set out our detailed Targets according to one of the following six categories:

- **Policy** – a commitment to introduce, review or update an Arts Council policy or strategy
- **Projects** – these are discrete initiatives or activities that are specific and time limited. The Target here will usually relate to the successful completion of the Project, and progress is monitored against a series of 'milestone' events
- **Services** – a significant amount of our work is not time limited. Often it will be demand led or will recur on an on-going basis. Examples might include enquiries to our Information Services, or our processing of financial transactions. Each year we'll set a series of Service Standards. We'll publish both the Standard, and our success in meeting it
- **Partnerships** – some of our most important work emerges from the relationships that we initiate and build with other organisations.

This relationship is usually defined in a specific Partnership Agreement or Memorandum of Understanding. Examples might include the partnerships we develop with organisations as diverse as the British Council, Cadw and the BBC. We'll report at the year end, in narrative form, on the 'strength' of our Partnerships and the successes that we've achieved

- **Governance** – our Council sets exacting performance standards for itself, its Committees, its executive staff and its Advisers. Examples might include the attendance records of Council members, or the extent of our use of National Advisers. Council will set annual Standard's and will report against them
- **Compliance** – some aspects of our performance relate to our success in meeting mandatory legal requirements or discretionary standards of good practice. Examples might include our performance against the obligations set out in our Strategic Equality Plan, the number of Complaints or Freedom of Information Requests we receive, or our progress in making the Arts Council a more environmentally sustainable business. Council will publish an annual Performance Statement detailing our progress in meeting our commitments.

Our priorities for 2013/14 are set out in the following table:

Supporting the best in the creation of great art

What will success look like?

We are passionate about the arts. We are ambitious for their success. At their best – and it's the best we're interested in – the arts have the power to excite, inspire, move and challenge. We want to shape an environment for our artists and organisations in which they can create their best work. We want the people of Wales to be able to enjoy and take part in the best that our nation has to offer. And we believe that the best experience of art only happens when this chord is struck, when art connects. That's our definition of great art. Making art, sharing art, being a part of it, in the community, in performance, off the page, in a space, in lives – this is when art works, inspirationally, individually, collectively.

Of course, we can't guarantee that every artist or arts organisation that we support will always be producing work at the top of their game. However, we can help to create an environment in which ambitious, exciting and compelling work becomes a more likely outcome.

We'll know that we're making progress if:

- the quality of work produced by organisations that we fund delivers an increase, year on year, in attendance and participation
- demand for the work of our artists and organisations grows nationally and internationally
- in the judgement of our professional Officers and Advisers, the quality of work delivered by our revenue funded organisations is consistently pushing the boundaries of innovation as benchmarked against the highest standards
- proposals submitted to our Creative Wales awards are of a high quality and the competition for the awards is challenging
- there is regular and positive media coverage of the arts in Wales, and growing critical debate about the quality of the art made in Wales
- competition for Lottery grants focuses funding decisions on the strongest and most persuasive applications
- our partnerships with other bodies are providing new opportunities to highlight interesting arts activities and develop new opportunities and contexts for the arts to work in

Priorities for 2013/14

1. Produce a new corporate strategy for arts development (Creativity and the Arts) ensuring it recognises Council's priorities to promote:

- a. participation, engagement and inclusion
- b. arts education, children and young people
- c. the creative industries and cultural regeneration
- d. support to the individual artist
- e. international work and opportunities
- f. well-being and sustainability

2. Deliver successful Cymru yn Fenis/Wales in Venice project with featured artist Bedwyr Williams

3. Contribute to the planning, development and delivery of a successful Dylan Thomas 100 Festival during 2014

4. Support the development of our National Advisers and their engagement with our work

5. Ensure nationwide monitoring of the quality of our RFOs

6. Deliver a full year programme of grant awards to individuals and organisations

7. Deliver programme of projects and services that assist artists and arts organisations to exploit the international potential of their work

8. Use our media contacts to promote the arts in Wales

9. Deliver effective presence at external events, promoting and supporting the arts in Wales

Encouraging more people to enjoy and take part in the arts

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.

We'll know that we're making progress if:

- evidence shows that audiences and participants are being drawn from a more diverse cross section of the population, and that those who've previously faced barriers to engaging with the arts have found it easier to be involved
- we see an increase in the number of participatory projects delivered in Communities First areas and an increase in the number of people living in Communities First areas attending arts events

- our Night Out scheme, delivering high quality performances to local communities, sees an increase in audience numbers, specifically amongst people from areas of high deprivation, in both urban and rural localities
- we see an increase in the number of children and young people engaging directly in creative (artistic) activity
- we see an increase in the number of projects (for audiences and participants) that:
 - are delivered in areas of high deprivation, tackling the issues that contribute to child poverty
 - remove the barriers that prevent participation
 - increase the number of children and young people actively involved from Communities First areas
 - demonstrate a positive impact on the lives of those young people
- we see an increase in the number of artists from diverse backgrounds being supported to create, present and promote work

Priorities for 2013/14

10. Work with the Welsh Government to support the implementation of the findings of the Arts and Education Review

11. Address the recommendations on Participation in the Arts from National Assembly Communities, Equalities and Local Government Committee

12. Implement our strategies for Young Creators and Child Poverty

13. Implement our Strategic Equality Plan

14. Promote our Welsh Language Scheme through the implementation of the 15 key targets in our Welsh Language Action Plan for 2013/14

15. Work with our portfolio of presenting organisations (venues and galleries) to increase and diversify their audiences

16. Support methods of engaging 'hard to reach' young people through the delivery of the Splash Arts and Reach the Heights programmes

17. Expand the Developing Talent programme of activity

18. Promoting high quality touring activity in local communities across Wales, especially through the work of the Arts Council's *Night Out* service

19. Work with specialist agencies (Voluntary Arts Wales, Disability Arts Cymru, Diverse Cymru, Stonewall Cymru) to provide support that helps us to deliver our strategic objectives

Growing the arts economy

What will success look like?

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 can only prove an impediment to innovation, development and sustainability.

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.

As we encourage growth, we must also encourage sustainability. Ways of working that squander resources rather than enhance and protect them run counter to the spirit of the time. We need to address the demands of the present without compromising future generations' economic, social and cultural well being.

We'll know that we're making progress if:

- artists and arts organisations demonstrate an entrepreneurial approach to developing new local, national and international markets for their work
- artists and arts organisations are investing in their professional and organisation development
- our revenue funded arts organisations are able to reduce the level of subsidy as a proportion their overall income
- we see more examples of organisations working together to develop creative projects or to share costs and services
- the opportunities offered by new digital technologies are understood and widely used across the arts in Wales
- the arts in Wales are operating on a more sustainable basis, offering practical solutions to environmental challenges
- local government across Wales values the arts and maintains levels of funding and service delivery
- our principal public service broadcasters – BBC Cymru Wales, S4C and ITV Wales – develop new partnerships with the arts
- there is more evidence of the use of the arts in public partnerships and major developments, such as in strategic regeneration areas

Priorities for 2013/14
20. Agree a new three year strategy for Arts Council investment in the arts
21. Encourage our portfolio of RFOs to become more resilient and sustainable (culturally, organisationally and financially), and provide information on the portfolio's performance
22. Develop <i>Ideas, People, Places</i> , a challenge fund invest in arts-led regeneration projects that promote art in the public realm
23. Deliver our Lottery capital priorities
24. Initiate a programme of activity that encourages the development of digital capacity in the arts
25. Re-launch the Collectorplan scheme
26. Deliver WOMEX 2013 as a world class event to realise its potential as a catalyst for music sector in Wales
27. Deliver successful Arts Council corporate events (Annual Conference, Marketing Symposium and Sgwrs Gelfyddydol)
28. Develop the entrepreneurial leadership skills that help artists and arts organisations to develop forward looking, sustainable and resilient business practice
29. Embed our new three stranded (national, regional and individual) partnership with local government across Wales
30. Develop Public Value Partnerships with BBC Cymru Wales and S4C
31. Nurture partnerships that support the delivery of our arts priorities, developing new opportunities for artists to commission, develop and present work
32. Maximise benefits to the arts from European Programme 2014-2020 including structural funds
Making the Arts Council an effective and efficient public organisation
<p>What will success look like?</p> <p>During 2012/13 we implemented the outcomes of our Organisational Review. A new staffing structure is in place. Now our challenge is to create to create a strong, confident organisation providing services that are relevant and useful.</p>

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.

We'll know that we're making progress if:

- the individuals, organisations and stakeholders that we work with express a high level of satisfaction with the quality of our services
- we fully exploit the potential of new technology
- we process applications, grant payments and financial transactions in a prompt and timely fashion
- we're seen to be improving our environmental sustainability
- we retain our Investors in People accreditation
- we're reducing our running costs

Priorities for 2013/14

33. Developing the professional capability, skill and well being of our staff

34. Implement our ICT Strategy

35. Develop a suite of Corporate publications and video, promoting the Arts Council brand and the work that we do

36. Manage our office estate efficiently, safely and at best value

37. Develop our Information Service

38. Implement cost cutting measures to help us to achieve our Organisational Review financial targets

39. Retain IiP accreditation

40. Assess independently the effectiveness of our organisation

41. Achieve published targets for processing:
a. of grants applications
b. financial payments

42. Review and simplify our grant making processes.

43. Manage our financial resources to the highest standards of accountability
44. Develop a constructive relationship with Welsh Government through: <ul style="list-style-type: none"> a. Delivery and reporting on requirements of the Remit Letter 2013/14 b. Biannual meetings with the Minister c. Culture Forum d. Quarterly Monitoring Meetings with officials
45. Annual Report for 2012/13 published
46. Support the corporate management of the Arts Council's business through: <ul style="list-style-type: none"> a. the management and organisation of Council and its Committees b. the management and organisation of Senior Management Team c. the management and organisation of Management Board
47. Ensure the diversity of the Arts Council of Wales Council members and its staff
48. Deal effectively with Welsh Government enquiries, Complaints and Freedom of Information requests
49. Meet our environmental responsibilities in accordance with the Welsh Government's Sustainability Duty
50. Implement new payroll systems

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 2012/13 staff sickness absence totalled 364 days (2011/12: 963 days). This represented 1.97% (2011/12: 4.30%) of working days, including 0.16% (2011/12: 1.77%) 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% of invoices, including disputed invoices once the dispute has been settled, in line with these terms. During the year ended 31 March 2013, the Council paid 94% (2011/12: 96%) of all invoices within the terms of its payment policy. Since November 2008 the Council, in line with Welsh Government policy, aims to pay invoices within 10 days. For 2012/13 72% (2011/12: 86%) 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% (2011/12: 0.50%) in the year. The year-end Cash and cash equivalents balance held by the Council in the bank was £1,739,000 (2012: £28,000). 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.

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.

Sustainability

The Welsh Government's White Paper *"A Sustainable Wales – Better Choices for a Better Future"* sets out its vision and proposals for embedding sustainability as the central organising principle for the wider public services in Wales when the Sustainable

Development Bill becomes legislation. The Arts Council of Wales is amongst the first wave of organisations subject to the Sustainability Duty, beginning 1 April 2015.

We will therefore reflect this into the development of our new strategies and in our Corporate Plan which will be published early in 2013/14. During the next year we will also be developing our plans to meet our duties under the *Sustainable Development Bill* in order to ensure that we fully play our part in delivering the Welsh Government's vision.

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.

Environmental Report

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 performance. These are an integral part of our business and operating methods.

Recent guidance from the Welsh Government, based on HMT guidelines for Sustainable Reporting, introduced a de minimis level for those organisations required to report on their environmental performance.

Although below the de minimis level, we have decided voluntarily to report more fully on our environmental performance for 2012/13. We believe this is in line with the spirit of the Welsh Government's White Paper – *A Sustainable Wales – Better Choices for a Better Future*.

Review of progress:

Since introducing an environmental policy we have made good progress in improving our environmental performance. This has been achieved through a combination of financial investment, the introduction of systems and different ways of operating, and through the commitment of our staff.

We currently operate from three locations across Wales, which at the start of the year had a combined floor area of 1,464 square metres. As part of our accommodation strategy, we have now relocated staff based in North Wales to smaller premises, and moved our Cardiff based staff into a smaller area within our existing office. We are currently reviewing our office requirements in West Wales. Our target is to reduce the size of our estate by at least 25% by the end of March 2014.

Prior to moving in approximately 5 years ago, we fitted our Cardiff office with a range of energy saving devices and equipment. These

included the zoning of the air conditioning system, low energy lighting, and movement sensors to reduce lighting consumption. Printers, photocopiers and faxes have been replaced with more energy efficient multi-functional devices; double sided printing was introduced as the default; and we completed a programme to virtualise our IT servers thus reducing energy for power and cooling. Our new North Wales office also contains many similar features.

The locations of both offices are on public transport networks. More visitors now use public transport to reach us. We have also seen an increase in the number of staff using trains and buses for their journeys to and from work. We are currently considering other initiatives, such as loans for season tickets, to encourage further reductions in our environmental impact.

As well as taking steps to improve the environmental performance of our offices, we have also made progress in changing organisational behaviours.

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 now have car parking space at only one of our offices. We have provided cycle racks in our Cardiff office, and are considering introducing further incentives.

We actively promote the use of video conferencing as an alternative to travel. All three offices are fully equipped with video conferencing facilities. We encourage its use as an alternative to travelling. We are upgrading and extending our video conferencing capacity to include mobile working during 2013/14.

Over 50% of our staff are now equipped with appropriate equipment such as laptops and smartphones to enable them to operate on a mobile basis, thus reducing their dependency on having to work from our offices. This has helped reduce their travel to work journeys and, in turn, their carbon dioxide (CO₂) emissions. We are not in a position to report accurately on the impact of this but will be examining if we can do so in future reports.

The introduction of a new staffing structure and flexible, more mobile working arrangements has however resulted in a need for some staff to travel more between offices, and to increase the level of visits made to funded organisations. We expect to see the initial impact of this trend reversed as the new structure settles into place.

Environmental Awareness is included in our induction programme and members of staff given periodic training and updates as appropriate.

We promote the minimisation of waste amongst our staff by encouraging reduction, reuse and recycling. Recycling and waste separation, which reduces the amount sent to landfill, is also actively promoted internally, and we use licensed and appropriate organisations to dispose of our waste. We recycle our surplus and redundant IT and office equipment.

All our major suppliers of office equipment and supplies have Environmental policies and reporting mechanisms in place, and during selection of contractors and suppliers we consider environmental performance and awareness as part of our selection scoring criteria. Energy-saving devices and equipment are used to reduce electricity consumption, and staff are encouraged to reduce consumption whenever possible.

Our cleaning contractors have environmental policies in place that ensure they use eco-friendly products and equipment; any change to cleaning products has to be agreed with us.

A key focus of our ICT strategy has been to extend the use of our information technology infrastructure to provide business and environmental benefits. We introduced technology to scan incoming mail and invoices etc. which reduces our storage requirements, and enables staff to access documents remotely. For example, our finance systems are now fully electronic from receipt of order through to payment, with supporting documents scanned and accessible electronically. Our on-line grant application system went live during the year; this too will help reduce the volume of paper we receive, handle, store and re-cycle.

We have significantly reduced, in recent years, the number of printed paper copies of our corporate publications, and now actively use electronic means wherever possible. This has helped reduce paper consumption, the quantities delivered, and our storage requirements.

Allied to this, we have invested in an improved website enabling us to improve our level of service, and provide a wide range of information to grant applicants, artists and arts organisations, and to the general public without the need to print and send paper copies.

We have standardised our stationery, and use recycled paper supplies for at least 90% of our copying and other internal needs. Managers are provided with monthly reports analysing printing and copying activity, to encourage lower overall usage.

We will now be pursuing Green Dragon accreditation, and have set a target of securing level 3 accreditation by the end of March 2015.

Our performance:

We have enhanced our internal reporting systems to enable us to capture and measure details of our use of consumables, waste, energy, water and staff travel, and thus our CO₂ emissions. There are however a number of indicators that we are unable to accurately report.

We share occupancy of two of our largest offices, and as such certain costs are included within our service charge, particularly relating to waste costs and water usage. We are exploring with our landlords the practicalities of putting in place a system to accurately separate water usage costs for 2013/14. We are not currently able to accurately determine the cost of our waste. We have therefore included the weight of our waste in the table below:

	2012/13	2011/12
Waste:		
Non-financial (tonnes)		
Landfill - <i>estimate</i>	2.2	2.5
Reused/recycled - <i>estimate</i>	7.45	9.8
Greenhouse gas emissions (CO₂)		
Gross emissions, scope 1 (indirect)	8,800	9,271
Energy consumption (Kwh)		
Electricity (non-renewable)	126,708	133,496
Electricity (renewable)		
Gas	N/A	N/A
Financial indicators (£)		
Expenditure – energy	18,900	20,800
Water supply costs (office estate) – currently unable to assess, included in service charge	N/A	N/A
Travel emissions (CO₂)		
Rail	2,202	1,463
Air	6,927	5,496
Car/vans	6,370	6,555
Travel cost (£)		
Rail	33,194	32,993
Air	19,981	18,266
Car/vans	39,440	40,760
Travel (miles)		
Rail	154,806	104,977
Air	540,671	391,525
Car/vans	86,789	90,757

Our target is to reduce our overall CO₂ emissions by at least 5% during 2013/14.

Our ability to influence:

As well as seeking to improve our own environmental performance, as the largest grant distributor in the arts sector in Wales, we are uniquely placed to influence changes in behaviour and performance amongst the individuals and organisations we fund.

Last year we funded the *Emergence – Eginriad* programme which focused on the development of a low-carbon arts infrastructure; and developing the role of the arts as a crucible of ideas and visions for a low-carbon *One Wales, One Planet*. Our work helped fund and develop the Emergence summit, a major arts and sustainability event presented by Volcano and the Centre for Alternative Technology in Machynlleth in September 2012. We further supported artists' commissions and film work as part of this event which in turn featured on the BBC/Arts Council England initiative **The Space**. We have subsequently inaugurated an artist in residence project at the Centre for Alternative Technology, and offered further support for Emergence to scope a web-based documentation project.

We also actively encourage high environmental standards in the capital projects we grant fund. The major new build project in Bangor – Pontio – will be built to the BREEAM Excellent standard, whilst the Glynn Vivian project in Swansea will reach BREEAM Very Good, due to its status as an historic building.

Looking ahead:

As well as continuing to minimise our own impact on the environment, we are keen to support the organisations that we fund do the same. We have a number of measures planned for the year ahead aimed at further reducing CO₂ emissions.

Working in partnership with our portfolio of revenue funded organisations we will be developing measures that will include sharing best practice, funding technical improvements, and introducing guidance on sustainable development issues. We are being assisted in this process by work currently being undertaken by Creu Cymru.

Our re-opened Lottery funded capital programme will continue to place emphasis on the buildings we help fund to achieve high environmental standards.

Environmental performance is, of course, only a part – albeit an important part - of the wider sustainability agenda. We will, therefore, be exploring a number of other initiatives that will allow us to play our part in minimising the impact we – and the organisations we fund – have on the environment, and which will enable us to fully play our part in delivering the Welsh Government's vision for a Sustainable Wales.



Nicholas Capaldi
Accounting Officer
5 July 2013



Professor Dai Smith
Chairman
5 July 2013

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. Current guidance from the Welsh Government means that consolidated basic increases are not 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 and the Chief Executive waived his entitlement to a non-consolidated award for 2011/12.

Council members are appointed by the Welsh Ministers for a period of three years and may be re-appointed for a further three year period. The current Chairman, Professor Dai Smith, was appointed as a Council member on 1 April 2004 but took over the chairmanship on 1 April 2006. The Minister for Culture, Sport and the Welsh Language subsequently appointed Professor Smith for a term of three years from 1 April 2007 until 31 March 2010, the Heritage Minister renewed his appointment for a further three years to 31 March 2013 and the Housing, Regeneration and Heritage Minister has announced that Professor Smith will continue to serve as chairman until 31 March 2016. The Chief Executive and 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.

The figures within this Remuneration Report have been audited.

Name and position	2013	2012	2013		2013		2013	2013	
	Emoluments ¹ band £'000	£'000	Real increase in pension and related lump sum at age 65 £'000		Total accrued pension at age 65 as at 31/03/13 and related lump sum £'000		Cash ² Equivalent Transfer Value at 31/03/12 £'000	Cash Equivalent Transfer Value at 31/03/13 £'000	2013 Real ³ Increase in Cash Equivalent Transfer Value £'000
Nick Capaldi <i>Chief Executive</i>	90-95	90-95	Pension Lump sum	0-2.5 2.5-5	Pension Lump sum	5-10 15-20	55	77	20
David Alston <i>Director of Arts</i>	65-70	65-70	Pension Lump sum	0-2.5 0-2.5	Pension Lump sum	5-10 15-20	83	104	19
Katherine Davies <i>Director of Investment and Funding Services (from 1 February 2012)</i>	50-55	5-10 (FTE*: 50-55)	Pension Lump sum	0-2.5 5-7.5	Pension Lump sum	15-20 50-55	189	243	49
Diane Hebb <i>Director of Engagement and Participation (from 1 February 2012)</i>	50-55	5-10 (FTE: 50-55)	Pension Lump sum	0-2.5 2.5-5	Pension Lump sum	5-10 25-30	97	129	29
Sian Tomos <i>Director of Enterprise and Regeneration (from 1 February 2012)</i>	50-55	5-10 (FTE: 50-55)	Pension Lump sum	0-2.5 2.5-5	Pension Lump sum	10-15 35-40	158	190	27
Hywel Tudor <i>Director of Finance and Resources</i>	65-70	65-70	Pension Lump sum	0-2.5 0.2-5	Pension Lump sum	10-15 30-35	143	168	21

*Full time equivalent

¹ **Emoluments** – The Chief Executive waived his entitlement to a performance-related non-consolidated award for 2011/12. 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 £9,801 (2011/12: £13,251) was reimbursed to 12 (2011/12: 13) Council members for travel and subsistence costs incurred on Council business. The aggregate amount allocated to Lottery Distribution activities was £4,066 (2011/12: £3,012).

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

	2013	2012
	£	£
Chairman		
Salary	<u>43,810</u>	<u>43,810</u>
Chief Executive		
Salary	93,380	93,380
Employer's pension contribution	<u>16,155</u>	<u>16,155</u>
	<u>109,535</u>	<u>109,535</u>

Reimbursed travel and subsistence expenses incurred and defrayed whilst on Council business:

Chairman	2,882	3,823
Chief Executive	8,283	6,148

33.96% (2011/12: 37.50%) of the Chairman's and Chief Executive's emoluments are charged in these financial statements and the remainder to general activities.

The median annual remuneration (full time equivalents) at 31 March was (whole Council):

30,000	30,000
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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
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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	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
<£9,999	-	2	-	4	-	6
£10,000 to £24,999	1	2	-	3	1	5
£25,000 to £49,999	-	3	-	1	-	4
£50,000 to £99,999	-	1	-	2	-	3
Total number of exit packages	1	8	-	10	1	18
Total cost (£'000)	16	236	-	230	16	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 employees' posts either disappeared in the new structure or were filled by other employees who would otherwise have been compulsorily redundant. There is no difference in the payment entitlements of volunteers and those who are compulsorily redundant.

The Remuneration Committee members who served since 1 April 2012 were:

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



Nicholas Capaldi
 Accounting Officer
 5 July 2013



Professor Dai Smith
 Chairman
 5 July 2013

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, 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, 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 2013



Professor Dai Smith
Chairman
5 July 2013

Annual Governance Statement

This governance statement is the personal responsibility of me, Nicholas Capaldi, the Arts Council of Wales' Accounting Officer and Chief Executive. It sets out the governance arrangements of the Arts Council of Wales and how I have discharged my responsibilities for ensuring the Arts Council of Wales conducts its business, in respect of both exchequer and lottery activities, in accordance with the law, adheres to proper standards and establishes the necessary safeguards to protect the use of public money. I also explain how these funds are properly accounted for, and used economically, efficiently and effectively to support the delivery of the Arts Council of Wales' plans and priorities.

Accountabilities:

The Arts Council of Wales – Cyngor Celfyddydau Cymru – exists to support and develop the arts in Wales. It does so for the benefit of people throughout Wales, and to support Welsh art internationally. It was established by Royal Charter on 30 March 1994, is a registered charity (number 1034245), a Welsh Government sponsored body, and a National Lottery Distributor.

Our Royal Charter stipulates our objectives. They are: to develop and improve the knowledge, understanding and practice of the arts; to increase the accessibility of the arts to the public; and, to work through the Welsh and English languages. We work with other public bodies in Wales, and with the other Arts Councils in the UK, to achieve these aims. A copy of our Royal Charter can be found on our website.

The Arts Council of Wales was accountable, for most of 2012/13, to the Welsh Government's Minister for Housing, Regeneration and Heritage. We operate within a broad framework that sets out the terms and conditions under which Welsh Ministers provide

our grant-in-aid funding, and how we are able to use this funding. As a public body we also have to operate within the guidance contained in *Managing Welsh Public Money*.

As a distributor of Lottery funds, under the National Lottery etc. Act 1993 (as amended), the Arts Council of Wales is accountable to the Secretary of State for Culture, Media and Sport. Our financial directions are issued by the Secretary of State, and our policy directions by the Welsh Ministers. These set out how we must operate. We have arrangements in place to ensure we separately account for our general and lottery distribution activities. Both sets of accounts are subject to separate external audit.

As a charity we operate under the Charities Acts 1960, 2006 and 2011, and guidance issued by the Charity Commission. We are also subject to the Consumer Credit Act and guidance issued by the Office of Fair Trading; the Freedom of Information Act 2000 and the Data Protection Act 1998.

The systems and processes we use to run our organisation and activities take account of these various accountabilities. Within these frameworks the Arts Council of Wales makes independent decisions regarding the strategic direction of the organisation, grant funding, and other financial decisions.

Both the Public Services Ombudsman for Wales and the Parliamentary Commissioner for Administration are able to investigate the Council's affairs.

Governance:

The organisation is governed by a Board of Trustees – Council – consisting of a Chair and fourteen members, one of whom is appointed as Vice-Chair. They bring specific expertise and knowledge to the oversight and development of our activities.

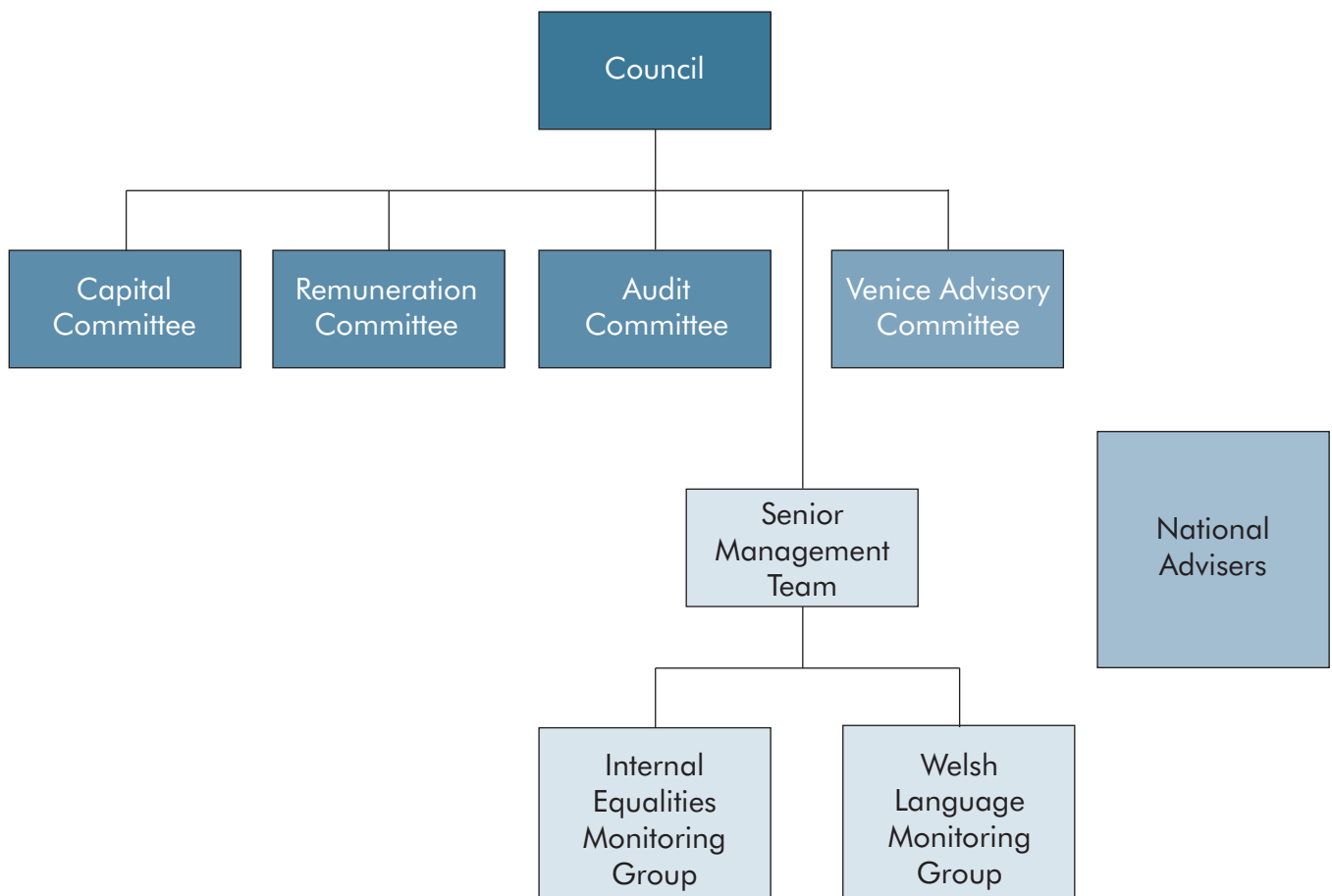
The Chair and members were previously appointed by the Welsh Government’s Minister for Housing, Regeneration and Heritage, usually for three years, renewable once. Looking ahead, appointments will be made by the Minister for Culture and Sport.

The Chair of Council is a remunerated position. All other members provide their time and expertise on a voluntary basis, but are reimbursed for out-of-pocket expenses incurred on Council business. A summary is contained in the Remuneration Report.

As the ultimate decision making body for the organisation, Council 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 members make decisions on corporate policy and formulate our Corporate and Operational Plans. They set the annual budget, decide on the annual allocation of grants to revenue-funded organisations, and approve grants of over £50,000, or over £250,000 in the case of Lottery funded capital projects. Council members are responsible for any major alterations to the terms and conditions of service for staff.

To help support their work, Council has appointed three committees to provide specialist advice. These are the Audit, Capital and Remuneration Committees. It also has ad hoc advisory committees and internal monitoring groups to assist in meeting its responsibilities.



The executive management of the organisation is headed up by the Chief Executive and supported by a Senior Management Team of five Directors, each of whom has responsibility for particular aspects of the organisation.

A list of National Advisers has been established, appointed by the executive staff of Council to provide specialist advice.

Each committee operates under specific terms of reference. Minutes of each committee meeting are provided to the next available meeting of Council.

Each committee is made up of Council members, one of whom acts as chair, and co-opted individuals. Independent committee members are appointed for their specialist skills and experience, through an open selection process. All new members of Council and Committees undergo an induction process appropriate to their role.

The Audit Committee is responsible for providing assurance to Council on the effectiveness of our governance, risk management and internal control arrangements. It produces an annual report for Council which summarises its work and, when applicable, draws attention to material issues.

There were three key themes to the Committee's work during the year. Firstly, regular monitoring of progress in implementing all audit recommendations; generally the Committee was content with the progress made. Secondly, given the level of investment we make in them, monitoring RFO clients, with an emphasis on higher risk organisations. And thirdly, the Committee also pursued best practice of governance arrangements through an on-going process of review of systems and procedures. No material issues were reported during 2012/13.

The Capital Committee is responsible for advising Council on the development of policy, on all aspects of capital development, including funding priorities and schemes. It has delegated authority to make funding decisions on lottery capital grants from £50,001 to £250,000. It makes recommendations on larger capital grants to Council.

The Remuneration Committee reviews the performance of the Chief Executive against agreed objectives, and sets targets for the forthcoming year. It also agrees the level of remuneration for the Chair within the limits determined by the Welsh Ministers.

Details of membership of Council and these three committees, together with details of members' attendance at meetings, can be found in the Reference and administrative details section at the beginning of the Trustees' Annual Report. During the past year we also had a Venice Advisory Committee to inform and oversee the organisation of our presence at the 2013 Venice Biennale of Art. We also had two important internal monitoring groups, the Equalities Monitoring Group, and the Welsh Language Monitoring Group.

The Senior Management Team is led by the Chief Executive, supported by Arts Development and Corporate Services teams. The Arts Development team is based around three directorates – Arts; Engagement and Participation; and Enterprise and Regeneration; and a Corporate Services Team incorporating two directorates – Finance and Resources; and Investment and Funding. Each Director has responsibility for particular aspects of the organisation. Further details are contained in the Remuneration Report.

Council has delegated to staff the power to make funding decisions on grants up to £50,000.

Promoting values of good governance:

The Arts Council of Wales supports Lord Nolan's seven Principles for public life and strives to ensure that all of our employees, Trustees, Committee members and National Advisers apply and adhere to the Principles.

The Council has a Code of Best Practice, a copy of which can be found on the Council's website. It helps ensure the roles and responsibilities of members and officers are clearly defined, and it contains the expected standards of propriety that members and staff should adhere to.

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 that changes in circumstances are promptly notified.

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

Our Council meetings all have agendas, and written reports circulated in advance for consideration by members. Tabled items and verbal reports are only accepted in exceptional circumstances. Agendas and minutes of Council meetings are published on our website.

The Corporate Governance code issued by HM Treasury does not directly apply to the Arts Council. However, as Accounting Officer I am satisfied that the arrangements we have in place reflect good practice, and the Arts Council has complied with the principles of accountability, effectiveness, and leadership expressed within the Treasury's Code, in so far as they are relevant to Welsh Government Sponsored Bodies and Lottery Distributors. Council endorses this view.

Taking informed decisions:

Decisions taken by Council and Committees are informed by advice provided by staff of the Arts Council. Where appropriate this is supplemented with specialist advice from our National Advisers.

Papers and reports submitted by officers to Committees and to Council are expected to clearly show all relevant information needed to enable Council to reach informed decisions. Where appropriate specialist expert advice and legal opinions are also obtained and reported to Council and Committees.

Key policy proposals are put out to public consultation. Responses and feedback further inform discussions at Council before policies are finalised.

Matters considered by Council:

Council met six times during 2012/13 to discharge its responsibilities. In total the fifteen members attended on 73 out of a possible 90 occasions. Satisfactory explanations of absence were received in all cases.

Council considered reports on a range of issues, including: matters of strategy; setting plans and budgets; and monitoring performance against operational and financial targets. It also received reports from each sub-committee meeting.

Council reviewed the Governance arrangements, including the role of Committees. It decided to extend the remit of the Remuneration Committee to include involvement in senior appointments. In future it will be known as the Remuneration and Appointment Committee.

Following preparatory work during the previous year, a new Organisational structure took effect in May 2012. Council received regular updates

on the implementation of the new structure and work programmes throughout the project. Our internal auditors carried out two independent reviews of the process, both of which were received by Council.

As part of its review of the organisational structure, Council decided not to continue with the advisory Regional Committee structure. Instead it has committed to an on-going series of public meetings held in locations across Wales. The purpose of these meetings will be to gather views and opinions on matters of relevance to the Council.

A number of other strategically important matters were also considered. Amongst the most significant were reports relating to the world music expo, WOMEX 2013, which is being delivered by Cerdd Cymru: Music Wales, in which the Arts Council has a 50% interest. This is a key strategic priority for the Council in 2013/14.

Members also engaged in discussions regarding the development of a review of the Arts Council's arts strategies, and in the development of the 2013-2018 Corporate Plan.

Council carried out a self-assessment review of its own performance during the year. Overall it concluded that it was satisfied that it was operating effectively against the thirteen categories contained in its Board Assessment Framework. As part of a process of continual improvement, however, some further enhancements will be introduced during the next year. These include reviewing the effectiveness of our strategic planning cycle; strengthening Council's processes of assurance and self-assessment; and, creating more opportunities for Council members to meet with members of staff to ensure that dialogue between Council and the executive is active, open and informed. Council will continue to

monitor its performance against the Assessment Framework.

Council was satisfied with the data and information provided for its use, and that the information it receives in respect of grant funding is reliable. The systems used to provide the information are reviewed annually as part of the internal audit programme. In the rare instances where the information provided does not meet the required standards, the paper is rejected, and a replacement commissioned. There was one such instance during the year.

Third Party Funding:

As a major distributor of funding – from the Welsh Government, the National Lottery and other sources, including European funds – to the arts sector in Wales we take our responsibilities very seriously, and have developed systems and procedures to support this key part activity.

Clear guidelines for each of our Lottery funded grant funding programmes are published annually, details of which can be found on our website.

We have open and transparent application processes for our grant funding programmes, and rigorous assessment, decision making, and monitoring processes for all of the funding we award to artists and arts organisations. These are reviewed regularly.

We take a risk-based approach to our assessment of applications and monitoring of grants awarded. Information collected from grant recipients is used in our monitoring procedures to ensure that the stated outcomes for which our funding was provided were, in the end, actually achieved.

Decisions to award an organisation Revenue Funded Organisation (RFO) status are taken by Council based on the advice of, and supported by, rigorous assessments carried out by officers.

A full list of Lottery grants offered during the financial year can be found in the annexes to this Annual Report. Grants offered from exchequer and other non-Lottery funds are listed in the separately published General Activities accounts.

Council receives regular reports on the risk assessment of each of our annually funded RFOs. This is supported by an annual report that summarises the findings of our annual survey of attendance and participation levels amongst our RFOs, and the level of revenue funding per attendee/participant.

When necessary we take a pro-active approach to organisations that run into difficulties, and invest time and energy to help them to resolve matters of concern. During the year we commissioned independent reviews of one of our RFOs. Regular updates were provided to Council in respect of another organisation that had experienced difficulties during the previous financial year. On the basis of advice from officers and external experts, Council approved a series of recommendations designed to help stabilise the organisations and to move them towards a more sustainable position in the medium term.

Council takes fraud, corruption and maladministration very seriously and has policies to prevent, and deal with, such occurrences, including "Whistle-blowing" and Anti-fraud policies. No instances were reported during the year.

Our grant making and monitoring processes are subject to annual review by our internal auditors, as well as scrutiny by the Wales Audit Office. Taking account of issues arising from a previous special review, in order to introduce a fresh perspective, we introduced a different approach to the internal audit reviews during the year. This involved focusing on all funding received by a sample of clients, rather than on particular

funding streams. We will build on this during the year ahead.

Risk Management:

We have developed a system of internal control designed to identify and prioritise the risks to the achievement of Council policies, aims and objectives. It evaluates the likelihood of those risks being realised, considers the impact should they occur, and seeks to manage them efficiently, effectively and economically.

Council recognises that any ambitious developmental strategy has to accept the potential of some risk of failure to achieve policies, aims and objectives. Our system of internal control is designed to manage risk to a reasonable and appropriate level, and can therefore only provide reasonable and not absolute assurance of effectiveness.

We aim to promote a more innovative, less risk adverse culture in order that we can support artists, organisations and projects to deliver our objectives. The ever-increasing need to maximise the benefits of our investment for the sector and the public also means we need to take appropriate but considered risks on occasions, and to acknowledge that there might be occasional failures. However, we would not consider ourselves reckless, nor would we willfully squander our reputation. Council takes a considered view of risk in line with both its responsibilities as a publically-funded body and the nature of the sector it serves.

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. Assessment of risk is required in all significant papers presented to Council.

The Audit Committee instigated the development of a Board Assurance Framework. The purpose of this framework is to further

enhance the robustness of the underlying controls and assurance process used to identify and manage key strategic risks. This will help ensure that Council feels more confident that it is able to make properly informed decisions. We will be introducing this in 2013/14.

Management of risk is supported by the work of our internal auditors. Further details are shown below.

Key risks facing the Arts Council:

Risks to our key strategic and operational activities have been identified, assessed and considered by Senior Management Team, and action taken to mitigate them. Risks and the actions to manage them are reviewed regularly. This is supported by our internal audit programme which reviews key areas of potential risk and where appropriate makes recommendations to management to help address and mitigate them. Updates are reported to Council and the Audit Committee.

One of the key risks identified last year was the implementation and delivery of our Organisational review. This was successfully delivered, and has been reviewed by our internal auditors. We no longer consider it to be a key risk.

Looking ahead, there are however a number of key risks facing us in the next year or so:

The most significant strategic risk in the immediate future is the impact of cuts to public expenditure and the potential impact it may have on the wider arts sector. Council is mindful of the need to continually monitor and address issues where we are a key funder and have direct influence. However, the risk and impact of cuts by other public sector funders is very real and could have serious consequences for the arts infrastructure across Wales.

We re-opened our Lottery funded capital programme during the year. All large scale projects, whether new builds or the refurbishment of older buildings, are inherently risky. Our procedures and controls reflect this. Currently, we have two large projects in construction; both are being closely monitored with the help of independent specialists using our rigorous monitoring procedures.

Our Lottery income has increased as a result of increased ticket sales, an increase in our share of the Good Causes funds, and the end of our contributions towards the London 2012 Olympics. This poses risks in the short term of increased balances in the National Lottery Distribution Fund and an inability to commit the new levels of income. This is being closely monitored.

WOMEX 2013, which is being held in Cardiff in October 2013, is a major event involving artists and promoters from across the world. The scale and complexity of the event and the numbers of attendees inevitably brings with it many risks. Although it is being delivered by Cerdd Cymru:Music Wales, it is strategically important to the Arts Council and we are investing resources to ensure it is a success.

Security of data:

We treat our obligations under the Data Protection Act seriously. Our ICT systems and controls ensure that the security of data is tightly controlled. We regularly assess our security arrangements and have taken steps to make them more robust. We will continue to monitor them closely.

There were no matters of concern arising from the external or internal audit review carried out during the year. The high level review over IT controls carried out by our external auditors did not highlight any issues. The internal audit programme during the year included reviews of Data Protection, and our ICT infrastructure and

security arrangements. Both reviews resulted in substantial assurance gradings.

To the best of my knowledge and belief, no loss of data occurred during the year.

Ministerial directions:

As a Welsh Government sponsored body we are subject to non-statutory instruments, containing appropriate directions. No Directions were issued to us during the year, nor were we issued with any Ministerial Directions in respect of our Lottery activities.

Control issues identified during the year:

Our internal audit service is provided by Deloitte LLP under the guidance of a nominated Head of Internal Audit, working to Government Internal Audit Standards up to March 2013 and Public Sector Internal Audit Standards from April 2013.

The Audit Committee agrees a programme of reviews which our internal auditors carry out during the term of their appointment. Each annual plan contains reviews of key business activities, as well as examining key areas of potential risk to the organisation. They are designed to assist management in identifying improvements where necessary.

Ten reviews were carried out during the year. With one exception, all reviews resulted in at least a substantial level of assurance. The one exception related to an aspect of our recruitment processes which gave rise to a limited assurance rating. All audit recommendations raised by internal audit have been, or are being, addressed.

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

"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 its objectives. We identified one high priority issue that gave rise to a limited assurance rating, this has now been remedied by management."

The annual findings of the Wales Audit Office are reported in an Additional Assurance Report and Management Letter addressed to Council. The Audit Committee also considers it, and a copy is provided to the Permanent Secretary of the Welsh Government. All external audit recommendations raised have been, or are being, addressed.

Overall assessment of governance and internal control:

In my opinion, the Arts Council of Wales' systems of governance and internal control are sufficient to enable me to discharge my responsibilities as Accounting Officer.



Nicholas Capaldi
Accounting Officer
5 July 2013

Endorsed on behalf of Council:



Professor Dai Smith
Chairman
5 July 2013

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 2013 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 2013 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 Trustees' Annual Report (excluding Plans for Future Periods) and Environmental 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
10 July 2013

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

The maintenance and integrity of the Arts Council of Wales' website is the responsibility of the Arts Council of Wales; the work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements once they were initially presented on the website.

Statement of Comprehensive Net Income
for the year ended 31 March 2013

	Notes	2013		2012	
		£'000	£'000	£'000	£'000
Expenditure					
Management and administration:					
Staff costs	2	952		1,194	
Other operating costs	4a	607		613	
			<u>1,559</u>		<u>1,807</u>
Irrecoverable grants:					
Irrecoverable grants written off		-		615	
Increase/(Decrease) in provision for doubtful debts		2		(665)	
			<u>2</u>		<u>(50)</u>
Expenditure on the arts:					
Grant commitments made (hard) ¹		12,480		8,716	
Less: Lapsed and revoked commitments (hard) ¹		(379)		(129)	
Net grant commitments made (hard) ¹	9b		<u>12,101</u>		<u>8,587</u>
Delegated distributor: Film Agency for Wales	11		1,200		1,200
Other arts awards	5		208		177
Direct costs of grant making	4b		11		17
			<u>13,520</u>		<u>9,981</u>
Statutory transfer to Olympic Lottery Distribution Fund					
	6		1,010		2,169
Total expenditure			<u>16,091</u>		<u>13,907</u>
Income					
Share of proceeds from the National Lottery	6		19,355		15,083
Investment income on balances in the National Lottery Distribution Fund	6		103		109
Interest receivable			6		5
Grants recoverable			21		35
Total income			<u>19,485</u>		<u>15,232</u>
Net income			3,394		1,325
Other Comprehensive Income					
Net unrealised gain on the revaluation of investment in the National Lottery Distribution Fund					
	6		2		169
Total Comprehensive Income for the year			<u><u>3,396</u></u>		<u><u>1,494</u></u>

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 135 to 145 form part of these financial statements.

Statement of Financial Position

as at 31 March 2013

		31 March 2013		31 March 2012	
	Notes	£'000	£'000	£'000	£'000
Expenditure					
Non-current assets:					
Trade and other receivables	7a		150		150
Current assets:					
Financial assets:					
Investments - balance held in the National Lottery Distribution Fund	6	20,601		15,566	
Trade and other receivables	7b	71		3	
Cash and cash equivalents	10c	<u>1,739</u>		<u>28</u>	
Total current assets			<u>22,411</u>		<u>15,597</u>
Total assets			<u>22,561</u>		<u>15,747</u>
Trade payables and other current liabilities – amounts falling due within one year:					
Trade and other payables	8	(79)		(431)	
Other liabilities:					
Delegated distributor: Film Agency for Wales	8	(416)		(441)	
Provision for grant commitments (hard) ¹	8, 9b	<u>(8,361)</u>		<u>(6,560)</u>	
Total payables and other current liabilities			<u>(8,856)</u>		<u>(7,432)</u>
Non-current assets plus net current assets			13,705		8,315
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		(3,510)		(1,516)
Assets less liabilities			<u>10,195</u>		<u>6,799</u>
Equity/Reserves:					
Net Expenditure account			<u>10,195</u>		<u>6,799</u>

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

The notes on pages 135 to 145 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 2013



Professor Dai Smith, Chairman
5 July 2013

Statement of Cash Flows
for the year ended 31 March 2013

		2013	2012
	Notes	£'000	£'000
Cash flows from operating activities			
Funds drawn down from the National Lottery Distribution Fund	6	13,415	11,746
Other cash receipts		9	91
Grants paid	9b	(8,306)	(9,674)
Cash paid to and on behalf of employees		(958)	(1,026)
Other cash payments		(1,230)	(818)
Film Agency payments	8a	(1,225)	(1,055)
Net cash inflow/(outflow) from operating activities	10a	<u>1,705</u>	<u>(736)</u>
Cash flows from investing activities			
Interest received		<u>6</u>	<u>5</u>
Net cash inflow from investing activities		<u>6</u>	<u>5</u>
Net increase/(decrease) in cash and cash equivalents in the period	10b	<u><u>1,711</u></u>	<u><u>(731)</u></u>

Statement of Changes in Equity
for the year ended 31 March 2013

	2013	2012
	£'000	£'000
Balance at beginning of year	6,799	5,305
Net income for the year	3,396	1,494
Balance at end of year	<u><u>10,195</u></u>	<u><u>6,799</u></u>

The notes on pages 135 to 145 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, 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 in principle to fund a project and made an offer 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, 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, 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 IAS19.

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

	2013	2012
	£'000	£'000
Wages and salaries charged to Lottery distribution activity	739	799
Social security costs	62	66
Other pension costs	148	158
Agency costs	2	6
Redundancy payments	1	165
	<u>952</u>	<u>1,194</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	14	22
Recharged to direct delivery and in support of our operations	67	66
Agency staff	-	2
	<u>81</u>	<u>90</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>23</u>	<u>25</u>
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The balance of 58 (2011/12: 65) 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 9 years used previously.

On the assumption that the recommended amounts would be paid to the Plan, the actuary's opinion was that the resources of the scheme are likely in the normal course of events to meet in full the liabilities of the scheme as they fall due. The main actuarial assumptions used were: that price inflation would be 3.3% per annum; pay increases would be 3.3% per annum for the first 5 years and 4.8% thereafter; pension increases would be 3.3% per annum on pensions in excess of Guaranteed Minimum Pensions (GMPs); pension increases of deferred pensions would be 3.3% per annum on pensions accrued before April 2009 and 2.5% on pensions accrued after that date, both subject to statutory revaluations; the past service discount rate would be 5.7% per annum and the future service discount rate would be 5.7% per annum.

Contributions by the Council and its employees were:

For staff joining the Plan:	Council		Employees	
	2013	2012	2013	2012
on or before 31 August 2006	19.3%	19.3%	1.5%	1.5%
from 1 September 2006 to 31 March 2010	17.3%	17.3%	3.5%	3.5%
on or after 1 April 2010	14.8%	14.8%	6.0%	6.0%

The Council contributes a further 1.5% towards the deficit; however, this is subject to a minimum payment of £48,000 per annum.

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

4 Costs in support of our operations	2013	2012
	£'000	£'000
a Management and administration: Other operating costs		
Staff related costs	62	72
Organisational review	27	11
Infrastructure	249	263
Lottery promotion	13	23
Office running costs	25	21
Professional fees	72	60
Irrecoverable VAT	78	74
Charge for use of fixed assets	41	51
Auditor's remuneration – Audit ¹	17	18
Internal audit	8	8
Council meetings, including Members' travel and subsistence	15	12
	<u>607</u>	<u>613</u>

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 41.5% (2011/12: 37.5%).

b Expenditure on the arts: Direct costs of grant making	2013	2012
	£'000	£'000
Assessors' fees	11	15
Creative Wales Awards – scheme expenses	-	2
	<u>11</u>	<u>17</u>

5 Other arts awards	2013	2012
	£'000	£'000
<i>Unlimited</i> awards for the London 2012 Cultural Olympiad in association with Arts Council England	18	17
New Music Works! awards in association with the PRS Foundation	-	10
Beyond Borders awards in association with the PRS Foundation	40	-
Cross Border Touring	150	150
	<u>208</u>	<u>177</u>

6 National Lottery Distribution Fund

	2013 £'000	2012 £'000
Balance held in the National Lottery Distribution Fund (NLDF) at 1 April	15,566	14,120
Allocation of Lottery proceeds	19,355	15,083
Investment income receivable	103	109
Payments to the Olympic Lottery Distribution Fund	(1,010)	(2,169)
Adjustment to previous year's unrealised gain/(loss) on investment in NLDF	2	169
Unrealised gain on investment in NLDF during the year	-	-
Drawn down in the year	(13,415)	(11,746)
Balance held in the National Lottery Distribution Fund at 31 March ¹	<u>20,601</u>	<u>15,566</u>

¹ The level of grant offers made during the year increased compared to the previous year, as did the level of hard commitments. These include significant sums relating to major capital projects, payments for which will be released on a prompt and timely basis at key points during the life of each project. A number of the more complex projects have taken longer to progress than originally envisaged. Income was also higher than projected. The combination of these factors affected the level of balances.

The balance held at 31 March 2013 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 2013/14 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 2012/13 there was a transfer of £1,010,000 (2011/12: £2,169,000).

7 Trade and other receivables

	2013 £'000	2012 £'000
a Non-current assets		
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>

b Current assets	2013	2012
	£'000	£'000
Analysis by type		
Due from the Arts Council of Wales General Activities account	64	-
Grants recoverable	28	23
Less: Specific provision for doubtful debts	(21)	(20)
	<u>71</u>	<u>3</u>
Intra-government balances		
Balances with other central government bodies	64	-
Balances with local authorities	3	-
Balances with bodies external to government	4	3
	<u>71</u>	<u>3</u>

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

	2013	2012
	£'000	£'000
a Analysis by type		
Trade and other payables:		
Trade payables	1	10
Due to the Arts Council of Wales General Activities account ¹	41	398
Accruals and deferred income	37	23
<i>Sub-total: Trade and other payables</i>	<u>79</u>	<u>431</u>
Other liabilities:		
Film Agency for Wales ²	416	441
Provision for grant commitments (hard) (note 9b)	8,361	6,560
<i>Sub-total: Other liabilities</i>	<u>8,777</u>	<u>7,001</u>
Total current liabilities	<u>8,856</u>	<u>7,432</u>

¹ The amount due to the Arts Council of Wales General Activities account is made up of:

Recharges of apportioned costs		
- Staff	-	175
- Overheads	-	72
- Charge for use of assets	41	51
Temporary transfer to cover urgent payments	-	100
	<u>41</u>	<u>398</u>

² The Film Agency for Wales is the Council's delegated distributor of Lottery funding for film:

Undrawn funds at 1 April	441	296
Allocation of funds during the year	1,200	1,200
	<u>1,641</u>	<u>1,496</u>
Drawn down in the year	(1,225)	(1,055)
Undrawn funds at 31 March	<u>416</u>	<u>441</u>

b Intra-government balances	2013	2012
	£'000	£'000
Balances with central government bodies	101	398
Balances with local authorities	2,200	1,853
Balances with NHS bodies	90	-
<i>Sub-total: Intra-government balances</i>	<u>2,391</u>	<u>2,251</u>
Balances with bodies external to government	6,465	5,181
Total creditors	<u>8,856</u>	<u>7,432</u>

9 Grant commitments

a Soft commitments

	£'000	£'000	2013	2012
	Capital	Revenue schemes	£'000	£'000
			Total	Total
Soft commitments at 1 April	385	479	864	246
Soft commitments made in the year	3,928	8,030	11,958	9,334
Total grant offers made	4,313	8,509	12,822	9,580
Offers not accepted	-	(3)	(3)	-
Soft commitments transferred to hard commitments	(4,225)	(8,255)	(12,480)	(8,716)
Soft commitments at 31 March	<u>88</u>	<u>251</u>	<u>339</u>	<u>864</u>

b Hard commitments

Hard commitments at 1 April	3,655	4,421	8,076	9,163
Hard commitments in the year	4,225	8,255	12,480	8,716
Amounts not taken up	(339)	(40)	(379)	(129)
Charged to Statement of Comprehensive Net Income ¹	3,886	8,215	12,101	8,587
Grants paid in the year	(1,080)	(7,226)	(8,306)	(9,674)
Hard commitments at 31 March ²	<u>6,461</u>	<u>5,410</u>	<u>11,871</u>	<u>8,076</u>

Falling due within one year to:

Other central government bodies	-	60	60	-
Local authorities	1,697	503	2,200	1,853
NHS bodies	-	90	90	-
Bodies external to government	1,823	4,188	6,011	4,707
	<u>3,520</u>	<u>4,841</u>	<u>8,361</u>	<u>6,560</u>

Falling due after more than one year to:

Other central government bodies	-	7	7	-
Local authorities	691	142	833	1,080
NHS bodies	-	10	10	-
Bodies external to government	2,250	410	2,660	436
	<u>2,941</u>	<u>569</u>	<u>3,510</u>	<u>1,516</u>

Total	<u>6,461</u>	<u>5,410</u>	<u>11,871</u>	<u>8,076</u>
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	£'000	£'000	2013 £'000	2012 £'000
	Capital	Revenue schemes	Total	Total
¹ Grants to public bodies			1,582	708
Grants to private bodies			10,519	7,879
			<u>12,101</u>	<u>8,587</u>
² Ageing of hard commitments:				
2012/13	-	-	-	6,560
2013/14	3,520	4,841	8,361	1,410
2014/15	2,941	482	3,423	106
2015/16	-	87	87	-
	<u>6,461</u>	<u>5,410</u>	<u>11,871</u>	<u>8,076</u>

10 Cash flow reconciliation

	2013 £'000	2012 £'000
a Reconciliation of net income to net cash flow from operating activities		
Net income	3,396	1,494
Bank interest	(6)	(5)
Increase in the balance held in the National Lottery Distribution Fund	(5,035)	(1,446)
(Increase)/Decrease in trade and other receivables	(68)	6
(Decrease)/Increase in trade and other payables and other liabilities	(377)	302
Increase/(Decrease) in provision for grant commitments	3,795	(1,087)
Net cash inflow/(outflow) from operating activities	<u>1,705</u>	<u>(736)</u>
b Reconciliation of net cash flow to movements in net funds		
Increase/(Decrease) in cash and cash equivalents	1,711	(731)
Increase in the balance held in the National Lottery Distribution Fund	5,035	1,446
	<u>6,746</u>	<u>715</u>
Net funds at 1 April	15,594	14,879
Net Funds at 31 March	<u>22,340</u>	<u>15,594</u>
c Cash and cash equivalents		
Balance at 1 April	28	759
Net change in cash and cash equivalent balances	1,711	(731)
Balance at 31 March	<u>1,739</u>	<u>28</u>
The following balances at 31 March were held at:		
Commercial banks and cash in hand	<u>1,739</u>	<u>28</u>

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 2013:

	£'000
Reserves at 1 April 2012	189
Incoming funds: Arts Council of Wales	1,200
Incoming funds: Other	300
Outgoing funds	(1,055)
Reserves at 31 March 2013	<u>634</u>
Details of grant commitments at 31 March 2013:	
Hard commitments	1,112
Soft commitments	450
	<u>1,562</u>

A full list of the grants administered by the Agency is included in the annexes to this 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 2013 and are expected to be approved by the Board in September 2013.

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

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 2012/13 £19,355,000 or 99.3% of the Council's Lottery distribution

income was derived from the National Lottery (2011/12: £15,083,000 or 99.0%). Of the remaining income £103,000 or 0.6% was derived from investment returns from the balance held with the National Lottery Distribution Fund (2011/12: £109,000 or 0.7%) and £27,000 or 0.1% from bank interest and sundry income (2011/12: £40,000 or 0.3%). 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% in the year (2011/12: 0.5%). The cash and cash equivalents balance at the year end was £1,739,000 (2012: £28,000). 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 2012/13. 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 Role	Organisation	Transaction (number)	Total value £	Total balance outstanding of 31 March 2013 £
Emma Evans Trustee/Director	Creu Cymru	Grant (4)	398,400	388,320
Michael Griffiths Board Member	National Dance Company Wales	Grant (1)	30,000	3,000
Dr Lesley Hodgson Trustee	Merthyr Tydfil Global Village	Grant (1)	5,000	-
Marian Wyn Jones Board Member	Canolfan Gerdd William Mathias	Grant (1)	5,000	-
Director	Betsi Cadwaladr Health Board	Grant (1)	99,605	99,605
Trustee	Bangor New Music Festival	Grant (1)	77,000	52,700
Board Member	Bangor University	Grant (3)	3,281,390	3,269,514
Osi Rhys Osmond Employment	Swansea Metropolitan University	Grant (1)	3,405	-
Richard Turner Chairman	South Wales Intercultural Community Arts	Grant (2)	60,000	16,500
Business Consultant	TaikaBox (tanja rāman+dbini industries)	Grant (1)	4,500	-
Alan Watkin Board Member	Clwyd Theatr Cymru	Grant (4)	103,500	73,500
Prof Gerwyn Wiliams Employee	Bangor University	Grant (3)	3,281,390	3,269,514
John C Williams Employee	Theatr lolo	Grant (1)	80,000	80,000
Employee	Cardiff Metropolitan University	Grant (1)	5,000	-
Chairman	TaikaBox (tanja rāman+dbini industries)	Grant (1)	4,500	-
Dr Kate Woodward Management Committee Member	Aberystwyth University (including Aberystwyth Arts Centre)	Grant (3)	20,700	13,900
Employment (family member)	Theatr Genedlaethol Cymru	Grant (1)	17,422	-
Board Member (family member)	National Library of Wales	Grant (1)	37,000	37,000

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.

National Lottery Policy Directions

The Welsh Ministers, in exercise of the powers conferred by section 26(1) of the National Lottery etc. Act 1993, and having consulted with the Arts Council of Wales pursuant to Section 26(5) of that Act, have issued the following Directions:

1. In these Directions any reference to a section is a reference to a section of the National Lottery etc. Act 1993 as amended by the National Lottery Act 1998.
2. The Arts Council of Wales shall take into account the following matters in determining the persons to whom, the purposes for which and the conditions subject to which it distributes money under section 25(1):

Generic

- A the need to ensure that money is distributed under section 25(1) for projects which promote the public good or charitable purposes and which are not intended primarily for public gain;
- B the need to ensure that it considers applications which relate to the complete range of activities falling within section 22(3)(b) and in respect of which it has the power to distribute money, taking into account:
 - i its assessment of the needs of the arts and arts activities and its priorities for the time being for addressing them;
 - ii the need to ensure that all regions of Wales have access to funding;
 - iii the scope for reducing economic and social deprivation at the same time as creating benefits for the arts;

- C the need to further the objectives of sustainable development;
- D the need for money distributed under section 25(1) to be distributed only to projects where they are for a specific, time-limited purpose;
- E the need:
 - i in all cases, for applicants to demonstrate the financial viability of the project for the period of the grant;
 - ii where capital funding or setting up costs are sought, for a clear business plan beyond the period of the grant, incorporating provision for associated running and maintenance costs;
 - iii in other cases, for consideration to be given to likely availability of other funding to meet any continuing costs for a reasonable period after completion of the period of the Lottery award, taking into account the size and nature of the project, and for Lottery funding to be used to assist progress towards viability beyond the period of the grant wherever possible;
- F the desirability of supporting the development of long term financial and managerial viability of organisations in the arts. In taking this into account the Arts Council shall have regard to Direction D;
- G the need to require an element of partnership funding and/or contributions in kind, from other sources, commensurate with the reasonable ability of different kinds of application,

or applicants in particular areas to obtain such support;

- H the desirability of working with other organisations, including other distributors, where this is an effective means of delivering elements of its strategy;
- I the need to ensure that its powers to solicit applications under section 25(2)(A) are used in connection with the pursuit of strategic objectives;
- J the need to obtain such information as it considers necessary to make decisions on each application, including independent advice when required;
- K the need to operate within the distinctive policy context in Wales, adding value where appropriate to Welsh Government strategies, to enable the development of opportunities for everyone to flourish within a more successful and sustainable Wales;
- L the need to promote access to the arts for people from all sections of society;
- M the need to promote knowledge of, and interest in, the arts by children and young people;
- N the need to encourage new talent, innovation, and excellence, and to help develop new skills;
- O the need to support volunteering and encourage volunteering in the arts;
- P the need to involve the public and local communities in making policies and setting priorities;

Specific

- Q the need to promote and support throughout Wales the cultural significance of the Welsh language and the bilingual nature of Wales, including giving effect to the principle of equality between the English and Welsh languages. This should include the addition of specific conditions on the Welsh language in grant offers, an effective monitoring and overseeing of the performance of grant recipients with regard to those conditions;
- R the need to ensure coherent monitoring, evaluation and reporting systems that support quality service delivery, and to maintain accountability by providing an annual report on the Arts Council of Wales' lottery funding activity to the Welsh Government. This report should include an analysis of grants made, and the distribution of these by size, type, geographical area, and art form.

Dated: 1 October 2012



Carving Out Space - David Nash, Ruthin Craft Centre (image: Dewi Tannatt Lloyd)

Lottery Distribution - Grants Offered 2012/13

Net of offers not taken up or withdrawn

Grants to Organisations

Capital grants

Ballet Cymru	£353,053
Bangor University	£3,250,000
Clwyd Theatr Cymru TYP	£23,500
Dawns TAN TAN Dance Ltd.	£9,206
Earthfall Dance Ltd.	£31,264
Elysium Gallery	£18,250
Merthyr Tydfil County Borough Council	£10,000
Mission Gallery	£27,956
Oriel Myrddin Trust	£15,000
Rubicon Dance	£26,000
Theatr Colwyn	£24,720
Theatr Genedlaethol Cymru	£17,422
Theatr Mwldan	£58,596
Torch Theatre Company Limited	£63,000
	<hr/>
	£3,927,967

Large grants (over £5,000)

9Bach	£30,000
Aberjazz	£10,000
AGE Cymru	£55,000
Andrew Logan Museum of Sculpture	£15,000
Arcomis (2 awards)	£78,440
Arts Alive	£25,000
Arts Connection / Cyswllt Celf	£12,800
Audiences Wales	£17,850
August 012 Limited	£29,500
AXIS	£25,000
Ballet Cymru	£29,172
Bangor New Music Festival Society	£77,000
Bangor University	£26,390
Barnardo's	£12,513
Betsi Cadwaladr University Health Board	£99,605
Beyond the Border	£28,990
Black Voluntary Sector Network Ltd	£27,121
Black Voluntary Sector Network Wales Ltd	£30,000
Blackwood Miners' Institute	£49,000
Blaenau Gwent County Borough Council	£30,000
Bombastic	£55,220
Borough Theatre Abergavenny	£29,280
Butetown Artists	£28,365

Caerphilly County Borough Council (2 awards)	£38,687
Cardiff Multicultural Mela Limited	£14,500
Celf O Gwmpas	£22,286
Ceredigion Museum	£13,585
City and County of Swansea	£25,000
Clwyd Theatr Cymru	£20,000
Clwyd Theatr Cymru TYP (2 awards)	£60,000
Cofis Bach	£30,000
Coleg Harlech	£29,580
Community Music Wales	£20,709
Creation Development Trust	£30,000
Creu Cymru - The Touring Agency for Wales (3 awards)	£348,400
Crwth	£13,500
Cwmni Martyn Geraint	£30,000
Cwmni Mega Cyf Ltd (2 awards)	£105,000
Cwmni Theatr 3D Theatre Company	£18,100
Cwmni'r Fran Wen	£30,000
Cyngor Gwynedd (2 awards)	£73,050
De Oscuro (3 awards)	£146,369
Denbighshire County Council	£30,000
Earthfall Dance Ltd.	£33,170
Eisteddfod Genedlaethol Cymru	£20,000
Elbow Room	£8,000
engage (National Association for Gallery Education) (2 awards)	£65,000
Ensemble Cymru	£98,940
FFLACH cyf	£5,000
Fiction Factory	£11,000
Fishguard Music Festival	£67,500
Flintshire County Council	£9,900
g39	£30,000
Gagglebabble	£28,320
Gregynog Festival	£30,000
Gritty Realism Productions	£20,000
Groundwork Wales	£16,012
Gwyn Hall	£25,000
Hafren	£22,500
Haul	£20,555
Head for Arts	£27,257
Hijinx Theatre	£100,000
International Ceramics Festival	£24,000
Invisible Ink	£11,059
James Tyson Productions	£24,950
Kitsch & Sync Collective	£13,498
Landscape Recording Association	£18,100
Laugharne Literary Festival	£20,000
Llangollen Fringe Festival	£14,000
Llangollen International Musical Eisteddfod	£100,000

Locws International	£100,000
Makers Guild in Wales	£30,000
Making Music Wales	£26,994
Mappa Mundi (2 awards)	£120,000
Memorial Hall and Theatre	£13,680
Menter Caerdydd	£25,000
Mercury Theatre	£28,000
Mid Wales Chamber Orchestra	£30,000
Mid Wales Opera (2 awards)	£74,000
Migrations	£71,000
Mostyn	£35,505
Mr and Mrs Clark Ltd (2 awards)	£16,081
Museum of Modern Art, Wales	£20,000
Music Theatre Wales (2 awards)	£129,960
National Dance Company Wales	£30,000
Neath Port Talbot County Borough Council	£27,420
NEW Dance	£22,365
Newport Museum and Art Gallery	£13,814
NoFit State Community Circus Ltd	£60,789
North Wales International Music Festival	£49,995
North Wales Jazz Society	£28,426
Notional Theatre	£20,268
OPRA Cymru Cyf	£67,800
Orchard Media and Events (2 awards)	£200,000
Oriel Davies Gallery (2 awards)	£31,905
Oriel Plas Glyn-y-Weddw Cyfyngedig	£30,000
Oriel Wreccsam	£30,000
Pavilion Theatre	£11,858
Porthcawl Jazz Festival	£10,000
Powys Arts Forum	£29,100
Queens Hall	£25,000
Re-Live	£29,000
RHOD Artists Group	£7,250
Rhondda Cynon Tâf County Borough Council (2 awards)	£51,000
Royal Cambrian Academy	£16,500
Ruthin Craft Centre	£24,700
Sesiwn Fawr Dolgellau	£14,000
Shakespeare Schools Festival	£30,000
Shock 'n' Awe Productions	£29,500
Sinfonia Cymru	£98,000
South Wales Intercultural Community Arts (2 awards)	£60,000
Span Arts Ltd (2 awards)	£42,151
Stiwt Arts Trust Ltd.	£30,000
Striking Attitudes	£30,000
Swansea City Opera & The Opera School Wales	£26,850
Swansea Jazzland	£10,000
Swansea Print Workshop	£25,000

SWN Festival	£50,000
Taliesin Arts Centre	£87,000
The Circuit	£30,000
The Cory Band	£30,000
The Grand Pavilion, Porthcawl	£13,730
The Llanarth Group	£10,008
The Riverfront	£28,903
The Welsh Chamber Orchestra Ltd.	£30,000
Theatr 1.618 Theatre	£14,388
Theatr Cadair	£20,000
Theatr Harlech	£20,000
Theatr Mwldan (2 awards)	£97,850
Torch Theatre Company Limited	£33,368
trac - Music Traditions Wales (3 awards)	£105,973
Turnstile TEMS LLP	£10,850
Undercurrents Foundation	£17,621
University of Wales Swansea	£29,734
University of Wales, Aberystwyth (Ceramic Archive)	£13,900
Urdd Gobaith Cymru	£30,000
Venue Cymru	£50,000
Volcano Theatre Company Ltd	£29,999
Waking Exploits	£51,200
Wales Millennium Centre (3 awards)	£217,455
Welsh Fargo Stage Company	£30,000
Welsh Music Foundation	£35,697
Welsh Sinfonia	£30,000
Wrexham County Borough Council	£30,000
Yale College	£20,000
yello brick	£30,000
Young Music Makers of Dyfed	£25,000
Ystradgynlais Miners' Welfare and Community Hall Trust Ltd	£30,000

£5,969,360

Small grants (up to £5,000)

9Bach	£5,000
Aalap UK Limited	£5,000
Aberystwyth Arts Centre	£5,000
Arcadecardiff C.I.C. (2 awards)	£10,000
Arts Development UK	£4,925
ATTIC	£5,000
August 012 Limited	£4,575
Bangor Greadigol	£5,000
Bangor University	£5,000
Blaenau Gwent County Borough Council	£5,000
Bombastic	£5,000

Canolfan Gerdd William Mathias Cyf	£5,000
Cantref	£4,000
Cardiff Arts Collective	£3,750
Chapter (Cardiff) Ltd.	£4,410
Clwb Ifor Bach	£5,000
Coleg Telyn Cymru	£3,730
Culturelinks Alliance Ltd	£5,000
Cwmni'r Fran Wen (2 awards)	£9,125
Cwpan Aur	£2,500
Cymru Pride Wales	£5,000
Deeside Community Arts	£4,250
DS Cymru	£2,616
Elfed High School	£1,312
Engediarts	£3,150
FfotoAber	£5,000
Fishguard Folk Club	£4,800
Footloose Community Arts	£2,495
Future of the Left Ltd.	£5,000
Galeri Caernarfon Cyf (2 awards)	£7,187
Glasbury Arts	£4,650
Gower Folk Festival	£3,200
Grass Roots Productions	£5,000
Gronant County Primary School	£900
Gwasanaeth Ysgolion William Mathias	£2,644
GWRANDO	£4,125
Gwyl Beaumaris Festival	£5,000
Hafod Mastering Ltd	£5,000
Halfpenny Folk Club	£1,000
It's My Shout Productions Ltd	£1,065
Jamie Smith's Mabon	£5,000
Lampeter Festival of World Sacred Music	£5,000
Lighthouse Theatre Ltd (2 awards)	£10,000
Literature Across Frontiers	£4,980
Llanover Hall Community Arts	£4,970
Menter Rhosygilwen	£5,000
Menter y Fro	£4,149
Mercury Theatre	£5,000
Merthyr Tydfil Global Village	£5,000
Mid Wales Chamber Orchestra	£2,882
Mid Wales Youth Jazz / Jazz Ieuencid Canolbarth Cymru (JICC)	£3,720
Milkwood Gallery	£5,000
Moving Being Ltd.	£4,925
New British Art	£5,000
New Rhythm Music	£4,410
North Wales Bluegrass Music and Dance Festival	£4,700
Peep Toe Productions Ltd	£5,000
Pembrokeshire People First	£4,954

Pentreffest	£4,800
Plas Derw Trust Ltd	£4,455
Porthcawl Interceltic Festival [Cwllwm Celtaidd]	£5,000
Rampant Dragon LTD (2 awards)	£9,330
Sain (Recordiau) Cyf	£5,000
Sculpture by the Sea U.K	£5,000
Senzala Cymru	£1,950
Sesiwn Fawr Dolgellau	£4,640
Snowdrop Lane Drama Group	£4,980
Something Creatives	£5,000
Southdown Primary School	£1,800
spacetocreate Community Interest Company	£5,000
Spectacle Theatre	£4,250
Swansea Metropolitan University	£3,405
tanja raman+dbini industries	£4,500
The Big Art Factory	£5,000
The Marches Oboe School	£2,500
The Peter Gould Music Trust	£5,000
The Romani Cultural Arts Company	£4,628
Theatr Harlech	£3,150
Theatre Rue	£5,000
TiC Theatre in the Community	£4,700
Tin Shed Theatre Company	£3,705
Tinderbox Alley	£5,000
Tredeggar House Folk Festival	£5,000
Trustees of the Miners' Theatre Ammanford	£1,000
University of Wales Cardiff	£5,000
Wales Arts Review	£4,694
Wales Puja committee	£3,000
WJEC CBAC Ltd. (2 awards)	£9,994
Y Colectif	£3,500
Y Gynghrair	£5,000
Y Niwl	£5,000
Y Selar Cyf	£4,200
Ysceifiog Village Hall Management Committee	£4,996
Ysgol Bro Carmel	£1,800
Ysgol Maes Hyfryd	£1,800
Ysgol Sealand	£1,900
Ysgol Theatr Maldwyn Cyf	£5,000
Ysgol y Llan	£4,025

£438,801

Training grants

Aberystwyth Arts Centre	£1,800
Artis Community Cymuned	£4,462

Arts & Business Cymru	£30,000
Ballet Cymru	£29,320
Celf O Gwmpas	£21,750
Community Music Wales	£21,606
Creu Cymru - The Touring Agency for Wales	£50,000
Cyfle	£27,456
Earthfall Dance Ltd.	£3,930
Film Agency for Wales	£25,195
Fourth Wall	£3,850
g39	£30,000
It's My Shout Productions Ltd	£29,736
Mid Wales Chamber Orchestra	£5,000
Mocambo, Capoeira	£4,960
NoFit State Community Circus Ltd	£30,000
North Wales International Music Festival (2 awards)	£16,304
Rubicon Dance	£28,600
Spectacle Theatre	£630
Welsh Sinfonia	£9,936
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	£374,535

Dylan Thomas 100 grants

Amgueddfa Cymru - National Museum Wales	£30,000
Lighthouse Theatre Ltd	£3,000
National Theatre Wales	£100,000
National Library of Wales	£37,000
Theatr Iolo	£80,000
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	£250,000

Total Grants to Organisations

£10,960,663

Grants to Individuals

Small grants (up to £5,000)

Arwyn, Owen	£5,000
Ashton, James	£5,000
Barclay, Julie	£3,000
Bennett, Elinor	£5,000
Bonada, Marja	£4,922
Broadmeadow, Megan	£3,000
Bromage, Tim	£3,000
Broome, Darren	£3,000
Buckingham, Sophie	£1,719

Cadman, Arthur	£4,999
Church, Charlotte	£5,000
Churchill, Gareth	£3,690
Conti, Anja	£3,000
Coomber, Andrew	£4,234
Cooper, Andrew	£5,000
Cornwell, Kenneth	£3,000
Cysewski, Karol	£3,000
Daman, Emma	£4,120
D'Arcy Schewe, Seth	£2,460
Davies, Angela	£3,000
Davies, Catrin	£1,175
Dell'Armi, Karen	£2,922
Denman, Lynne	£2,970
Dennis, Spike (aka Christopher)	£4,870
Devlin, Ronan	£3,000
Eaglen, Mark	£2,400
Eames, Manon	£2,700
Edwards, Fred Langford	£4,980
Evans, Chris Tally	£2,999
Finch, Joe	£2,800
Fong, Joanne	£5,000
Ford, Kevin	£3,000
Gant, Stefan	£5,000
Gardner, Jan	£5,000
Garner, Judith	£2,970
Gibbard, Gwenan	£3,000
Giles-Hobbs, Annie	£3,950
Goulbourne, Alan	£5,000
Grant, Tim	£4,500
Gregory, Dewi	£2,980
Griffiths, Dan	£4,000
Gwilym, Owain	£3,000
Harries, Wyn	£3,000
Harris, Sean	£3,000
Horan, Suzie	£3,950
Hughes, Nicolas	£2,500
Humphreys, David Bryn	£3,800
Huws, Sioned	£3,000
Jackson, Amanda	£5,000
James, Ryan	£3,000
Jenkins, Delyth	£5,000
Jones, Ann Fiona	£2,700
Jones, Julie	£3,000
Jones, Michael	£2,840
Jones, Ruth	£4,991
Kane, Dominic	£3,000

Keehan, Bridget	£4,200
Kerr, Bella	£5,000
Khan, Imran	£5,000
KilBride, Gerard	£2,247
Kim, Jin Eui	£5,000
King, Susan	£3,000
Kirkwood, Katrina	£3,000
Lambert, Phil	£4,973
Leyreloup, Catherine	£5,000
Lochhead, Alison	£3,000
Magama, Bevington	£2,700
McLees, Ruth	£3,000
Morden, Daniel	£4,984
Morris, Mario	£4,500
Norris, Linda	£1,809
Nurse, Christopher	£4,950
Pearce, Sally	£5,000
Price, Rhian Catrin	£1,900
Rees, Christopher	£3,671
Restall, Pea	£4,100
Russell Jones, Sion	£4,680
Scott, Peter	£2,970
Shannon, Carys	£2,250
Shelley, Ruth	£2,000
Spowers, Antonia	£3,000
Sterly, Amy	£3,335
Thair, Richard	£4,985
Thomas, Mai	£5,000
Thomas, Rhodri	£3,000
Thomas, Sian Elin (2 awards)	£9,500
Timothy, Cate	£3,000
Tucker, Louise	£5,000
Webb, Derek	£3,000
Wells-Turner Lisa	£3,000
Williams, Chris	£2,203
Williams, Emrys	£5,000
Williams, Karen	£5,000
Woolley, Dawn	£3,000
Wright, Anthony	£5,000
Young, Catherine	£1,360

£355,458

Large grants (over £5,000)

Billingham, Richard	£25,000
Bowman, Robert	£24,800

Chapple, Carl	£11,000
Clark, Gareth	£13,805
Colquhoun, Morag	£17,884
Daimond, Colin	£15,332
Durnall, Chris	£20,000
Haf, Rhian	£20,941
John, Sean Tuan	£25,000
Lamb, Linda	£14,850
Reynolds, Anthony	£22,500
Rhys-James, Shani	£20,000
Sabin, Caroline	£15,411
Sharman, Rosemary	£11,940
Williams, Tomos	£8,435

£266,898

Training grants

Brett, Jessie	£1,946
Cooper, Christine	£590
Dumbleton, Kate	£1,643
Durnall, Chris	£2,000
Fagan, Toby	£630
Gil Cortés, Neus	£1,380
Harrison, Natasha	£360
Hasler, Samuel	£2,000
Hemsley, Alexandrina	£2,000
Hudis, Rosalind	£600
Iles, Helen	£380
Jackson, Richard	£707
Jensen, Denni	£2,000
Jones, Ffion	£2,000
Jones, Gwyn Vaughan	£1,998
Moorhouse, Sara	£2,000
Rhys Thomas, Phil	£1,575
Shannon, Pamela Wyn	£2,000
Smith, Anne	£1,134
Thomas, Adele	£2,000
Tomlinson, Amanda	£810
Woolley, Dawn	£930

£30,683

Creative Wales Awards

Caddick, Steffan	£25,000
Chandler, Katherine	£10,800
Cook, Matthew	£11,720

Evans, Ann Catrin	£25,000
Gingell, Zoe	£12,000
Granjon, Paul	£20,000
Hanna, Ashraf	£25,000
Hewlett, Davida	£20,000
Higlett, Richard	£12,000
Hiley-Harris, Sue	£20,000
Johnson Soliz, Cecile	£20,423
Lis, Claudia	£20,000
Norton, John	£12,000
O'Connor, Alison	£12,000
Rack, Tom	£25,000
Reynolds, Peter	£12,000
Rowlands, Ian	£22,108
Spooner, Rebecca	£12,000
Williams, Tomos	£12,000
Woods, Helen	£12,000

£341,051

Total Grants to Individuals

£994,090

Total Grants Offered

net of offers not taken up or withdrawn

£11,954,753

Grants Administered by the Film Agency for Wales

Development

Big bad wolf productions	£16,000
Dan Films (2 awards)	£15,500
Fly Film Co Ltd	£21,500
Claire Fowler	£10,000
H20 Motion Pictures (UK) Ltd	£20,000
Hactivist Film Ltd	£18,000
Steph Lloyd Jones	£3,750
Le Productions	£24,875
Park Films	£20,000
Pressure Productions	£2,250
Robin Friday Productions Ltd	£11,000
Samuelson Productions Ltd	£13,500
Star Gazer Productions Ltd	£13,500
Up Helly Aa Ltd	£10,000
Warp Films Ltd	£6,637
Western Edge Pictures	£20,000

£226,512

Production

Boom Film Productions Ltd	£100,000
Camp Fire Stories	£10,800
Get Up Productions Ltd	£48,800
IE IE Productions Limited	£150,000
Machine Productions	£75,000
Park Films	£100,000
Start in Morroco Films Ltd	£49,000
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	£533,600

Education

Gritty Realism (2 awards)	£5,600
Media Education Wales (3 awards)	£18,384
National Screen and Sound Archive	£6,400
Pontio	£6,560
The Princes Trust Cymru	£6,699
Scala Cinema and Arts Centre	£8,800
Winding Snake Productions	£4,000
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	£56,443

Exhibition core funding

Aberystwyth Arts Centre (2 awards)	£17,817
Chapter Arts Centre	£20,000
Clwyd Theatr Cymru	£10,365
Galeri Caernarfon	£2,192
Pontardawe Arts Centre	£2,602
RCT Cultural Services	£2,667
Riverfront Theatre	£3,374
Scala Cinema and Arts Centre	£2,667
Swansea University	£7,467
Theatr Mwldan	£9,351
Theatr Harlech	£2,667
Torch Theatre	£4,000
Wales Specialist Film Exhibition Group (WSFEG)	£3,000
Wyeside Arts Centre	£3,831
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	£92,000

Exhibition Festivals

Aberystwyth Arts Centre (2 awards)	£10,000
The Festivals Company Ltd	£5,000
Galeri Caernarfon	£4,000
Orchard Media & Events Group	£40,000
Screen at Hay	£4,000
Wales One World Film Festival Ltd	£15,000
Zoom Cymru (2 awards)	£6,600
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	£84,600
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Total Film Grants Offered

net of offers not taken up or withdrawn

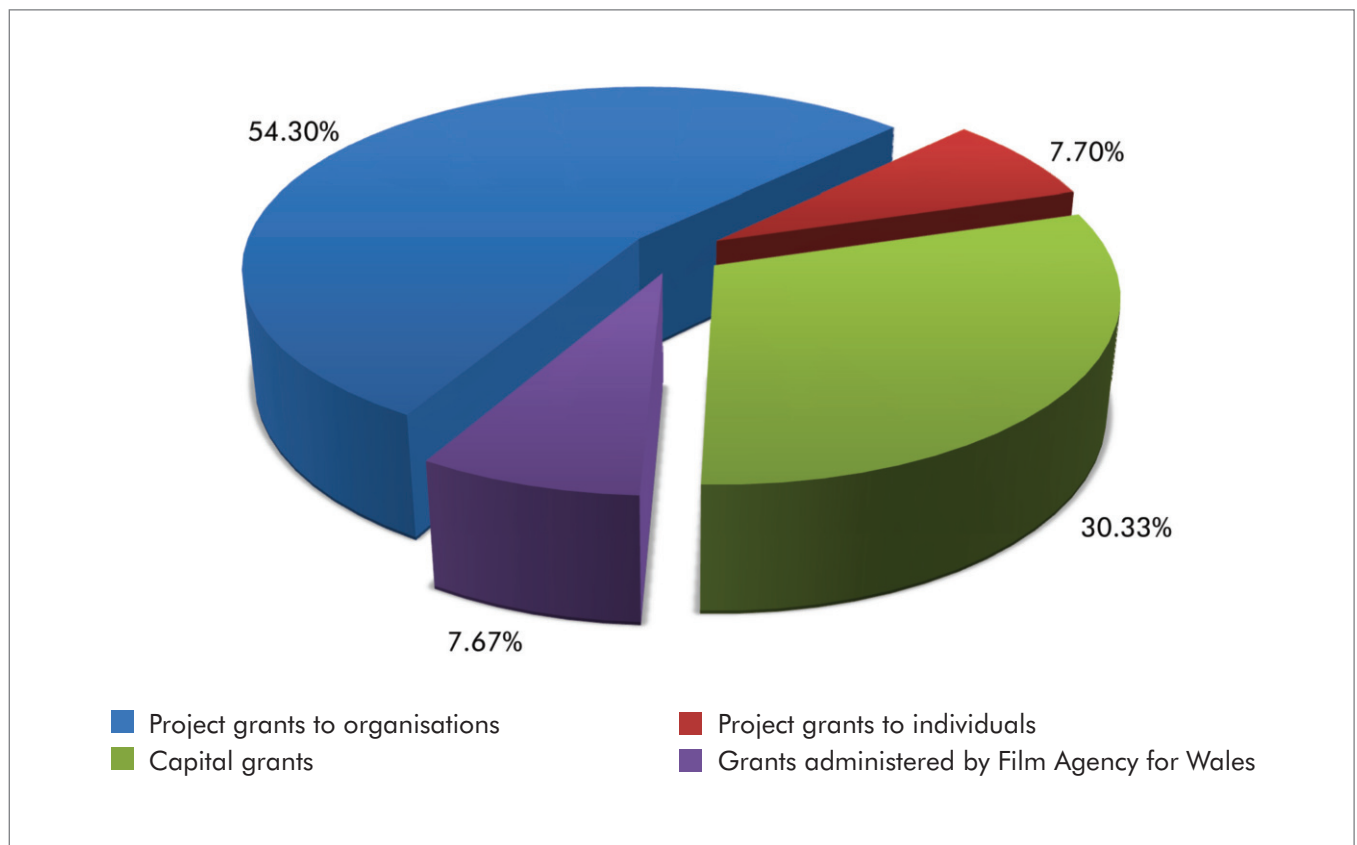
£993,155

Total Grants Offered Directly & Indirectly

net of offers not taken up or withdrawn

£12,947,908

Grants by Type





Cyngor Celfyddydau Cymru
Arts Council of Wales

www.cyngorcelfyddydaucymru.org.uk
www.artscouncilofwales.org.uk