

Agenda – Public Accounts Committee

Meeting Venue:

Committee Room 3 – Senedd

Meeting date: 6 November 2017

Meeting time: 13.00

For further information contact:

Fay Bowen

Committee Clerk

0300 200 6565

SeneddPAC@assembly.wales

(Private Pre-Meeting 13.00 – 13.30)

- 13.00 – 13.10 – Consideration of the draft consultation letter for the Supporting People Inquiry
- 13.10 – 13.30 – Scrutiny of Accounts 2016–17: Preparation for the evidence sessions

1 Introductions, apologies, substitutions and declarations of interest

(13.30)

2 Paper(s) to note

(13.30 – 13.35)

(Pages 5 – 7)

2.1 Scrutiny of Accounts 2016–17: Additional information from the Welsh Government (16 October 2017)

(Pages 8 – 14)

2.2 Scrutiny of Accounts 2016–17: Additional information from Sport Wales (1 November 2017)

(Pages 15 – 28)

2.3 Committee working practices and procedures: Appointment of Chief Executive of the Welsh Revenue Authority (18 October 2017)

(Pages 29 – 30)

3 Scrutiny of Accounts 2016–17: Arts Council for Wales

(13.35 – 14.30)

(Pages 31 – 145)

Research Briefing



PAC(5)-28-17 Paper 1 – Arts Council for Wales Annual Report and Accounts 2016-17

PAC(5)-28-17 Paper 2 – Arts Council for Wales Annual Remit letter from the Welsh Government

Nick Capaldi – Chief Executive, Arts Council for Wales

Gwyn Williams – Director of Finance, Arts Council for Wales

(Break 14.30 – 14.40)

4 Scrutiny of Accounts 2016-17: National Library of Wales

(14.40 – 15.40)

(Pages 146 – 201)

Research Briefing

PAC(5)-28-17 Paper 3 – National Library of Wales Annual Report and Accounts 2016-17

PAC(5)-28-17 Paper 4 – National Library of Wales Annual Remit letter from the Welsh Government

PAC(5)-28-17 Paper 5 – Correspondence from the Welsh Government (18 October 2017)

PAC(5)-28-17 Paper 6 – Correspondence from the Auditor General for Wales (25 October 2017)

Linda Tomas – National Librarian

Rhodri Glyn Thomas – President, National Library of Wales

David Michael – Director of Corporate Resources, National Library of Wales

5 Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business:

(15.40)

Item 6

6 Scrutiny of Accounts 2016–17: Consideration of evidence received
(15.40 – 16.00)

Document is Restricted

Concise Minutes – Public Accounts Committee

Meeting Venue:

Committee Room 4 – Tŷ Hywel

Meeting date: Monday, 23 October 2017

Meeting time: 14.02 – 15.58

Private

Attendance

| Category | Names |
|---------------------|---|
| Assembly Members: | Nick Ramsay AM (Chair) Mohammad Asghar (Oscar) AM Neil Hamilton AM Vikki Howells AM Adam Price AM Lee Waters AM |
| Wales Audit Office: | Huw Vaughan Thomas – Auditor General for Wales Matthew Mortlock |
| Committee Staff: | Fay Bowen (Clerk) Meriel Singleton (Second Clerk) Claire Griffiths (Deputy Clerk) Hywel Dafydd (Researcher) Sally Jones (Communications) Katie Wyatt (Legal Adviser) |



1 Introductions, apologies, substitutions and declarations of interest

- 1.1 The Chair welcomed the Members to the meeting and extended a welcome to Adam Price AM who was elected as a Member of the Committee on 18 October.
- 1.2 Apologies were received from Rhianon Passmore AM. There was no substitute.

2 Paper(s) to note

2.1 The papers were noted.

2.1 Rail Services: Correspondence from Economy, Infrastructure and Skills Committee (10 October 2017)

3 Auditor General for Wales Report: Public Procurement in Wales

3.1 The Auditor General for Wales provided an oral briefing on the findings of his Report on Public Procurement in Wales, which was published on 17 October. The Auditor General advised the Committee that a further report on the National Procurement Service was scheduled to be published by the end of the year.

3.2 Members noted the report and agreed to undertake an inquiry when the Auditor General's Report on the National Procurement Service is published.

4 The Welsh Government's Supporting People Programme

4.1 Members considered the scoping paper for the forthcoming inquiry on the Supporting People Programme

4.2 Members agreed that the inquiry should focus on the impact of wider policy developments; funding distribution and financial planning; and monitoring and evaluation of the programme's impact. Members also agreed to undertake a written consultation.

5 Care experienced children and young people

5.1 Members received an oral analysis of the consultation responses from Hywel Dafydd, Research Service. Sally Jones, Communications Team, spoke about the findings from the focus group meetings undertaken with care experienced children and young people.

5.2 Members discussed the inquiry scope and potential witnesses for Part 1 of the inquiry.

6 Committee working practices and procedures: Member Briefings – Discussion on approach

6.1 Members considered a paper on the briefing material they receive to assist with their preparation for evidence gathering sessions.

Agenda Item 2.1

Shan Morgan
Ysgrifennydd Parhaol
Permanent Secretary



Llywodraeth Cymru
Welsh Government

Nick Ramsay AM
Public Accounts Committee Chair
National Assembly for Wales
Cardiff Bay
CF99 1NA

16 October 2017

Dear Mr Ramsay,

Thank you for the opportunity to appear before the Committee earlier this month for scrutiny of the Welsh Government's Annual Accounts. Signing the 2016-17 Annual Accounts this summer was a major milestone for me as Permanent Secretary and Principal Accounting Officer for the Welsh Government. I hope that the Committee found the scrutiny session productive.

Following the session the Committee has asked for three items:

1. Please find enclosed a copy of the handover letter provided to me by my predecessor, Sir Derek Jones.
2. The Committee requested figures on changes to individual earnings over £100,000 in the reporting period. Please see a table at Annex 1 which sets out details. At the end of the reporting period there were two more members of staff earning over £100,000; in both instances these relate to promotion or movement into vacant roles requiring a higher level of responsibility.



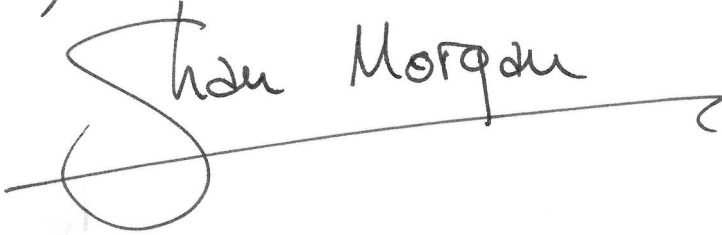
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CF10 3NQ Gwefan • Website: www.gov.wales

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding

3. And lastly, please see a link to the Welsh Government's Pay Policy Statement:
<http://gov.wales/about/civilservice/how-we-work/facts-figures/ourfinance/PayPolicyStatement/?lang=en>

I hope the Committee finds these resources of use. Please do contact me if you have questions on the enclosed.

Yours,


Shan Morgan
Ysgrifennydd Parhaol/ Permanent Secretary
Llywodraeth Cymru/ Welsh Government

Handover Note from Sir Derek Jones to Shan Morgan on Principal Accounting Officer Issues

We have discussed informally the immediate challenges which you will face as Principal Accounting Officer for the Welsh Government, but I also thought that it might be helpful if I were to set down for you the live issues, as they seem to me, which you are taking over; and the general context of PAO business within which you will do so.

This does not, of course, include a definitive list of all the challenges which you will face in the role – you will be fully briefed on those in due course – but reflects my own view on the more immediate issues to which I suggest you will need to give your attention.

Context

The organisation is well-placed in terms of governance, audit and accountability processes; the teams involved in operating them; and their leadership. (Internal Audit recently received a very positive report from an external peer-professional benchmarking exercise.) The procedures for financial control and risk management are also generally very sound, as are the processes for supporting the Audit and Risk Committees; and indeed the Committees themselves – see below.

You also have available to you a strong cohort of Additional Accounting Officers. The PAO role is unique - the overall accountability that goes with it is essential to your authority, even if that makes it a lonely place at times! But in practice you can also rely on your AAOs for carrying out a range of business on your behalf, including where appropriate at the PAC.

Establishing constructive relationships

I cannot stress too highly how much it has helped me in the role to have established positive and professional relationships with both the Public Accounts Committee and with the Auditor General for Wales. I have always given high priority to my appearances in front of the Committee and sought to take a positive and open approach to the encounters. I have also benefited enormously from a constructive and candid “no surprises” regular dialogue with the AGW. I know that you are determined to establish the same relationships.

Another key relationship of course will be between yourself and the Chair of your Audit and Risk Committee, where I have been extremely well supported by the current Chair, who has always been a wise source of counsel and advice. When the time comes to appoint a new Chair you will want to consider how you fill this important role very carefully.

Arms-Length Bodies

You will have seen that shortly before your arrival the Wales Audit Office published a very helpful discussion paper on governance of Arms-Length Bodies. We had a constructive and illuminating seminar with the senior teams of the Welsh Government and the Wales Audit Office which fed into the final version of the paper. So there are important strategic issues about our relationship with our Arms-Length Bodies which you will want to consider moving forward. Related to this issue, and arising from recent experience with some of them, I think that there is more which can be done to ensure that our sponsorship and oversight role is being discharged as effectively as it can. Work to take this forward is in the early stages and you will want to satisfy yourself that it is rigorous and that improvements are being implemented.

Grants Management

You will soon have the latest annual grants management report to the Public Accounts Committee to sign off and the Committee will no doubt invite you to give evidence on the report. This is an annual occurrence and the Committee can ask you some quite wide-ranging questions. We have been focussed on improving our procedures for managing grants for some years, following a series of WAO reports which highlighted some shortcomings. With the assistance of the WAO we have been making steady progress but there are still areas where we can improve – and of course, given the sheer volume and variety of the grants that we make, there will always be a small number of cases where things go wrong.

The challenge here is accepting that those cases which do go wrong need to be considered carefully and lessons learned where appropriate, but without over-reacting to the publicity and criticism – keeping the right balance of risk appetite. A lot more goes right than goes wrong.

Tackling Fraud

Related to grants management, there has been some interest recently from the PAC about our counter-fraud measures and you will wish to consider how we should move forward on this front. The arrangements which we have for combatting fraud and for taking action where we have concerns about specific cases are sound and have improved steadily over the last few years but I am sure that there will be further improvements which we can make moving forward. Not least, because there have been a small number of high profile cases which I anticipate the Committee will keep in mind.

Legacy Issues

There have been a few high-profile cases which have arisen in the last few years where the PAC has been quite critical of the way in which we have handled them. Although the specific issues arising from each case individually have largely been dealt with, I think that the PAC will expect you to familiarise yourself, broadly, with the main issues for each one and the

lessons which came out of them, to help us avoid having similar issues in the future. The cases which I have particularly in mind are AWEMA, RIFW, Life Sciences, Senior Public Sector Pay and the furniture contract.

Brexit and Austerity

These are – of course – very major policy issues with which Welsh Government Ministers are wrestling. But they also bring their own challenges for the Accounting Officer going forward. The Audit and Risk Committee quite rightly took a strong interest in how I was approaching these issues as Permanent Secretary and Accounting Officer and I am sure that they will continue to do so with you. The medium and long-term prospects for replacing European funding (including funding which currently pays for permanent staff) remain very uncertain.

Audit and Risk Committees

When I restructured my senior management team in 2015 I also took the opportunity to set up a new system of Audit and Risk Committees to support the new Additional Accounting Officer arrangements. These new arrangements will soon have been in place for two years and you might feel that that would be a good time to take stock, to review their effectiveness, and to see what improvements you might want to make. I told my last meeting of the ARC Committee that in my view the Committees in future should concentrate upon management focus on Value for Money and simplification of processes to ensure capability and resourcing within the organisation are managed effectively, particularly in view of significant current and future pressure on resources. I would expect these strains to increase with the ongoing impact of the European Transition process.

Tax

Finally, as well as the challenge of spending money wisely, there is the new challenge of raising revenues efficiently and effectively. Our plans for the management of devolved taxes are well advanced (and recently positively reviewed by the WAO). But I am sure that the PAC and WAO will want to keep a close watching brief on this process up to and beyond the first switchover of taxes in 2018.

Sir Derek Jones

March 2017

Annex 1

Changes to Welsh Government employees earning over £100,000 during 01 April 2016 – 31 March 2017

| Welsh Government Group | Post Title | Salary Range £,000 01-Apr-2016 | Salary Range £,000 31-Mar-2017 | Reason for salary change |
|---------------------------------------|---|---|---|---------------------------------|
| Health & Social Services | Chief Medical Officer | 0 | 190-195 | Joiner |
| First Minister and Cabinet Office | Permanent Secretary | 0 | 160-165 | Joiner |
| Health & Social Services | Chief Dental Officer | 0 | 125-130 | Joiner |
| | | | | |
| Economy, Skills and Natural Resources | Deputy Permanent Secretary | 135-140 | 135-140 (*) | Increase |
| Education and Public Services | Deputy Permanent Secretary | 135-140 | 135-140 (*) | Increase |
| Education and Public Services | Chief Inspector | 95-100 | 120-125 | Increase |
| | | | | |
| Economy, Skills and Natural Resources | Director Transport and ICT Infrastructure | 95-100 | 100-105 | Promotion |

Annex 1

Changes to Welsh Government employees earning over £100,000 during 01 April 2016 – 31 March 2017

| First Minister and Cabinet Office | Permanent Secretary | 165-170 | | Departure |
|-----------------------------------|---|---------|--|-----------|
| Health & Social Services | Chief Medical Officer | 185-190 | | Departure |
| Health & Social Services | Director Of Finance | 130-135 | | Departure |
| Education and Public Services | Chief Inspector | 125-130 | | Departure |
| Health & Social Services | Senior Medical Officer for Primary Care | 105-110 | | Departure |

(*) Actual salary increase within original £5k banding.

Public Accounts Committee – PAC(5)–28–17 PTN2 (6 November 2017)

Scrutiny of Accounts 2016–17

Additional Information from Sarah Powell, Chief Executive, Sport Wales (1 November 2017)

Dear Nick Ramsay AM

Thank you once again for the opportunity to discuss the work of Sport Wales with the Public Accounts Committee.

As promised, please find attached information about the 5x60 and Dragon Sport programmes and our investment into them, together with information on our evaluations and how these have shaped the development of our approach to school and community sport in Wales.

Sport Wales is the national organisation responsible for developing and promoting sport and physical recreation. We are the main adviser on sporting matters to the Welsh Government, a producer of official statistics and are responsible for distributing funds from the National Lottery to sport in Wales.

Investing in and working with a wide range of partners, on both a national and local level, we aim to increase the frequency of participation in sport and physical activity, as well as improving elite performance. We take a broad view of sport – from traditional sports, such as swimming and hockey, to zumba and dance.

Dragon Multi-skills and 5x60 are two schemes that are run by Local Authorities on behalf of Sport Wales. They focus on primary and secondary school respectively and have a focus on extracurricular activity. The two schemes build on the early developments achieved through Play to Learn to enable a continuum of progressive learning and skill development throughout a young person's time at school.

An implicit part of our way of working is to learn and evaluate, whether this is through formal evaluations or in more informal ways. We have continually looked to review and evolve our approaches. From the feedback and research undertaken we have now developed a more holistic approach and have developed a '[Physical Literacy Journey](#)' as opposed to bespoke age-specific programmes. This reflects the changes we have made in approach following several independent and internal reviews and evaluations of the programmes which are highlighted in the attached document.

This recent '15 Year Success story' video reel <https://vimeo.com/211272295> demonstrates the benefits and achievements of our investment in PE and school and community sport.

The alignment of a physical literacy journey to an individual's own life journey has enabled us to highlight potential connections to those outside of the sport sector, providing a shared agenda in which education, health and community sport come together naturally.

We are currently tendering for an organisation to undertake a review of our Young People programmes. This review will sit alongside a complementary review of the Free Swimming Initiative (which includes an offer for under 17s). It is important and appropriate for us to consider their collective contribution to community sport and physical activity, as well as their impact across a number of Welsh Government priorities, as well as Welsh Government Sponsored Bodies' and Public Service Boards' well-being objectives.

I hope that you find this information useful. I would be happy to provide any further information to you and the Committee.

Young People Programmes

Dragon Multi-Skills and Sport

Programme journey

Dragon Multi-Skills and Sport (2012 – present) focuses on the physical competency of the child so that they develop the appropriate skills at the appropriate stage of their physical development, which can be transferred across sports. Rather than giving the child a ball and telling them to try and score, Dragon Multi-Skills focuses on core physical skills including agility, balance, co-ordination and spatial awareness to embed the proper basic skills before being introduced to sport specific activities (through the Dragon Sport 2000 – 2012). The Dragon Sport element then introduces young people to mini versions of sport specific activities.

The original aim of the Dragon Sport programme (2000) was to introduce children aged 7–11 yrs to enjoyable and meaningful experiences of sports with clearly identified opportunities to feed into and progress through sports development programmes in clubs and the community. This aim would be achieved through proactively recruiting more parents, teachers and others into sports leadership and providing them with pathways into coaching, officiating or administration. There were initially 22 employed Dragon Sport Coordinators each working for a local authority which also had a budget towards resources and equipment.

Aim of the programme

Dragon Multi-Skills and Sport is the next step on the physical literacy journey after Play to Learn (3–7years). The aim is for young people aged 7–11 years:

- To continue along their physical literacy journey by developing the key physical skills that are applicable to and transferable across a range of different sports.

- To proactively recruit more parents, teachers and young leaders into sports leadership and provide them with pathways into volunteering, coaching, officiating or administration.
- To support community clubs in developing their provision for children aged 7–11 years, strengthening links between clubs and schools.

Investment

The Dragon Multi-Skills & Sport programme, (previously Dragon Sport) has been funded by Sport Wales since 2000. Initially each of the 22 local authorities were provided with a budget to employ a Dragon Sport Co-ordinator as well as supplying funds for resources and equipment to run the programme locally. From 2012, budgets were combined from the 5x60 & Dragon Multi-Skills & Sport programmes to make an Active Young People (AYP) budget where local authorities determine the delivery and expenditure towards each programme.

| Financial Year | Amount (£) |
|-----------------------|-------------------|
| 2016-17 | 1,046,612 |
| 2015-16 | 1,108,554 |
| 2014-15 | 1,155,060 |
| 2013-14 | 1,027,872 |
| 2012-13 | 1,108,455 |
| 2011-12 | 1,485,266 |
| 2010-11 | 1,038,296 |
| 2009-10 | 1,256,388 |
| 2008-09 | 1,914,458 |
| 2007-08 | 1,279,207 |

Formal learning and evaluation

- Local / Regional Management Information Reports: to help inform stakeholders of the provision in their local area; to performance manage staff; report on KPI targets to Welsh Government
- Dragon Sport Review - Multi-skills - Interim Report (**March 2010**) by **Sue Burgess**
- Review of Dragon Sport (**August 2010**) by **Arad Consulting**
- Pilot Evaluation of Dragon Multi-skills (*May 2012*) by *Bright Purpose*
- Current tender out for independent evaluation (2017) TBA

5x60

Programme journey

The overall aim of the 5x60 programme was to increase the number of children and young people who take part in extra-curricular sport and physical recreation on a regular basis. With Dragon Sport well established among primary schools and contributing towards increased participation levels in extra-curricular and club activity within the primary phase, a drop

in participation levels when children reached secondary school age remained; particularly among girls and after Year 9.

5x60 was piloted in eight schools from January 2005 and the initial pilot phase was reviewed by InVEST. It was recommended that the programme should continue to be rolled out across Wales, and in September 2006, 27 schools started the programme with a further 12 schools joining the scheme in January 2007. By September 2009 every mainstream secondary schools across Wales were involved in the programme.

All 22 local authorities in Wales received funding to deliver the 5x60 programme based upon their number of main stream secondary schools. The funding formula did not include Special Schools although local authorities were able to allocate resources for Special Schools, should they have wished. The budget allocation amounted to a total of £20,000 per school which was broken down to £15,000 for staff costs and a revenue budget of £5,000 which was used by the 5x60 officer.

Aim of the programme

Building upon the early developments achieved through Play to Learn and Dragon Multi-Skills & Sport, the aim is for young people aged 11–16 years:

- To continue along their physical literacy journey by further developing the key physical skills that are applicable to and transferable across a range of different sports and physical activities, as well as reinforcing their positive experiences;
- To support community clubs in developing their provision for children aged 11–16 years, strengthening links between clubs and schools;
- To proactively recruit young leaders into sports leadership and provide them with pathways into volunteering, coaching, officiating or administration.

Investment

The table below illustrates the national 5x60 budget allocation from 2009–10 to 2017–18:

| Financial Year | Amount (£) |
|----------------|----------------------|
| 2017–18 | 4,247,902 |
| 2016–17 | 4,339,650 |
| 2015–16 | 4,576,409 |
| 2014–15 | 4,703,027 |
| 2013–14 | 4,903,027 |
| 2012–13 | 4,900,000 |
| 2011–12 | 4,900,000 |
| 2010–11 | 4,900,000 |
| 2009–10 | 4,900,000 |
| 2008–09 | 3,800,000 (pilot) |

Managed by the local authority, 5x60 officers were either employed part-time (20 hours per week) based in one school, or employed full-time based

in two schools. More recently, as a result of Sport Wales becoming outcome driven and flexible, local authorities have been encouraged to plan, resource and deliver against evidence based local needs and priorities. For example, many local authorities have re-configured their staffing structure so that an officer now has responsibility for a school cluster i.e. secondary school, feeder primary schools and community setting.

The programme has continued to evolve with the key drivers for change being:

- Commissioned reviews and evaluations of the 5x60 programme;
- Response to findings raised from the 2011, 2013 and 2015 School Sport Surveys;
- ‘The Vision for Sport in Wales’ (2011) and Sport Wales’ Community Sport Strategy’ (2012–2020);
- The growth of the ‘Young Ambassador’ programme and leadership pathway;
- Prominence and importance of a lifelong ‘physical literacy journey’ by Sport Wales; and
- A shift in Sport Wales’ focus away from being output driven and prescriptive towards becoming outcome driven and flexible.

Formal learning and evaluation

- Local / Regional / National Management Information Reports: to help inform stakeholders of the provision in their local area; as a local performance management tool; and to report on KPI targets to Welsh Government
- Initial pilot phase **review (2006) by InVEST**
- Evaluation of the 5x60 programme: Report on the progress to the Welsh Assembly Government **(2009) by Greenstreet Berman Limited**
- Process Evaluation of 5x60 scheme: Final Report **(2010) by Greenstreet Berman Limited**

- Physical Activity, Extracurricular Sport and the '5x60' Initiative: Leisure Lifestyles and Young People in Wales, 2007–2009 (2011) – **PhD Thesis by Anna Leyshon** (Cardiff Metropolitan University)
- Sports Participation amongst 14–21 year olds. How do we encourage young people to stay involved in sport? (2012) **Final report to Sport Wales by Brightpurpose**
- 5x60 Evaluation Report: Linking schools with the community to sustain participation (2012) **by S Wilcox (research project – University of South Wales)**
- School Sport Investment Review (2015) – **internal review by Sport Wales**
- Current tender out for independent evaluation (2017) **TBA**

Physical literacy journey

Dragon Multi-skills and Sport and 5x60 are two approaches to supporting a young person's physical literacy journey. They build on the early developments achieved through Play to Learn to enable a continuum of progressive learning.

As such, it's important to recognise that we have shifted our thinking and delivery; one from silo programmes for specific age groups to the importance of a lifelong 'physical literacy journey'. This now encompasses early childhood through to later adult life with Physical Literacy as the overarching key focus.

Sport Wales has embraced the concept of Physical Literacy as a key strand of its core business since 2010. Sport Wales introduced the sectors' Vision for Sport in Wales in 2011, in which one of the aspirations is to get 'every child hooked on sport for life'. A strategic priority within the Vision was 'Skills for a life in Sport' where every child and young person is provided with the skills and confidence from an early age to be physically literate through high quality, engaging sporting experiences. This signified a change in approach to both strategic design and delivery away from siloed, age/phase-specific programmes to a broader continuum of learning / journey of experiences.

The Physical Literacy journey captures every interaction that an individual has with sport and physical activity from cradle to grave and in every aspect of life; be it in formal education, within the community, in a workplace or as part of family life.

It follows therefore that the concept of a physical literacy journey illustrates how all of Sport Wales' priorities and subsequent agendas fit together, providing a natural thread linking each together in achieving one overall vision. The alignment of a physical literacy journey to an individual's life journey also highlights the potential connections to those outside of the sport sector, providing a shared agenda in which education, health and community sport come together naturally.

This recent '15 Year Success story' video reel <https://vimeo.com/211272295> demonstrates the benefits and achievements of our investment in PE and school and community sport.

Learning and developments

An implicit part of our way of working is to learn and evaluate, whether this is through formal evaluations or in more informal ways. We have continually looked to review and evolve our approaches. Our current focus on the physical literacy journey, as opposed to bespoke age-specific programmes, is part of Sport Wales' journey. We recognise that we could have been better and more explicit at communicating where we have sought feedback, reviewed and subsequently amended our approach. With the development of our new approach to investing in community sport in Wales, we have involved and been transparent. We are now continuing to take this approach with the development of the new Vision for Sport in Wales.

Current review

We are currently tendering for an organisation to undertake a review of our Young People Programmes. This review will sit alongside a complementary review of the Free Swimming Initiative (which includes an offer for Under

17s). It is important and appropriate for us to consider their collective contribution to community sport and physical activity, as well as their impact across a number of Welsh Government priorities, as well as Welsh Government Sponsored Bodies' and Public Service Boards' well-being objectives.

Sport Wales, as with other public-sector organisations, has a diminishing resource. We will need to ensure that future delivery has greater levels of sustainability.

We are wanting to know whether the programmes have achieved their stated outcomes for children and young people when first introduced (or since they have been revised), and whether they can achieve a greater impact on sport and physical activity participation levels.

The findings and recommendations from this review will help shape and steer our strategy and proposals for community sport in Wales.

Case studies

Active Story Time

In June, colleagues in Conwy held 3 days of Active Story Time training for the staff members of the 10 libraries in Conwy, and for 36 healthy preschool settings. Over the 3 days, more than 80 people attended the training that was delivered by Sharon Mason from 'Play Learn Play'.

The aim of the project is to encourage these community settings to introduce a new element in to their current story time. Through bringing books to life by using the puppets and movements we can ensure that the children of Conwy are active, healthy and gaining skills for life. Through supporting these settings to encourage children to get moving, we are ensuring that they have a positive start on their physical literacy journey.

Below is a short video of the training days explaining its purpose. There are several settings already running sessions.

https://www.youtube.com/watch?v=_qc0GoJyhWo

Young Ambassador-led training for school governors in Conwy

Young Ambassador-led approach regarding School Governor Training on physical literacy and the impact of multi-sport opportunities as part of extra-curricular provision.

This is a new and different approach to try and influence School Governors with responsibility for Health and Well Being areas of the National Curriculum, regarding the understanding, importance and priority given to physical literacy within their schools. (delivered by GOLD Young Ambassadors on a County wide basis) – also linking this to the LA education services agenda “promoting learner health and well-being “and a KPI focusing on pupil voice.

There has been a positive impact – evidenced in the School Sport Survey results. The percentage of pupils participating in sport on 3+ occasions a week increased from 39% in 2013 to 79% in 2015. There has also been a 19-percentage point increase in pupils feeling listened to.

St Christopher’s SEN School, Wrexham

Leadership and Participation opportunities within a SEN setting

Last year 20 pupils successfully completed the Sports leaders Level 2. The group have gained over 80 hours leadership experience. The pupils themselves persuaded the 5x60 Officer to start the Level 3 course this year. The pupils now volunteer in the community and mentor younger pupils. The pupils also volunteer at the SEN Festivals for Wrexham Junior Schools.

The school is very proud of the pupil’s achievements and how it proves that boundaries can be broken. These Leaders have seen first-hand what is

possible to achieve and it has been an amazing journey for everyone at the school.

Tackling Crime, anti-social behaviour and the disengaged, Flintshire

Through working with key partners such as the Drug and Alcohol team, the youth service, education and schools and North Wales Police we have launched an anti-social behavior 'door step' club system. The clubs currently run in Hope, Hawarden, Flint, Deeside and Mold. Participation ranges between 15 – 45 per session. We have mainly used football as a vehicle for engagement but have also utilized golf, fitness and the spa in this approach, where through working with clubs, NGBs and providers we have been able to offer a sustainable provision and at an affordable price to encourage further participation.

Young Leaders Pathway

Monmouthshire sports development team have purchased a licence from Sports Leaders UK which will allow them to train every Year 5 pupil on the Play Maker Leadership Award (circa 1000 pupils). The award focuses on developing learner's leadership skills. Bronze Young Ambassadors will be identified from the Play Makers to lead and advocate sport and physical activity within the school setting.

Active Gwent – Physical Literacy

The Active Gwent region have worked collaboratively to develop physical literacy opportunities across the region. During 2016/17, 500 physical literacy sessions have been established in communities across Gwent. Developing junior club structures across the region has been a focus through up-skilling over 490 coaches and 570 parents on their understanding of how to develop physically literate children and young people.

Active Gwent Positive Futures Programme

Funding: £70k Sport Wales funding matched by Gwent Police & Crime Commissioner

Gwent Positive Futures is a sport based social inclusion programme, using sport as a tool to engage young people in communities identified as 'hot spots' by partners or through referral into alternative education settings. In 2016–17 the programme has engaged over 9,000 young people into sport and physical activity, leading to:

- Increases in sport participation amongst disengaged children and young people;
- Reduction in anti-social behaviour at key times where sport based diversionary activity has hooked in young people;
- Reductions in anti-social behaviour at key periods of the year; and
- Increases in school attendance, personal development and engagement in young people at risk of becoming 'NEETs'.

Dyfed Alsop
WRA Implementation Director
Welsh Government
Cathays Park
Cardiff
CF10 3NQ

18 October 2017

Annwyl Dyfed,

Further to my letter of 1 September, I am writing to appoint you as Chief Executive of the Welsh Revenue Authority (WRA), in exercise of my powers in section 9(3) of the Tax Collection and Management (Wales) Act 2016, "TCMA".

Terms and Period of Appointment

Your appointment will commence on the 18 October 2017 and will expire on the 7 August 2019, as per the terms of your loan agreement between your employer – Valuation Office Agency/ HM Revenue & Customs - and the WRA. Please note service as the Chief Executive of WRA is service in the civil service of the state. As an existing senior civil servant your terms and conditions set by the Cabinet Office still apply.

Duties

As the Chief Executive of the WRA you are responsible for (among other things) ensuring the functions of WRA are performed efficiently and effectively. Your performance will be assessed annually by the WRA Board in accordance with your duties. This assessment will be submitted in writing to the Permanent Secretary of the Welsh Government.

Accounting officer

As set out in section 33 of TCMA, the Chief Executive of WRA is the accounting officer of WRA. The accounting officer has in relation to the accounts and finances of WRA the responsibilities, which are specified by the Welsh Ministers. The Permanent Secretary will write to you separately setting out your specified Accounting Officer responsibilities.

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
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Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.



Llywodraeth Cymru
Welsh Government

WRA Board

As Chief Executive of the WRA you are a member of the WRA Board (section 3(1)(c) of the TCMA). You will cease to be a member of WRA Board when you cease to be Chief Executive.

Protected taxpayer information

Under section 17 TCMA, an individual who is or has been a relevant official must not disclose protected taxpayer information unless the disclosure is permitted by section 18 TCMA. Wrongful disclosure is an offence under section 20 TCMA, which could result in imprisonment, a fine, or both. As Chief Executive, you are a relevant official and as such must make a declaration acknowledging the obligation of confidentiality under section 17. A declaration for you to sign will be provided to you in due course.

This is an exciting time for devolution in Wales and I look forward to working with you. I attach great importance to the role of WRA, and in particular its ability to work in close partnership with the Welsh Government and others to deliver a world-class tax administration in system in Wales.

I am sending copies of this letter to the Permanent Secretary, the Auditor General for Wales; the Clerks to the Public Accounts Committee and Finance Committee; and Chair of the WRA.

In gywir,

Mark

Mark Drakeford AM/AC

Ysgrifennydd y Cabinet dros Gyllid a Llywodraeth Leol
Cabinet Secretary for Finance and Local Government

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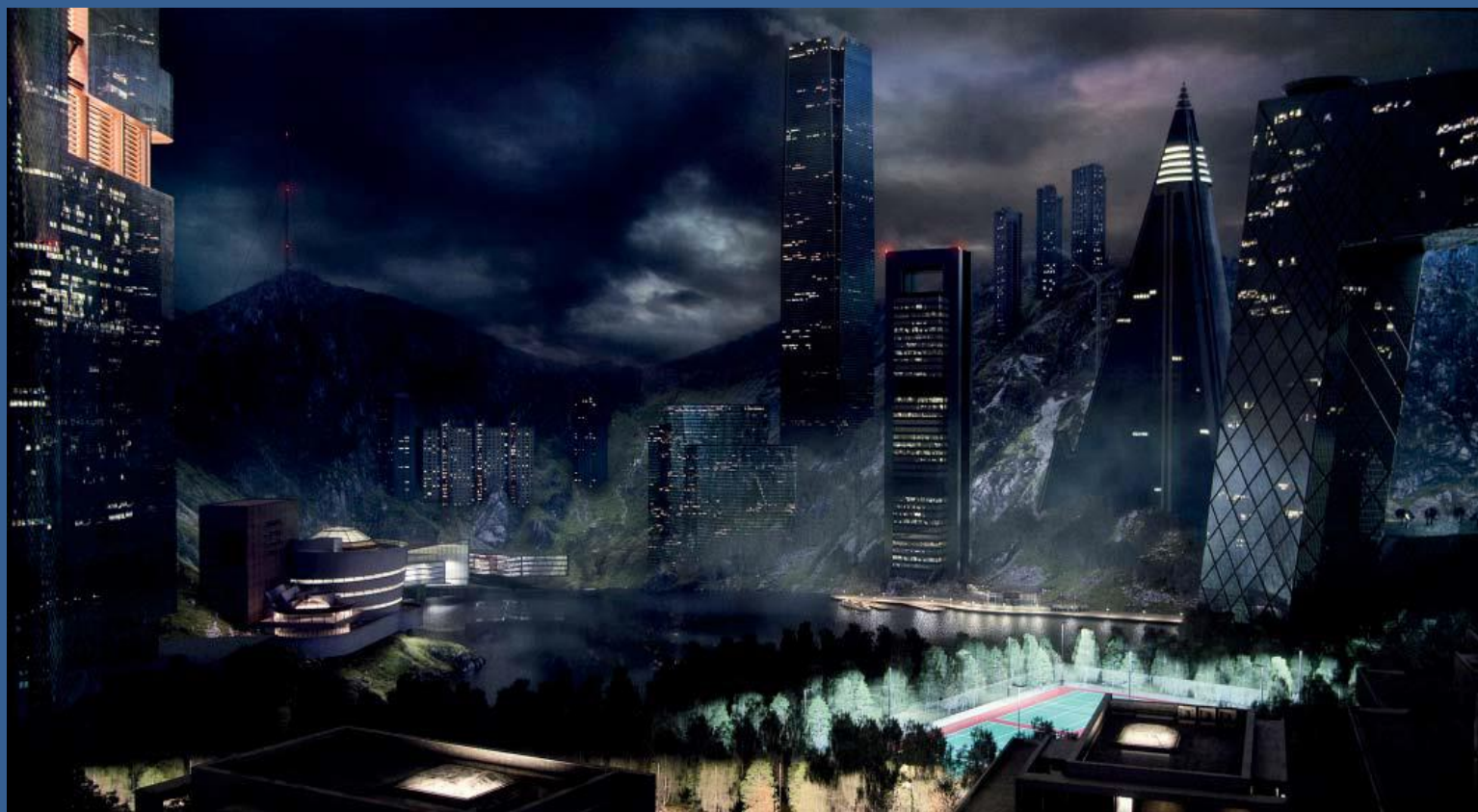
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Document is Restricted

GENERAL ACTIVITIES

Report and Financial Statements for the year ended 31 March 2017



Noddir gan
Lywodraeth Cymru
Sponsored by
Welsh Government

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What we do...

The Arts Council of Wales is the country's official public body for funding and developing the arts.

Every day, people across Wales are enjoying and taking part in the arts in Wales. We help to support and grow this activity. We do this by using the public funds that are made available to us by the Welsh Government and by distributing the proceeds we receive from the National Lottery.

By managing and investing these funds in creative activity, the Arts Council contributes to people's quality of life and to the cultural, social and economic well-being of Wales.



Take a look at our short animation explaining why [The Arts Matter](#)

<http://www.arts.wales>

Arts Council of Wales at a glance



Chair's statement

Enabling the arts to thrive, not merely to survive



As I reflect on my first year as Arts Council of Wales Chair, I feel enormously excited by the evidence I've found of a nation alive with creative energy.

I've made it my business this past year to travel widely across Wales,

seeing work, meeting artists, talking to the partners who work so hard with us to keep the arts alive. The dynamism, imagination and sheer energy that I've witnessed – in many different places – has been as humbling as it has been inspiring.

We're well used to the excellence of our national companies, routinely performing with distinction at home and across the world. And no-one who was there will forget the sight of 200,000 people flooding Cardiff city centre for the extraordinary Roald Dahl celebration promoted by Wales Millennium Centre and National Theatre Wales. But I've also been hugely moved by the work of those achieving equally outstanding outcomes in more local settings.

From Ucheldre in Holyhead to Valleys Kids and Head for Arts in the South Wales Valleys, Wales has an impressive network of organisations embedded in their local communities demonstrating day in, day out just how important the arts are to people's well-being and quality of life.

This has also been evident in our place-based community regeneration programme *Ideas: People: Places*. From Swansea High Street to Caernarfon Quay, I've seen how exceptionally skilled artists are helping local communities to find their voice and contribute to the key projects that are improving the places in which they live and work.

Identifying and nurturing talent is part of the Arts Council's creative DNA. So it's been a particular pleasure to see the impact of our educational partnership with the Welsh Government, *Creative Learning through the Arts*. Creative skills are key. They will permeate all areas of business activity in the future – the successful economies in the years to come will be those that can capitalise on their creative potential, enabling social inclusion and putting people and skills – 'human capital' – at their core. In today's society this is as critical as any other economic resource.

Creative Learning is ensuring that creative practice and techniques illuminate and support all aspects of the school curriculum, raising standards of attainment and learning. We're seeing some extraordinary effects, with the programme present in more than 500 schools across Wales over the three years to date.

Developing the creative skills of our young people is a natural priority. But our mission to make the arts central to people's lives extends further. Given the impact that the arts can have, it's essential that they're able to be enjoyed by the widest possible cross-section of the Welsh public.

Working with Council this year, I've been determined that we must do more to reach those communities who have yet to benefit from the activities that we support. Talent is everywhere, opportunity is not. This must change.

There have also been changes to the Arts Council itself. In the face of continuing pressure on public funds, it's important that as much money as possible goes directly to the arts. Over recent years we've cut our costs and reduced staff numbers by around 25%. It's been a challenging process for our hard-working and committed staff, but it's been the right thing to do.

Finally, I must thank my excellent Council colleagues who give so generously of their time and expertise. At the end of the year we saw the retirement of two stalwart members of Council – our Vice Chair, Kate Woodward, and Margaret Jervis. They have brought wisdom, experience and insight to our work. They leave a Council that is immeasurably better for the contribution that they've made.

A handwritten signature in black ink that reads "Phil George". The signature is written in a cursive, flowing style.

Phil George
Chair

Performance Report and Operational Review

78%

of adults in Wales
attended the arts

(2015/16: 79%)

Source: Wales Omnibus Survey

83%

of children in
Wales attended
the arts

(2015/16: 89%)

Source: Children's Omnibus Survey

9,973

participatory sessions
were run by our
portfolio of funded
organisations in
Welsh, resulting in
attendances of

191,620

3,361

Disabled Visitors
Cards issued via
our *Hynt*
scheme

7,543

participatory sessions run
by our portfolio of funded
organisations were
targeted at people in the
protected characteristics
group, resulting in
attendances of

137,131

86%

of children in
Wales took part
in arts activity

(2015/16: 89%)

Source: Children's Omnibus Survey

Chief Executive's statement

Taking action to make the arts stronger



Much of our work is about creating a supportive environment in which artists and arts organisations can prosper. We believe passionately that the arts improve our well-being

and quality of life, and we're determined that these benefits should be available to everyone in Wales. This is our arts development mission. But it's a mission that comes under stress when resources tighten.

From 2000, there was more than a decade of sustained public and Lottery investment in our cultural life. However, the five years of funding cuts that followed have meant that the value of the growth in Welsh Government funding in the 1990s and 2000s has been eroded. Combined grant-in-aid and National Lottery funding is worth less today than it was 21 years ago.

If the arts in Wales are not only to survive but to thrive, they'll need strong, entrepreneurial leadership. So we're working with artists and organisations to enable them to be imaginative and innovative, squeezing the maximum benefit possible from the public investment that they receive.

This is why we launched during the year our new *Resilience* programme providing targeted support to some of Wales' most important arts organisations.

A resilient organisation is embedded within the community that it serves, and it adopts a business model that can withstand change, whether planned or unexpected. A resilient organisation is one that has the skill, capacity and drive to endure in the longer term.

These organisational characteristics apply as much to the Arts Council as to those who we fund. It's very important that we demonstrate that we're subject to the same disciplines as organisations across the public sector. So during 2016/17 we undertook a comprehensive review of our costs and staffing, reducing both so that we could invest more funding directly into the arts.

The pressure on public funds continues unabated. In this report you'll find out how we've responded to this challenge during 2016/17. We explain what we've done and set out some of our successes. But we also identify where we've fallen short, in a small number of areas, of the targets we had hoped to achieve.

Most importantly, we highlight some of the exceptional activity that people across Wales have been able to enjoy over the year. At their best – and it's the best we strive to encourage – the arts excite, inspire and entertain. Making the arts stronger, and ensuring that they touch people's lives across Wales – these are the goals that drive our work.

Nick Capaldi

Nick Capaldi
Chief Executive

Our Priorities

Our priorities are described through our 8 corporate objectives

The Welsh Government is the largest sponsor of the Arts Council's activities. Our strategy therefore reflects the broader vision and ambition of the Government.

- | | |
|----------------|--|
| Make | <ol style="list-style-type: none"> 1. Creating the environment for the arts to flourish. 2. Increasing the value of international working in the arts – culturally, socially and economically |
| Reach | <ol style="list-style-type: none"> 3. Finding new opportunities, ways and places for people to enjoy and take part in the arts 4. Developing the creativity of children and young people |
| Sustain | <ol style="list-style-type: none"> 5. Encouraging innovation, resilience and sustainability 6. Protecting and growing the economic base for the arts in Wales 7. Demonstrating the value of the arts 8. Making the Arts Council an efficient and effective public body |

The Welsh Government’s expectations of us are set out in an annual Remit Letter. The Remit Letter describes the priorities of the Welsh Government. These are delivered through Council’s corporate objectives.

Our Remit Letter for 2016/17 set out ten areas of priority.



Public benefit

Making the arts central to the life and well-being of the people of Wales.

Our mission statement ensures that public benefit occupies a prominent place in all aspects of our work. It is strengthened by our commitment to the Welsh Government's Well-being of Future Generations legislation and, in setting our objectives and planning our activities, our Council members have given serious consideration to the Charity Commission's general guidance on public benefit.

About the Arts Council of Wales

The Arts Council of Wales – Cyngor Celfyddydau Cymru – was established by Royal Charter on 30 March 1994, and 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.

We are also a Welsh Government Sponsored Body (WGSB), a National Lottery Distributor, and a registered charity (number 1034245).

Our [Royal Charter](#) sets out our objectives.

They are to:

- develop and improve the knowledge, understanding and practice of the arts;
- increase the accessibility of the arts to the public;
- work through the Welsh and English languages; and,
- 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](#).

As a Welsh Government Sponsored Body we allocate taxpayers' money for the benefit of the Welsh public.

The funding that we distribute has a number of public purposes:

- it increases the choice of activity that can be enjoyed and experienced in Wales
- it reduces the costs of the arts to audiences and participants
- it encourages innovation and risk-taking, raising the quality of the arts made and promoted in Wales

Public funding also helps to address market failure – investing in those activities that the commercial sector either won't, or isn't able to, support. In all aspects, our funding is intended to encourage the best of the arts and to enable as many people as possible to enjoy and take part in the arts.

We undertake detailed research each year to assess the extent to which we're meeting these objectives. In the pages that follow, we set out the key highlights of our work and the public benefit that these activities deliver.

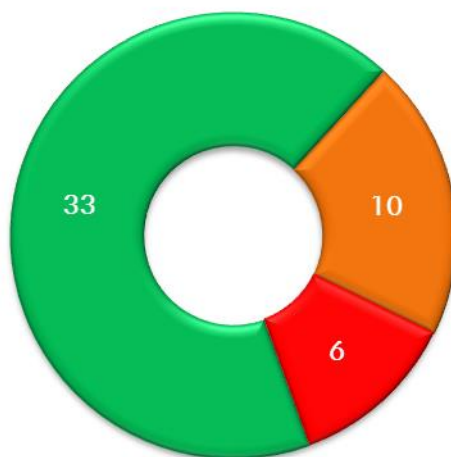
Our performance overall

A year of strong performance against our corporate objectives

Our Operational Plan for 2016/17 contained 49 corporate tasks, each with its own targets. Progress is monitored throughout the year through quarterly progress reports that are presented to Council.

Overall, Council welcomed the fact that the majority of our tasks in 2016/17 were successfully completed. At the end of the year:

- 33 tasks had been successfully completed
- 10 tasks were substantially complete
- 6 tasks had not been completed



Where targets were not completed, the reason in most cases was a difference in timing between the year end and completion of the target. The outcome was not, therefore, material. However, Council has noted in previous reports that year-on-year reductions in staffing might impact on our capacity to deliver Council's agreed programme of activity. There was evidence during 2016/17 that resource pressures were beginning to affect some aspects of our performance.

Council notes that we did not achieve our targets in 6 areas. These were:

- **increasing the diversity of those participating in our Lottery-funded projects** – anecdotal evidence and informal assessment suggests that we are having some successes in broadening the range of people taking part in Lottery funded activity. We have not, however, been able to undertake sufficiently detailed research to establish baseline data. Long term illness within our Research team has meant that we have been unable to progress this piece of work and we will return to this in 2017/18
- **data on participation and engagement of people from groups with “protected characteristics”** – we set ambitious targets in our action plans (Equalities, Welsh Language and Sustainability). Although we met the majority of targets, we did not see the increased engagement of people from ‘protected characteristic’ groups that we had hoped. The fact that we could not evidence a more complete picture of achievement led Council to conclude that progress overall had not been satisfactory. Addressing this will be a priority during 2017/18
- **Momentum** – a further round of the Momentum programme, our arts training programme targeted on NEETS, was dependent on identifying match funding for a European funding bid. Funding priorities elsewhere meant that we were not able to progress this
- **European funding for trans-national projects** – we were unsuccessful in two bids for European funding. We’re re-appraising our approach for 2017/18

- **our recruitment of National Advisers** – our volunteer advisers help us to see, assess and report on the arts across Wales. In spite of several recruitment campaigns we have struggled to find appropriately qualified individuals in all parts of Wales (especially those who are Welsh speaking). Recruitment continues in 2017/18
- **efforts to reduce levels of staff absence and sickness** – Council is committed to reducing levels of staff sickness and absence. Council was therefore disappointed to see the level of sickness and absence at 798 days (3.67% of working days). This is an increase of 1.06% on the previous year’s figures, although 1.84% related to long term absence. Renewed effort will be made in 2017/18 to manage absence and to support staff well-being

We exceeded expectations in a number of areas:

- the **Creative Learning through the Arts** Programme is now firmly established. We’re ahead of plan with nearly a third of Wales’ schools now taking part in the programme
- we have been able to do more to **encourage families to enjoy and take part in the arts** – our Family Arts Campaign exceeded its target for family-friendly events
- we have made it easier **for disabled people across Wales to attend the arts** – our *Hynt* Disability Ticketing scheme has grown significantly since its launch two years ago to include 7,500 members accessing 39 venues

- **our funded project celebrating the Roald Dahl Centenary was a great success** – one of the ‘themed years’ projects, *City of the Unexpected*, was a massive event, achieving world-wide attention. 5,000 volunteers alongside a large team of skilled professionals delivered dance, acrobatics, theatre, music and spectacle. 200,000 people are estimated to have been on the streets of Cardiff over the two days of the event
- **our broadcast partnerships** with BBC Cymru Wales and S4C opened up new opportunities to develop and promote Welsh creative talent. Evaluation of the BBC/Arts Council Horizons/Gorwelion project has confirmed the contribution it has made to supporting emerging musical talent
- **we received excellent feedback** on our Advocacy Toolkit, our information resource for local authority partners. In the face of continuing financial pressures, the case studies, facts and figures have helped to defend support for arts services
- our **Collectorplan** scheme broke all previous records, generating **over £1m of sales of artists’ work**

Performance highlights against key objectives

| Objective | Progress during 2016/17 |
|---|---|
| <p>Creating the environment for the arts to flourish</p> <p>Remit Letter: 2, 3, 8</p> | <p>We want the arts in Wales to have a positive impact, with artists and arts organisations able to create their best work and to sustain themselves through the quality of their activities.</p> <p>Attendance at events promoted by portfolio organisations was 4.2m, exceeding the target by 357,000. Participation levels of 1.1m exceeded target by 103,000.</p> <p>During the year we launched a new “Resilience” programme designed to develop the capability of our Portfolio organisations, enabling them to be less dependent on public funding. 54 members of our Arts Portfolio Wales have been accepted onto the programme.</p> <p>Our capital investment in venues makes a significant contribution to improving the cultural infrastructure across Wales. The Glynn Vivian Gallery in Swansea opened to great acclaim in Autumn 2016 after a significant refurbishment.</p> <p>As part of our quality monitoring processes we recruit National Advisers to see and assess work that we fund. The lack of appropriately skilled advisers across all parts of Wales meant that we did not meet our target in this area. Addressing this will be a priority in 2017/18.</p> |
| <p>Increasing the value of international working in the arts – culturally, socially and economically</p> <p>Remit Letter: 5, 6, 8</p> | <p>We want our leading artists and arts organisations to realise their international ambitions by exploring new international markets and connecting with new partners.</p> <p>Welsh artists attended a range of international showcases/trade fairs, including South by South West, WOMEX, Celtic Connections and the Lorient Festival.</p> <p>Working in partnership with the British Council we launched a new India:Wales funding initiative, supporting 12 projects connecting artists and organisations in Wales and India through new creative collaborations.</p> <p>In Spring 2017 we organised a cultural delegation as part of a wider Welsh Government trade mission to China. The visit strengthened international links and opened up new market opportunities for Welsh arts organisations.</p> <p>Brexit creates uncertainties over how some aspects of our international working will operate in the future. Nevertheless, we’re fully engaged in current debate around Wales’ relationship within Europe. We continue to advocate the importance of developing new market opportunities for the arts and creative industries.</p> |

| Objective | Progress during 2016/17 |
|---|---|
| <p>Finding new opportunities, ways and places for people to enjoy and take part in the arts</p> <p>Remit Letter: 1, 2, 4, 7, 10</p> | <p>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.</p> <p>We are fully committed to removing the barriers that prevent and impede people from enjoying and taking part in the arts. We are especially keen to attract those from economically disadvantaged communities but our survey work during 2016/17 shows that the gap in attendance and participation between the most and least affluent in Welsh society is not narrowing as much as we would wish.</p> <p>We fell just short of our target for <i>Night Out</i> community events, with 513 performances achieved (against a target of 530).</p> <p>We have detailed action plans for Equalities, Welsh Language and Sustainable Development. We publish specific reports on our performance in each of these areas. We achieved significant successes in our work around the implementation of the new Welsh Language Standards and have integrated Sustainability Development across our policy-setting. We were less pleased with our progress across our Equalities work. (This is discussed in more detail on page 28.)</p> |
| <p>Developing the creativity of children and young people</p> <p>Remit Letter: 2, 3</p> | <p>We want all young people to have the opportunity to enjoy high quality arts and to develop their own talents. Our key priority in 2016/17 was working together with the Welsh Government on the establishment of our major partnership project, <i>Creative Learning through the Arts</i>.</p> <p>During the year we exceeded our targets for the Lead Creative Schools programme, with activity now taking place in over a third of Wales' schools. We also launched a new fund, <i>Experiencing the Arts</i>, supporting schools to find new ways of enabling children and young people to visit professional arts organisations.</p> |
| <p>Encouraging innovation, resilience and sustainability</p> <p>Remit Letter: 5, 6, 9</p> | <p>Resilience will be key to arts organisations' future survival. We want to deliver a strategy for the Arts Council, and the arts in Wales, that encourages innovation and entrepreneurship and that enables the work of our artists and arts organisations to become more resilient and sustainable.</p> <p>During the year we have been developing a programme of business development support for our key organisations. The aim is to enhance their business capability so that they are less dependent on public funding.</p> |

| Objective | Progress during 2016/17 |
|--|---|
| Protecting and growing the economic base for the arts in Wales | <p>These are challenging times for public funding. We encourage organisations to be entrepreneurial, generating increased income where they can. This is less easy for many of the partners who work with us to support the arts. Local authorities in particular – our traditional partners in arts funding and development – face increasing difficulties in maintaining current levels of funding.</p> |
| Remit Letter: 5, 6, 8, 9 | <p>A priority during 2016/17 was to work with local authorities to find more sustainable solutions that meet local needs and protect services for communities in their locality. We are also trialling new models of community engagement and investment through our Ideas: People: Places programme with 7 major projects being piloted across Wales.</p> |
| | <p>On a more positive note, our <i>Collectorplan</i> scheme generated over £1m of sales for individual artists. Artists are frequently amongst the lowest paid of creative professionals – this income is therefore essential to their livelihoods.</p> |
| Demonstrating the value of the Arts | <p>We want to promote a positive and engaging view of the arts in Wales, making sure that the arts sector and the wider public in Wales understand what we, the Arts Council, are trying to achieve.</p> |
| Remit Letter: 1-7, 10 | <p>We manage a research programme that helps us to be better informed about the arts in Wales. In 2016/17 we published 2 Omnibus Reports, a Local Authority Expenditure Survey, and our Arts Portfolio Wales Survey.</p> |
| | <p>Our quarterly e-Newsletters and social media tweets keep people informed about the arts in Wales. We also organise our own conferences, symposia and events, and have a presence at other national events (such as the National Eisteddfod and Urdd Eisteddfod).</p> |
| Making the Arts Council an efficient and effective public body | <p>As a public body we have a responsibility to create a strong, confident organisation providing services that are relevant and useful. We provide professional services across a range of disciplines. We do so in ways which reduce cost and recognise our responsibility to become a more environmentally sustainable organisation.</p> |
| Remit Letter: 1-9 | <p>Financial transactions and supplier payments are made promptly. In 2016/17 we exceeded our target with 96% of invoices paid within the suppliers' terms (target 93%). We paid 85% within 10 days (target 85%).</p> |
| | <p>We deal efficiently with Complaints and Freedom of Information (Fol) requests. 19 Fol requests were received this year, all of which were dealt with in full and within the required timescale.</p> |

Building Resilience



John Williams
Chair,
Capital
Committee

“If the arts are to thrive, artists, audiences and participants need high quality facilities in which they can make, enjoy and take part in the arts. The Arts Council has a track-record of investing in architecturally distinctive projects that have become an important creative, social and economic focal point in their locality.”

Strengthening the arts infrastructure

For more than two decades the Arts Council has been investing funding from the National Lottery in capital projects. Across Wales we’re helping organisations to enhance and extend their activities by creating the right buildings and physical environments within which to deliver their work. The projects we invest in support organisations to become more sustainable and innovative, able to make, present and exhibit their work in the best possible conditions.

Our priority is to support the consolidation and improvement of those arts organisations that play a leading role in Wales’ cultural life. We were therefore pleased during the year to see the completion of the magnificently refurbished Glynn Vivian Museum and Art Gallery in Swansea.

Sustainability

We’re committed to sustainable development and expect projects, as far

as possible, to take account of all long-term benefits and costs – environmental, social and economic. We expect the organisations that we fund to embrace the principles enshrined in the Welsh Government’s Well-being legislation, placing sustainability at the heart of their development plans.

Ensuring value for money

We never fund all of a project’s costs. In many cases we’ll be a minority funder of capital projects and we expect those who we support to secure funding from other sources.

With the support of our expert Capital Committee, we work with officers to ensure that the projects we support are fit for purpose and financially viable. Capital projects can often be complex, and develop over a period of many years. Our comprehensive processes for feasibility, design, procurement and build ensure that projects are well-conceived and planned.

Principal risks and uncertainties

Lesley Hodgson
Chair,
Audit & Risk
Assurance
Committee



“The public rightly expects that the institutions they finance are efficient and cost effective. Those who we work with expect us to get the basics right and to ensure that we manage our affairs in a straightforward and business-like way. Ensuring that we meet these challenges is the Committee’s core business.”

Managing our affairs effectively

As stewards of public funds we must operate in an efficient and accountable manner. Our priorities and funding decisions are agreed by Council in accordance with the policies that apply to our use of public funds. The Audit & Risk Assurance Committee’s role is to ensure that we deliver on these commitments, doing so in ways that are transparent, accountable and that represent value for money. An extensive programme of internal audit assists us in this work.

Protecting the public’s money

An important part of the Committee’s work has been reviewing our defences against fraud and cyber-crime. Attempts to illegally gain access to our funds and ICT systems occur on an almost daily basis. Council takes these issues very seriously and the Committee has been looking carefully at our policies and processes to ensure that they’re robust and secure.

Taking risks: a balanced approach

Unauthorised access to our systems is just one of a range of potential risks that could compromise our performance. But we mustn’t become so risk averse that

we ignore important opportunities for innovation and growth. We aim to take appropriate but informed risks, as circumstances dictate. However, we wouldn’t behave recklessly; neither would we wilfully squander public money nor endanger our reputation for prudence.

Our systems of internal control identify and prioritise the risks that could prevent us achieving Council’s policies, aims and objectives. They evaluate the likelihood of the risks being realised, consider the impact should they occur, and seek to manage them efficiently, effectively and economically.

We continually seek to improve our internal control systems. Our Corporate Assurance Framework is used to identify the robustness of the underlying controls and assurance processes. Any aspects that need to be strengthened are highlighted and the Committee monitors action taken to ensure that appropriate remedial action takes place.

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 2017/18, to meet all current contracted commitments. The Council does not consider that its activities are exposed to any significant liquidity risk.

Interest rate risk – cash and cash equivalent balances are held in instant

access variable rate bank accounts which on average carried an interest rate of 0.50% (2015/16: 0.38%) in the year.

The Council does not consider that its activities are exposed to significant interest rate risks.

Foreign currency risk – changes to exchange rates following last year's EU Referendum have resulted in a reduction in the buying power of the pound overseas. Council has sought to mitigate the effects of currency fluctuations and is not currently exposed, to any significant degree, to foreign exchange risks.

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

The risks to our performance: what they are and how we deal with them

| Principal risks | Key mitigating actions |
|--|---|
| <p>Governance Poor management results in a significant failure to deliver the key objectives in corporate and operational plans</p> | <p>Clearly defined project management disciplines exist to assist Council officers in the delivery of their work. A formal progress report is presented to Council each quarter. This report also forms the basis for Quarterly Monitoring Meetings between Council's senior management team and officials of the Welsh Government.</p> |
| <p>Funding Cuts in public sector funding could damage the arts across Wales</p> | <p>We've once again had to reduce the level of funding to our portfolio of revenue-funded organisations, our Arts Portfolio Wales (APW). We have also had to achieve further savings in our own running costs. This helps us to ensure that as much funding as possible is available for direct arts expenditure.</p> <p>A key area of risk is the continuing reductions in local authority arts funding. We're working with local authority partners to explore alternative strategies for protecting support for creative activity.</p> |
| <p>Key arts organisations fail as a consequence of funding cuts</p> | <p>Our APW accounts for the majority of our grant-in-aid funding. The Portfolio's artistic, financial and operational effectiveness is closely monitored by officers. Regular reports showing the risk assessment of each of our annually funded organisations are provided to our Audit & Risk Assurance Committee and to Council. When necessary, we take a pro-active approach to working directly with organisations that experience difficulties, investing time and expertise to help them to resolve matters of concern.</p> |
| <p>Grants management Poor or fraudulent funding applications mean that public funds are not used for the purposes intended</p> | <p>We take a risk-based approach to our assessment of applications and the monitoring of grants awarded. We use information collected from grant recipients as part of our monitoring procedures to ensure that the stated outcomes for which we provided funding were, in the end, actually achieved. Council takes fraud, corruption and maladministration very seriously and has policies to prevent, and deal with, both, including "Whistle-blowing" and Anti-fraud polices. These were reviewed during the year.</p> |

| Principal risks | Key mitigating actions |
|--|---|
| <p>Major projects The Welsh Government loses confidence in our management of the <i>Creative Learning</i> programme</p> | <p><i>Creative Learning</i> is a partnership project with the Welsh Government totalling £20m of investment over 5 years. Management of the project has been reviewed by the Arts Council's internal auditors and 'substantial' assurance given.</p> |
| <p>Poor management of key Lottery Capital projects causes delays that place additional funding burdens on the Arts Council</p> | <p>We operate rigorous processes for project monitoring and the release of payments. Contractual agreements are in place protecting the Arts Council's investment and funding is paid out against certificated claims for work completed. Expert independent assessors provide technical reports that are used to brief Capital Committee (and ultimately Council).</p> |
| <p>IT Unforeseen or unexpected outages compromise business continuity</p> | <p>A full emergency plan is in place and tested annually. Should an incident arise, alternative offsite IT facilities are available.</p> |
| <p>There is a breach in our IT security.</p> | <p>Cyber security and IT penetration tests are conducted annually. We comply with IASME security standards.</p> |
| <p>Personal Data Personal data is lost, compromised or stolen</p> | <p>The Council has controls and policies in place to ensure data integrity. Encrypted IT systems ensure that the physical security of data is tightly controlled.</p> |
| <p>Staffing Recurrent pressure to cut costs reduces staff capacity to an unacceptable level</p> | <p>Delivering an expanding programme of activity with fewer staff is a continuing concern for Council. Progress against plans is carefully monitored and reviewed on a quarterly basis, and every effort is made to implement efficient business practices.</p> |
| <p>Our Organisational Review does not achieve the necessary cost savings.</p> | <p>Proposals agreed by Council achieve the cost savings required. Implementation of those proposals will be scrutinised by Council during 2017/18 to ensure that savings are delivered.</p> |
| <p>Welsh Language The new Welsh Language Standards are not introduced to the deadlines set out in our Compliance Notice</p> | <p>Council adopts a progressive and forward-looking approach to the Welsh Language Measure. We have been able to implement all of the Standards due to be introduced during 2016/17, and we're confident that we'll manage full implementation of the remaining Standards in 2018.</p> |

Financial and business 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.

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.

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 withheld and/or deferred.

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 2017 (2016: £Nil).

Our holding of cash reserves is restricted by the Welsh Government's directions on month-end and year-end flexibility. 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.

At 31 March 2017 the unrestricted cash funds were £1,132,000 (2016: £830,000).

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.

The Council’s banking service is provided by Santander UK plc.

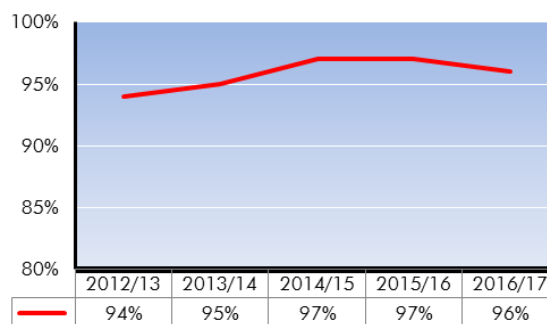
All interest and other investment income earned on cash and bank balances which arise as a result of funding from the Welsh Government is surrendered to HM Treasury via the Welsh Consolidated Fund.

Payment of creditors

Council follows the Late Payment of Commercial Debts (Interest) Act 1998, and the UK Government's Better Payment Practice Code. 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.

We aim 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 2017, the Council paid 96% (2015/16: 97%) of all invoices within the terms of its payment policy. In line with Welsh Government policy, the Council has a further aim to pay invoices within 10 days. For 2016/17 85% (2015/16: 88%) of invoices have been paid within 10 days. It is not anticipated that our policy will alter in future years and we will continue to adopt challenging performance targets.



Financial results

| | 2016/17 £000 | 2015/16 £000 |
|--|-----------------|-----------------|
| The General Activities accounts, excluding Lottery distribution activities, show: | | |
| Total income for the year | 35,728 | 36,214 |
| Excess of income over expenditure | 631 | 847 |
| Net current assets | 3,200 | 2,295 |
| Total fund balances at 31 March | 2,624 | 1,993 |
| and | | |
| Forward commitments of grants in respect of the following year | 26,744 | 25,840 |
| The separate Lottery Distribution accounts show: | | |
| The Council's share of the proceeds from the National Lottery | 16,300 | 19,233 |
| The combined: | | |
| Total income for both general and Lottery activities was | 52,147 | 55,588 |
| and | | |
| Total charitable arts expenditure for both general and Lottery activities was | 51,421 | 51,721 |

The Council's income for 2016/17 was £0.49m (1.3%) less than the previous year. The reduction of £1.26m in grant-in-aid from the Welsh Government was offset by an increase of £0.77m in other income, primarily relating to the funding received for year 2 of our five-year *Creative Learning through the Arts* (CLTA) Programme from the Welsh Government's Education Department and from our own Lottery funds.

During the year we awarded grants to our revenue funded organisations, Arts Portfolio Wales, of £25.8m (2015/16: £27.0m). We committed £3.8m (2015/16: £3.4m) to the CLTA Programme and spent £5.4m (2015/16: £4.1m) through grants and direct

expenditure on strategic initiatives and services.

Income for the year exceeded expenditure by £631,000. £623,000 related to restricted funds and £8,000 unrestricted. The majority of the net restricted income related to the CLTA programme which is managed across the academic year and where the timing of some grant commitments fell after the financial year end. The net unrestricted income reflects the timing of commitments for some of our planned programmes but, with the agreement of the Welsh Government, we carried forward some funds to 2017/18 to offset the costs associated with our Organisational Review.

At 31 March 2017 we had unrestricted reserves of £1.4m (2016: £1.4m) and restricted reserves of £1.2m (2016: £0.6m). The level of our unrestricted reserves is directly affected by the Welsh Government's policy on year-end cash balances, as outlined in the *Reserves* section above. The Council is permitted to carry over from one financial year to the next no more than 2% of its total non-Lottery income. Any proposal to carry over sums in excess of this amount, as this year, must be agreed by our sponsoring department of the Welsh Government.

Equalities



Richie Turner
Chair,
Equalities
Monitoring
Group

“We aspire to a society that embraces equality and celebrates difference, wherever it’s found in race, gender, sexuality, age, language, disability or poverty. However, there are still too many barriers that impede people’s access to the arts. Breaking down these barriers must be one of our defining priorities for the future if we’re to back up our good intentions with real action.”

Evaluating our approach

During 2016/17 we reviewed what we had achieved since the publication of our first Strategic Equality Plan in 2012. We also consulted on the content of a new Plan for the period 2017 to 2021. It was a revealing process.

The evidence tells us that we need to do more to raise the profile of our equality objectives both within our organisation and across the wider arts sector.

Our research shows that the presence of people with protected characteristics in the population as a whole is not being matched in the activities that we are funding. The gap is especially striking in the very low number of disabled people and those from black and minority ethnic (BAME) backgrounds employed or represented on boards of management. This is an issue of considerable concern to Council.

Doing better

Whether attending, taking part or working in the arts, we need to see the

involvement of a wider cross-section of the population.

Our goal must be an arts workforce that better reflects the diversity of Wales at local and national levels and is in line with the Welsh workforce statistics. This means an arts sector that recognises and values the contribution of people with protected characteristics in all fields, and at all levels of employment in the arts.

By 2021 disabled people will represent 12.9% of the arts workforce and at least 3.9% of the arts workforce will be from BAME backgrounds. So we’re challenging ourselves as an organisation, our portfolio of revenue-funded companies and those we support in the wider arts sector to attach greater importance to equalities.

Transforming the arts sector’s performance will be challenging, but we’re adamant that it’s the right thing to do. We’ll respond to the challenge in a spirit of collaboration and with an openness to dialogue. However, our collective failure as a sector to match the

demographic profile of the population as a whole – the very least we should expect – cannot be allowed to continue.

Welsh language

“Nothing makes Wales more distinctive than the Welsh language. The language provides the means to understand and enjoy an extraordinarily rich literature and culture. The arts thrive on this and are a key component in continuing the Welsh language’s vital role at the heart of Welsh life.”

Marian Wyn Jones
Chair,
Welsh
Language
Monitoring
Group



A fundamental commitment

We adopt an inclusive and broad approach to Language. As a bilingual organisation, our commitment to the Welsh language is integral to our work. Wales is a bilingual nation – legally, socially, culturally, and as individuals and communities.

Around half of the Arts Council’s staff are Welsh language speakers. And we promote vigorously the right of people to explore their own culture, their own creativity through the language of their choice, whether as consumer, participant or artist.

Responding to the Welsh Language Standards

An important task for the Monitoring Group during the year has been the implementation of new Welsh Language Standards, as defined in legislation.

The Standards are designed to ensure that the Welsh language should be treated no less favourably than the English language; and, that people in

Wales should be able to live their lives through the medium of the Welsh language if they choose to do so.

A number of the Standards were required to be in place by January 2017. This was fully completed by the due date. Further Standards will be implemented during 2017/18.

Promoting creativity through the medium of Welsh

For us, engaging with the Welsh Language is not a matter of compliance – it is a deeply cultural issue. The arts in Wales reflect the diversity of language, providing important opportunities to enjoy an extraordinarily rich literature and culture. Our funding and strategy supports this.

However, the evidence demonstrates that there is currently a serious lack of high quality product through the medium of Welsh, especially in theatre. This is a weakness in arts provision that Council is keen to address.

Issues of well-being and sustainability

Melanie Hawthorne
Chair,
Sustainable
Development
Monitoring
Group



“We fully endorse the Welsh Government’s commitment to well-being and sustainability. We believe that civic society in Wales will be stronger and more durable if we embrace the values of fairness and social justice. Looking to the longer term now in the decisions we make today will help safeguard the prospects of future generations.”

Explaining our approach

During the year we published a policy statement setting out how the Arts Council of Wales implements its vision for developing and sustaining a creative Wales, reflecting the requirements of the Well-being of Future Generations (Wales) Act 2015.

The Well-being of Future Generations legislation aims to improve the social, economic, environmental and cultural well-being of Wales. The positive role that the arts can play sits comfortably with the well-being goals. A thriving arts sector, committed to excellence and innovation, contributes to the cultural, social, economic and environmental well-being of Wales.

The Council is committed to investing in the future of the people of Wales and we aim to ensure all our organisational actions and policies are resilient and sustainable.

From the day-to-day management of our offices to the conduct of policy reviews, we have placed sustainable development at the heart of our thinking.

All capital projects in which Council invests are expected to meet BREEAM sustainability standards. We have established an ambitious Environmental Policy for our own operations and have, during the year, retained our Green Dragon Level 5 Accreditation.

Environmental performance

We take our environmental performance seriously and have, in recent years, focussed our efforts on initiatives that offer longer term benefits.

We have concentrated on extending the use of our information technology infrastructure to provide business and environmental benefits. All staff are able to access our systems remotely, via secure links, and have full electronic access to all systems and supporting documents. This has enabled us to reduce the volume of paper we process and store.

We are continuing to promote changes in behaviour. The vast majority of our arts development teams are equipped with laptops and smartphones, enabling them to operate on a mobile basis.

This has helped reduce travel to work journeys for some of our staff, and enables more effective travel to clients. We have invested in high quality video conferencing capacity in all three offices and actively promote its use as an alternative to travel. We are able to link to any public sector location in Wales, and further afield, including internationally. This enables staff, either using the high quality equipment in our offices or via their laptops, to participate in meetings with colleagues and a wide range of clients and stakeholders without the need to travel.

We promote the minimisation of waste amongst our staff by encouraging reduction, reuse and recycling and waste separation, thus reducing the amount sent to landfill. We reuse or recycle our surplus and redundant IT and office equipment. We use licensed and appropriate organisations to dispose of our waste.

All our major suppliers of office equipment and supplies have environmental policies and reporting mechanisms in place, and we consider environmental performance and awareness when selecting contractors and suppliers.

Management information

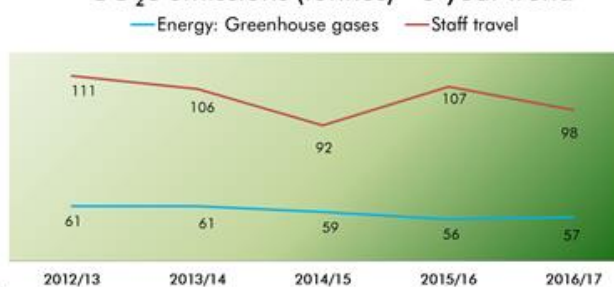
Managers and staff are provided with monthly reports analysing printing and copying activity, to encourage lower overall usage. Our internal reporting systems enable us to capture and measure details of our use of consumables, waste, energy, and staff travel, and thus our carbon dioxide equivalent (CO₂e) emissions.

However, as all three of our offices are leased on a shared occupancy basis, with certain costs included within our

service charges, this continues to restrict our ability to accurately assess our total environmental impact from energy usage. Our major use of electricity is in our Cardiff office and the landlord has confirmed that 100% of the supply is from verifiable Natural Renewable sources (wind, water and hydro).

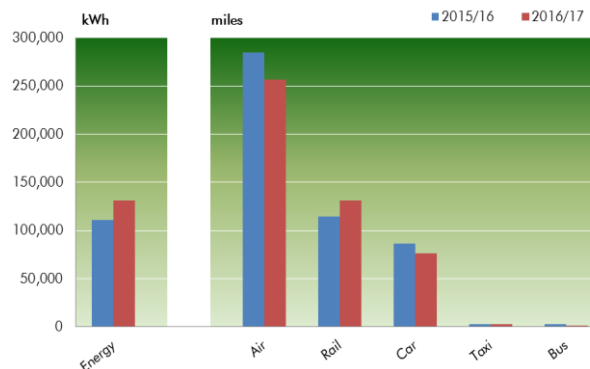
We promote the use of environmentally friendly means of transport, and encourage staff to make journeys by the most efficient means possible, taking account of both environmental and financial considerations. However, we have to balance this against the delivery of our strategic priorities to develop the arts in Wales, and to promote Welsh arts and artists internationally. As a result, there are inevitable fluctuations in the level of CO₂e emissions attributable to travel, especially when we are active internationally. During this year, complementing Welsh Government priorities, we undertook programmes of international work in India and China.

CO₂e emissions (tonnes) - 5 year trend



Our *Creative Learning through the Arts* Programme, which began in 2015/16, is delivered through schools across the whole of Wales. This inevitably adds to our levels of travel and amounted to 8 tonnes of CO₂e included in our reported totals for 2016/17 (2015-16: 6 tonnes).

Energy Consumption within our offices & Business mileage



| WASTE | 2016/17 | 2015/16 |
|-------------------------------|---------|---------|
| Waste: | | |
| Non-financial (tonnes) | | |
| Landfill | 0.12 | 0.12 |
| Reused/recycled | 2.74 | 1.43 |

| ENERGY | 2016/17 | 2015/16 |
|---|---------|---------|
| Greenhouse gas emissions (CO₂e tonnes) | | |
| Gross emissions, scope 2&3 (indirect) | 57 | 56 |
| Energy consumption (kWh) | | |
| Electricity (non-renewable) | N/A | 111,033 |
| Electricity (renewable) | 123,359 | N/A |
| Gas (2015/16 in tonnes – kWh not available) | 7,381 | 941 |
| Financial indicators (£) | | |
| Expenditure – energy | 14,521 | 13,448 |
| Water supply costs (office estate) – currently unable to assess, included in service charge | N/A | N/A |

| STAFF TRAVEL | 2016/17 | 2015/16 |
|--|---------|---------|
| Travel emissions (CO₂e tonnes) | | |
| Rail | 10 | 8 |
| Air ¹ | 64 | 71 |
| Car/vans | 24 | 28 |
| Travel cost (£) | | |
| Rail | 28,081 | 27,364 |
| Air | 24,935 | 24,788 |
| Car/vans | 34,905 | 39,889 |
| Travel (miles) | | |
| Rail | 130,946 | 114,171 |
| Air | 256,538 | 284,562 |
| Car/vans | 76,106 | 86,644 |

Our air travel reflects the fact that, complementing Welsh Government priorities, we undertook programmes of international work in India and China during 2016/17.

¹Includes the influence of radiative forcing in air travel emissions to capture the maximum climate impact. Radiative forcing is a measure of the environmental impact of emissions of NO_x (nitrous oxides) and water vapour when emitted at high altitude.

The year ahead

We remain focused on our mission and objectives. Encouraging more people, from across Wales' diverse communities, to enjoy and take part in the arts remains our main goal. We will be placing particular emphasis on tackling the barriers, social, cultural and economic that prevent our achievement of this goal.

Council has focused its programme of work for 2017/18 around its strategy of Make: Reach: Sustain.

The guide for this work is the Welsh Government's Well-being of Future Generations Act

The arts self-evidently contribute to our well-being and quality of life. And we know that the arts can bring substance and imagination to the delivery of a wide range of civic strategies. Ensuring that we make a positive contribution to the Well-being agenda will be a priority that informs all aspects of our work in 2017/18.

As a Welsh Government Sponsored Body we also work within a strategic framework agreed with the Government

The Welsh Government's expectations of us are set out in an annual Remit Letter. A copy of our Remit Letter for 2017/18 can be found on our [website](#).

Our Remit Letter sets out ten areas of priority.

- 1. Being creatively active** – a long-standing priority for the Arts Council, we are fully committed to working in partnership with the Welsh Government to deliver this priority. We want as many people as possible to experience and enjoy the arts: to be inspired by imagination and creativity, excited by ambition and spectacle, intrigued by the new and unfamiliar. We will therefore build on the successes of the key organisations that we fund, encouraging them to continue to reach out to new audiences.
- 2. Tackling poverty and disadvantage** – we are working to create more opportunities to introduce people who currently feel excluded from the arts to the benefits of creative activity. Over the past five years, we have seen more people from disadvantaged communities taking part in the arts. But we're determined to ensure that we play our part in bringing high quality arts opportunities within reach of more of the most disadvantaged people in our most deprived areas.
- 3. Creative Learning** – we will continue to work in partnership with the Welsh Government to implement our joint strategy *Creative Learning through the Arts*. We will also be looking more broadly at skills development to explore ways in which creativity can provide young people with the capability to succeed in the world of work.
- 4. Jobs, skills and the economy** – the arts provide jobs and create wealth for Wales' economy. Exploiting the commercial potential of the arts and creative industries will be an area of priority. The arts are important in their own right. But we also know that the creative and cultural industries are a vital engine for Wales' economy. They

contribute directly in terms of job and wealth creation, through the creation, distribution and retail of goods and services.

5. **Health and well-being** – Arts & Health is a growing area of activity. Academic research is demonstrating the positive impact that engaging with creative activity and the arts can have on health and well-being. As well as preventing ill health. The arts can help to regenerate, strengthen and enrich some of our poorest communities and improve the quality of life of disadvantaged and vulnerable people.
6. **Regeneration** – Wales is experiencing a period of sustained economic difficulty. The partnership between the Arts Council of Wales and its partners, especially those in local government, provide the foundation for the funding and development of the arts in Wales. New regeneration vehicles such as City Deal and the Capital City Region are re-defining how investment packages are assembled. But these developments cannot be justified solely on the basis of the physical infrastructure that they create. They need to be part of an holistic view of the way that a city lives and breathes and the well-being it creates. These will be important issues for the arts to address.
7. **International work** – promoting a country's arts can be a highly effective way of raising its visibility and reputation. Seeing the arts of Wales alongside the best that the world can offer raises standards and increases choice. We will also work to improve the international impact and recognition for the arts and culture of Wales on the world stage, bringing national and international cultural events to Wales. Through our international division, Wales Arts International, we'll continue to work with our international partner, the British Council, to promote opportunities for international exchange and collaboration.
8. **Digital broadcast and publishing** – new technology offers exciting opportunities for creativity, public engagement and the economic exploitation of intellectual property. We will help the arts to build the capacity and skills to understand what new technology has to offer and for making the most of those opportunities.
9. **Resilience** – we help our funded organisations to increase earned income and reduce the level of dependency on public funding. As we plan for the future, we will continue to find new ways of ensuring that the arts – and the Arts Council itself – have the resilience to weather the current economic pressures.
10. **A diverse and bilingual Wales** – Wales is a bilingual nation – legally, socially, culturally and as individuals and communities. Nothing makes Wales more distinctive than the Welsh Language. The language provides the means to understand and enjoy an extraordinarily rich literature and culture. The arts thrive on this and are a key component in continuing the Welsh language's vital role at the heart of Welsh life. We will promote vigorously the right of people to explore their own culture and creativity through the language of their choice, whether as consumer, participant or artist.

Nick Capaldi

Nicholas Capaldi
Accounting Officer
7 July 2017

Endorsed on behalf of Council:

Phil George





Phil George
Chairman
7 July 2017

Accountability Report






Corporate Governance

Our Trustees

Council Members who served since 1 April 2016 were:

| | | Attendance at meetings during 2016/17 | | | |
|---|---|---------------------------------------|----------------------------------|-------------------|-----------------------------|
| | | Council | Audit & Risk Assurance Committee | Capital Committee | HR & Remuneration Committee |
| | | Number of meetings held: | | | |
| | | 7 | 6 | 5 | 3 |
|  | Phil George Chair from 1 April 2016 | 7 | | | |
|  | Dr Kate Woodward Vice Chair from 1 April 2008 to 31 March 2017 Chair of Wales at the Venice Biennale of Art Committee (to 31 March 2017) | 3 | | | |
|  | Marion Wyn Jones from 1 April 2012 Vice Chair from 1 April 2017 Chair of Welsh Language Monitoring Group | 7 | | | |
|  | Iwan Bala from 1 November 2016 | 2/3 | | | |
|  | Andy Eagle from 1 November 2016 Member (from 9 December 2016) of HR & Remuneration Committee | 2/3 | | | 0/1 |

| | | Attendance at meetings during 2016/17 | | | |
|---|---|---------------------------------------|----------------------------------|-------------------|-----------------------------|
| | | Council | Audit & Risk Assurance Committee | Capital Committee | HR & Remuneration Committee |
| | | Number of meetings held: | | | |
| | | 7 | 6 | 5 | 3 |
|  | <p>Kate Eden from 1 April 2017</p> | | | | |
|  | <p>Michael Griffiths OBE from 1 April 2012</p> <p>Member of Audit & Risk Assurance Committee Member of HR & Remuneration Committee</p> | 7 | 4 | | 1 |
|  | <p>Melanie Hawthorne from 1 April 2012</p> <p>Chair of Sustainability Monitoring Group</p> | 6 | | | |
|  | <p>Dr Lesley Hodgson from 1 April 2012</p> <p>Chair of Audit & Risk Assurance Committee</p> | 6.5 | 6 | | |
|  | <p>Margaret Jervis MBE DL from 1 April 2008 to 31 March 2017</p> <p>Chair of HR & Remuneration Committee (to 31 March 2017)</p> | 6 | | | 3 |
|  | <p>Andrew Miller from 1 April 2012</p> <p>Member of HR & Remuneration Committee</p> | 7 | | | 2 |

| Attendance at meetings during 2016/17 | | | | | |
|---|--|---------|----------------------------------|-------------------|-----------------------------|
| | | Council | Audit & Risk Assurance Committee | Capital Committee | HR & Remuneration Committee |
| Number of meetings held: | | | | | |
| | | 7 | 6 | 5 | 3 |
|  | Rachel O'Riordan from 1 April 2017 | | | | |
|  | Dafydd Rhys from 1 April 2017 | | | | |
|  | Richard Turner from 1 April 2010 Chair of Equalities Monitoring Group | 6 | | | |
|  | Alan Watkin from 1 April 2010 Member of Capital Committee | 7 | | 3.5 | |
|  | John C Williams from 1 April 2010 Chair of Capital Committee | 6 | | 5 | |
| <i>Attendance of independent Committee members:</i> | | | | | |
| Andrew Butler | | | 6 | | |
| Katrina Michael | | | 3 | | |
| Arwel Thomas | | | 5 | | |

| Attendance at meetings during 2016/17 | | | |
|---------------------------------------|----------------------------------|-------------------|-----------------------------|
| Council | Audit & Risk Assurance Committee | Capital Committee | HR & Remuneration Committee |
| Number of meetings held: | | | |
| 7 | 6 | 5 | 3 |
| Ruth Cayford | | 5 | |
| Mark Davies | | 2 | |
| Roland Wyn Evans | | 2 | |
| Alan Hewson | | 5 | |
| Philip Westwood | | | 3 |

In accordance with the Council’s Code of Best Practice, members of Council and independent Committee members make declarations of interest in respect of directorships, memberships of boards of management (or equivalent) or employment which may conflict with their Arts Council of Wales’ responsibilities. The register of interests of Members of Council and of independent Committee Members is available for public inspection, by appointment, at each of the Council’s offices during normal working hours.

All financial transactions between members and the Council are disclosed in note 26 to the financial statements, *Related party transactions*.

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.

Our Chief Executive and Accounting Officer

Nicholas Capaldi

Our Offices

Mid and West Wales:

The Mount
18 Queen Street
Carmarthen
SA31 1JT

North Wales:

Princes Park II
Princes Drive
Colwyn Bay
LL29 8PL

South Wales

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

Santander UK p.l.c.
9 Queen Street
Cardiff
CF10 2UD

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 income and expenditure, 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 Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 (“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 *Managing Welsh Public Money* published by the Welsh Government.



Nicholas Capaldi
Accounting Officer
7 July 2017

Endorsed on behalf of Council:



Phil George
Chairman
7 July 2017

Accounting Officer's confirmations

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 I am aware, as the Accounting Officer, there is no relevant audit information of which the Council's auditor is unaware. I believe that I have taken all the steps that would be expected of me as Accounting Officer to make myself aware of any relevant audit information and to establish that the Council's auditor is aware of that information.

I consider that the annual report and financial statements as a whole are fair, balanced and understandable and I take personal responsibility for them and the judgments required for determining that they are fair, balanced and understandable.



Nicholas Capaldi
Accounting Officer
7 July 2017

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.

It also describes how I have discharged my responsibilities for ensuring that we conduct our business, in respect of both exchequer and lottery activity, in accordance with the law. This includes providing the necessary assurances that we are adhering to proper standards and establishing the necessary safeguards to protect the use of public money.

I explain how these funds are properly accounted for, and used economically, efficiently and effectively to support the delivery of our plans and priorities.

The legislative framework

We operate within a carefully prescribed and regulated legal environment. The Arts Council of Wales is accountable to the Welsh Government's Minister for Economy and Infrastructure. We work within a 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. We manage our funds with probity and in the public interest and, along with other public bodies in Wales, adhere to the principles contained in *Managing Welsh Public Money*.

As a distributor of Lottery funds under the National Lottery etc. Act 1993 (as amended), we are accountable to the UK's 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 in respect of Lottery distribution activities.

We are required to account for Lottery distribution activity separately from the rest of our work, and we have appropriate arrangements in place to ensure that we produce two sets of published accounts. Our Lottery Distribution accounts are audited under an arrangement with National Audit Office by the Wales Audit Office. The Wales Audit Office also audits our General Activities account.

As a charity we have to ensure that we comply with the requirements of the Charities Acts 1960, 2006, 2011 and 2016. As such, we follow guidance issued by the Charity Commission, acting solely to further our chartered and charitable objectives.

The activities we carry out in connection with our *Collectorplan* scheme are subject to the Consumer Credit Act and guidance issued by the Financial Conduct Authority.

We have designed our systems, processes and controls to take account of these various responsibilities. Within these frameworks we make independent decisions regarding the strategic direction of the organisation, grant funding, and other financial decisions.

Risk assessment is fundamental in our operations and this Governance

Statement should be read in conjunction with the *Principal risks and uncertainties* section of the Performance Report.

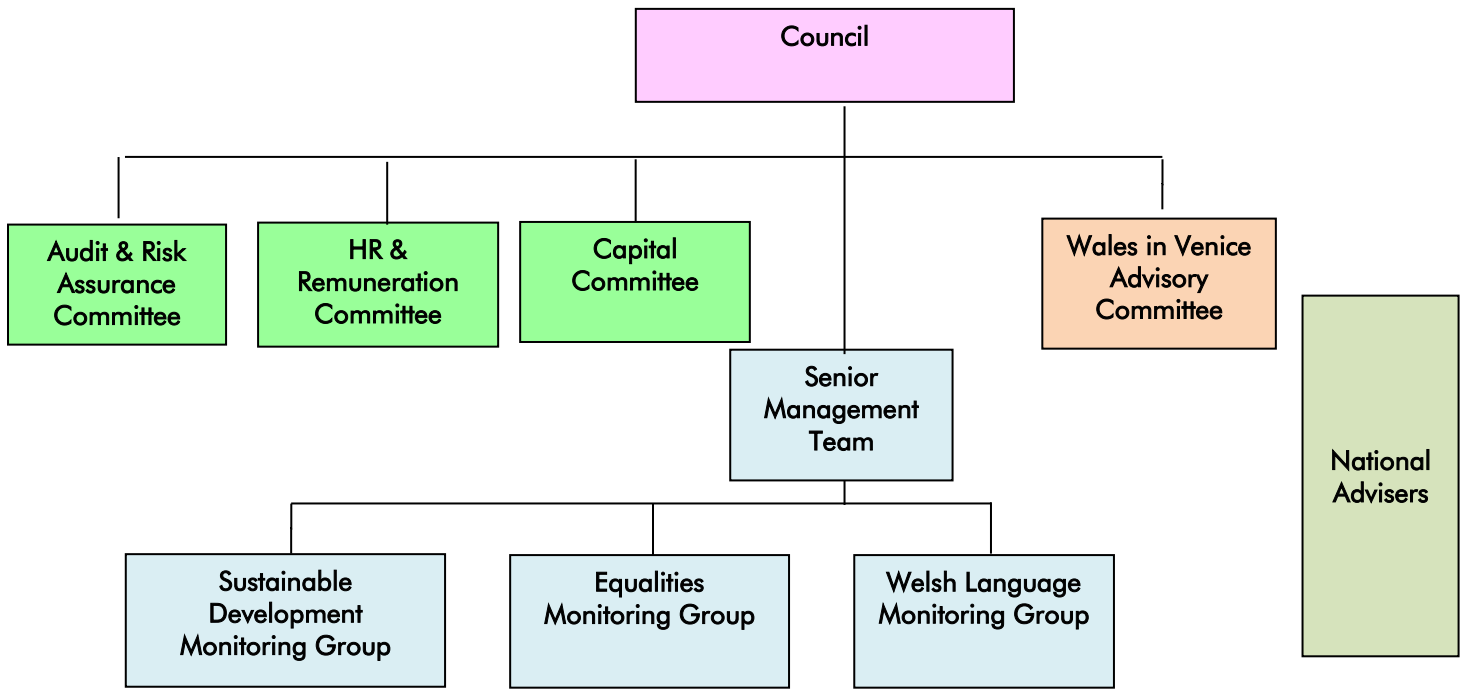
Should the need arise, the Public Services Ombudsman for Wales, the Parliamentary Commissioner for Administration, the Charity Commission, the Financial Conduct Authority, the Information Commissioner, the National Audit Office, and the Wales Audit Office are all able to investigate the Council's affairs.

Our Governance structure

We are governed by a Board of Trustees – Council – which consists of a Chair and up to seventeen other independent members, one of whom is appointed as Vice-Chair. Each Trustee brings specific expertise and knowledge to the oversight and development of our activities. At the end of March 2017, our Council comprised of the Chair, plus twelve members. Following the expiry of the terms of office of some members, at the time of signing these accounts Council comprised of the Chair plus thirteen members.

Our Governance arrangements
 Our Trustees are appointed by the Minister for Economy and Infrastructure through an open selection process, conducted in accordance with Nolan principles. Appointments are usually for a three year term, renewable for a maximum of two additional terms.

The Chair of Council is a remunerated position, at a rate set annually by Welsh Government. All other Trustees provide their time and expertise on a voluntary basis. However, they are reimbursed for out-of-pocket expenses incurred on Council business, a summary of which is contained in note 8b of these financial statements.



Council

Responsibilities

Council is responsible for the strategic direction and management of our organisation. It is also responsible for ensuring that we, through me as Chief Executive, operate within the various accountabilities required of us.

Council members are responsible for key decisions on corporate policy: the formulation of our Corporate and Operational Plans, and any major alterations to the terms and conditions of service for staff. They set the annual budget, decide on the annual allocation of grants to organisations in the Arts Portfolio Wales, and approve all grants over £50,000 or, in the case of Lottery funded capital projects, over £250,000 and Resilience awards over £100,000. Decisions below these thresholds are delegated to authorised staff and to the Capital Committee.

Members attend arts events across Wales as representatives of Council.

Summary of Discussions during 2016/17

As part of its ongoing scrutiny of **Governance**, Council reviewed our Corporate Assurance Framework and risk register and completed an assessment of its own performance. It prepared and monitored the **Corporate** and **Operational Plans**, and received updates on key areas of performance including the **Equalities, Sustainable Development** and **Welsh Language Plans**.

The focus of policy during the year was overseeing the delivery of our Operational Plan. Key projects included the second year of the **Creative Learning** programme, launch of the **Resilience** programme and planning for the development of a new **Arts and Health** strategy.

A significant task for Council during the year was its oversight of our **Organisational Review**. Council set cost reduction targets and agreed new staffing proposals.

Frequency of meetings and attendance

Council met 7 times during 2016/17 to discharge its responsibilities. During the year, members in total attended meetings on 73 out of a possible 83 occasions. Council meetings are normally held approximately every 6 weeks. Copies of agendas and minutes of our Council meetings can be found on our [website](#).

To help support its work, Council has appointed three committees to provide specialist advice. These are: Audit & Risk Assurance; Capital; and the HR & Remuneration committees. It also has an *ad hoc* advisory committee, to advise on Wales’ presence at the international Biennale of Art in Venice, and three internal monitoring groups.

Each Committee includes Council members, one of whom acts as Chair, and independent committee members appointed through an open selection process for their specialist skills and experience. The minutes of each Committee meeting are provided to Council for discussion and approval. Terms of reference for each committee can be found on our [website](#). Terms of reference are reviewed annually.

All new members of Council and of each Committee undergo an induction process appropriate to their role, and are encouraged to continue their development during their period of appointment.

Our three internal monitoring groups are – **Equalities, Sustainable Development and Welsh Language**. These help drive forward Council’s agenda in these areas. Council received minutes of each meeting.

Our **National Advisers** support us in our work, offering their time and expertise on a voluntary basis. Their specialist knowledge and help contributes to policy development, the assessment of grant applications, and advice to officers. They are appointed through an open recruitment process.

Audit & Risk Assurance Committee

| | |
|---------------------------------------|--|
| Responsibilities | Audit & Risk Assurance Committee is responsible for providing assurance to Council on the effectiveness of our governance, risk management and internal control arrangements. It scrutinises the organisation’s management and administration to test that processes and procedures are being operated to the high standard that Council expects. |
| Summary of Discussions during 2016/17 | <p>An important aspect of the Committee’s work is scrutiny of the Corporate Assurance Framework and Corporate Risk Register. Together these documents provide assurance to Council that the systems, processes and behaviours that exemplify good governance and effective operation are in place.</p> <p>The Committee receives all internal audit reports and monitors the progress of any recommendations that have been raised. In 2016/17 5 reports were presented. Of the areas reviewed, 3 were given a ‘substantial’ assurance rating and 2 ‘moderate.’ A total of 5 advisory and follow-up reports were also presented.</p> <p>The Committee was asked by Council to scrutinise aspects of the Organisational Review. The Committee’s advice on financial and operational matters helped to strengthen the final proposals.</p> <p>A key issue for Committee during the year was ensuring that the Arts Council’s policies and strategies for cyber security and for preventing fraud remain fit for purpose.</p> |
| Frequency of meetings | The Committee met 6 times during 2016/17 to discharge its responsibilities. During the year, members in total attended meetings on 24 out of a possible 30 occasions. Committee meetings are normally held quarterly, with an additional meeting in early Summer. |

Capital Committee

Responsibilities Capital Committee is responsible for advising Council on the development of policy on all aspects of capital development, including funding priorities and schemes. The Committee has also provided oversight of the *Ideas: People: Places* programme. Council delegates to the Committee the authority to make funding decisions on lottery capital grants from £50,001 to £250,000, and for making recommendations on larger capital grants to Council. The Committee is responsible for monitoring live projects and advising Council accordingly.

Summary of Discussions during 2016/17 The Committee’s principal activity during the year was monitoring delivery against Council’s five year **Capital Development strategy** (2012-2017).

Council is investing in a variety of large and complex capital projects. The completion in February 2016 of the landmark project, **Pontio** in Bangor, marked an important milestone in the Committee’s work, with activity during the year focusing on ensuring compliance with outstanding conditions of funding.

Another milestone was met during the year with the re-opening of the refurbished **Glynn Vivian Museum and Art Gallery** in Swansea.

The Committee also considered projects in development, ensuring that there was an appropriate match between applications in the pipeline and the funds needed to support those applications.

The drawdown of funds continues to present issues. Under Lottery rules a full commitment of funds must be accounted for at the time of award. However, applicants’ problems in securing the required partnership funding means that projects are taking longer to realise. This has implications for Lottery capital balances.

Frequency of meetings The Committee met 5 times during 2016/17 to discharge its responsibilities. During the year, members in total attended meetings on 23 out of a possible 30 occasions. Committee meetings are held approximately every 2 months, but with fewer meetings during the summer.

HR & Remuneration Committee

| | |
|---------------------------------------|--|
| Responsibilities | The HR & Remuneration Committee has responsibility for agreeing the level of remuneration for the Chair, within the limits determined by the Welsh Ministers; for setting the Chief Executive’s annual objectives and reviewing his performance; for the appointment of senior roles within the executive; and for the oversight and monitoring of HR matters on behalf of Council. |
| Summary of Discussions during 2016/17 | <p>The Committee’s principal activities during the year involve oversight of Council’s HR policies, and management of pay policies. Council also reviewed management information outlining our performance against HR objectives. It also agreed Council’s first Pay Policy Statement which will be a publicly available document.</p> <p>Council specifically sets the remuneration of the Chair and Chief Executive, under guidance issued by the Welsh Government. The Pay Remit covers all other salaried members of staff and is submitted to the Welsh Government for approval.</p> <p>A key issue for the Committee during the year was the Council’s re-organisation of staff, its Organisational Review. As well as commenting on staff structure, the Committee also advised on other cost-cutting options, including revisions to terms and conditions of employment.</p> |
| Frequency of meetings | The Committee met 3 times during 2016/17 to discharge its responsibilities. Members in total attended on 9 out of a possible 13 occasions. |

How we work

We promote values of good governance

We observe Lord Nolan’s seven **Principles for Public Life** and strive to ensure that all of our employees, Trustees, Committee members and National Advisers understand, apply and adhere to these Principles.

To support this, we have a **Code of Best Practice** which helps to ensure that the roles and responsibilities of members and officers are clearly defined. It also contains the expected standards of propriety that members and staff should adhere to. The Code was reviewed and updated during the year. You can find a copy on our [website](#).

Each member of Council, of each Committee, and all National Advisers and staff are required to complete an annual **Declaration of Interest** statement, and to ensure that changes in circumstances are notified promptly. The register of interests of Members of the Council, Committees and National Advisers is available for public inspection, by appointment, at each of the Council’s offices during normal working hours.

Council and the Audit & Risk Assurance Committee each carried out an annual self-assessment review of its performance. Overall, the findings of these evaluations were positive during 2016/17. Areas identified for improvement are captured in action plans. In particular, Council’s own annual self-assessment review concluded that the vast majority of its indicators of effectiveness had been met.

Council was content with progress made during the year to address areas identified in last year’s review. Council recognised the importance of ensuring an appropriate mix of arts expertise and skills on the Trustee Board as new members are appointed. Particular areas of focus will include quality monitoring, encouraging further commitment to the Welsh language amongst funded organisations, and the effective use of information and communication technology.

The Corporate Governance code issued by HM Treasury does not directly apply to the Arts Council of Wales. However, as Accounting Officer, I am satisfied that the arrangements we have in place reflect good practice. I also believe that 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.

Whistle-blowing

The Council has an established whistle-blowing policy which is brought to the attention of staff at induction and available within the Council’s operational handbook and intranet. The policy is reviewed at least every three years. There were no reported incidents during the year.

Taking informed decisions

The decisions taken by our Council and Committees are informed by advice provided by staff of the Arts Council. Papers and reports produced by officers are expected to show clearly all the

relevant information that is needed to enable informed decisions to be taken. All key papers highlight: financial, HR and environmental implications; risks; and an assurance statement.

Papers are circulated in advance of each Council and Committee meeting, for consideration by members, with tabled items and verbal reports only accepted in exceptional circumstances. Council was content during the year with the timeliness and quality of data and information provided for its use. In the rare instances where the information provided does not meet the required standards, the paper is rejected and a replacement commissioned.

Where appropriate, advice from officers is supplemented with specialist advice from our National Advisers and, where relevant, with specialist expert advice and legal opinions. Council will continue to ensure that it has sufficient time and information to properly debate policy and consider the future direction of the organisation.

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

We provide funding to third parties

One of the most important duties of the Arts Council is the distribution of funding to develop and support the arts in Wales. We are a major distributor of funding – from the Welsh Government, the National Lottery and other sources, including, where applicable, European funds. We take our responsibilities very seriously.

We have developed robust and accountable systems and procedures to support this key activity. Our grant

making and monitoring processes are reviewed annually by our internal auditors to ensure they remain fit for purpose. The Wales Audit Office also examines our grant making activities each year. All recommendations made by our internal and external auditors are monitored by our Audit & Risk Assurance Committee to ensure they are implemented on a timely basis.

Decisions to award an organisation revenue funded status and admission to the Arts Portfolio Wales (APW) are taken by Council based on the advice of, and supported by, rigorous assessments carried out by officers.

Security of data

We hold large amounts of data, and treat our obligations under the Data Protection Act seriously. Our ICT systems and rules 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.

Neither the high level review over IT controls carried out by our external auditors, nor our programme of internal audit reviews carried out during the year, nor the annual security review on behalf of Welsh Government, highlighted any matters of serious concern in this area. 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.

Audit outcomes

The findings of the National Audit Office and Wales Audit Office annual audits are reported in a Management Letter addressed to Council. Our Audit & Risk Assurance Committee considers the findings and monitors them to ensure appropriate action is taken on a timely basis. Grant making will continue to be a primary focus of management and the Committee’s attention.

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
7 July 2017

Endorsed on behalf of Council:



Phil George
Chairman
7 July 2017

*“Based on our work undertaken as detailed in our internal audit report in 2016/17 and our follow up work in relation to 2015/16 audit findings, our overall assessment is that the classification of assurance for corporate governance and risk management remains as **substantial assurance**.*

*“Based on the work we have undertaken during the year we are able to conclude that the Arts Council has a basically sound system of internal control, which should provide **moderate assurance** regarding the achievement of the Arts Council’s objectives.”*

**Internal Audit Annual Report
Deloitte LLP
Internal Auditor**

Remuneration and Staff Report

The terms of appointment of the Chairman and Chief Executive are agreed with the Welsh Government.

The Council remunerates its remaining staff in accordance with an agreed pay and grading system.

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 eligibility for an annual bonus. Annual bonuses are recommended to Council by the HR & Remuneration Committee in consideration of the performance of the Chief Executive against a set of predetermined objectives. The Committee's recommendation that the Chief Executive be offered a full bonus was endorsed by Council. However, the Chief Executive waived his entitlement to a non-consolidated bonus for 2016/17 and has indicated that he would accept, once the annual pay remit is agreed, the

same level of consolidated increase as other eligible members of staff.

Further details of the remuneration and pension benefits of the Chairman, Chief Executive, Directors and staff are provided in note 8 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 period. The current Chairman, Phil George, took over the chairmanship on 1 April 2016.

The Chief Executive and Directors – the Senior Leadership Team – are all employed on permanent contracts on the Council's standard terms and conditions. They are entitled to thirteen weeks' notice of termination of employment.

The dates of commencement of employment are:



Phil George
Chairman

1 April 2016



Nicholas Capaldi
Chief Executive

15 September
2008



David Alston
Director of Arts

1 July 2005



**Dr 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



Hywel Tudor
Director of Finance and
Resources

21 January 2002

Staffing

Margaret Jervis
 Chair,
 HR &
 Remuneration
 Committee



“The Council’s staff represent an invaluable source of knowledge and expertise. Council owes a duty of care. We want our staff to be confident, competent and fulfilled, given every opportunity to succeed in their work.”

The HR & Remuneration Committee members who served since 1 April 2016 were:

Margaret Jervis MBE DL (Council member)
 to 31 March 2017

Michael Griffiths OBE (Council member)

Andrew Miller (Council member)

Andy Eagle (Council member)
 from 9 December 2016

Philip Westwood (independent member)

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.

Council ensures that appropriate facilities are available for disabled employees. Public signage also promotes the Council as a bilingual organisation.

Council operates a number of HR policies that reflect its legal obligations as an employer. Policies are reviewed on a regular basis and updated to reflect any relevant changes in legislation. The management of Council’s HR policies is monitored by the HR & Remuneration Committee.

Employee communication

Council’s recognised trade union is Unite, with which it has established a procedural agreement; representatives of management and union meet regularly to discuss matters of current concern.

Pension scheme

Most employees are members of the Arts Council Retirement Plan 1994 (ACRP). 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 FRS 102.

The Council has also introduced a defined contribution scheme, The People's Pension, as an alternative option to meet the needs of Auto Enrolment legislation. The scheme is accounted for in accordance with FRS 102.

Sickness absence

During 2016/17 staff sickness absence totalled 798 days (2015/16: 584 days). This represented 3.67% (2015/16: 2.61%) based on 251 working days, including 1.84% (2015/16: 1.32%) as a result of long term absence (over 28 days).

Consultancy

During 2016/17 the Council paid consultancy costs of £10,000 (2015/16: £12,000) in relation to expert advice and opinion obtained to assist in strategic decision-making. £5,000 (2015/16: £4,000) is charged in these financial statements and the remainder related to Lottery Distribution activities.

Tax arrangements of public sector appointees

The table below shows details of off-payroll engagements for more than

£220 per day lasting longer than six months:

| | 2016/17 | 2015/16 |
|--|---------|---------|
| Number of new engagements between 1 April and 31 March | - | 48 |
| Number of the above which include contractual clauses giving the Council the right to request assurance in relation to income tax and national Insurance obligations | - | 48 |
| Number for whom assurance has been requested | - | 48 |
| Of which: | | |
| number for whom assurance has been received | - | 42 |
| number for whom assurance has not been received | - | 6 |
| Number that have been terminated as a result of assurance not being received | - | - |

All of the 2015/16 engagements related to the team of creative agents contracted to the Lead Creative Schools Scheme of our *Creative Learning through the Arts* programme. The agents worked for an agreed number of days across the academic year, acting as catalysts by responding to the individual development priorities and needs of the schools with which they are matched. Different contractual arrangements have applied from April 2016.

Parliamentary Accountability and Audit Report

Remote contingent liabilities

The Council is an admitted employer of the Arts Council Retirement Plan 1994. The Plan is a funded, defined benefit, multi-employer scheme where the participating employers are unable to identify their shares of the underlying assets and liabilities.

In the event of the withdrawal of an employer, the debt triggered under section 75 of the Pensions Act 1995 would be calculated using the solvency shortfall of the entire Plan, not the employer's own asset share and liabilities. Also, in the event of Plan wind up, as the Plan is a "last man standing" arrangement all employers would be jointly and severally liable for the total shortfall in the Plan.

It is not practical to estimate the financial impact.

Losses, special payments and gifts

The Council incurred no losses during the year and made no special payments or gifts.

The Council undertook an organisational review during the year. As a result, the Council has commitments to pay compensation to members of staff who will leave during 2017/18. The costs of

exit packages have been disclosed in the financial statements at note 8.

Fees and charges income

The Council has no material income of this kind.



Nicholas Capaldi
Accounting Officer
7 July 2017

Endorsed on behalf of Council:



Phil George
Chairman
7 July 2017

The Certificate and Report of the Auditor General for Wales to the Trustees of 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 2017 under Article 11 of the Council's Royal Charter. These comprise the Consolidated Statement of Financial Activities, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff 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 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, certify and report on the financial statements in accordance with applicable law and with International Standards on Auditing (UK and Ireland). These standards require me to comply with the Financial Reporting Council'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 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 Performance Report, Operational Review, and Accountability Report to identify material inconsistencies with the audited financial statements, and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate and report.

Opinion on Financial Statements

In my opinion the financial statements:

- give a true and fair view of the state of the Arts Council of Wales' affairs as at 31 March 2017 and of its net income 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 in the financial statements have been applied to the purposes intended by the National Assembly for Wales and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on other matters

In my opinion:

- the part of the Remuneration and Staff 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 Performance Report, Operational Review, and Accountability 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 Governance Statement does not reflect compliance with Welsh Ministers' guidance;
- sufficient accounting records have not been kept;
- the financial statements and the part of the Remuneration and Staff Report to be audited are not in agreement with the accounting records and returns;
- information specified by Welsh Ministers 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

11 July 2017

24 Cathedral Road
Cardiff
CF11 9LJ

Financial Statements

THE ARTS COUNCIL OF WALES

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

for the year ended 31 March 2017

| | Note | Unrestricted funds £'000 | Restricted funds £'000 | 2017 Total £'000 | 2016 Total £'000 |
|--|-------|-----------------------------|---------------------------|------------------------|------------------------|
| INCOME | | | | | |
| <i>Donations:</i> | | | | | |
| Grant-in-aid from the Welsh Government | | 30,226 | 750 | 30,976 | 32,238 |
| Other grants and donations | 3 | - | 4,336 | 4,336 | 3,680 |
| | | <u>30,226</u> | <u>5,086</u> | <u>35,312</u> | <u>35,918</u> |
| <i>Income from charitable activities:</i> | | | | | |
| Services and sponsorship | 4 | 215 | 53 | 268 | 201 |
| <i>Investment income:</i> | | | | | |
| Bank interest | | 11 | 3 | 14 | 10 |
| Other income | 5 | 134 | - | 134 | 85 |
| Total income | | <u>30,586</u> | <u>5,142</u> | <u>35,728</u> | <u>36,214</u> |
| EXPENDITURE | | | | | |
| Charitable activities | 6,7,8 | 30,363 | 4,642 | 35,005 | 35,272 |
| Governance costs | 9 | 81 | - | 81 | 85 |
| Bank interest surrendered to Welsh Consolidated Fund | | 11 | - | 11 | 10 |
| Total expenditure | | <u>30,455</u> | <u>4,642</u> | <u>35,097</u> | <u>35,367</u> |
| Net income/(expenditure) | | 131 | 500 | 631 | 847 |
| Gross transfers between funds | 16 | (123) | 123 | - | - |
| Net movement in funds | | 8 | 623 | 631 | 847 |
| Reconciliation of funds | | | | | |
| Fund balances brought forward | | 1,406 | 587 | 1,993 | 1,146 |
| Total funds carried forward | | <u>1,414</u> | <u>1,210</u> | <u>2,624</u> | <u>1,993</u> |

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

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

The notes on pages 67 to 85 form part of these financial statements

THE ARTS COUNCIL OF WALES

CONSOLIDATED BALANCE SHEET

as at 31 March 2017

| | | 2017 | | 2016 (restated) | |
|--|------|----------------|--------------|--------------------|--------------|
| | Note | £'000 | £'000 | £'000 | £'000 |
| Fixed assets | | | | | |
| Intangible fixed assets | 10a | | 4 | | 5 |
| Tangible fixed assets | 10b | | <u>57</u> | | <u>104</u> |
| Total fixed assets | | | 61 | | 109 |
| Current assets | | | | | |
| Grants paid in advance | 11 | 219 | | 300 | |
| Debtors | 12 | 3,416 | | 3,100 | |
| Cash and cash equivalents | | <u>2,480</u> | | <u>1,053</u> | |
| Total current assets | | 6,115 | | 4,453 | |
| Liabilities: falling due within one year | | | | | |
| Creditors | 13a | (2,866) | | (2,109) | |
| Provisions for liabilities | 14 | <u>(49)</u> | | <u>(49)</u> | |
| | | (2,915) | | (2,158) | |
| Net current assets | | | 3,200 | | 2,295 |
| Total assets less current liabilities | | | 3,261 | | 2,404 |
| Creditors: falling due after more than one year | | | | | |
| Creditors | 13b | (177) | | (152) | |
| Provisions for liabilities | 14 | <u>(460)</u> | | <u>(259)</u> | |
| | | | (637) | | (411) |
| Net assets | | | 2,624 | | 1,993 |
| The funds of the charity | | | | | |
| Unrestricted funds | 16 | | 1,414 | | 1,406 |
| Restricted funds | 16 | | <u>1,210</u> | | <u>587</u> |
| | | | 2,624 | | 1,993 |

The notes on pages 67 to 85 form part of these financial statements

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

Nick Capaldi

Nicholas Capaldi
Accounting Officer
7 July 2017

Phil George

Phil George
Chairman
7 July 2017

THE ARTS COUNCIL OF WALES

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2017

| | Note | 2017 £'000 | 2016 £'000 |
|--|------|---------------|---------------|
| Net cash inflow from operating activities | 18a | 1,438 | 499 |
| Net cash inflow from investing activities | 18b | 3 | - |
| Net cash outflow associated with capital assets | 18c | (14) | (10) |
| | | <hr/> | <hr/> |
| Change in cash and cash equivalents in the year | | 1,427 | 489 |
| Cash and cash equivalents brought forward | | 1,053 | 564 |
| | | <hr/> | <hr/> |
| Cash and cash equivalents carried forward | | 2,480 | 1,053 |

The notes on pages 67 to 85 form part of these financial statements

THE ARTS COUNCIL OF WALES

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 March 2017

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, 2011 and 2016, of the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their account in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) issued on 16 July 2014 ("the SORP") and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102). In addition to compliance with the 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.

b. Subsidiary undertakings – Cerdd Cymru:Music Wales Limited

Cerdd Cymru:Music Wales is a private, trading company, limited by guarantee and registered in Wales (number 7759122). It was incorporated on 1 September 2011 as a 50% joint arrangement with the Welsh Music Foundation to 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.

Cerdd Cymru:Music Wales Limited became a wholly owned subsidiary of the Council during 2016/17 following the liquidation of the Welsh Music Foundation.

The transactions of the subsidiary have been included within the consolidated financial statements on the 'line by line' method. (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 income.

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. Expenditure

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 6, 7 and 8.

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 9.

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 FRS 102, 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 (ACRP) 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 Plan is a funded, defined benefit, multi-employer scheme where the participating employers are unable to identify their shares of the underlying assets and liabilities. The scheme has therefore been accounted for as if it were a defined contribution scheme, in accordance with FRS 102. The Council has entered into an agreement to make payments to fund a deficit relating to past service so recognises a provision for the present value of contributions payable that result from the terms of that agreement. The annual contribution towards the deficit is charged to the Statement of Financial Activities.

The Council also introduced a defined contribution scheme, The People's Pension, effective 1 May 2014, as an alternative option to meet the needs of Auto Enrolment legislation. The scheme is accounted for in accordance with FRS 102.

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. **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 and on short term deposit 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 income and charitable arts expenditure**

The separate Lottery distribution account shows the Council's 2016/17 share of the proceeds from the National Lottery of £16,300,000 (2015/16: £19,233,000). The combined total income for both general and Lottery activities for 2016/17 was £52,147,000 (2015/16: £55,588,000). The combined total direct charitable arts expenditure for 2016/17 was £51,421,000 (2015/16: £51,721,000).

3. **Income**

Donations: Other grants and donations

| | Unrestricted funds £'000 | Restricted funds £'000 | 2017 Total £'000 | 2016 Total £'000 |
|--|-----------------------------|---------------------------|------------------------|------------------------|
| <i>Creative Learning through the Arts Programme</i> (note 22): | | | | |
| Welsh Government grant | - | 1,900 | 1,900 | 1,787 |
| Arts Council of Wales Lottery grant | - | 2,283 | 2,283 | 1,890 |
| British Council contribution for India:Wales | - | 150 | 150 | - |
| The Eirian Llwyd Trust | - | 3 | 3 | 3 |
| | - | 4,336 | 4,336 | 3,680 |

4. **Income from charitable activities**

Services and sponsorship

| | Unrestricted funds £'000 | Restricted funds £'000 | 2017 Total £'000 | 2016 Total £'000 |
|---|-----------------------------|---------------------------|------------------------|------------------------|
| Community Touring scheme: | | | | |
| - contributions from venues/promoters | 135 | - | 135 | 138 |
| Wales Arts International: | | | | |
| - contribution from the British Council | 23 | 45 | 68 | - |
| - contributions from others | - | 8 | 8 | 5 |
| <i>Collectorplan</i> - gallery fees | 41 | - | 41 | 39 |
| Annual Conference - delegate fees | 9 | - | 9 | - |
| Nesta – for <i>Digital Innovations</i> | 7 | - | 7 | 18 |
| Other income | - | - | - | 1 |
| | 215 | 53 | 268 | 201 |

5. **Other income**

| | Unrestricted Funds £'000 | Restricted Funds £'000 | 2017 Total £'000 | 2016 Total £'000 |
|---|-----------------------------|---------------------------|------------------------|------------------------|
| Contribution from the Lottery Distribution account: | | | | |
| for use of fixed assets | 30 | - | 30 | 39 |
| for annual payment towards pension deficit | 23 | - | 23 | - |
| Proceeds from disposal of tangible assets | 1 | - | 1 | - |
| Cerdd Cymru:Music Wales income (note 21) | 80 | - | 80 | 46 |
| | 134 | - | 134 | 85 |

6. **Expenditure**
Charitable activities

| | Direct activities | Grant funding | Support costs | 2017 Total | 2016 Total |
|--|-------------------|---------------|---------------|---------------|---------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Grant making and arts development | 1,446 | 26,499 | 504 | 28,449 | 28,833 |
| <i>Creative Learning through the Arts Programme</i> (note 22) | 1,625 | 2,120 | 37 | 3,782 | 3,372 |
| Arts strategy | 858 | - | 197 | 1,055 | 1,138 |
| International | 484 | - | 75 | 559 | 779 |
| Services: <i>Night Out & Collectorplan</i> | 593 | - | 73 | 666 | 660 |
| Advocacy and research | 371 | - | 42 | 413 | 430 |
| Impairment of investment in Cerdd Cymru: Music Wales (note 21) | - | - | - | - | 15 |
| Cerdd Cymru: Music Wales expenditure (note 21) | 81 | - | - | 81 | 45 |
| | 5,458 | 28,619 | 928 | 35,005 | 35,272 |

| Grant funding: | To institutions | To individuals | 2017 Total | 2016 Total |
|---|-----------------|----------------|---------------|---------------|
| | £'000 | £'000 | £'000 | £'000 |
| from unrestricted funds | | | | |
| Arts Portfolio Wales | 25,540 | - | 25,540 | 26,716 |
| Strategic awards | 211 | 2 | 213 | 370 |
| from restricted funds | | | | |
| Arts Portfolio Wales | 300 | - | 300 | 300 |
| <i>Creative Learning through the Arts Programme</i> | 2,120 | - | 2,120 | 2,386 |
| Strategic awards | 111 | - | 111 | - |
| Capital awards | 326 | - | 326 | 55 |
| Memorial awards | - | 9 | 9 | 9 |
| | 28,608 | 11 | 28,619 | 29,836 |

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

7. **Operating costs**

| | Gross costs | Deduct Recharges to Lottery Distribution | 2017 Net charge to General Activities | 2016 Net charge to General Activities |
|--|--------------|--|---------------------------------------|---------------------------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Charged to Direct activities (note 6) | | | | |
| Grant making and arts development | 774 | 449 | 325 | 187 |
| Arts strategy | 251 | 124 | 127 | 96 |
| International | 48 | - | 48 | 39 |
| Services: <i>Night Out & Collectorplan</i> | 47 | - | 47 | 37 |
| Advocacy and research | 45 | 18 | 27 | 19 |
| | 1,165 | 591 | 574 | 378 |
| Charged to Support costs (note 6) | | | | |
| Staff related costs | 38 | 13 | 25 | 21 |
| Organisation Review | 5 | 2 | 3 | - |
| Infrastructure | 201 | 73 | 128 | 122 |
| Office running costs | 10 | 4 | 6 | 6 |
| Professional fees | 59 | 44 | 15 | 10 |
| Provisions | 90 | - | 90 | (14) |
| Irrecoverable VAT | 52 | 21 | 31 | 30 |
| Amortisation and depreciation | 29 | 7 | 22 | 28 |
| | 484 | 164 | 320 | 203 |
| Total | 1,649 | 755 | 894 | 581 |

8. Staff costs

a. Total staff costs consist of:

| | Permanently employed £'000 | Other £'000 | Gross costs £'000 | Deduct Recharges to Lottery Distribution £'000 | 2017 Net charge to General Activities £'000 | 2016 Net charge to General Activities £'000 |
|-----------------------|----------------------------------|----------------|-------------------------|--|--|--|
| Wages and salaries | 2,670 | 461 | 3,131 | 931 | 2,200 | 2,039 |
| Social security costs | 289 | 43 | 332 | 101 | 231 | 168 |
| Other pension costs | 561 | 64 | 625 | 213 | 412 | 413 |
| Redundancy costs | 527 | - | 527 | 255 | 272 | - |
| Agency costs | 3 | - | 3 | 1 | 2 | - |
| | 4,050 | 568 | 4,618 | 1,501 | 3,117 | 2,620 |

Staff costs are incorporated in the financial statements as follows:

Charged to Direct activities (note 6)

| | | | | | | |
|---|--|--|--------------|--------------|--------------|--------------|
| Grant making and arts development | | | 2,007 | 887 | 1,120 | 831 |
| <i>Creative Learning through the Arts Programme</i> | | | 497 | - | 497 | 284 |
| Arts strategy | | | 684 | 246 | 438 | 428 |
| International | | | 166 | - | 166 | 173 |
| Services – <i>Night Out & Collectorplan</i> | | | 162 | - | 162 | 165 |
| Advocacy and research | | | 124 | 30 | 94 | 86 |
| | | | 3,640 | 1,163 | 2,477 | 1,967 |

Charged to Support costs (note 6)

| | | | | | | |
|-------------------------------------|--|--|------------|------------|------------|------------|
| Management and internal control | | | 343 | 116 | 227 | 240 |
| Finance | | | 178 | 64 | 114 | 112 |
| Information and computer technology | | | 154 | 52 | 102 | 106 |
| Facilities management | | | 68 | 23 | 45 | 47 |
| Human resources | | | 73 | 25 | 48 | 44 |
| Communications | | | 113 | 41 | 72 | 72 |
| | | | 929 | 321 | 608 | 621 |

Charged to Governance (note 9)

| | | | | | | |
|-------------------------|--|--|--------------|--------------|--------------|--------------|
| Chairman's remuneration | | | 49 | 17 | 32 | 32 |
| | | | 4,618 | 1,501 | 3,117 | 2,620 |

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

| | Permanently employed | Other | Across the whole Council | On Lottery Distribution activities | 2017 On General activities | 2016 On General activities |
|---|-------------------------|-----------|-----------------------------------|--|-------------------------------------|-------------------------------------|
| On charitable activities: | | | | | | |
| directly charged | 8 | 12 | 20 | - | 20 | 16 |
| recharged | 55 | - | 55 | 22 | 33 | 34 |
| In support of our charitable activities | 10 | 3 | 13 | 7 | 6 | 6 |
| Agency staff | - | - | - | - | - | - |
| | 73 | 15 | 88 | 29 | 59 | 56 |

| Staff composition at 31 March (full time equivalents – whole Council) | 2017 | | | 2016 | | |
|--|------------|------------|-----------|------------|------------|-----------|
| | Male | Female | Total | Male | Female | Total |
| Senior Leadership Team | 3 | 3 | 6 | 3 | 3 | 6 |
| Portfolio Managers/Heads of Department | 7 | 10 | 17 | 6 | 10 | 16 |
| Senior Officers | 6 | 7 | 13 | 7 | 7 | 14 |
| Officers/Development Officers | 12 | 22 | 34 | 11 | 22 | 33 |
| Team Co-ordinators/Personal Assistants | 3 | 17 | 20 | 5 | 14 | 19 |
| | 31 | 59 | 90 | 32 | 56 | 88 |
| | 34% | 66% | | 36% | 64% | |

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

| | 2017 | 2016 |
|--|---------|---------|
| | £31,700 | £31,700 |

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

| | 2017 | 2016 |
|--|--------------------|--------------------|
| | £20,147 to £95,250 | £19,752 to £95,248 |

The ratio between the median annual remuneration and the annual remuneration of the highest paid member of staff was (whole Council):

| | 2017 | 2016 |
|--|------|------|
| | 1:3 | 1:3 |

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 | |
|--------------------------------------|-----------------------------------|----------|-----------------------------------|----------|--|----------|
| | 2016/17 | 2015/16 | 2016/17 | 2015/16 | 2016/17 | 2015/16 |
| £10,000 to £24,999 | - | - | 3 | - | 3 | - |
| £25,000 to £49,999 | - | - | 3 | - | 3 | - |
| £50,000 to £99,999 | 2 | - | 3 | - | 5 | - |
| Total number of exit packages | 2 | - | 9 | - | 11 | - |
| Total cost (£'000) | 167 | - | 360 | - | 527 | - |

Redundancy costs have been determined 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 compensation entitlements of volunteers and those who are compulsorily redundant.

52% of the costs are charged in these financial statements and the remainder to lottery distribution activities.

- b. The Chief Executive and Directors – the Senior Leadership Team – are responsible for directing the Council's activities. Their actual emoluments and pension benefits were as shown in the following tables.

The amount of pension benefits for the year which contributes to the single total remuneration figures is calculated in a similar way to the method used to derive pension values for tax purposes, and is based on information received from the actuary of the Arts Council Retirement Plan 1994.

The value of pension benefits is calculated as follows:

(real increase in pension* x 20) + (real increase in any lump sum) – (contributions made by member)

*excluding increases due to inflation or any increase or decrease due to a transfer of pension rights

This is not an amount which has been paid to an individual by the Council during the year, it is a calculation which uses information from the pension benefit table. These figures can be influenced by many factors, e.g. changes in a person's salary, whether or not they choose to make additional contributions to the pension scheme from their pay, and other valuation factors affecting the pension

scheme as a whole.

The single total remuneration figures of the Senior Leadership Team:

| Name Position | 2017 | | | 2016 | | |
|--|-----------------------------|------------------------------|---------------------------------------|-----------------------------|------------------------------|---------------------------------------|
| | Emoluments band £'000 | Pension benefits £'000 | Single total remuneration £'000 | Emoluments band £'000 | Pension benefits £'000 | Single total remuneration £'000 |
| Nicholas Capaldi Chief Executive | 95-100 | 22 | 115-120 | 95-100 | 27 | 120-125 |
| David Alston Director of Arts | 70-75 | 17 | 85-90 | 70-75 | 22 | 90-95 |
| Katherine Davies Director of Investment and Funding Services | 65-70 | 36 | 105-110 | 65-70 | 54 | 120-125 |
| Diane Hebb Director of Engagement and Participation | 65-70 | 28 | 95-100 | 65-70 | 38 | 100-105 |
| Siân Tomos Director of Enterprise and Regeneration | 65-70 | 35 | 100-105 | 65-70 | 48 | 110-115 |
| Hywel Tudor† Director of Finance and Resources | 70-75 | 16 | 85-90 | 70-75 | 24 | 90-95 |

† The Director of Finance and Resources is to be paid compensation of £95,000 (gross) for loss of office during 2017/18. The amount is not included in his single total remuneration figure for this year but is included in the total of accrued redundancy and compensation costs at note 8a above.

The pension benefits of the Senior Leadership Team:

| Name Position | 2017 | | 2017 | | 2017 Cash Equivalent ¹ Transfer Value at 31/03/17 £'000 | 2016 Cash Equivalent Transfer Value at 31/03/16 £'000 | 2017 Real increase ² in Cash Equivalent Transfer Value £'000 |
|--|---|--|--|--|--|---|---|
| | Real increase in pension and related lump sum at age 65 £'000 | | Total accrued pension at age 65 as at 31/03/17 and related lump sum £'000 | | | | |
| Nicholas Capaldi Chief Executive | Pension 0-2.5 Lump sum 2.5-5 | | Pension 10-15 Lump sum 30-35 | | 220 | 167 | 21 |
| David Alston Director of Arts | Pension 0-2.5 Lump sum 0-2.5 | | Pension 5-10 Lump sum 25-30 | | 227 | 187 | 18 |
| Katherine Davies Director of Investment and Funding Services | Pension 0-2.5 Lump sum 2.5-5 | | Pension 25-30 Lump sum 75-80 | | 555 | 437 | 34 |
| Diane Hebb Director of Engagement and Participation | Pension 0-2.5 Lump sum 2.5-5 | | Pension 10-15 Lump sum 40-45 | | 323 | 252 | 27 |
| Siân Tomos Director of Enterprise and Regeneration | Pension 0-2.5 Lump sum 5-7.5 | | Pension 20-25 Lump sum 60-65 | | 470 | 361 | 33 |
| Hywel Tudor Director of Finance and Resources | Pension 0-2.5 Lump sum 0-2.5 | | Pension 10-15 Lump sum 40-45 | | 324 | 268 | 16 |

¹ **Cash Equivalent Transfer Values** - A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a

consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Arts Council Retirement Plan 1994. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

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

The Chairman, with the approval of the Charity Commission, is remunerated for his services but receives no bonus payments and is not a member of the pension scheme. Other Council and Committee Members receive no payment for their services. Council meeting costs for 2016/17 include an aggregate amount of £10,893 (2015/16: £13,759) reimbursed to 12 (2015/16: 13) Council members.

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

| | 2017 £ | 2016 £ |
|---------------------------------|----------------|----------------|
| Chairman | | |
| Salary | <u>43,810</u> | <u>43,810</u> |
| Chief Executive | | |
| Salary | 95,250 | 95,248 |
| Employer's pension contribution | <u>19,050</u> | <u>19,050</u> |
| | <u>114,300</u> | <u>114,298</u> |

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

| | | |
|-----------------|-------|-------|
| Chairman | 4,298 | 2,217 |
| Chief Executive | 5,489 | 5,925 |

64% (2015/16: 64%) 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 (ACRP). 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 FRS 102.

An independent actuarial valuation of the ACRP normally takes place every three years. The most recent valuation, as at 31 March 2016, came into effect on 1 April 2017. The valuation introduced new contribution rates for the Council in respect of accruing benefits. It assumes a continuing requirement that a minimum level of payment 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 a level of employer contributions over the next 12 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: Retail Prices Index (RPI) inflation would be market implied RPI inflation curve (with allowance for 0.3% per annum inflation risk premium); Consumer Prices Index (CPI) inflation would be RPI curve less 1.0% per annum; pay increases would be 1.5% per annum for the first 4 years and in line with RPI thereafter; pension increases would be equal to the relevant inflation assumption; and the past and future service discount rate would be market implied gilt yield curve plus 1.2% per annum.

Contributions by the Council and its employees were:

| For staff joining the Plan: | Council | | Employees | |
|--|---------|-------|-----------|------|
| | 2017 | 2016 | 2017 | 2016 |
| on or before 31 August 2006 | 22.0% | 22.0% | 1.5% | 1.5% |
| from 1 September 2006 to 31 March 2010 | 20.0% | 20.0% | 3.5% | 3.5% |
| on or after 1 April 2010 | 17.5% | 17.5% | 6.0% | 6.0% |

The Council was also required to contribute a minimum payment of £48,700 towards the deficit during 2016/17 (2015/16: £48,700).

From 1 April 2017 contributions changed to:

| For staff joining the Plan: | Council | Employees¹ |
|--|----------------|------------------------------|
| on or before 31 August 2006 | 21.4% | 3.0% |
| from 1 September 2006 to 31 March 2010 | 21.4% | 5.0% |
| on or after 1 April 2010 | 21.4% | 6.0% |

¹ It has been agreed that all employees' contributions will increase to 6% by April 2019.

There has been no change to the minimum annual payment towards the deficit.

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

Under Auto Enrolment legislation all eligible employees are required to join a qualifying pension scheme, unless they formally opt out. We introduced a defined contribution scheme, The People's Pension, as an alternative option for employees that were not members of the ACRP. The Council contributes 4% and the employee 1%. These rates will change in the future, in line with the requirements of the legislation.

9. Resources expended

Governance costs

| | 2017 | 2016 |
|---|--------------|-----------|
| | Total | Total |
| | £'000 | £'000 |
| Chairman's remuneration | 32 | 32 |
| Auditor's remuneration - Audit | 22 | 22 |
| Internal audit | 11 | 16 |
| Council meetings, including Members' travel and subsistence | 7 | 7 |
| Committee meetings, including travel and subsistence | 9 | 8 |
| | 81 | 85 |

10. Fixed assets

a. Intangible fixed assets

| | Computer software licences £'000 |
|--|--|
| Cost at 1 April 2016 | 581 |
| Additions | 4 |
| Disposals | (1) |
| Cost at 31 March 2017 | 584 |
| Amortisation at 1 April 2016 | 576 |
| Charge for the year | 4 |
| Disposals | - |
| Amortisation at 31 March 2017 | 580 |
| Net book value at 31 March 2017 | 4 |
| Net book value at 1 April 2016 | 5 |

b. Tangible fixed assets

| | Alterations to leasehold properties £'000 | Computer system, furniture, etc £'000 | Website £'000 | Total £'000 |
|-----------------------|--|--|------------------|----------------|
| Cost at 1 April 2016 | 107 | 610 | 95 | 812 |
| Additions | - | 11 | - | 11 |
| Disposals | - | (19) | - | (19) |
| Cost at 31 March 2017 | 107 | 602 | 95 | 804 |

| | Alterations to leasehold properties £'000 | Computer system, furniture, etc £'000 | Website £'000 | Total £'000 |
|--|--|--|----------------------|----------------------|
| Depreciation at 1 April 2016 | 85 | 528 | 95 | 708 |
| Charge for the year | 11 | 47 | - | 58 |
| Disposals | - | (19) | - | (19) |
| Depreciation at 31 March 2017 | <u>96</u> | <u>556</u> | <u>95</u> | <u>747</u> |
| Net book value at 31 March 2017 | <u>11</u> | <u>46</u> | <u>-</u> | <u>57</u> |
| Net book value at 1 April 2016 | <u>22</u> | <u>82</u> | <u>-</u> | <u>104</u> |
| | | | 2017 £'000 | 2016 £'000 |

Amortisation and depreciation charged has been allocated to charitable activities as follows (note 6):

| | | |
|-------------------|------------------|------------------|
| Direct activities | 40 | 51 |
| Support costs | <u>22</u> | <u>28</u> |
| | <u>62</u> | <u>79</u> |

- c. Net book value at 31 March 2017 represents fixed assets used by the Council in support of its charitable activities.

The Council's freehold properties in Cardiff, the Sherman Theatre and the Rubicon Dance Studio, are let on long leases at peppercorn rents to tenants which are not controlled by the Council and with no provisions either for reviewing the rents or repossession by the Council.

The Sherman Theatre was acquired by the Welsh Arts Council, a division of the Arts Council of Great Britain, in September 1987 at a cost of £897,000 and immediately let for a term of 125 years. At the dissolution of the Arts Council of Great Britain in March 1994 the freehold interest was transferred to the newly formed Arts Council of Wales.

The Rubicon Dance Studio was acquired by the Welsh Arts Council in February 1988 at a cost of £11,315 and subject to an existing lease for a term of 999 years commencing 1 January 1986. The freehold interest was transferred to the Arts Council of Wales in March 1994.

The most recent external and independent valuation of the Council's freehold properties was as at 31 March 2004. It was undertaken by Elizabeth Hill, a Member of the Royal Institute of Chartered Surveyors, for and on behalf of Cooke & Arkwright, Chartered Surveyors. Because of the impact of the leases it was the surveyor's opinion that the freehold interests had a nil or nominal value, so these assets are held in the accounts at nil value.

Council does not consider it necessary to undertake a further valuation until there is a significant reduction in the residual terms of the leases or earlier termination.

11. Grants paid in advance

In certain circumstances, 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.

| | | |
|--|----------------------|----------------------|
| | 2017 £'000 | 2016 £'000 |
| Payments in respect of the following year's grants | <u>219</u> | <u>300</u> |

| | | |
|---|---------------------|--------------|
| 12. Debtors (falling due within one year) | 2017 | 2016 |
| | £'000 | £'000 |
| <i>Collectorplan</i> loans ¹ | 556 | 526 |
| Trade debtors | 70 | 61 |
| Other debtors | 1,995 | 1,893 |
| | <u>2,621</u> | <u>2,480</u> |
| <i>Deduct</i> Specific provision for doubtful debts | (11) | (12) |
| <i>Sub-total: Debtors</i> | <u>2,610</u> | <u>2,468</u> |
| Prepayments | 296 | 278 |
| | <u>2,906</u> | <u>2,746</u> |
| Due from Lottery distribution fund for recharged costs: | | |
| Cost apportionments | 510 | 184 |
| <i>Creative Learning through the Arts</i> Programme | - | 170 |
| | <u>3,416</u> | <u>3,100</u> |

¹ *Collectorplan* is the Council's interest-free loan scheme, available to the general public to support the purchase of contemporary works of art and crafts from participating galleries across Wales. Loans from £50 up to £5,000 are repaid by monthly instalments over a maximum period of 1 year.

| | | |
|---|---------------------|---------------------|
| 13. Creditors | 2017 | 2016 |
| | £'000 | (restated) £'000 |
| a. Creditors: falling due within one year | | |
| Grants payable | 1,765 | 1,446 |
| Taxation and social security | 92 | 105 |
| Trade creditors | 40 | 50 |
| Other creditors | 89 | 113 |
| Accruals and deferred income | 866 | 392 |
| Current liabilities of Cerdd Cymru:Music Wales (note 21) | 14 | 3 |
| | <u>2,866</u> | <u>2,109</u> |
| b. Creditors: falling due after more than one year | | |
| Grants payable | 177 | 152 |
| | <u>177</u> | <u>152</u> |

| | | |
|---|-------------------|------------|
| 14. Provisions for liabilities | 2017 | 2016 |
| | £'000 | £'000 |
| Provision for pension deficit at 1 April | 308 | 350 |
| Amount charged against the provision during the year | (49) | (49) |
| Annual adjustment following a triennial valuation and changes in discount rates | 250 | 7 |
| Provision at 31 March | <u>509</u> | <u>308</u> |
| Of which: | | |
| falling due within one year | 49 | 49 |
| falling due after more than one year | 460 | 259 |
| | <u>509</u> | <u>308</u> |

The Council has entered into an agreement to fund a deficit in the Arts Council Retirement Plan relative to the Plan's statutory funding objective, so recognises a provision for the present value of contributions payable. Following the most recent actuarial valuation, annual contributions of £48,700 will be payable until 2028/29.

15. Contingent liability

The Council is an admitted employer of the Arts Council Retirement Plan 1994. The Plan is a funded, defined benefit, multi-employer scheme where the participating employers are unable to identify their shares of the underlying assets and liabilities.

In the event of the withdrawal of an employer, the debt triggered under section 75 of the Pensions Act 1995 would be calculated using the solvency shortfall of the entire Plan, not the employer's own asset share and liabilities. Also, in the event of Plan wind up, as the Plan is a "last man standing" arrangement all employers would be jointly and severally liable for the total shortfall in the Plan.

16. Statement of funds

| | At 1 April 2016 £'000 | Incoming resources £'000 | Resources expended £'000 | Transfers £'000 | At 31 March 2017 £'000 |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------|---------------------------------|
| Unrestricted income funds | | | | | |
| General fund | 1,406 | 30,586 | (30,455) | (123) | 1,414 |
| Total unrestricted funds | 1,406 | 30,586 | (30,455) | (123) | 1,414 |
| Restricted funds | | | | | |
| Income | | | | | |
| Welsh Government for specific arts activity | 107 | 758 | (720) | 72 | 217 |
| Development and Strategies | 11 | - | (7) | 1 | 5 |
| CLTA Programme | 363 | 4,186 | (3,781) | 37 | 805 |
| Eirian Llywyd Memorial Fund | - | 3 | (3) | - | - |
| Wales Arts International: contributions from the British Council | - | 195 | (124) | 12 | 83 |
| | 481 | 5,142 | (4,635) | 122 | 1,110 |
| 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) | 93 | - | (7) | 1 | 87 |
| | 106 | - | (7) | 1 | 100 |
| Total restricted funds | 587 | 5,142 | (4,642) | 123 | 1,210 |
| Total funds | 1,993 | 35,728 | (35,097) | - | 2,624 |

The Alun Llywelyn Williams and Brian Ross Memorial Funds are represented by cash at bank and are within the total of £2,480,000 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 2017 are represented by: | | | |
| Fixed assets | 61 | - | 61 |
| Current assets | 2,955 | 3,160 | 6,115 |
| Creditors: falling due within one year | (1,142) | (1,773) | (2,915) |
| Creditors: falling due after more than one year | (460) | (177) | (637) |
| Total net assets | 1,414 | 1,210 | 2,624 |

18. Cash flow information

| | 2017 £'000 | 2016 (restated) £'000 |
|---|---------------|-----------------------------|
| a. Cash flows from operating activities | | |
| Net incoming/(outgoing) resources | 631 | 847 |
| Bank interest received (net of surrender) | (3) | - |
| Amortisation and depreciation (note 10b) | 62 | 79 |
| (Increase)/Decrease in grants paid in advance | 81 | 44 |
| (Increase)/Decrease in debtors | (316) | (1,967) |
| Increase/(Decrease) in creditors falling due within one year | 757 | 1,386 |
| Increase/(Decrease) in creditors falling due after more than one year | 226 | 110 |
| Net cash inflow from operating activities | 1,438 | 499 |

| | 2017 £'000 | 2016 £'000 |
|--|--------------------|--------------------|
| b. Cash flows from investing activities | | |
| Bank interest received | 14 | 10 |
| Bank interest surrendered to Welsh Consolidated Fund | <u>(11)</u> | <u>(10)</u> |
| Net cash inflow from operating activities | <u>3</u> | <u>-</u> |
| c. Cash flows associated with capital assets | | |
| Payments to acquire intangible fixed assets (note 10a) | (4) | (5) |
| Payments to acquire tangible fixed assets (note 10b) | (11) | (5) |
| Proceeds from disposal of tangible assets | <u>1</u> | <u>-</u> |
| Net cash outflow associated with capital assets | <u>(14)</u> | <u>(10)</u> |

19. Commitments on operating leases

At 31 March 2017 the Council had the following commitments for future payments under non-cancellable operating leases:

| | Land and buildings | | Equipment | |
|---|--------------------|---------------|---------------|---------------|
| | 2017 £'000 | 2016 £'000 | 2017 £'000 | 2016 £'000 |
| Total due | | | | |
| within one year | 206 | 206 | 4 | 4 |
| later than one year and not later than five years | 226 | 226 | 1 | 7 |
| later than five years | 7 | 17 | - | - |

Lease payments of £210,000 have been recognised as an expense during the year (2015/16: £210,000). 52% of the costs are charged in these financial statements and the remainder to lottery distribution activities.

20. Forward commitments

| | 2017 £'000 | 2016 £'000 |
|---|---------------|---------------|
| Grants | | |
| Forward funding - grants formally offered | 26,744 | 25,840 |

Forward funding at 31 March 2017 represents allocations to organisations and individuals in respect of projects due to commence in 2017/18 and where payments are expected to be made within 12 months.

21. Cerdd Cymru:Music Wales Limited

Cerdd Cymru:Music Wales is a private, trading company, limited by guarantee and registered in Wales (number 7759122). 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.

Cerdd Cymru:Music Wales became a wholly owned subsidiary of the Council during 2016/17 following the liquidation of the Welsh Music Foundation. The following transactions of the subsidiary have been included within the consolidated financial statements on the 'line by line' method.

| | 2017 | | 2016 | |
|--|----------------|--|----------------|---|
| | Total £'000 | Arts Council of Wales' share £'000 | Total £'000 | Arts Council of Wales' share £'000 |
| Profit & Loss Account | | | | |
| Income (note 5) | 80 | 80 | 92 | 46 |
| Expenditure (note 6) | (81) | (81) | (89) | (45) |
| Net incoming/(outgoing) resources | <u>(1)</u> | <u>(1)</u> | <u>3</u> | <u>1</u> |
| Statement of Financial Position | | | | |
| Current assets: | | | | |
| Cash at bank and in hand | 11 | 11 | 2 | 1 |
| Current liabilities (note 13) | (14) | (14) | (5) | (3) |
| Net assets/(liabilities) | <u>(3)</u> | <u>(3)</u> | <u>(3)</u> | <u>(2)</u> |
| Reserves | <u>(3)</u> | <u>(3)</u> | <u>(3)</u> | <u>(2)</u> |

22. *Creative Learning through the Arts Programme*

The *Creative Learning through the Arts Programme* is designed to:

- improve educational attainment
- build an education system that will directly contribute to a stronger economy, greater innovation, greater creativity, and to the cultural capital of the nation
- bring about a step change in the range and quality of opportunities given to children and young people to engage with and learn about the arts and culture

Its success will depend on strong partnerships: a joint investment of £20 million pounds over five years from the Welsh Government in partnership with the Arts Council of Wales, working with the regional education consortia, schools, local authorities and the wider arts and cultural sector. The Programme requires the active involvement of artists, creative professionals and arts, culture and heritage organisations working in partnership with teachers and schools.

The Council's £10 million investment comes from Lottery funds. This, together with the Welsh Government's contribution and all Programme expenditure, is accounted for in these financial statements. This approach has been agreed with the Council's external auditors and the Department for Culture, Media and Sport.

| | 2017 £'000 | 2016 £'000 |
|--|---------------|---------------|
| Income | | |
| Welsh Government grant | 1,900 | 1,787 |
| Arts Council of Wales Lottery grant | 2,283 | 1,890 |
| Bank interest | 2 | - |
| | <u>4,185</u> | <u>3,677</u> |
| Expenditure | | |
| Lead Creative Schools | 2,449 | 1,804 |
| Arts and education programme (2017: write back from previous year) | (36) | 999 |
| Arts and creative learning cross-programme | 645 | 38 |
| Central management costs | 686 | 473 |
| Support costs (from unrestricted funds) | 37 | 58 |
| | <u>3,781</u> | <u>3,372</u> |

23. Financial instruments

Financial Reporting Standard 102 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 2016/17 £32,876,000 or 92% of the Council's income was derived from the Welsh Government (2015/16: £34,025,000 or 94%). Of the remaining income £2,283,000 or 6% was derived

from the Arts Council of Wales' Lottery Distribution account for the *Creative Learning through the Arts* Programme (2015/16: £1,890,000 or 5%) and £569,000 or 2% was derived from investment income and sundry income (2015/16: £299,000 or 1%). 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 (2015/16: 0.38%). The effective unrestricted cash balance at the year end was £1,132,000 (2016: £830,000). The Council does not consider that its general activities are exposed to significant interest rate risks.

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

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

24. Corporation Tax

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

25. 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 Auditor General for Wales certified them.

26. Related party transactions

Public bodies

The Council is a Welsh Government sponsored body.

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

Individuals

Members of Council, Committees, staff or other related parties (being close family members) undertook financial transactions (listed below) with the Council during the year.

Where the individuals and/or their close family were members of the Boards of Management (or equivalent) or were senior employees of organisations offered grants or other payments by the Council in 2016/17 in all such cases, in accordance with the Council's Code of Best Practice, the individual concerned withdrew from any meeting where there was a discussion or decision regarding funding.

Under the Council's Code of Best Practice an interest is deemed to persist for a minimum period of one year after the individual has left the position which created the interest. This policy is reflected in the disclosures which follow.

Transactions with the Council as a Lottery distributor are recorded in the equivalent note to the separate Lottery Distribution Account.

| Member Role | Organisation | Transaction (number) | Total value £ | Total balance outstanding at 31 March 2017 £ |
|--|---|-------------------------------|---------------------|--|
| <u>Council members</u> | | | | |
| Phil George (Chair) | | | | |
| Former Chair | National Theatre Wales | Grant (3) | 1,627,898 | 66,398 |
| Adviser-Creative Economy Project | Cardiff University | Invoice (3) Receivable (3) | 20,144 (40,094) | Nil (16,061) |
| Andy Eagle | | | | |
| Board member | Music Theatre Wales | Grant (1) | 211,530 | Nil |
| Board member | Swansea City Opera | Grant (1) | 24,500 | 13,475 |
| Board member | Cardiff Dance Festivals | Invoice (1) | 123 | Nil |
| Employment | Chapter | Grant (3) Invoice (1) | 817,986 941 | 5,658 Nil |
| Mike Griffiths | | | | |
| Member | University of South Wales | Invoice (2) | 914 | Nil |
| Margaret Jervis | | | | |
| Director of Operations and Employment (Family member) | Valleys Kids | Grant (1) | 118,244 | Nil |
| Marian Wyn Jones | | | | |
| Director and Volunteer | Canolfan Gerdd William Mathias | Grant (1) Invoice (1) | 77,537 147 | Nil Nil |
| Andrew Miller | | | | |
| Employment | Royal Welsh College of Music and Drama | Grant (1) | 24,868 | 24,868 |
| Richard Turner | | | | |
| Freelance consultant | Aneurin Leisure Trust | Invoice (6) | 4,250 | Nil |
| Employment | Artis Community Cymuned | Grant (1) | 193,198 | Nil |
| Employment | Royal Welsh College of Music and Drama | Grant (1) | 24,868 | 24,868 |
| Alan Watkin | | | | |
| Board Member – Vice- chairman | Theatr Clwyd | Grant (2) | 1,803,499 | Nil |
| John C Williams | | | | |
| Employment | Theatr Iolo | Grant (2) Invoice (3) | 250,567 3,600 | 250 Nil |
| Former Associate Director (unpaid) | Sherman Cymru | Grant (1) Invoice (1) | 1,087,920 500 | Nil Nil |
| Dr Kate Woodward | | | | |
| Management Committee member | Aberystwyth University (including Aberystwyth Arts Centre) | Grant (1) Invoice (1) | 518,498 731 | Nil Nil |
| Former employment (Family member) | Arad Goch | Grant (4) Invoice (2) | 408,012 142 | 72,855 Nil |
| <u>Committee members</u> | | | | |
| Andrew Butler | | | | |
| Employment (Family member) | Wales Audit Office | Invoice (3) | 26,905 | Nil |
| Ruth Cayford | | | | |
| Employment | Cardiff Council (including St David's Hall) | Invoice (3) | 640 | Nil |

| Member Role | Organisation | Transaction (number) | Total value £ | Total balance outstanding at 31 March 2017 £ |
|--|---|-------------------------------|---------------------|--|
| Mark Davies Employment | BBC Cymru Wales (including BBC National Orchestra of Wales) | Grant (1) Invoice (5) | 777,906 12,364 | Nil Nil |
| Roland Evans Employment | Gwynedd County Council | Invoice (1) | 240 | Nil |
| Alan Hewson Exhibitions Curator (Family member) | Aberystwyth University (including Aberystwyth Arts Centre) | Grant (1) Invoice (1) | 518,498 731 | Nil Nil |
| <u>Members of the Senior Leadership Team</u> | | | | |
| Katherine Davies Employment (Family member) | Cardiff Council (including St David's Hall) | Invoice (3) | 640 | Nil |
| Employment (Family member) | Ballet Cymru | Grant (2) Invoice (5) | 253,842 5,480 | 10,000 Nil |
| Diane Hebb Governing Body Member | Gwernyfed High School | Grant (1) | 3,200 | Nil |
| Siân Tomos Employment (Family member) | BBC Cymru Wales (including BBC National Orchestra of Wales) | Grant (1) Invoice (5) | 777,906 12,364 | Nil Nil |
| <u>Other members of staff</u> | | | | |
| Daniel Allen Former employment | Royal Welsh College of Music and Drama | Grant (1) | 24,868 | 24,868 |
| Nathalie Camus Board Member (Family member) | Mostyn Gallery | Grant (1) Invoice (1) | 376,053 36 | Nil Nil |
| Consultancy (Family member) | Emrys Williams | Invoice (8) | 6,730 | Nil |
| Mark Condron Employment (Family member) | Urdd Gobaith Cymru | Invoice (2) | 366 | Nil |
| Dafydd Frayling Employment | Cardiff University | Invoice (3) Receivable (3) | 20,144 (40,094) | Nil (16,061) |
| Emily Garside Board member | Taking Flight Theatre | Grant (1) Invoice (7) | 2,500 4,827 | Nil 250 |
| Hannah Greys Employment | Sherman Cymru | Grant (1) Invoice (1) | 1,087,920 500 | Nil Nil |
| Osian Gwynn Employment (Family member) | Sherman Cymru | Grant (1) Invoice (1) | 1,087,920 500 | Nil Nil |
| Duncan Lackie Employment (Family member) | University of South Wales | Invoice (2) | 914 | Nil |

| Member Role | Organisation | Transaction (number) | Total value £ | Total balance outstanding at 31 March 2017 £ |
|-------------------------------|---|--------------------------------|-------------------------|--|
| Sally Lewis | | | | |
| Employment (Family member) | Ballet Cymru | Grant (2) Invoice (5) | 253,842 5,480 | 10,000 Nil |
| Ruth Lloyd | | | | |
| Freelance consultant | Celf O Gwmpas | Invoice (2) | 2,372 | Nil |
| Freelance consultant | National Museum of Wales | Invoice (3) | 36,000 | Nil |
| Freelance consultant | Jukebox collective | Grant (1) Invoice (1) | 16,200 2,250 | Nil Nil |
| Freelance consultant | Oriel Myrddin | Grant (1) | 45,553 | Nil |
| Ian McAndrew | | | | |
| Former employment | Valleys Kids Artis Community Cymuned | Grant (1) Grant (1) | 118,244 193,198 | Nil Nil |
| Betsan Moses | | | | |
| Councillor (Family member) | Carmarthenshire County Council | Invoice (2) | 1,109 | Nil |
| Daniel Trivedy | | | | |
| Freelance employment | Oriel Myrddin Gallery | Grant (1) | 45,553 | Nil |
| Freelance employment | Mission Gallery | Grant (1) | 92,075 | Nil |
| Louise Wright | | | | |
| Employment (Family member) | University of South Wales | Invoice (2) | 914 | Nil |

Annex

not forming part of the financial statements

GENERAL ACTIVITIES - GRANTS 2016/17

Core funding to Arts Portfolio Wales organisations

| | |
|--|------------|
| Aberystwyth Arts Centre | £518,498 |
| Arad Goch | £335,157 |
| Artes Mundi Prize Limited | £142,958 |
| Artis Community Cymuned | £193,198 |
| Arts Alive | £75,000 |
| Arts Care Gofal Celf | £128,420 |
| Arts Connection - Cyswllt Celf | £62,999 |
| Ballet Cymru | £243,842 |
| Bangor University | £270,645 |
| BBC National Orchestra of Wales | £777,906 |
| Blackwood Miners' Institute | £125,000 |
| Canolfan Gerdd William Mathias | £77,537 |
| Chapter | £635,160 |
| Community Music Wales | £101,767 |
| Cwmni'r Frân Wen | £225,133 |
| Dawns i Bawb | £82,383 |
| Disability Arts Cymru | £159,823 |
| Ffotogallery | £192,727 |
| g39 | £67,845 |
| Galeri Caernarfon Cyf | £305,543 |
| Glynn Vivian Art Gallery | £121,151 |
| Hafren | £103,395 |
| Head4Arts | £145,382 |
| Hijinx Theatre | £150,422 |
| Jukebox Collective | £162,000 |
| Literature Wales | £717,163 |
| Live Music Now Wales | £43,614 |
| Llantarnam Grange Arts Centre | £82,383 |
| Mid Wales Opera | £100,798 |
| Mission Gallery | £92,075 |
| MOSTYN | £376,053 |
| Music Theatre Wales | £211,530 |
| National Dance Company Wales | £805,977 |
| National Theatre Wales | £1,552,082 |
| NEW Dance | £72,969 |
| NoFit State Community Circus | £188,027 |
| Oriel Davies Gallery | £216,230 |
| Oriel Myrddin Trust | £45,553 |
| Pontardawe Arts Centre | £61,060 |
| Powys Dance | £108,794 |
| Rhondda Cynon Tâf County Borough Council | £145,721 |
| Rubicon Dance | £188,027 |
| Ruthin Craft Centre | £376,053 |
| Sherman Cymru | £1,087,920 |

| | |
|--|------------|
| Sinfonia Cymru | £210,459 |
| Taliesin Arts Centre | £212,470 |
| The Riverfront | £121,151 |
| Theatr Bara Caws | £270,341 |
| Theatr Brycheiniog | £188,027 |
| Theatr Clwyd | £1,741,999 |
| Theatr Felinfach | £58,153 |
| Theatr Genedlaethol Cymru | £994,751 |
| Theatr Iolo | £248,067 |
| Theatr Mwldan | £258,821 |
| Theatr na n'Óg | £305,403 |
| Torch Theatre Company Limited | £432,462 |
| Trac - Music Traditions Wales | £77,537 |
| Tŷ Cerdd - Music Centre Wales | £153,164 |
| Ucheldre Centre | £72,691 |
| Valley & Vale Community Arts | £169,224 |
| Valleys Kids | £118,244 |
| Volcano Theatre Company Limited | £202,129 |
| Wales Millennium Centre | £3,708,132 |
| Welsh National Opera | £4,380,654 |
| Ystradgynlais Miners' Welfare and Community Hall Trust Ltd | £40,202 |

Total Arts Portfolio Wales grants

£25,840,001

Creative Learning through the Arts Programme

Lead Creative Schools

| | |
|--|---------|
| Abermule Primary School | £10,000 |
| Alaw Primary School | £10,000 |
| Alexandra Community Primary School | £10,000 |
| Alun School | £3,200 |
| Archbishop McGrath Catholic High School | £29,000 |
| Bishop Childs Church in Wales Primary School | £10,000 |
| Bishop Vaughan Catholic Secondary School | £29,000 |
| Blaenavon Heritage VC Primary School | £5,800 |
| Broughton Primary School | £10,000 |
| Bryn Primary School | £2,000 |
| Bryngwyn School | £16,000 |
| Brynmawr Foundation School | £16,000 |
| Brynnau Primary School | £13,000 |
| Builth Wells High School | £16,000 |
| Burry Port Community Primary School | £2,000 |
| Cadoxton Primary School | £2,000 |
| Canolfan Addysg Y Bont | £16,000 |
| Cefn Hengoed Community School | £3,200 |
| Cefn Saeson Comprehensive School | £16,000 |
| Chepstow Primary Alliance | £2,600 |
| Clase Primary School | £10,000 |
| Coed Y Garn Primary | £2,000 |
| Coedpenmaen Primary School | £10,000 |
| Cogan Primary School | £10,000 |
| Coychurch Llangrallo Primary | £10,000 |
| Cradoc Primary School | £10,000 |
| Crickhowell High School | £3,200 |
| Croesty Primary School | £10,000 |
| Cwmaber Infants School | £10,000 |
| Cwmaman Infants | £13,000 |
| Cynffig Comprehensive School | £16,000 |
| Dolau Primary School | £10,000 |
| Elfed High School | £16,000 |
| Fitzalan High School | £16,000 |
| Franksbridge Primary School | £10,000 |
| Garth Primary School | £10,000 |
| Gilfach Fargoed Primary | £10,000 |
| Glan Y Mor School | £16,000 |
| Glyncoed Primary School | £10,000 |
| Gwaunmeisgyn Primary School | £10,000 |
| Gwenfô Church in Wales Primary School | £10,000 |
| Gwernyfed High School | £3,200 |
| Hawthorn Primary School | £10,000 |
| Kitchener Primary School | £2,000 |

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| Lansdowne Primary School | £10,000 |
| Llancaeath Junior School | £10,000 |
| Llandrillo yn Rhos | £10,000 |
| Llanidloes High School | £29,000 |
| Lliswerry High School | £16,000 |
| Maes Y Morfa Primary School. | £2,000 |
| Maescwmmmer Primary School | £10,000 |
| Millbrook Primary School | £2,000 |
| Miskin Primary School | £10,000 |
| Monnow Primary School | £10,000 |
| Newbridge on Wye Church in Wales School | £2,000 |
| Old Road School | £10,000 |
| Oldcastle Primary School | £10,000 |
| Park Lane School | £16,000 |
| Pembrey Primary School | £10,000 |
| Pembroke Comprehensive School | £3,200 |
| Pembroke Dock Community School | £2,000 |
| Pen y Dre High School | £16,000 |
| Pencoed Primary School | £10,000 |
| Pennard Primary School | £10,000 |
| Penrhiwceibr Primary School | £10,000 |
| Peter Lea Primary School | £10,000 |
| Pontypridd High School | £16,000 |
| Porth County Community School | £16,000 |
| Queen Elizabeth Cambria Comprehensive School | £16,000 |
| Rogerstone Primary School | £10,000 |
| Romilly Primary School | £10,000 |
| Severn Primary School | £10,000 |
| Sofrydd Primary School | £13,000 |
| Springwood Primary School | £10,000 |
| St Athan Primary School | £10,000 |
| St Cenydd Community School | £3,200 |
| St David's Church in Wales Primary School | £10,000 |
| St Giles Primary School | £10,000 |
| St Gwladys Bargoed | £10,000 |
| St Joseph's Roman Catholic Primary School | £10,000 |
| St Martin's School | £16,000 |
| St Mellons Church in Wales Primary School | £10,000 |
| St Woolos Primary School | £2,000 |
| St. David's High School | £16,000 |
| The Meads Infant and Nursery School | £10,000 |
| Thornhill Primary School | £2,000 |
| Ton-yr-Ywen Primary School | £10,000 |
| Trinity Fields School and Resource Centre | £3,200 |
| Troedyrhiw Junior School | £10,000 |
| Undy Primary School | £10,000 |
| Usk Church in Wales Primary School | £2,000 |
| Victoria Community Primary School | £10,000 |

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| Wauceirch Primary School | £10,000 |
| West Park Primary School | £10,000 |
| Ysgol Aberconwy | £16,000 |
| Ysgol Acrefair | £10,000 |
| Ysgol Ardudwy | £16,000 |
| Ysgol Bod Alaw | £10,000 |
| Ysgol Bro Carmel | £13,000 |
| Ysgol Bro Cinmeirch | £10,000 |
| Ysgol Bro Dinefwr | £16,000 |
| Ysgol Bro Pedr | £16,000 |
| Ysgol Bryn Garth Primary School | £13,000 |
| Ysgol Bryn Teg | £10,000 |
| Ysgol Cefn Coch | £13,000 |
| Ysgol Clywedog | £16,000 |
| Ysgol Crud y Werin | £2,000 |
| Ysgol Cynwyd Sant | £2,000 |
| Ysgol Deganwy | £10,000 |
| Ysgol Dolbadarn | £10,000 |
| Ysgol Dyffryn Aman | £16,000 |
| Ysgol Dyffryn Conwy | £16,000 |
| Ysgol Dyffryn Teifi | £5,800 |
| Ysgol Eifionydd | £29,000 |
| Ysgol Emrys ap Iwan | £16,000 |
| Ysgol Ffridd y Llyn | £13,000 |
| Ysgol Garndolbenmaen | £13,000 |
| Ysgol Glan Clwyd | £16,000 |
| Ysgol Gogarth, Llandudno | £16,000 |
| Ysgol Gwaun Gynfi | £10,000 |
| Ysgol Gyfun Cwm Rhymini | £3,200 |
| Ysgol Gyfun Gwyr | £16,000 |
| Ysgol Gyfun Gymraeg Bryn Tawe | £3,200 |
| Ysgol Gyfun Gymraeg Bro Myrddin | £16,000 |
| Ysgol Gyfun Gymraeg Llangynwyd | £16,000 |
| Ysgol Gyfun Rhydywaun | £16,000 |
| Ysgol Gyfun Ystalyfera | £16,000 |
| Ysgol Gymraeg Parc y Tywyn | £10,000 |
| Ysgol Gymraeg Pontardawe | £10,000 |
| Ysgol Gymunedol Cwrtnewydd | £13,000 |
| Ysgol Gynradd Gymraeg Evan James | £10,000 |
| Ysgol Gynradd Gymraeg Llwynderw | £10,000 |
| Ysgol Iolo Morgannwg | £2,000 |
| Ysgol Llanddulas | £10,000 |
| Ysgol Min Y Ddol | £10,000 |
| Ysgol Morgan Llwyd | £16,000 |
| Ysgol Pencoch | £5,800 |
| Ysgol Penglais School | £16,000 |
| Ysgol Rhos Helyg | £10,000 |
| Ysgol Rhosnesni High School | £29,000 |

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| Ysgol Santes Gwenfaen | £10,000 |
| Ysgol Tir Morfa | £16,000 |
| Ysgol Tudno | £2,000 |
| Ysgol Uwchradd Bodedern | £16,000 |
| Ysgol Uwchradd Caereinion | £16,000 |
| Ysgol Y Berllan Deg | £10,000 |
| Ysgol Y Dderi | £10,000 |
| Ysgol Y Gelli | £2,000 |
| Ysgol Y Wern | £10,000 |
| | £1,616,800 |

Experiencing the Arts

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| Abercaseg | £1,000 |
| Abertillery Sculpture Garden Project | £24,833 |
| Adamsdown Primary School | £500 |
| Alun School | £580 |
| Arad Goch (3 awards) | £72,855 |
| Arts Connection - Cyswllt Celf | £7,500 |
| Berriew Community Primary School | £724 |
| Birchgrove Primary School | £260 |
| Bronllys County Primary School | £504 |
| Bryn Hafren Comprehensive School | £519 |
| Brynlywarch Hall School | £84 |
| Brynteg County Primary School | £430 |
| Cadoxton Primary School | £1,000 |
| Caersws Community Primary School | £315 |
| Canolfan y Gors Pupil Referral Unit | £18,000 |
| Cantonian Reintegration Centre | £472 |
| Christchurch County Primary School | £500 |
| City and County of Swansea | £25,000 |
| Clyro Church in Wales Primary School | £1,000 |
| Coedpenmaen Primary School | £1,000 |
| Coychurch Llangrallo Primary | £502 |
| Dawns i Bawb | £12,281 |
| Deri Primary School | £270 |
| Fishguard Arts Society | £5,400 |
| Fitzalan High School | £1,000 |
| Garth Primary School (2 awards) | £450 |
| Gladestry Church in Wales Primary School | £1,000 |
| Glan-yr-Afon Primary | £198 |
| Goetre Primary School | £960 |
| Gower College Swansea | £1,000 |
| Guilfield County Primary School | £1,000 |
| Gwasanaeth Ysgolion William Mathias | £7,793 |
| Hafod Primary School | £1,000 |
| Hawthorn High School | £1,000 |
| Herbert Thompson Primary (2 awards) | £1,500 |

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| High Cross Primary School | £249 |
| Holy Name Catholic Primary School | £789 |
| Irfon Valley County Primary School | £635 |
| King Henry VIII Comprehensive School | £495 |
| Kitchener Primary School | £810 |
| Ladywell Green Nursery and Infants' School | £280 |
| Learning Links International | £8,100 |
| Leighton County Primary School | £414 |
| Llanfaes Community Primary School | £851 |
| Llangatwg Community School | £1,000 |
| Llangedwyn School | £300 |
| Llanrhaeadyr Ym Mochnant Primary School | £1,000 |
| Llanrhidian Primary School | £351 |
| Machen Primary School | £333 |
| Maesyrrhandir County Primary School | £826 |
| Maindee Primary School | £11,439 |
| Malpas Park Primary School | £700 |
| Mid Wales Opera | £5,700 |
| Miskin Primary School | £720 |
| Montgomery Church in Wales School | £726 |
| Motion Control Dance (MCD) | £7,993 |
| Mount Street Junior School | £900 |
| National Theatre Wales | £20,930 |
| NEW Dance | £10,926 |
| Nantylffyllon Primary School | £990 |
| North Wales International Music Festival | £8,500 |
| Pantysgallog Primary School | £882 |
| Pencoed Comprehensive (2 awards) | £1,150 |
| Penllwyn Primary School | £926 |
| Pen-y-bryn | £243 |
| Penygraig Junior School | £1,000 |
| Pontarddulais Comprehensive School | £900 |
| Pontybrenin Primary School | £1,000 |
| Rhydygors Special School | £600 |
| Romilly Primary School | £750 |
| Royal Welsh College of Music and Drama | £24,868 |
| Ruabon High School | £135 |
| Severn Primary School | £450 |
| Shirenewton Primary School | £1,000 |
| Sistema Cymru Codi'r To (2 awards) | £29,926 |
| St Alban's Roman Catholic High School | £925 |
| St Christopher's School | £1,000 |
| St Cuthbert's Catholic Primary School | £279 |
| St Mary's Catholic Primary School | £1,000 |
| St Mellons Church in Wales Primary School | £860 |
| St. Joseph's Roman Catholic High School | £157 |
| St. Joseph's Roman Catholic Primary School | £576 |
| St. Paul's Church in Wales Primary School | £540 |

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| Stepaside County Primary School | £288 |
| Sully Primary | £405 |
| Swansea City Opera | £24,500 |
| Talgarth Primary School | £838 |
| The Cory Band | £24,000 |
| The Pathway Centre | £405 |
| Tondu Primary School | £320 |
| Troedyrhiw Community Primary School | £1,000 |
| Venue Cymru | £13,000 |
| Windsor Clive Primary School | £450 |
| Ynysfach Primary School | £240 |
| Ynystawe Primary School | £900 |
| Young Music Makers of Dyfed (2 awards) | £50,000 |
| Ysgol Awel y Mynydd | £25,000 |
| Ysgol Bassaleg | £234 |
| Ysgol Betws | £528 |
| Ysgol Bro Cynllaith | £766 |
| Ysgol Bro Dinefwr (2 awards) | £529 |
| Ysgol Bro Hyddgen | £290 |
| Ysgol Bro Tawe | £900 |
| Ysgol Caer Drewyn | £440 |
| Ysgol Carrog | £250 |
| Ysgol Dolbadarn | £835 |
| Ysgol Dyffryn Aman | £980 |
| Ysgol Gwynedd | £900 |
| Ysgol Gyfun Emlyn | £180 |
| Ysgol Gyfun Garth Olwg | £306 |
| Ysgol Gyfun Gymraeg Bryn Tawe | £113 |
| Ysgol Gyfun Gymraeg Llangynwyd | £387 |
| Ysgol Gymraeg Aberystwyth | £1,000 |
| Ysgol Gymraeg Bryn Y Mor | £603 |
| Ysgol Gymraeg Brynsierfel | £17,559 |
| Ysgol Gymraeg Dewi Sant | £940 |
| Ysgol Gymraeg Nant Caerau | £350 |
| Ysgol Gynradd Gymraeg Aberdare | £1,000 |
| Ysgol Gynradd Llanfyllin | £1,000 |
| Ysgol Hen Felin School | £12,034 |
| Ysgol Heol Goffa | £1,000 |
| Ysgol Maes Y Gwendraeth | £261 |
| Ysgol Merllyn (2 awards) | £702 |
| Ysgol Min Y Ddol | £500 |
| Ysgol Morgan Llwyd | £890 |
| Ysgol Penllwyn | £859 |
| Ysgol Pennant | £310 |
| Ysgol Sant Elfod | £1,000 |
| Ysgol y Creuddyn | £441 |
| Ysgol Y Ddraig | £1,000 |
| Ysgol y Moelwyn | £180 |

Ysgol Bro Hyddgen

£385

£538,552

Total *Creative Learning through the Arts* grants

£2,119,660

Strategic awards

India:Wales

Chapter Cardiff Ltd.

£56,576

National Theatre Wales

£54,886

£111,462

Memorial awards

Chick, Luz Erika

£3,000

Moxon, Rhi

£2,500

Stenina, Anja

£3,000

£8,500

Strategic – Arts directorate

Ffilm Cymru Wales

£20,000

£20,000

Strategic – Engagement & participation directorate

Arts Development UK

£2,500

Celf-Able

£2,494

engage (National Association for Gallery Education) (2 awards)

£5,000

Ensemble Cymru

£2,450

Get the Chance CIC

£2,500

O'Shea, Karen

£2,495

The Riverfront

£1,500

Taking Flight Theatre Company

£2,500

Theatr Brycheiniog

£40,000

Theatr Iolo

£2,500

Youth Arts Network Cymru

£2,500

£66,439

Welsh Government capital funding

Ballet Cymru

£10,000

Congress Theatre Company

£20,000

Cwmni'r Frân Wen

£60,000

Dance Blast

£25,000

Galeri Caernarfon Cyf

£30,000

Llangollen International Musical Eisteddfod (2 awards)

£50,000

Pontardawe Arts Centre

£20,000

Theatr Brycheiniog

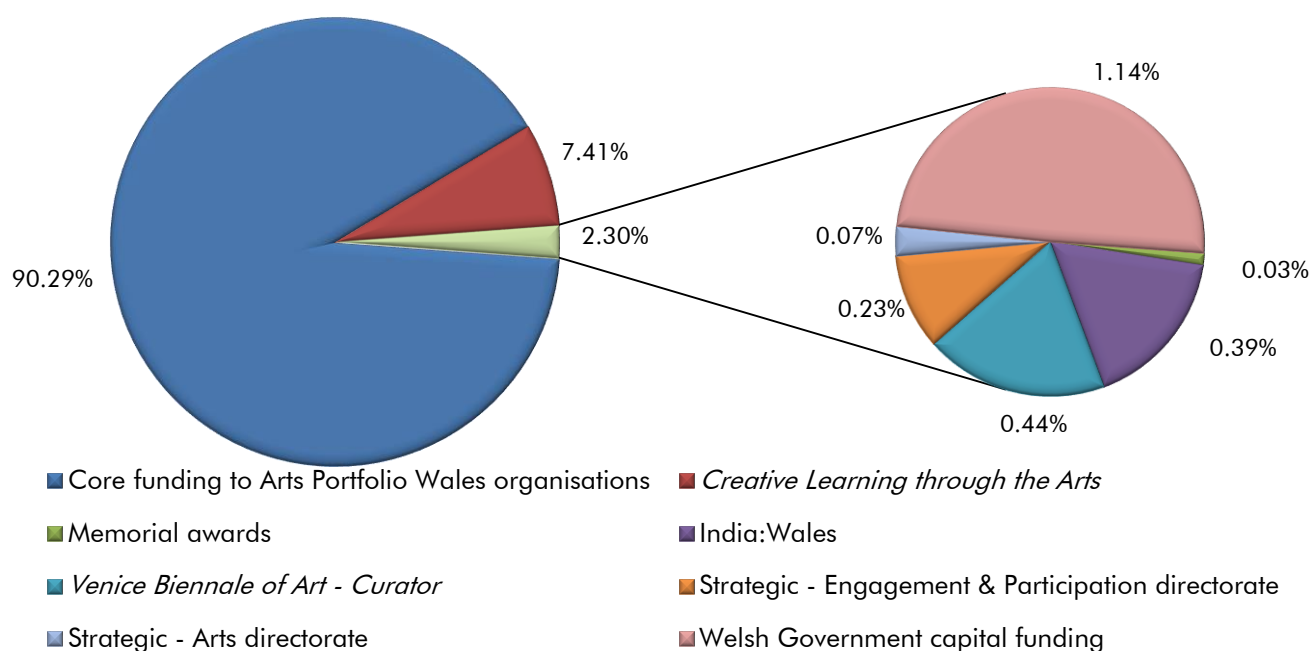
£20,000

Theatr Clwyd

£61,500

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|--|--------------------|
| Torch Theatre Company Limited | £30,000 |
| | <u>£326,500</u> |
| Venice Biennale of Art - Curator Ffotogallery | £126,250 |
| | <u>£126,250</u> |
| Total Strategic awards | <u>£659,151</u> |
| TOTAL GRANTS OFFERED | <u>£28,618,812</u> |

GRANTS BY TYPE



WHAT DID OUR GRANTS SUPPORT?

| | Value of grants | | No of grants |
|---|--------------------|--------|--------------|
| Grants to support: | | | |
| Theatres & arts centres | £6,766,516 | 23.64% | 16 |
| Theatre production & presentation | £6,432,106 | 22.48% | 8 |
| Opera | £4,692,982 | 16.40% | 3 |
| Visual & applied arts | £1,713,028 | 5.99% | 10 |
| Dance | £1,663,992 | 5.81% | 7 |
| Music | £1,340,217 | 4.68% | 6 |
| Arts & young people | £1,113,760 | 3.89% | 4 |
| Community arts | £1,052,387 | 3.68% | 9 |
| Literature | £717,163 | 2.51% | 1 |
| Circus & carnivals | £188,027 | 0.66% | 1 |
| Disability arts | £159,823 | 0.56% | 1 |
| <i>Creative Learning through the Arts</i> | £2,119,660 | 7.41% | 291 |
| Other grants: | | | |
| Strategic awards | £659,151 | 2.30% | 30 |
| | £28,618,812 | | 387 |



Llywodraeth Cymru
Welsh Government

Ken Skates AC / AM
Y Dirprwy Weinidog Diwylliant, Chwaraeon a Thwristiaeth
Deputy Minister for Culture, Sport and Tourism

Our ref: MA - P/KS/0261/16

Professor Dai Smith
Chair
Arts Council of Wales
Bute Place
Cardiff
CF10 5AL

18 March 2016

Dear Dai

ARTS COUNCIL OF WALES REMIT LETTER 2016/17

This letter sets out the strategic priorities for the Welsh Government's funding of the Arts Council of Wales (ACW) for 2016/17. Firstly however, can I commend you on another year of accomplishment in 2015/16. Once again, your funded artists and organisations have presented a range of excellent output. I also applaud the thorough and open way in which you carried out the recent Investment Review. Other substantial achievements included the launch of the Lead Creative Schools scheme and the regional Arts and Education Networks, the completion of the Pontio Centre, and the securing of British Dance Edition, to be hosted in Cardiff and Newport this March.

In addition to your core work as set out in your Charter, my priorities for the year ahead are set out below. Confirmation of our grant-in-aid for the year is at Annex 1. In terms of increased pressure on resources you should:

- make it a priority to ensure excellent value for money in all that the ACW does
- continue to work with Welsh Government to ensure that no duplication of work or resources occurs between us
- work to deliver Welsh Government priorities as outlined below with the Grant In Aid you receive, and ensure your Operational Plan KPIs work to deliver these priorities.
- ensure The KPIs in your Operational Plan and the budgets in that plan reflect not only the priorities set out by this letter but also value for money, sustainability and clearly defined outputs of delivery
- ensure all of your revenue funded organisations (RFOs) are working to limit their running costs, to ensure that the maximum amount is available for artistic activity

I would ask that all of the above be reflected in your draft Operational Plan for 2016/17, which I would like to receive as soon as possible, in order for me to approve the relevant goals, targets and performance indicators within the plan.

Priorities

1. The Well-being of Future Generations Act

The Well-being of Future Generations (Wales) Act seeks to improve the social, economic, environmental and cultural well-being of Wales. It is a key piece of legislation for the Welsh Government and requires the public bodies listed in the Act to think more about the long-term, work better with people and communities and each other, look to prevent problems and take a more joined-up approach.

The Act includes a well-being duty which requires the Arts Council and other bodies subject to the duties in the Act to set well-being objectives which maximise their contribution to achieving the goals and to take all reasonable steps to achieve those objectives

The Act also sets out the sustainable development principle, which says that public bodies must act in a way which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their needs. To help us put that into practice, the Act sets out five 'ways of working', and I would ask you to ensure that you adopt these.

As one of the public bodies subject to the duties in the Act, I expect the Arts Council to adopt a progressive and forward-thinking approach in the articulation and delivery of your programmes of activity. In your Operational Plan for 2016/17 you must:

- a) set and publish objectives ("well-being objectives") that are designed to maximise your contribution to meeting the well-being goals
- b) take all reasonable steps, in exercising your functions, to meet those objectives
- c) apply the sustainable development principle and the ways of working to everything that you do.

I will expect your implementation of the Act and how you are working with others towards the goals to be a focus in regular sponsorship discussions.

2. Being creatively active

Encouraging active participation in the arts will go a long way in enabling the Government to meet its Well-being objectives. I know that you share this belief, and I would like you to work with us in helping to meet my personal vision of making Wales the most creatively active nation in Europe.

Through the activities of your revenue funded organisations (RFOs), and projects specifically developed for this purpose, I would like to see more people throughout Wales who are actively producing and delivering arts, culture and creativity. I am especially keen to encourage the active participation of children and young people, and I hope that implementation of the Arts and Creative Learning Plan increases the number of young people in Wales benefitting from a creative education.

I am also keen that the publicly funded arts tackle the barriers to participation, particularly when those barriers combine lack of opportunity with financial disadvantage. It is surely right that all of Wales' citizens should be able to benefit from activity funded by the taxpayer, and I would expect this to be a discernible theme of your plans for 2016/17.

3. Education and Skills

I very much endorse the ambitions of your jointly funded initiative with the Minister for Education, Creative Learning through the Arts. The requirements for this aspect of your work are covered by a separate grant funding agreement with our Education colleagues. However, I wanted to recognise here the significance of this work and its importance within your overall programme of work for 2016/17.

I would also like you to work closely with the Regional Skills Partnerships ensure that the Arts sector is effectively considered in regional employment and skills plans. These plans will inform the prioritisation of regional skills delivery.

4. Tackling poverty

Tackling poverty should be a vital part of your engagement work. I am grateful for the positive response of the Arts Council in developing the 'Fusion: Tackling Poverty through Culture' programme. I will be looking for evidence during the year that this work is grafting on and taking root within a more mainstream approach to reducing the 'participation gap'. Through the Pioneer Areas, we now have a model for collaborative working with the Communities First programme to enable cultural bodies to support our most disadvantaged communities in direct and powerful ways. I would welcome the continued involvement of your RFOs in this innovative programme.

As part of this activity, I would also like you and the RFOs that you fund to work with us on the 'Enhanced Employer Engagement' and 'Activate Your Potential' programmes to help reduce the number of people who are 'NEET', to tackle poverty, and to increase active participation rates across the arts sector.

As a named body in the Children and Families (Wales) Measure 2010, you are under a statutory duty to publish objectives and actions for tackling child poverty. Mainstreaming work which focusses on improving outcomes for low income families will help inform these objectives and ensure the duty is met.

5. Sustainability and maximising the return on investment

The new RFO portfolio: I am pleased to see that the recent Investment Review has received a largely positive response. I look forward to seeing the new portfolio working with energy and distinction across the wide range of Welsh Government policy.

Given the significant amount of funding invested in RFOs, it will be important for you to ensure that those in new portfolio are able to show that their public funding has the greatest possible impact in contributing to key Welsh Government priorities including jobs and growth, tackling poverty, tourism, education, health and sustainability.

The funding context: The Welsh Government fully supports the need to preserve a stable core of public funding for the arts, even in times of economic austerity. I appreciate that it will be a challenge for you and your RFOs to manage with reduced budgets.

Nevertheless, reducing organisations' dependency on public funding has to be a sensible and pragmatic response to current public funding pressures. This should be a specific objective in your plans for next year.

Fundraising and income generation: We would expect all RFOs to be able to articulate a convincing approach to fundraising and income generation. We know that some RFOs are already achieving notable success, either in their fundraising efforts or in the extent to which they are reducing the level of their dependency on Arts Council funding. Now is not the moment, however, to relax these efforts.

We would ask you to ensure that each of your RFOs develops an appropriate strategy for levering in additional resources. Depending on the size, type and location of the each organisation, this might include income from a combination of some or all of the following: sponsorship, trusts and foundations, philanthropy, crowd funding, commercial exploitation of intellectual property and EU sources. We would ask all RFOs to set three-year income growth targets, to start from April this year.

Collaboration and resource sharing: There are good creative and financial reasons for encouraging our key arts organisations to work together and to share resources. It is also an important way of demonstrating value for money for taxpayer's investment. Again, I have seen good examples of where this is already taking place, however, it is an approach that could be extended more widely across the RFO portfolio. I would therefore like to see the Arts Council adopting active strategies that encourage greater collaboration.

The national companies: Our national companies promote the reputation of Wales at home and abroad with great distinction. Wales take great pride in their achievements. But as the exemplars in the arts sector, we would expect the national companies to demonstrate particular leadership in helping to meet the creative and financial challenges set out in this Remit Letter. As well as exploring all opportunities between themselves to collaborate and share costs, we would also expect the national companies to adopt an active and generous approach to mentoring and support, assisting those smaller organisations who have lesser levels of resource. The precise nature of such arrangements will obviously be a matter for you to discuss with the national companies themselves, but we would expect them to be able to identify quantifiable benefits from working in this way.

Demonstrating the value of public investment: During periods of economic austerity it is important that we do all that we can to demonstrate value for money from public investment. I firmly believe that supporting our creative and cultural lives has an undeniable benefit in and of itself. However, when making the arguments for public investment, that task is made easier if I can back up my arguments about the intrinsic value of the arts with a persuasive analysis of all the ways that this investment also meets Government priorities. To support this, I would urge you to ensure that the new Revenue Funding Agreements are suitably challenging and that they require RFOs to measure and report on the impact of their grant aided work and the specific outcomes they achieve.

Business development: I am aware that you are intending to put in place more ambitious arrangements for providing arts organisations with tailored business development advice. I would expect to see the Arts Council to provide, either itself or through appropriately tendered contracts with expert providers, advice and assistance covering a range of topics. These would include governance, skills analysis, business planning, fundraising, income generation, exploitation of intellectual property, maximising tax reliefs, internal audit, etc. Some of the organisations you fund could do significantly more to grow their

commercial revenue. I would like you to challenge those organisations to up their game.

6. Safeguarding the Arts Infrastructure

Given the acute pressure on local government funding, it will continue to be important that you work closely with individual local authorities, chief officers and WLGA, to try to maintain key local authority arts services, projects and facilities. I know that in most cases you will not be able to replace any lost funding from partners. Nevertheless, I would like you to make every effort to advocate the value of the arts, to ensure Councils are aware of the wider impact of their decisions, and to work with them where necessary to consider alternative delivery models.

During 2015/16 you have helpfully contributed to reviews of key national projects that enable young people to experience and develop their talents in the arts. I am grateful for your work and I ask for your continued involvement in these two areas:

- *Music Services*: supporting the implementation of the task group's recommendations, and leading on developing the proposal to establish a 'National Endowment for Music';
- *National Youth Ensembles*: overseeing the implementation of the task group's recommendations (with ACW sitting on the Interim board of new, unified NYAW as an observer, to monitor progress).

7. Brand Wales / Themed Years

It is important that Wales promotes itself, at home and abroad, as a vibrant, energetic and successful place to live, work and visit. One of the ways we will be doing this is through branding and our plans for themed years. With this in mind, I would like you to continue work to support the Year of Adventure and the complementary Roald Dahl 100 celebrations, and to undertake preparatory work for the Year of Legends 2017 and the Year of the Sea 2018.

Wales has long-standing business and cultural links with India, and 2017 will be the 'India-UK Year of Culture'. I know that you have been actively involved in developing our relationship with India through Wales Arts International. However, earlier this year I also signed, on behalf of the Welsh Government, a Memorandum of Understanding on cultural exchange with the Government of China. I would be grateful if you could identify specific actions that might help bring substance and ambition to these relationships.

8. Developing the partnership with Economy, Science and Transport

As well as encouraging you to work across Government departments, it is obviously important that you are making the most of relationships within your sponsor department, Economy, Science and Transport.

Your joint projects, for example, the initiatives you have developed with Cadw and the National Museum, have been welcome examples of partnership in action. There have also been a number of successful collaborations with our Major Events Unit. Extending this work to encompass greater partnership with Visit Wales seems to me an important next step. Our arts, culture and heritage all draw visitors to Wales and I would like to see you working with Visit Wales to explore ways in which Wales' arts and cultural activity can more prominently assist in the delivery of our Tourism objectives. I would also ask you to

ensure that your RFOs provide you with accurate and consistent data on jobs, apprenticeships and future skills needs.

9. Digital technology

In previous years we have asked you to be specific in your initiatives around digital technology and the creative industries. With resources under such pressure, it is vital that we do not duplicate activity. I recognise, however, that a healthy cultural sector becomes the breeding ground for the skills and ideas needed within the commercially orientated creative industries. I am keen to ensure that we derive complementary value from the respective investments made by the Arts Council and Welsh Government in this area. I would therefore ask you to work my officials to explore what more we could do to work effectively together.

10. Arts and Health

We have spoken previously about the many positive impacts that taking part in the arts can have on physical and mental health and well-being. I know that the Health Minister shares this view.

I am aware that the Arts Council already funds a diverse range of individual organisations working in arts and health. Indeed, at one stage you agreed a joint strategy with the Health Department. I would like you to share your successes with colleagues in the Health Department and to explore ways in which the strategy might be updated and re-enacted. As part of this, I would also like you to capture the range and the impact of the many arts-related health initiatives that are now in place, and report your findings to the relevant Ministers.

Finally, ahead of your retirement from the role in a few weeks time, I would like to place on record this Government's thanks for all your work as Chair of ACW over the past 10 years. Under your stewardship, the arts sector has been transformed; despite recent pressures it is more vibrant, more diverse, and more in touch with all parts of society than ever before. Your personal commitment, as evidenced by the creation of National Theatre Wales, and your work on the Arts in Education, has been immense. I hope that you will continue to lend your experience to the arts sector, in another capacity.

Yours sincerely



Ken Skates AM

Y Gweinidog Diwylliant, Chwaraeon a Thwristiaeth
Minister for Culture, Sport and Tourism

Annex 1

Financial Support

The Grant in Aid funding to the Arts Council of Wales in 2016/17 to deliver the priorities outlined in the Remit Letter:

Expenditure

| ACW | 2016/17 £000s |
|--------------------------------------|------------------|
| Current Expenditure / Running Costs* | 30,171 |
| Depreciation | 119 |
| Current Receipts | 0 |
| Capital Expenditure** | 355 |
| Total | 30,645 |

The breakdown between expenditure and running costs is to be confirmed.

** This is a non cash item and is not available for draw down in the course of the year*

*** Ring-fenced within Capital Expenditure: £300,000 for the Wales Millennium Centre*

TOTAL Grant-In-Aid 2016/17

£30,645,000

Agenda Item 4

By virtue of paragraph(s) vi of Standing Order 17.42

Document is Restricted



LLYFRGELL GENEDLAETHOL CYMRU
THE NATIONAL LIBRARY OF WALES

ANNUAL ACCOUNTS 2016/17

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REFERENCE AND ADMINISTRATIVE DETAILS

The Trustees (for the purpose of charity law) who served during the year and since the year end were as follows:-

Ministerial Appointees:

Rhodri Glyn Thomas (President)
Tricia Carter (Vice-President) (to 30th April 2016)
The Lord Aberdare
Roy Evans (to 30th November 2016)
Phil Cooper
Dr. Susan J. Davies
Huw Williams
Dr. Elizabeth Siberry
Steve Williams (from 1st February 2017)

National Library Appointees:

Colin R. John (Treasurer)
Roy Roberts (to 30th November 2016)
D. Hugh Thomas
Dyfrig Jones
Iwan Davies
Richard Houdmont
Gwilym Dyfri Jones (from 1st February 2017)
Dr. Tomos Dafydd Davies (from 1st February 2017)

Members of the Executive Team as at 31 March 2017 were:

Chief Executive and Librarian and Accounting Officer
Linda Tomos BLib, MCLIP

Director of Corporate Resources
David H Michael CPFA, MCIPS

Director of Collection and Public Programmes
Pedrap Llwyd JP, BA, MA, DAA, *Chartered* MCIPD

PROFESSIONAL ADVISERS

Bankers

National Westminster Bank
Owain Glyndwr Square
Aberystwyth
Ceredigion
SY23 2NB

Solicitors

Geldards LLP
Dumfries House
Dumfries Place
Cardiff
CF10 3ZF

Humphreys Roberts & Bott
1 Alfred Place
Aberystwyth
Ceredigion
SY23 2BS

Hugh James
114 - 116 St Mary Street
Cardiff
CF10 1DY

External Auditors

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

Internal Auditors

RSM
Suite 205, Regus House
Malthouse Avenue
Cardiff Gate Business Park
Cardiff
CF23 8RU

Investment Brokers

Investec Wealth and Investment
Gresham Street
London
EC2V 7QP

Actuarial and Pension Advice

Willis Towers Watson
2 Lochrin Square
96 Fountainbridge
Edinburgh
EH3 9QA

Registered Charity No.

525775

VAT no.

905190437

Registered address:

National Library of Wales, Penglais, Aberystwyth, Ceredigion, SY23 3BU

Corporation Tax

The Library is exempt from Corporation Tax under Section 505 of the
Income and Corporation Taxes Act 1988

1 GOVERNANCE STATEMENT 2016 - 2017

1.1 Statutory Background and Governing Document

The National Library of Wales ('the Library') was established by Royal Charter on the 19th of March 1907. Supplemental Charters were granted in 1911 and in 1978, with slight constitutional revisions. On the 19th of July 2006 a new Supplemental Charter was granted by Queen Elizabeth II, which saw the establishment of a Board of Trustees, to replace the Court of Governors and Council.

The National Library of Wales is also a Registered Charity (number: 525775) and a Welsh Government Sponsored Body (WGSB).

It must therefore function as: (a) a Royal Charter foundation and a Registered Charity of the highest order, and (b) a Welsh Government Sponsored Body. This dual nature governs how it operates and fulfils its role and obligations, which requires a delicate balance between the furtherance of (a) the 'Objects' of its Charter and Charitable status, which represent its foundation purpose, and (b) the principles of arms-length government.

1.2 The Governance Framework

The *Governance Framework* lays down the key responsibilities of the Board of Trustees and Executive Team of the Library, the Board's powers of delegation, its proceedings and its expected conduct.

The Board of Trustees adopted a revised *Corporate Governance Framework* in February 2017, which supersedes the 2013 version. This revised *Governance Framework* also incorporates the Trustees' Code of Conduct. At the same time, the Board also adopted revised *Regulations*, in accordance with the provisions of the Charter and Statutes, which supersede the 2006 version.

1.3 Recruitment and appointment of Trustees

The Library's Board consists of 15 Trustees, eight of whom are appointed by the Welsh Government and seven by the Library, in accordance with the provisions of the Charter and Statutes. The Trustees include the three Officers - the President, the Vice-President and the Treasurer. The President and Vice-President are appointed by the Welsh Government and the Treasurer is appointed by the Library. All Trustees, including the Officers, are appointed in accordance with the Library's Statutes and *Regulations*, and the principles of open selection as set out by the Nolan Review.

The Vice-President stepped down in April 2016 and it is hoped that the vacancy will be filled by Welsh Government in consultation with the Library in October 2017. Colin John's term as Treasurer also ends in July 2017 and Lee Yale-Helms, who was appointed recently as Treasurer following open competition, and in consultation with Welsh Government, will take up his role on 1 August 2017.

Three new Trustees were appointed during the year to replace those stepping down: two were Library appointees, Gwilym Dyfri Jones and Tomos Dafydd Davies, and one, Steve Williams, was a Welsh Government appointee. All three began their first term of office on 1 February 2017.

Two other Trustees, The Lord Aberdare and D. Hugh Thomas were both reappointed to serve a further (and final) term of four years on 1 November 2016.

1.4 Trustee induction and training

All new appointees follow an induction programme shortly after their appointment, supported by comprehensive governance *Companion Handbook*. All Board members are provided with opportunities to receive other training as appropriate. In line with Charity Commission guidance (*The Essential Trustee*), Trustees are required to act solely in the interest of the Charity, and not as representatives or delegates of particular sectors or constituencies or their appointor. They are not remunerated.

1.5 Relationship with Welsh Government

The relationship between the Library and the Welsh Government is regulated by a *Framework Document* drawn up by MALD: Museums Archives and Libraries Division (formerly CyMAL) in 2010. This sets out the terms and conditions under which the Welsh Ministers provide grant-in-aid to the Library.

Compliance with the *Framework Document* is monitored at regular meetings with the Cabinet Secretary and his/her officials.

1.6 Delegation

While the Trustees are ultimately responsible for overseeing all that the Library does, the non-executive status of the Board means that day-to-day operational management is delegated to the Chief Executive and Librarian, who is also empowered to make decisions and further delegate authority within the Executive Team. The Chief Executive and Librarian is also the Library's Chief Accounting Officer. This enables the Library to discharge its responsibilities appropriately and effectively, but some key decisions are reserved to the Board, where this is either required by the Charter and Statutes and Charitable status, or is considered necessary for the effective oversight of the affairs of the Library by the Trustees. These are:

- ensuring that the Library fulfils its objectives, general functions and duties and appropriately exercises the legal powers vested in it under the Charities Act 2011 and other legislation and its responsibilities under Legal Deposit requirements and the Well-Being of Future Generations (Wales) Act 2015;
- determining the overall strategic direction of the Library within resource limits;
- monitoring the performance of the Chief Executive and Librarian and her team, holding them to account for the exercise of their delegated powers and delivery against plans and budgets;
- promoting and protecting the Library's integrity and reputation;
- ensuring high standards of governance that command the confidence of the public, the Library's funders and regulator, and its staff.

1.7 Board Meetings

During 2016-2017, five scheduled Board meetings were held and one supplementary meeting. Out of a possible maximum of 66 member attendances, a total of 57 were made. The Board considers that the information and data provided by the Executive Team is sufficient to enable it to fulfil its responsibilities. Board minutes are published and made available on the Library's website.

1.8 Committees

The Board has three standing committees: the Audit and Risk Committee, Governance and Performance Committee, and Financial Planning Committee, the last being established as a standing committee in November 2016.

The scope of each of these committees is defined in their Terms of Reference.

1.8.1 The Audit and Risk Committee encompasses all the assurance needs of the Board of Trustees and Accounting Officer. It also engages with the work of Internal and External Audit and financial reporting issues. This committee met four times during the period 1 April 2016 – 31 March 2017.

The Audit and Risk Committee currently comprises three Board members and two external independent members. Current members are: Huw Williams (Chair & Trustee); Phil Cooper (Trustee); Dyfrig Davies (Independent Member); Kirsty Jenkins (Independent Member). The Library's Treasurer, Colin R. John, is an ex-officio member of the Audit and Risk Committee. There is currently one Trustee-member vacancy. The Library's internal auditors, RSM, and representatives from the Wales Audit Office also attend meetings of this Committee. The Library's sponsor division, MALD, reserves the right for a representative to attend one meeting a year.

The Audit and Risk Committee receives copies of all internal audit reports for consideration and monitors the adequacy of management responses to those recommendations which address any risks and weaknesses in internal control. The minutes of each meeting are presented to the Board of Trustees by the Committee's Chair.

1.8.2 The Governance and Performance Committee encompasses all the governance and performance monitoring needs of the Board of Trustees and the Executive. The committee met three times during the period 1 April 2016 – 31 March 2017 and held one supplementary meeting in November 2016.

The members of the Governance and Performance Committee are: Dr. Susan J. Davies (Chair), D. Hugh Thomas, Huw Williams, Dr Elizabeth Siberry, Dyfrig Jones and Iwan Davies, all of whom are Trustees. The minutes of each meeting are presented to the Board of Trustees by the Committee's Chair.

This committee is responsible for monitoring and reviewing the implementation of the Wales Audit Office governance review (2016) and reporting on progress to the Board of Trustees. The Wales Audit Office published its governance review, *National Library of Wales – A Review of Governance* on 5 December 2016. The Library responded by preparing an action plan which outlined how it would address and implement the recommendations and will be completed by September 2017.

1.8.3 The Financial Planning Committee encompasses the Library's financial review and monitoring needs. It was established in November 2016 and met twice in the period up until 31 March 2017.

Current members are: Colin R. John (Chair), Phil Cooper, Hugh Thomas and Huw Williams, all of whom are Trustees. There is currently one Trustee-member vacancy. The minutes of each meeting are presented to the Board of Trustees by the Committee's Chair.

1.9 Internal audit

The Library's internal audit is provided by RSM in compliance with the standards defined in the Public Sector Internal Audit Standards. They report independently, on an annual basis, on the adequacy and effectiveness of the Library's system of internal control, together with recommendations for improvement. Regular Internal Audit Progress Reports produced by the Library's Internal Auditors are presented to the Audit and Risk Committee to allow members to review and challenge assurance statements and other evidence provided by management. An internal audit procurement process was held in July 2016 and the contract was awarded to RSM for a further period of three years.

1.10 Code of Best Practice on Corporate Governance

As far as the Accounting Officer and Board are aware, there is no relevant audit information of which the Library's auditors are unaware. The Accounting Officer and Board have also taken all steps that they should take to make themselves aware of relevant audit information and to establish that the Library's auditors are aware of that information. The Library has acted in accordance with the *Good Governance Code: A Code for the Third Sector* in Wales, and the Board of Trustees will have ensured, again in accordance with this particular code of practice, that the Library has robust governance arrangements in place to promote high performance and safeguard propriety and regularity.

As a Registered Charity, the Library has acted in accordance with the Charity Commission's *Hallmarks of an Effective Charity* and *The Essential Trustee* guidelines and codes of practice and has also made our Trustees aware of this important guidance.

1.11 Risk Management

The Library's system of internal control is set out in its *Assurance Framework relating to Risk Management*. This is based on an on-going process designed to identify and prioritise the risks to the achievement of the Library's Strategy and annual Operational Plan; to evaluate the likelihood of those risks being realised and their potential impact; and to manage them efficiently, effectively and economically.

The corporate risk register has identified, documented, assessed and considered the key strategic and operational risks relating to the Library's activities. These risks have also been considered by the Executive Team and appropriate action has been taken to manage them. The Library has used the Core Brief system (a means of communicating key corporate messages to staff) to inform staff of their duties in relation to risk management and encourage them to contribute to the process.

The corporate risk register is reviewed and updated twice annually. Risks identified are included in the risk register and assessed as to whether they pose a strategic, operational, financial, or

compliance risk. Roles and responsibilities in relation to risk management have been approved for the Audit and Risk Committee, internal audit, the Chief Executive and Librarian, and Heads of Directorates and their staff. The Audit and Risk Committee also receives written reports on the updated risk register twice per year.

The Library's approach to managing risk remains cautious in terms of its responsibilities as a national culture and heritage body. The most significant future risk relates to the possible further reductions in Welsh Government Grant-in-Aid as a consequence of increased pressure on UK public expenditure, to a level where the Library is unable to deliver core functions and objectives.

The Library has implemented policies and procedures that ensure compliance with the requirements of the Data Protection Act 1998. There have been no instances of failure to comply with the requirements of this Act. Potential future changes to Data Protection regulation are also monitored.

Linda Tomos
Chief Executive, Librarian and Accounting Officer
21 July 2017



Endorsed on behalf of the Board by:

Colin R John
Treasurer
21 July 2017



2 OBJECTIVES & ACTIVITIES

2.1 Primary objectives

The Library's primary 'object', as expressed in the 2006 Supplemental Charter, is:

- *To collect, preserve and give access to all kinds and forms of recorded knowledge, especially relating to Wales and the Welsh and other Celtic peoples, for the benefit of the public, including those engaged in research and learning.*

The founding purpose and vision was to ensure that Wales' unique history, culture and heritage, which is documented in many different formats and media over time, will always be available to better understand who we are, to explain our shared historical and cultural legacy and to encourage research and learning. It has two dimensions - a splendid physical building in Aberystwyth housing the print, manuscript, visual and audio-visual collections, and an online library, archive and digital presence on the internet.

2.2 Public Benefit

The Trustees have complied with the duty in section 2 of the Charities Act 2011 to have due regard to guidance published by the Charity Commission on public benefit. Although the main beneficiaries are the people living in Wales, the work of the Library provides a global benefit to visitors and online users.

2.3 Main Activities

Our main activities are as follows:

2.3.1. *Collecting:*

Collecting materials by legal deposit, purchase, donation, bequest, exchange and deposit, in accordance with agreed collection development policies. Carried out through:

- gathering as complete a collection as possible, in all media, of published material relating to Wales (and other Celtic countries to a lesser extent), including printed and electronic publications and sound/moving image material;
- maintaining (mainly through legal deposit and purchase) the most comprehensive collection in Wales of printed material published in the UK and Ireland, and of research material from other countries;
- developing collections of unpublished materials relating to or deriving from Wales, including archives and artistic works;
- accessing, processing, cataloguing and storing material acquired in the most efficient way.

2.3.2. *Preserving and Conserving:*

Preserving and conserving the collections. This function is carried out through:

- ensuring environmental, storage and handling conditions are appropriate for continued preservation;
- intervening to actively conserve materials to arrest deterioration or repair damage;
- transferring information to more suitable preservation formats.

2.3.3. Providing access and information:

Providing suitable/effective public access to the Library building, collections and services, and information about them. This function is carried out through:

- monitoring and analysis of user needs;
- providing access to public spaces, collections and facilities within the building;
- arranging access to collection items and information services for onsite users or via online communication for remote users;
- providing easy access to catalogues of the Library's collections, electronic resources, and available digital surrogates.

2.2.4. Publicising and interpreting:

Raising awareness of, and disseminating knowledge of, the Library's work and collections. This function is carried out through:

- materials on the Library's website;
- guides and publicity material in paper and online formats;
- exhibitions and educational/community activities derived from the collections, both at the Library and in other venues across Wales;
- events, lectures and seminars.

2.2.5. Professional collaboration:

Collaborating with, and sometimes leading, related professional groups across and beyond Wales. This function is carried out through:

- acting as a focal point for library and archive bodies in Wales;
- working with bodies in Wales and beyond to pursue collaborative initiatives and partnerships in the broad heritage, culture and information sectors, and to advance professional practice.

Supporting functions:

The *core functions* are supported by essential management and business functions, including: managing and developing staff; controlling and being accountable for financial resources and income generation; and maintaining and developing ICT infrastructure and the Library's building and facilities.

These are the main activities undertaken to further the charity's purposes for the public benefit for the people of Wales.

The Library submits an Annual Operational Plan to Welsh Government on how the activities will be delivered and the targets against these activities. Further details on how this strategy is derived and carried out is included in section 7.

3. ACHIEVEMENT AND PERFORMANCE

The Library believes that it has achieved the main goals for 2016-17 and highlights are as follows:

-

3.1 Key highlights in 2016-17

3.1.1 Co-location of the Royal Commission on the Ancient and Historical Monuments of Wales

In May 2016, the Royal Commission was co-located at the National Library. Following a construction programme to adapt the building, the Royal Commission now store their collection, and have a central reading room and offices within the Library premises. This development has seen the strengthening and further development of the excellent relationship between the two bodies.

3.1.2 National Broadcast Archive

In March 2017, we were informed that our Heritage Lottery Fund (HLF) Stage 1 application for £4.9m had been successful. This is an £8m project to home the BBC Cymru Wales archive, and will provide access to the BBC collection from 4 digital hubs, located in Aberystwyth, Carmarthen, Cardiff and Wrexham, and to a lesser extent, online. The Library is now developing an application for the second phase, which we intend to submit in June 2018.

3.1.3 Cynefin

The Cynefin project was successful in digitising, georeferencing and transcribing 100% of the tithe maps of Wales. The project will finish on the 30th June 2017 with total funding of £573,909 sourced from HLF and Welsh Government. This project was led by the Archives and Records Council Wales (ARCW) in partnership with the National Library of Wales, People's Collection Wales, local archive offices throughout Wales, as well as communities and individual volunteers. The tithe maps will be available online through the National Library of Wales website.

3.1.4 First World War commemoration

The Library worked closely with Welsh Government on delivering a programme of activities commemorating the war. This included: -

- The development of a mobile/tablet app displaying the location of war memorials and graves. Wales at War developed inclusive activities for schoolchildren all around Wales that enabled them to develop biographies of the names of the war memorials of Wales. This was working in partnership with representatives from the armed services, and educators and schools in Wales. Funding for the project came from the Armed Forces Covenant Fund, HLF and the Welsh Government Department of Education and Skills.
- 2016-17 also saw the successful delivery of the First World War Education Project, which was delivered in conjunction with Museum Wales. Outputs included bilingual cross-curricular resources, for both primary and secondary schools. They are designed to support The National Literacy and Numeracy Framework and the curriculum in Wales, and are available through Hwb, the NLW Education Website, and The People's Collection Wales website. Formats include eBooks, PDF worksheets, lesson plans, film clips, individual items with interpretation and interactive NearPod lessons. The project was funded by Welsh Government Department of Education and Skills.
- Mametz exhibition by Aled Rhys Hughes and David Jones between July and December 2016.
- A programme of commemoration events including a Peace and Goodwill stall in the Urdd Eisteddfod and a series of lunchtime lectures.

3.1.5 BFI Unlocking Film Heritage Project

The Library is a key partner in the BFI's Unlocking Film Heritage Project. This is making our film heritage available for everyone in the UK to enjoy by investing in digitisation, preservation, interpretation and access with the ultimate goal of making the UK's entire screen heritage accessible to the public digitally. The Library completed Phase 3 of the project and are awaiting the outcome of funding for Phase 4 in 2017-18,

3.1.6 Presence in Pembrokeshire

Working with Pembrokeshire County Council, work has started on the new Haverfordwest Library and Gallery, for which the Library will be contributing content to their exhibition space. We were grateful to the Foyle Foundation for providing £50,000 funding towards the exhibition fit out cost. The building is scheduled to open in Spring 2018.

3.1.7 Digital access to Electronic Legal Deposit material

In Autumn 2016, the Library established its first ever digital access point to electronic legal deposit material outside of Aberystwyth at Cardiff University. This access point is open not only to students and University staff, but also to members of the public.

3.2 Key Performance Indicators

The Library's performance for 2016/17 against its targets was reported to the Welsh Government as follows:-

| | Target | Actual |
|--|-----------|-----------|
| 1 Number of remote network users during the year | 1,500,000 | 1,459,805 |
| 2 Visitor numbers | 87,000 | 75,208 |
| 3 Number of participants in Library activities | 16,000 | 16,920 |
| 4 User satisfaction (physical); good / very good | 98% | 92% |
| 5 User satisfaction (virtual) good / very good | 60% | 68% |
| 6 Usage of reading rooms | 25,000 | 18,512 |
| 7 Number of volunteers | 700 | 1,032 |

Performance against targets has been reviewed with Welsh Government and the Board with notes and explanations provided as to the level of achievement against target.

We remain committed to the monitoring and evaluation of our work in both quantitative and qualitative ways. While our quantitative performance indicators provide a snapshot of performance, qualitative data from case studies and narrative reports continues to provide more detailed insight, and an opportunity for reflecting on and enriching our work.

4 FINANCIAL REVIEW

4.1 Results and Appropriations

The accounts are prepared under Section 9(4) of the Museums & Galleries Act 1992 in a form directed by ministers of the Welsh Government with the approval of the Treasury. The Library's net outgoing resources for the financial year were £360k (2015/16: £17k). The Library's incoming resources totalled £12.255m (2015/16: £13.451m) and total resources expended were £12.615m (2015/16 £13.434m).

The unrestricted public reserve increased from £109K surplus to £110K surplus, therefore breaking even during the year. This was achieved by cost control, but the level of unrestricted public reserve is low and could not sustain future losses due to Welsh Government restrictions on carry forward of cash at year end.

Fund balances at 31 March 2017 stood at £83.0m (31 March 2016: - £91.04m).

4.2 Charities Statement of Recommended Practice

The Charity Commission issued a Statement of Recommended Practice (SORP) for charities in October 1995 which was most recently updated by the Charities SORP 2015. The Library has complied with the SORP since the 1996/97 accounts.

4.3 Valuation of Tangible Fixed Assets

The Library commissioned a revaluation by Cooke and Arkwright, Chartered Surveyors, of the Library's buildings and freehold land as at 31 March 2017. Land and other tangible fixed assets are shown at either existing use value or depreciated replacement cost. Values are normally adjusted annually by indexation between each formal valuation which takes place every 5 years.

4.4 Policy on the Payment of Creditors

The Library operates a monitoring procedure to measure the Library's performance against the "Better Payment Procedure Code" and a sample of invoices paid is taken to assess performance. During 2016/17, 100% of the invoices received were paid within 30 days of receipt by the Finance Department (2015/16 – 99.8%). 88.8% of invoices were paid within 15 days of receipt.

4.5 Charity Reserves Policy

The Charity SORP 2015 requires the Library to disclose its policy on Charity Reserves.

4.5.1 Unrestricted Public Funds

The National Library of Wales is currently dependent on Welsh Government to sustain the majority of its activities. The Library's Public Funds reserves policy is to conform to the requirements of the Welsh Government's Framework Document which sets out the financial framework under which the Library is required to operate. The main requirement of the Framework Document in relation to reserves is that only 2% of gross Grant-in-Aid can be held as cash balances. This requirement is particularly difficult at a time of financial uncertainty and mitigation of risks would justify carrying higher levels of reserves due to the financial outlook.

Therefore the Library is exposed to a high level of financial risk and the requirements of the Welsh government do not help to promote good financial and risk management in relation to the level of reserves held.

4.5.2 Restricted Public Funds

Public restricted funds represent Capital and Purchase Grants received from the Welsh Government or any grant received from a public body for specific purposes. This funding is also restricted to 2% of gross Grant-In-Aid carry over in cash balances.

4.5.3 Unrestricted Private Funds

The Library's unrestricted private funds have three main objectives:

- To contribute to the revenue costs of running the Library's services.
- To supplement the Collections Purchase Grant to enable the Library to fulfil its collections policy.
- To finance capital investment or future developments including equipment, buildings and computer hardware and software.

At the 31 March 2017:

- £2M had been notionally earmarked for providing match funding for the National Broadcasting Archive project, where Stage 1 has been successful and we will be proceeding to Stage 2 in June 2018.
- £200K per annum had been earmarked as a contribution towards the shortfall in the Library's capital budget; partially to support the Purchase Grant as funding has now been reduced to £200K and partially to fund the ICT infrastructure requirements.
- The Board has agreed to fund £50,000 towards the Bywgraffiadur/ Dictionary of Welsh Biography online. This is a joint project with the Centre for Advanced Welsh and Celtic Studies.
- The Board has agreed to invest £240,000 (£80,000 per annum for 3 years) to catalogue and promote Welsh folk music, especially the Meredydd Evans collection.
- The Library is developing relationships with higher education establishments with a view of developing shared partnership in future – funded from the unrestricted fund.

The value of the Library's unrestricted charitable funds is therefore likely to decrease over the period to 2021. The level of reserves are reviewed and monitored by the Board through the Financial Planning Committee.

4.5.4 Restricted Private Funds

The Library's private restricted funds can only be used in accordance with any stipulated terms of each specific bequest. They can only be used for the purposes described and therefore they are only used when an item of expenditure that directly relates to the fund is approved by the Board or the funder. In consultation with our legal advisers and the Charitable Commission, the D M Phillips fund has now been moved to unrestricted private funds, following a review of the original documentation, where it was agreed that there was no stipulated terms.

4.6 Investment Policy

In 2016/17, the Library's investment policy was updated with new benchmark set. The portfolio has been invested in both equities and bonds. The amount that can be invested in different asset classes has been set according to an assessment of risk. The Library's attitude to risk is classified as "moderate", accepting that in order to achieve higher returns than placing cash on deposit there will be a consequent risk in investing in bonds and equities.

The Board reviews the Investment Strategy and Policy on an annual basis, which includes consideration of social, environmental or ethical investments.

The Library has appointed investment managers, Investec Wealth & Investment, who are responsible for investing the private funds portfolio. The managers have been set a benchmark for the performance of the investment portfolio, and in 2016/17 a return of 17.49% was achieved against a benchmark of 17.68% (2015/16: -3.02% against benchmark of -3.49%).

The investments were managed on a discretionary basis according to the requirements of the Trustee Investment Act 1961 and latterly the Trustee Act 2000. The performance of the portfolios is monitored and reported regularly to the Financial Planning Committee and the Board. At 31st March 2017, the market value of the investments was £10.06m (2016: £8.67m).

4.7 Key risks and uncertainty

4.7.1 Financial uncertainty

Although the core grant is increasing short term by 3.5% in 2017-18, the Board and management remain concerned about the significant reduction to the Library's grant from Welsh Government. 2016-17 saw a 4.7% cut in the Grant in Aid, with threats made to the available capital and purchase grant.

While in the short term, the shortfall can be funded from the unrestricted private fund, further reorganisation may be required to generate the savings in the long term, and the Board are concerned that the Library will not be able to meet its objectives in future if funding cuts persist.

4.7.2 Pension Scheme

The actuarial valuation of the scheme undertaken as at 31 of March 2016, showed a historical deficit of £370k which needs to be funded by the employer, as well as the need to increase the future service accrual. The Library is in discussion with the employees and union representatives regarding future changes to the scheme, but the costs of the pension scheme and the risk of future liabilities remains a key risk.

5 SUSTAINABILITY REPORT

This report has been compiled in accordance with the guidelines laid down by HM Treasury in *Public Sector Annual Reports: Sustainability Reporting Guidance*. We achieved the following:

| | 2016-17 | 2015-16 | 2014-15 |
|---|-----------|-----------|--------------------|
| Water consumption | | | |
| Water consumption m ³ | 10,523 | 9,842 | 7,698 |
| Water consumption m ³ per WTE* | 40.26 | 41.52 | 27.69 |
| Water supply costs £ | £42,784 | £35,483 | £25,718 |
| Paper consumption | | | |
| Paper consumption in reams (ext and int) | 607 | 757 | 1,453 |
| Paper consumption in reams (internal use) | 469 | 590 | 1,064 |
| Waste | | | |
| Total waste (tonnes) | 32.57 | 31.02 | 34.8 |
| Reused, recycled, composted | 14.2 | 12.5 | 21.1 |
| Landfill | 18.33 | 18.52 | 13.73 |
| Hazardous | - | 0.4 | 15.1 (fire damage) |
| Reused, recycled, composted as % of total waste | 43.6% | 40% | 60.6% |
| Total disposal cost £ (exc Fire Waste) | £9,216 | £4,052 | 2,858 |
| Greenhouse gas emission | | | |
| Total emission tonnes CO ₂ equivalent | | | |
| Attributable to business travel | | | |
| By car | 58 | 70 | 66.6 |
| By rails and air | 1 | - | - |
| Attributable to energy consumption (1,000 tCO ₂ e) | | | |
| Electricity & Gas | 1,811 | 1,773 | 1,720 |
| Attributable to energy consumption | | | |
| Electricity | 2,687,696 | 2,446,648 | 2,358,799 |
| Gas | 3,283,225 | 2,976,625 | 3,148,131 |
| * The above includes the areas occupied by RCAHMW which have increased energy consumption | | | |
| Expenditure on business travel £(Staff Mileage, Car Fuel, Train, Bus & Plane) | £41,768 | £53,828 | £66,113 |
| Expenditure on Library Van | £11,539 | £8,967 | £5,320 |
| Total energy expenditure £ | £354,128 | £343,116 | £341,960 |

Note on Energy:

Costs are total for the site including energy supplied to adjacent building however consumptions are only for NLW buildings. A Carbon Reduction Plan is being updated in conjunction with the Carbon Trust. The Plan has indicated that in order to achieve any significant savings considerable investment will be needed and therefore additional funds are required from the Welsh Government to implement it. Various schemes have been identified together with estimated costs and pay back periods; these will be explored and developed over the coming years as funding allows.

Horticultural waste generated on the Library's site is composted on site. The quantity of this waste that is generated is not measured.

6 POLICIES RELATING TO STAFF

6.1 Living Wage

The Library has paid the living wage set out by the Living Wage Foundation since April 2014.

6.2 Recruitment and Retention

The Library can only achieve its goals through the commitment and experience of its staff; therefore the Library focuses on providing training to ensure that all staff members reach their potential.

6.3 Employment of Disabled People

The Library operates a non-discriminatory recruitment procedure and is always prepared to consider applications from, and to appoint, disabled people. Further, the Library makes every effort to ensure that disabled employees are provided with the facilities necessary to carry out their employment effectively.

6.4 Consultation with Employees

The Library communicates information to staff by various methods including staff meetings, weekly e-mails, team briefing sessions, Core Brief, and regular consultation and negotiation with the Partnership Council and with the national Trade Union representatives. The Library adopted an Internal Communication Strategy in 2016 and implementing this Strategy will provide a further opportunity to develop the relationship between the managers and staff.

6.5 Remuneration Report

The Library remunerates its entire staff under an agreed pay and grading system. The current system was approved by the Library's Executive Team and agreed with the staff unions through the collective bargaining arrangements. An independent appeals process is in place to consider grading issues.

The Library annually, in consultation with the staff unions, considers the remuneration package against external comparators, movements in the economy and any internal inequities that may have developed. From this, a pay remit or proposal is produced and this is submitted to the Welsh Government for approval and is then formally negotiated with the unions. This results in a new pay and conditions package for the whole of the Library staff which is binding until the next round of negotiation. Incremental increases under the pay remit are dependent upon the Library's system of annual appraisals. Inflationary elements contained within the agreed pay remit are automatically awarded to all staff.

The Chief Executive and Librarian's salary consists of a basic salary with an option to award an annual unconsolidated bonus. From 2015/16, the Chief Executive's salary is included in the general pay remit and will be uplifted in line with the inflationary pay award agreed for all staff. This percentage of the award is consolidated into the annual salary. The balance of the award, up to a maximum of 10%, would be paid as an unconsolidated annual payment were it to be awarded. The unconsolidated element of the pay is determined by the Officers of the Library (President, Vice President and Treasurer) according to guidelines issued by the Welsh Government regarding the maximum pay award for Chief Executives. No unconsolidated award was made in 2016/17 (2015/16: £0). The current Chief Executive and Librarian has a fixed term contract of employment and is an ordinary member of the Library's pension scheme.

Other senior staff receive a gross salary, which is determined as part of the negotiation of the pay remit for all other staff in the Library. The pay remit is approved by the Welsh Government. Senior staff have permanent contracts of employment and are ordinary members of the Library's pension scheme. Membership of the Executive Team is shown on page 2 and further details of the remuneration and pension benefits are shown in Note 8 (c) to the accounts. The notice period for the members of the Executive Team is 3 months. Provision for compensation for early termination is contained within the Library's standard redundancy arrangement.

7 PLANS FOR FUTURE PERIODS

During 2016-17, the Library developed a new Strategic Plan from 2017-2021 which focusses on the important responsibility of the Library to acquire, manage and make available the national collections for the long term.

The key strategic objectives have been set as follows:-

- Being excellent custodians of our collections;
- Contributing to the Well-Being of Future Generations;
- Ensuring long term access to the national collections;
- Being central to national cultural life;
- Ensuring resilience for the long-term.

Within the strategic plan, long term targets have been set that by 2021, we will aim to: -

- Maintain our existing core services and delivery as a national Legal Deposit Library based on a stable baseline in our grant from the Welsh Government over the 4 years;
- Continue to promote and encourage the use of Welsh in all our internal and external activities, and comply with our statutory duties to deliver the Welsh language standards agreed with the Welsh Language Commissioner;
- Establish a Strategic Partnership with Cadw, AC-NMW, RCAHMW and Trades Unions to develop Historic Wales by July 2017;
- Implement an initial strategy to deliver the statutory requirements of the Future Generations (Wales) Act by December 2017;
- Complete a Skills Audit and Development Programme, and implement a People Strategy and Workforce Development Plan by 2018;
- Complete a scoping report on the establishment of a National Archive for Wales by March 2019;
- Implement a National Digital Preservation Strategy in a leadership role for Wales by 2019;
- Continue to contribute digital educational resources for Y Hwb; deliver the People's Collection Wales in partnership, and support the delivery of the Cymru'n Cofio Wales Remembers 1914-1918 Commemoration Programme, increasing our output by 10% by 2019;
- Enhance the technical infrastructure and content of the Dictionary of Welsh Biography, working in partnership with the Centre for Advanced Welsh and Celtic Studies, by 2019;
- Complete a major capital programme and develop a new Asset Management Plan by 2020;
- Continue to extend our marketing and user engagement strategies, supporting the Year of Legends in 2017 and the Year of the Sea in 2018. increasing the number of people visiting the Library and engaging in activities by 15% by 2021;
- Increase commercial income, grants and donations to raise £1 million annually by 2021;
- Double our digital usage to 3 million visits by 2021;
- Double the number of digital items to 10 million by 2021;

- Increase our outreach and engagement work for the Fusion Programme by 20% by 2021;
- Develop a strategic relationship with BBC Cymru Wales, S4C and ITV Wales to preserve and provide access to broadcast material by 2021;
- Maintain our Customer Service Excellence Standard accreditation and our Visit Wales Gold standard until 2021;
- Continue to work with Wikimedia UK to develop and embed digital engagement with our open content on Wikipedia and other third-party platforms to increase views of the Library's content to 250 million by 2021 and actively contribute to the development of Welsh language content on Wikipedia.

By March 2021, the Library's aims are that it will:

- have increased the usage and awareness of its collections, services and activities across Wales and beyond;
- have continued to successfully deliver its statutory duties as a Legal Deposit Library under its Charter and have delivered its strategic priorities under the Welsh Government's annual Remit Letter;
- implemented governance arrangements and forward financial planning strategies which enable it to face an uncertain financial context for public sector bodies in a more resilient way;
- have ensured that Library staff work in an organisational structure which supports skills development and promotes collaboration and flexible working;
- have strengthened its strategic partnerships both in the culture and heritage sector in Wales and beyond. In this way, it will extend its reach digitally and physically, providing services wherever possible where people can receive them most easily;
- have contributed fully to national cultural life, delivering across Wales, focusing on areas where access to cultural activities is restricted and supporting Welsh language services;
- have extended its leadership role in the digital management, preservation and delivery of information and knowledge within Wales, providing its expertise to other organisations where resources allow;
- continue to be a unique and valued bilingual national institution.

Trustees

The Trustees have complied with their duty in Section 11 of the Charities Act 2011 to have due regard to guidance published by the Charity Commission.

Auditor

The Accounts are audited by the Auditor General for Wales in accordance with Section 9(8) of the Museums and Galleries Act 1992 for Wales.



Linda Tomos
CHIEF EXECUTIVE & LIBRARIAN
21 July 2017



Colin R John
TREASURER
21 July 2017

STATEMENT OF BOARD AND LIBRARIAN'S RESPONSIBILITIES

Under Section 9(4) of the Museums and Galleries Act 1992, the Board of the National Library of Wales is required to prepare a statement of accounts for each financial year in the form and on the basis determined by Ministers of the Welsh Government with the consent of the Treasury. The accounts are prepared to give a true and fair view of the Library's financial activities during the year and of its financial position at the end of the year.

In preparing the Library's accounts the Board is required to:-

- Observe the accounts direction issued by ministers of the Welsh Government including the relevant accounting and disclosure requirements, and apply them on a consistent basis.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards and statements of recommended practice have been followed, and disclose and explain any material departures in the financial statements.
- Prepare the financial statements on a going concern basis, unless it is inappropriate to assume that the Library will continue in operation.

The Principal Accounting Officer for Ministers of the Welsh Government has designated the Librarian as the Accounting Officer for the Library. Her relevant responsibilities as Accounting Officer, including her responsibility for the propriety and regularity of the public finances for which she is answerable and for the keeping of proper records, are set out in the Welsh Government's Accounting Officer Memorandum.

Statement of the Disclosure of Relevant Audit Information

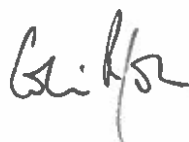
As far as the Accounting Officer is aware, there is no relevant audit information of which the auditors are unaware, and the Accounting Officer has taken all steps that she ought to have taken to make herself aware of any audit information and to establish that the auditors are aware of that information.

Linda Tomos
CHIEF EXECUTIVE & LIBRARIAN
21 July 2017



Endorsed on behalf of the Board by:

Colin R John
TREASURER
21 July 2017



The Certificate and Report of the Auditor General for Wales to the National Assembly for Wales

I certify that I have audited the financial statements of the National Library of Wales for the year ended 31 March 2017 under section 9 of the Museums and Galleries Act 1992. These comprise the Statement of Financial Activities, Balance Sheet, 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 Librarian and auditor

As explained more fully in the Statement of Librarian's Responsibilities the Librarian is responsible for preparing the financial statements, in accordance with the Museums and Galleries Act 1992 and Welsh Ministers' directions made thereunder and for ensuring the regularity of financial transactions.

My responsibility is to audit, certify and report on the financial statements in accordance with applicable law and with International Standards on Auditing (UK and Ireland). These standards require me to comply with the Financial Reporting Council'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 National Library of Wales's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the National Library of Wales and the overall presentation of the financial statements. In addition, I 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 Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my certificate and report.

Opinion on Financial Statements

In my opinion the financial statements:

- give a true and fair view of the state of the National Library of Wales's affairs as at 31 March 2017 and of its net expenditure, recognised gains and losses and cash flows for the year then ended; and
- have been properly prepared in accordance with Welsh Ministers directions issued under section 9 of the Museums and Galleries Act 1992.

Opinion on Regularity

In my opinion, in all material respects, the expenditure and income in the financial statements have been applied to the purposes intended by the National Assembly for Wales and the financial transactions recorded in the financial statements 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 section 9 of the Museums and Galleries Act 1992; and
- the information in the 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;
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns;
- information specified by Welsh Ministers 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

1 August 2017

STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 MARCH 2017

| | Notes | PUBLIC FUNDS | | PRIVATE FUNDS | | 2016/17 | 2015/16 |
|---|-------|-----------------------|---------------------|-----------------------|---------------------|----------------|----------------|
| | | Unrestricted £'000 | Restricted £'000 | Unrestricted £'000 | Restricted £'000 | Total £'000 | Total £'000 |
| Income: | | | | | | | |
| Donations and legacies | 15b | - | - | 11 | 206 | 217 | 585 |
| Charitable activities: | | | | | | | |
| Government Grants | 2 | 9,261 | 1,577 | - | - | 10,838 | 11,618 |
| Other Grants | 3 | - | 277 | - | 3 | 280 | 462 |
| Other trading activities | 4 | 679 | - | - | - | 679 | 569 |
| Investment income | 15b | - | - | 219 | 22 | 241 | 217 |
| Total Income | | 9,940 | 1,854 | 230 | 231 | 12,255 | 13,451 |
| Expenditure: | | | | | | | |
| Costs of raising funds | 5 | 766 | 95 | 33 | 3 | 897 | 824 |
| Charitable activities: | | | | | | | |
| Collection | 5 | 2,215 | 605 | - | - | 2,820 | 2,493 |
| Giving Access & Information | 5 | 2,547 | 355 | 6 | - | 2,908 | 3,021 |
| Publicising & Interpretation | 5 | 1,388 | 498 | - | 44 | 1,930 | 2,167 |
| Conservation & Preservation | 5 | 2,858 | 563 | - | - | 3,421 | 3,299 |
| Governance | 5 | 705 | 87 | - | - | 792 | 1,033 |
| Material items | | | | | | | |
| Fees relating to roof fire | 23a | - | - | - | - | - | 19 |
| Settlement / Tribunal payment | 23b | - | - | - | - | - | 45 |
| Severance | 23c | - | - | - | - | - | 78 |
| Third Library Building Phase3 | 23d | - | - | - | - | - | 440 |
| Total expenditure | | 10,479 | 2,203 | 39 | 47 | 12,768 | 13,419 |
| (Gain)/ Loss on disposal of fixed assets | | - | 7 | - | - | 7 | - |
| (Gain)/ Loss on disposal of assets intended for investments | 15b | - | - | (363) | (37) | (400) | (155) |
| Pension Finance Costs | 22d | 240 | - | - | - | 240 | 170 |
| Total expenditure | | 10,719 | 2,210 | (324) | 10 | 12,615 | 13,434 |
| Net income/ (expenditure) | | (779) | (356) | 554 | 221 | (360) | 17 |
| Gross transfers between funds | 15b | - | 40 | 699 | (739) | - | - |
| | | (779) | (316) | 1,253 | (518) | (360) | 17 |
| Other recognised gains/ (losses): | | | | | | | |
| Unrealised gains on investment | 15b | - | - | 736 | 39 | 775 | (381) |
| Tangible Fixed Assets Revaluation and Indexation | 10 | - | (7,570) | - | - | (7,570) | 4,011 |
| Actuarial gains(losses) on defined benefit pension scheme | 22e | (880) | - | - | - | (880) | (1,070) |
| Total gains/ (losses) | | (880) | (7,570) | 736 | 39 | (7,675) | 2,560 |
| NET MOVEMENT IN FUNDS FOR THE FINANCIAL YEAR | | (1,659) | (7,886) | 1,989 | (479) | (8,035) | 2,577 |
| FUND BALANCES BROUGHT FORWARD AT 1 APRIL | 15 | (7,301) | 82,692 | 7,880 | 7,768 | 91,039 | 88,462 |
| FUND BALANCES CARRIED FORWARD AT 31 MARCH | 15 | (8,960) | 74,806 | 9,869 | 7,289 | 83,004 | 91,039 |

All activities are continuing. All recognised gains and losses are recorded in the Statement of Financial Activities. The notes on pages 26 to 47 form part of these accounts.

BALANCE SHEET AS AT 31 MARCH 2017

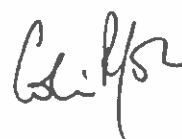
| | | 31 st March 2017 | | 31 st March 2016 | |
|--|-------|-----------------------------|---------|-----------------------------|---------|
| | Notes | £000 | £000 | £000 | £000 |
| FIXED ASSETS | | | | | |
| Tangible Assets | 10 | 60,031 | | 68,009 | |
| Heritage Assets | 12 | 20,234 | | 19,885 | |
| Investments | 11 | 10,057 | | 8,678 | |
| | | | 90,322 | | 96,572 |
| CURRENT ASSETS | | | | | |
| Stocks | | 44 | | 52 | |
| Debtors | 13 | 1,182 | | 1,388 | |
| Bank | | 1,134 | | 1,207 | |
| | | 2,360 | | 2,647 | |
| CREDITORS | | | | | |
| Bank | | (26) | | (1) | |
| Amounts falling due within one year | 14 | (557) | | (719) | |
| | | (583) | | (720) | |
| NET CURRENT ASSETS | | | 1,777 | | 1,927 |
| Amounts falling due after more than one year | 14 | | (25) | | (50) |
| Net assets excluding pension scheme liability | | | 92,074 | | 98,449 |
| Defined benefit pension asset (liability) | 22 | | (9,070) | | (7,410) |
| NET ASSETS INCLUDING PENSION SCHEME LIABILITY | | | 83,004 | | 91,039 |
| FUNDS | | | | | |
| Public Unrestricted | 15 | 110 | | 109 | |
| Pension Reserve | | (9,070) | | (7,410) | |
| Total Public Unrestricted Funds | | (8,960) | | (7,301) | |
| Public Restricted (exc Revaluation Reserve) | | 55,513 | | 55,829 | |
| Revaluation Reserve | | 19,293 | | 26,863 | |
| Private Unrestricted | | 9,869 | | 7,880 | |
| Private Restricted | | 192 | | 800 | |
| Private Restricted Collections | | 7,097 | | 6,968 | |
| | | | 83,004 | | 91,039 |

The trustees have prepared the accounts in accordance with section 138 of the Charities Act 2011.
The notes on pages 26 to 47 form part of these accounts.

Linda Tomos
CHIEF EXECUTIVE
AND LIBRARIAN
21 July 2017



Colin R John
TREASURER



21 July 2017

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

| | | 2016/17 | | 2015/16 | |
|---|-----------|----------------|----------------|----------------|----------------|
| | | £000 | £000 | £000 | £000 |
| Cash generated in operating activities | 17 | | 1,221 | | 752 |
| Cash flows from investing activities: - | | | | | |
| Purchase of tangible fixed assets | 10 | (896) | | (3,421) | |
| Purchase of heritage assets | 12 | (218) | | (303) | |
| Proceeds from sale of investments | 11 | 3,255 | | 1,203 | |
| Purchase of Investments | 11 | <u>(3,583)</u> | | <u>(1,527)</u> | |
| Net cash provided by (used in) investing activities | | | (1,442) | | (4,048) |
| (Decrease)/Increase in Cash and cash equivalents in the year | | | (221) | | (3,296) |
| Cash and cash equivalents at the beginning of the year | | | 2,196 | | 5,492 |
| Total cash and cash equivalents at the end of the year | 18 | | 1,975 | | 2,196 |

The notes on pages 26 to 47 form part of these accounts.

There is no endowment income or expenditure to report.

NOTES TO THE ACCOUNTS AT 31 MARCH 2017

1 ACCOUNTING POLICIES

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

(a) Basis of preparation

The financial statements have been prepared in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) (effective 1 January 2015) (Charities SORP (FRS102), and the 2000 Accounts Direction issued to the Library by the National Assembly for Wales Government. The accounts are prepared on a going concern basis.

The National Library of Wales meets the definition of a public benefit entity under FRS102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note (s),

The accounts meet the requirements of Accounting Standards issued or adopted by the Financial Reporting Council in so far as those requirements are appropriate. The Accounts Direction does not require the Library to produce a summary income and expenditure account or note of historical cost on surpluses or deficits.

(b) Incoming Resources

All income is recognised when the charity has entitlement to the funds, any performance conditions attached to the item have been met, it is probable that the income will be received and the amount can be measured reliably. All Grant-in-Aid from Welsh Government is recognised in the SOFA in the year of receipt, unless it is related to Invest to Save funding which is treated as a creditor. Capital Grant in Aid is not deferred over the life of the asset. Other grants received are recognised on receipts basis when grant conditions are met.

For legacies, entitlement is taken as the earlier of the date on which either; the charity is aware that probate has been granted, the estate has been finalised and notification has been made by the executor (s) to the Library that a distribution will be made, or when a distribution is received from the estate. Where legacies have been notified to the charity or the charity is aware of the granting of probate, and the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material. Transfers from private funds are accounted for after consideration of movements in working capital. Income received relating to subsequent accounting periods will be treated as deferred income.

Fund Accounting

Unrestricted funds (public and private) are available to spend on activities that further any of the general objectives of the Library.

Public restricted funds represent Capital and Purchase Grants received from the Welsh Government for specific purposes.

Private restricted funds are funds subject to specific restriction imposed by donors or by the purpose of the appeal. Designated funds are unrestricted funds of the charity which the trustees have decided at their discretion to set aside for a specific purpose. Private restricted funds are donations which the donor has specified are to be solely used for particular areas of the Library's work or for a specific project being undertaken by the Library.

(c) Expenditure

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligations can be measured reliably. Where expenditure has been incurred in advance and relates to a later period, the accounts will only consider a prepayment if higher than £5,000 in value. Expenditure is classified under the following activity headings:

- Cost of raising funds comprises the cost of commercial trading, fundraising costs and investment management fees.
- Expenditure of charitable activities includes the cost of maintaining collections, conversation, education and exhibitions and other activities undertaken to further the purposes of the charity.
- Other expenditure represents those items not falling into any other headings.

(d) Investments

Investments are stated at market value at the balance sheet date. Gains and losses on disposal are credited or charged to the Statement of Financial Activities. Movements in the market value of investments held at the yearend are also reflected in that statement in accordance with the Statement of Recommended Practice for Accounting for Charities.

(e) Tangible Assets

Land and Buildings are shown at existing use value or depreciated replacement cost in the case of specialised buildings. An external valuation is obtained every five years and appropriate indices are used to change that valuation in the intervening years or where substantial changes in asset values may have happened, a valuation may be requested at an interim period. Gains and losses arising from revaluations are taken to the Statement of Financial Activities in the year in which they arise.

Individual plant, machinery, equipment and motor vehicles costing £5,000 or more are capitalised at cost, unless the equipment forms part of a group of assets, network or project where the value is over £5,000. Assets are depreciated over their estimated useful lives on a straight line basis,

Depreciation is provided in full in the year of acquisition, at rates calculated to reduce each asset to its estimated residual value evenly over its expected useful economic life, as advised by the valuers as follows:

- | | |
|--|-------------------|
| ○ Freehold buildings | - up to 125 years |
| ○ Plant, machinery and equipment | - up to 30 years |
| ○ Computer equipment and digital development | - up to 10 years |
| ○ Motor Vehicles | - up to 5 years |

Freehold land is not depreciated.

Collection Purchases are not depreciated

(f) Heritage assets

Prior to 1st April 2001, the Library's collection had not been capitalised in the balance sheet. Purchases for the collection were charged to Restricted Public Funds in the Statement of Financial Activities in the year of acquisition. Purchases for the collection are capitalised in the year of acquisition and held at historic value; these assets are not re-valued or indexed.

Donations of items to the collections are accounted for when received at an estimate of their market value. These assets are not revalued or indexed.

Heritage Assets are not depreciated because they have indefinite life.

Carrying amount of an asset will be reviewed only where there is evidence of impairment.

(g) Stocks

The cost of stocks of re-saleable items has been recognised in the balance sheet at the lower of cost or net realisable value.

(h) Pension Costs

The Library operates its own superannuation scheme which provides benefits based on final pensionable salary. Contributions to the scheme are charged to the statement of Financial Activities so as to spread the cost of pensions over employees working lives. The charge to the Statement of Financial Activities is calculated based upon the current service cost as calculated by the scheme actuary.

(i) Staff holiday pay

At the year end, staff holiday entitlements that has not yet taken and which is carried forward to the next financial year have been provided for in the accounts in line with FRS102 requirements.

(j) Taxation

The Library has been granted charitable status by the HMRC and is therefore exempt from tax on income and gains falling within section 505 of the Taxes Act 1988 or section 252 of the Chargeable Gains Act 1992 to the extent that these are applied to its charitable objects. Non-recoverable Value Added Tax arising from expenditure on non-trading activities is charged to the Statement of Financial Activities or capitalised if related to a fixed asset.

(k) Going Concern

The Library's accounts have been prepared on a going concern basis. Although there is a reduction in future grants to the Library, current projections estimate that the Library can continue with current activities with deficits being funded from private funds. There are no other material uncertainties about the charity's ability to continue

2. GOVERNMENT GRANTS

| | 2016/17 | 2015/16 |
|---|---------------|---------------|
| | £000 | £000 |
| Unrestricted | | |
| Grant-in-Aid* | 9,261 | 9,705 |
| Restricted | | |
| Purchase Grant | 200 | 305 |
| Capital – Digital Development Grant | 105 | - |
| Capital - General | 550 | 632 |
| Capital – Courtyard Infill / Additional Storage | 44 | 200 |
| Culture Meets Business | - | 20 |
| Libraries Inspire | 239 | 255 |
| People's Collection Wales | 140 | 165 |
| ARCW | 122 | 52 |
| Cynefin | - | 20 |
| The Great War | 115 | 213 |
| Wales at War | 22 | 51 |
| First World War Commemoration | 20 | - |
| Welsh in Education – Wikipops | 20 | |
| Total grant received from Welsh Government | 10,838 | 11,618 |

*£270,000 additional Grant- in-Aid was received during the year 2015/16 which was repaid from the Grant in Aid provided in 2016/17.

3. OTHER GRANTS

| | 2016/17 | 2015/16 |
|--|------------|------------|
| | £000 | £000 |
| Restricted public | | |
| EU Grants | - | 91 |
| Cynefin (Heritage Lottery Funding) | 135 | 205 |
| Unlocking Film Heritage (British Film Institute) | 75 | 83 |
| Wales at War ((Heritage Lottery Funding)) | 43 | 13 |
| Other minor grants | 24 | 49 |
| | 277 | 441 |
| Restricted private | | |
| Scottish Power Foundation | 3 | 21 |
| | 3 | 21 |
| Total other grants | 280 | 462 |

4. INCOME FROM OTHER TRADING ACTIVITIES

| | 2016/17 | 2015/16 |
|-----------------------------------|------------|------------|
| Unrestricted | £000 | £000 |
| Catering | 227 | 221 |
| Shop income | 91 | 92 |
| Events | 34 | 21 |
| Consultancy and systems | 9 | 27 |
| Income generated from collections | 140 | 76 |
| Licencing and royalties | 49 | 62 |
| Miscellaneous | 113 | 56 |
| Car Park | 16 | 14 |
| | 679 | 569 |

5 ANALYSIS OF EXPENDITURE

| | Staff Costs | Other direct | Depreciation | 2016/17 | 2015/16 |
|-------------------------------|--------------|--------------|--------------|---------------|---------------|
| | £000 | costs | £000 | TOTAL | TOTAL |
| | £000 | £000 | £000 | £000 | £000 |
| Cost of raising funds | 385 | 417 | 95 | 897 | 824 |
| Charitable Expenditure | | | | | |
| Collection | 1,563 | 983 | 274 | 2,820 | 2,493 |
| Giving Access & Information | 1,991 | 602 | 315 | 2,908 | 3,021 |
| Publicising & Interpretation | 1,233 | 525 | 172 | 1,930 | 2,167 |
| Conservation & Preservation | 2,740 | 327 | 354 | 3,421 | 3,299 |
| Governance | 438 | 267 | 87 | 792 | 1,033 |
| Material items | - | - | - | - | 582 |
| | 8,350 | 3,121 | 1,297 | 12,768 | 13,419 |

6. NET INCOME/ (EXPENDITURE) FOR THE YEAR

| | 2016/17 | 2015/16 |
|--------------------------------|---------|---------|
| This is stated after charging: | £000 | £000 |
| Depreciation | 1,297 | 994 |
| Auditor's remuneration | 35 | 28 |
| Accountancy services | - | 8 |
| Internal audit fees | 10 | 23 |
| Other governance reports | - | 20 |
| Investment management fees | 36 | 34 |

7. ANALYSIS OF SUPPORT COSTS

The Library initially identifies the costs of its support functions. It then identifies those costs which relate to governance function. Having identified its governance costs, the remaining support costs are apportioned between the cost of raising funds and four key charitable activities undertaken in the year.

The support salary cost is apportioned in line with salary costs for each department, with the non-staff support cost allocated based on activity expenditure.

| | Cost of generating funds £000 | Collection £000 | Giving Access & Information £000 | Publicising & Interpretation £000 | Conservation & Preservation £000 | Governance £000 | Total £000 |
|----------|--|--------------------|---|---|---|--------------------|---------------|
| Exec | 2 | 3 | 9 | 12 | 7 | 16 | 49 |
| Support | | | | | | | |
| Finance | 17 | 14 | 51 | 46 | 32 | 48 | 208 |
| HR | 11 | 9 | 34 | 34 | 23 | 39 | 150 |
| ICT | 65 | 60 | 215 | 216 | 144 | 258 | 958 |
| Building | 152 | 121 | 442 | 357 | 256 | 336 | 1,664 |
| Other | 2 | 2 | 8 | 10 | 6 | 13 | 41 |
| | 249 | 209 | 759 | 675 | 468 | 710 | 3,070 |

8. ANALYSIS OF STAFF COSTS, TRUSTEE REMUNERATION AND EXPENSES, AND THE COST OF KEY MANAGEMENT PERSONNEL

(a) Total Staff Costs

| | 2016/17 | | 2015/16 | |
|---|---------|-------|---------|-------|
| | £000 | £000 | £000 | £000 |
| Salaries and Wages | | 5,814 | | 6,077 |
| Social Security Costs | | 501 | | 408 |
| Current Service Cost | 1,495 | | 1,580 | |
| FRS102 current service cost adjustment | 540 | | 520 | |
| | | 2,035 | | 2,100 |
| FRS102 finance interest charge (see note 22d) | | 240 | | 170 |
| | | 8,590 | | 8,755 |

There were no agency or short term contractors employed.

Other than the staff noted in 8c there were no members of staff who earned over £60,000 (basic pay, allowances and holiday pay due) (2015/16 – 1 staff member).

(b) Pension Scheme

The Library operates a funded pension scheme which is a defined benefit pension scheme providing benefits based on final pensionable pay at a normal retirement age of 60. Members leaving the scheme who have contributed for a period of less than 2 years will receive a refund of member's contributions. Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to 3 years' pension is payable on retirement. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On

death in service the scheme pays a lump sum benefit. Medical retirement is possible in the event of serious ill-health.

The employer contribution to the scheme for the period amounted to £1.49m (2015/16 £1.58m). The assets of the Scheme are held separately from those of the Library and were invested with Legal and General who manage a portfolio of bonds and equities on a largely passive basis. The 31 March 2016 actuarial valuation showed that the market value of the Scheme's assets was £56.5m and that the actuarial value of those assets amounted to 99% of the value of the liabilities of the Scheme. Note 22 provides further information on the finances of the pension scheme to comply with the requirements of FRS102. The actuarial statement is published in the National Library of Wales' Pension Fund Annual Accounts. Welsh Government granted in 2006/07 a Crown Guarantee which exempts the Scheme from the Pension Protection Fund and the associated levy.

(c) Remuneration of Executive Team

Membership of the Executive Team is noted on page 2 (Reference & Administrative Details). The Librarian's consolidated salary is indicated in the Remuneration Report of Section 6 of the Trustee Report (6.5).

The Librarian's salary was 3.86 times the median salary (£23,290) of the Library. Other senior staff receive a gross salary, which is determined as part of the negotiation of the pay remit for all other staff in the Library. The Librarian is on a fixed term contract and all other senior staff members all have permanent contracts of employment and are ordinary members of the Library's pension scheme.

The value of pension benefits is calculated as follows:

- (real increase in pension* x20) + (real increase in any lump sum*) – (contributions made by member)

*excluding increases due to inflation or any increase or decrease due to a transfer of pension rights.

The multiplier of 20 is specified in the disclosure requirements. The Library has used this figure in order to comply with the guidance. This is not an amount which has been paid to an individual by the Library during the year; it is a calculation which uses information from the pension benefit table. These figures can be influenced by many factors e.g. changes in a person's salary, whether or not they choose to make additional contributions to the pension scheme from their pay and other valuation factors affecting the pension scheme as a whole.

The National Library of Wales Staff Superannuation Scheme is a funded final salary scheme. The accrued pensions and lump sums are the amounts that would be paid from Normal Retirement Date if the member left service at the relevant date. The Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits, including any Additional Voluntary Contributions and transfers in of service, accrued by the member at a particular point in time. The transfer values have been calculated in accordance with the guidance note "GN11" published by the Institute of Actuaries and Faculty of Actuaries. The assumed rate of price inflation was 1.2%.

The following payments were made to members of the Executive Team:

| | 2016/17 | | | | 2015/16 | | | |
|--|---------------------|-----------------------|--|-------------------------------------|---------------------|-----------------------|-------------------------------------|-------------------------------------|
| | Consolidated Salary | Unconsolidated Salary | Real Increase (decrease) in Pension Benefits | Single Total Figure of Remuneration | Consolidated Salary | Unconsolidated Salary | Real Increase (decrease) in Pension | Single Total Figure of Remuneration |
| | £ | £ | £ | £ | £ | £ | £ | £ |
| Prof AG Jones Librarian (1/4/15 - 31/8/15) | n/a | n/a | n/a | n/a | 37,500 | 3,115 | 11,050 | 51,665 |
| Ms L Tomos Librarian (2/11/15-31/3/17) | 90,000 | - | 25,980 | 115,980 | 37,250 | - | 10,580 | 47,830 |
| Ms A Jones Director Collection and Public Programmes (1/04/15 - 31/3/16) | n/a | n/a | n/a | n/a | 64,175 | 12,534 | 67,610 | 144,319 |
| Mr. DH Michael Director of Corporate Resources (1/04/15 -31/3/17) | 69,322 | 4,231 | 26,460 | 100,013 | 64,175 | 8,166 | 61,860 | 134,201 |
| Mr P ap Llwyd - Director Collection and Public Programmes (1/04/16 - 31/3/17) Secretariat (1/4/15 - 31/3/16) | 69,322 | 4,170 | 77,740 | 151,232 | 57,273 | 1,552 | 40,250 | 99,075 |

The pension entitlements of the Library's senior staff with responsibility for running policy-making departments are disclosed as follows:-

| | Cash Equivalent Transfer Value at 31/3/16 | Total Accrued Pension at 31/3/17 | Lump Sum at 31/3/17 | Cash Equivalent Transfer Value at 31/3/17 | Increase in accrued pension net of inflation | Increase in lump sum net of inflation | Increase (Decrease) in transfer value net of inflation |
|--|---|----------------------------------|---------------------|---|--|---------------------------------------|--|
| | £ | £ | £ | £ | £ | £ | £ |
| Ms L Tomos Librarian | 10,180 | 1,590 | 4,770 | 36,290 | 1,130 | 3,380 | 26,010 |
| Mr DH Michael Director of Corporate Resources | 370,650 | 19,860 | 59,580 | 461,260 | 1,150 | 3,460 | 86,900 |
| Mr P ap Llwyd - Director Collection and Public Programmes (previously Secretariat) | 244,320 | 13,590 | 40,770 | 361,160 | 3,380 | 10,140 | 114,400 |

(d) Gifts Register

The Library also operates a gifts register. No items noted during the year are considered of material interest to these financial statements.

9. STAFF NUMBERS

The average monthly head count was 249 (2016: 265) and the average full time equivalent staff employed by the Library (including casual and part-time staff) during the year were as follows:

| Staff Numbers | 2016/17 | 2015/16 |
|--------------------------------|--------------|--------------|
| Fundraising trading | 11.6 | 11.8 |
| Collection | 44.9 | 48.4 |
| Giving Access and Information | 38.7 | 45.4 |
| Publicising and Interpretation | 31.4 | 33.9 |
| Conservation & Preservation | 87.4 | 90.8 |
| Governance | 9.4 | 11.9 |
| Total | 223.4 | 242.2 |

The Board do not receive any emoluments. The total amount of travel, subsistence, and hospitality expended by the Library for its Board and committee members was £7,823 (2015/16 £5,014) this was claimed by 11 members (2015/16: 10 members).

10 TANGIBLE FIXED ASSETS

| | Freehold Land & Buildings | Plant, Fittings & Equipment | Motor Vehicles | Digital development and computer equipment | Total |
|-----------------------------|---------------------------------|-----------------------------------|-------------------|---|---------|
| | £000 | £000 | £000 | £000 | £000 |
| Cost & Valuation | | | | | |
| At 1 April 2016 | 65,929 | 3,139 | 13 | 5,740 | 74,821 |
| Additions | 348 | 131 | - | 417 | 896 |
| Disposals | - | (84) | - | - | (84) |
| Revaluation | (9,014) | - | - | - | (9,014) |
| Indexation | - | 19 | - | 73 | 92 |
| At 31 March 2017 | 57,263 | 3,205 | 13 | 6,230 | 66,711 |
| Depreciation | | | | | |
| At 1 April 2016 | 720 | 2,624 | 13 | 3,455 | 6,812 |
| Charged for the year | 676 | 108 | - | 513 | 1,297 |
| Disposals | - | (77) | - | - | (77) |
| Revaluation | (1,386) | - | - | - | (1,386) |
| Indexation | - | 8 | - | 26 | 34 |
| At 31 March 2017 | 10 | 2,663 | 13 | 3,994 | 6,680 |
| Net Book Value | | | | | |
| At 31 March 2017 | 57,253 | 542 | - | 2,236 | 60,031 |
| At 31 March 2016 | 65,209 | 515 | - | 2,285 | 68,009 |

The Library received a valuation as at 31st of March 2017 on the Library's freehold buildings and land by Cooke and Arkwright, Chartered Surveyors. Their valuation was carried out in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual. Buildings have been valued on the basis of "open market value" or "depreciated replacement cost", and land is shown at "existing use value". The value of the buildings had been indexed according to the BCIS All-In TPI, and the decrease in land and building valuation reflected reverting to the 2015 valuation as the buildings had not appreciated in line with the index. Equipment has been valued on the basis of the cost to the Library and indexed according to CPI.

All tangible assets were used for the furtherance of the charitable activities of the Library.

No salaries were capitalised in the year. (2015-16; capitalisation of time spent by 50 members of staff amounting to £97,317 relating to the move of the Royal Commission).

11. INVESTMENTS

| | 2016/17 | 2015/16 |
|---|---------------|--------------|
| | £000 | £000 |
| Market Value at 1 April | 7,687 | 7,589 |
| Acquisitions at Cost | 3,583 | 1,527 |
| Less: Disposal Proceeds and Maturity of Investments | (3,255) | (1,203) |
| Gain on Disposal | 400 | 155 |
| Unrealised gain/(loss) on revaluation | 775 | (381) |
| Market Value at 31 March | 9,190 | 7,687 |
| Cash held for investment | 867 | 991 |
| | 10,057 | 8,678 |

The historic cost of investments at 31 March 2017 was £8.39m (2015/16 £6.803m).

The assets were invested as follows: -

| | Gilts, bonds, debentures & preference | Unit trusts, overseas equities, property & alternative assets | UK equities directly invested on UK stock market | Cash | Total |
|-----|---|--|---|------------|---------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| No1 | 1,784 | 3,581 | 3,129 | 137 | 8,631 |
| No2 | 440 | 78 | 178 | 730 | 1,426 |
| | 2,224 | 3,659 | 3,307 | 867 | 10,057 |

In deciding on the returns that the Library requires from its portfolio, and the balance between capital growth and income, the Library is prepared to accept that there will be risks attached to the investment of funds above that of simply placing cash on deposit. The Library is prepared to accept these provided that they are within acceptable levels.

The Library's appetite for risk could best be described as "moderate". The Library is willing to accept that in order to achieve higher returns risks must be taken, but the Trustees will also consider the Library's position as a charity largely funded from government grant and consequently the standards of stewardship that are implied. The risks of investment will therefore be tempered by:

- **Asset allocation** – an asset allocation strategy that does not overly expose the funds to variances in on particular sector of the investment spectrum – i.e. a balance will be struck between the amount of bonds, equities, cash and other investments including property, and UK and non-UK investments.
- **Quality of investments** – the Library will only consider high quality investments such as gilts and investment grade bonds, or FTSE 350 equities and collectives.

12. Heritage Assets

Purchases for the Heritage Assets are capitalised at historic cost.

Acquired or donated during the year:

| | Books | Subscription | Pictures Manuscripts & Maps | Others | Digital Collections | NSSAW | Total |
|-------------|-------|--------------|-----------------------------------|--------|------------------------|-------|--------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| At 01/04/16 | 1,789 | 2,599 | 10,428 | 380 | 4,370 | 319 | 19,885 |
| Additions | 34 | 53 | 126 | - | - | 5 | 218 |
| Donations | 4 | - | 123 | - | - | 4 | 131 |
| At 31/03/17 | 1,827 | 2,652 | 10,677 | 380 | 4,370 | 328 | 20,234 |

Five Year financial summary of additions:

| | 2016/17 £000 | 2015/16 £000 | 2014/15 £000 | 2013/14 £000 | 2012/13 £000 |
|------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Books | 38 | 63 | 81 | 38 | 34 |
| Subscription | 53 | 109 | 63 | 106 | 98 |
| Pictures, Manuscripts & Maps | 249 | 249 | 137 | 192 | 673 |
| Digital Collection | - | - | 194 | 300 | 547 |
| NSSAW | 9 | 29 | 6 | 8 | 7 |
| Total Additions | 349 | 450 | 481 | 644 | 1,359 |

The Library has an agreed policy for the acquisition, preservation and management of heritage assets. A copy of the agreed policy is available from the Director of Collection & Public Programmes. The Library does not loan items to users, but collections are accessible in the reading rooms and exhibition spaces in the building, as well as on-line.

No salaries were capitalised in the period.

The Library (since 1911) has the right to receive a copy of all books, magazines, newspapers and other printed material published in the UK and Ireland. It mainly collects material of Welsh and Celtic interest. Its collections currently include:

- **Printed material:** ranging from *Yny Ihyvyr hwnn*, the first Welsh-language book (printed in 1546) to programmes of local events, such as concerts and shows. There are over 6 million printed volumes in total.
- **Manuscripts and archives:** including priceless items from the Middle Ages, such as the Book of Llandaf, the Hengwrt Chaucer manuscript, The Black Book of Carmarthen as well as the recent acquisition of 'Laws of Hywel Dda'. Also documentary sources from the Middle Ages to the present day, such as records relating to churches and chapels in Wales including Parish Records and wills. It also receives theses from the universities of Wales, archives of public bodies, and personal papers of famous Welsh people from all walks of

life. There are over 30,000 volumes of manuscripts, 4 million archival documents and 50 art treasures in the Library.

- **Maps:** Both antiquarian and modern and atlases, Ordnance survey maps, sea charts, maps of farms, estates and tithe maps, railway and public utility plans. In total there are over 1.5 million maps in the Library.
- **Pictures:** portraying people and places in Wales including, paintings, prints, engravings and other pictures. These collections include over 60,000 pictures and 4,000 framed works of art.
- **Photographs:** from the earliest Welsh photograph, a daguerreotype of Margam Castle, taken in 1841, to the works of Mary Dillwyn, John Thomas, D.C. Harries and Geoff Charles. The Library houses around 950,000 photographs altogether.
- **Electronic resources and digital images:** New and created mainly by the Library the collections include over 5million images.
- **The National Screen and Sound Archive of Wales** houses 250,000 hours of sound recordings, 300,000 hours of moving images, 7million foot of film, 200,000 items from the ITV film and TV archive and 15km unique archive. There are television and radio broadcasts, sound and amateur film recordings, records cassettes and CDs, films and commercial videos.

13 DEBTORS – due within one year

| | 31 st March 2017 | 31 st March 2016 |
|--------------------------------|-----------------------------|-----------------------------|
| | £000 | £000 |
| Trade Debtors | 93 | 47 |
| VAT repayment due | 264 | 447 |
| Prepayments * | 746 | 699 |
| Other Debtors & Accrued Income | 42 | 159 |
| Private Funds Accrued Income | 37 | 36 |
| | 1,182 | 1,388 |

*includes £400k (2015/16: £250K) prepayment to the Pension Scheme

14 (a) CREDITORS - Falling due within one year

| | 31 st March 2017 | 31 st March 2016 |
|-------------------------------|-----------------------------|-----------------------------|
| | £000 | £000 |
| Trade Creditors | 129 | 166 |
| Accruals and deferred income | 204 | 325 |
| Invest to Save * | 25 | 25 |
| Private Funds deferred income | 53 | 78 |
| Holiday pay accrual | 146 | 125 |
| | 557 | 719 |

* Invest to Save loan for £75,000 was received in 2015-16 to fund photovoltaics which will generate a reduction in the electricity cost. This loan will be repaid over 3 years - £25,000 per annum reduction in Grant in Aid due.

14 (b) CREDITORS - Falling due after more than one year

| | 31 st March 2017 | 31 st March 2016 |
|------------------|-----------------------------|-----------------------------|
| | £000 | £000 |
| Invest to Save * | 25 | 50 |
| | 25 | 50 |

*Invest to Save funding of £75,000 was received which is repayable over 3 years. The funding was provided to fund the purchase of photovoltaics which will generate saving in electricity costs.

15 ANALYSIS OF CHARITABLE FUNDS

a. Analysis of movements in funds

| | At 1 April 2016 | Incoming Resources | Resources Expended | Other Movements In Year | At 31 March 2017 |
|---|--------------------|-----------------------|-----------------------|-------------------------------|------------------------|
| | £000 | £000 | £000 | £000 | £000 |
| PUBLIC FUNDS | | | | | |
| Unrestricted – Public Pension | (7,410) | - | (540) | (1,120) | (9,070) |
| Unrestricted | 109 | 9,940 | (9,939) | - | 110 |
| Restricted: - | | | | | |
| Capital | 48,047 | 594 | (1,297) | (7) | 47,337 |
| Revaluation Reserve* | 26,863 | - | - | (7,570) | 19,293 |
| Libraries Inspire | - | 239 | (239) | - | - |
| ARCW | - | 122 | (122) | - | - |
| People's Collection Wales | - | 151 | (140) | - | 11 |
| Cynefin | 13 | 135 | (134) | - | 14 |
| The Great War | 9 | 115 | (90) | (5) | 29 |
| Wales at War | 1 | 65 | (65) | (1) | - |
| First World War Commemoration | - | 20 | (20) | - | - |
| Unlocking Film Heritage – BFI | - | 75 | (75) | - | - |
| Wikipops | - | 20 | (20) | - | - |
| Culture Meets Business & Other | 7 | 13 | (1) | 46 | 65 |
| Purchase & Digital Development Grant | 7,752 | 305 | - | - | 8,057 |
| | 75,391 | 11,794 | (12,682) | (8,657) | 65,846 |
| PRIVATE FUNDS | | | | | |
| Unrestricted | 7,880 | 230 | (39) | 1,798 | 9,869 |
| Restricted | | | | | |
| Collection fund | 6,968 | 131 | - | (2) | 7,097 |
| Invested restricted private reserves | | | | | |
| D M Phillips | 686 | 19 | (3) | (702) | - |
| W Elwyn Davies | 18 | 1 | - | 2 | 21 |
| Lady Parry-Williams | 34 | 1 | - | 4 | 39 |
| Noel Jarman | 60 | 2 | - | 7 | 69 |
| Gwyneth Lloyd | 2 | - | - | - | 2 |
| Purchase grant | - | 2 | - | - | 2 |
| Foyle Foundation | - | 50 | - | 8 | 58 |
| Eluned Gymraes Davies | - | 22 | (22) | 1 | 1 |
| Scottish Power | - | 3 | (22) | 19 | - |
| Total Private Funds | 15,648 | 461 | (86) | 1,135 | 17,158 |
| TOTAL | 91,039 | 12,255 | (12,768) | (7,522) | 83,004 |

*Revaluation reserve has been calculated based on the revaluation to assets since 1999 in line with FRS102 requirement for separate identification of revaluation reserve. Revaluations prior to 1999 are not included in this reserve.

Other movements in the year (£7,522K) include

- Profit / (Loss) on sale of investment and fixed assets – £393K
- Pension finance cost – (£240K)
- Unrealised gains / (Losses) on investment – £775K
- Tangible Fixed Asset Revaluation and Indexation – (£7,570K)
- Actuarial (losses) - (£880K)

b. PRIVATE FUNDS (including collections)

| | Unrestricted | Restricted | Collection | Total | Total |
|--|--------------|--------------|--------------|-----------------|-----------------|
| | £000 | £000 | £'000 | 2016/17 £000 | 2015/16 £000 |
| Income | | | | | |
| Donations and Bequests | 11 | 75 | 131 | 217 | 585 |
| Grants received | - | 3 | - | 3 | 21 |
| Interest Receivable | 219 | 22 | - | 241 | 217 |
| Total | 230 | 100 | 131 | 461 | 823 |
| Resources Expended | | | | | |
| Costs of raising funds | 33 | 3 | - | 36 | 35 |
| Marketing, exhibitions, education | 6 | 44 | - | 50 | 62 |
| (Profit) / loss on sale of investments | (363) | (37) | - | (400) | (155) |
| Total | (324) | 10 | - | (314) | (58) |
| Net Incoming/ (Outgoing) Resources | 554 | 90 | 131 | 775 | 881 |
| Transfers | 699 | *(737) | (2) | (40) | (36) |
| Unrealised gain/ (loss) on investments | 1,253 | (647) | 129 | 735 | 845 |
| | 736 | 39 | - | 775 | (381) |
| Net movement in private funds during the year | 1,989 | (608) | 129 | 1,510 | 464 |
| Brought forward at 1 April | 7,880 | 800 | 6,968 | 15,648 | 15,184 |
| Carried Forward at 31 March | 9,869 | 192 | 7,097 | 17,158 | 15,648 |

* Transfers from restricted to unrestricted include a transfer from D M Phillips Trust which has been reclassified after consultation with our legal advisors, as there were no specific restrictions on the legacy.

16. ANALYSIS OF NET ASSETS BETWEEN FUNDS

| | Unrestricted public £'000 | Restricted public £'000 | Unrestricted private £'000 | Restricted public £'000 | Total £'000 |
|--|---------------------------------|-------------------------------|----------------------------------|-------------------------------|----------------|
| Tangible Fixed Assets | - | 74,806 | 8,227 | 7,289 | 90,322 |
| Cash at bank and in hand | (559) | - | 1,667 | - | 1,108 |
| Other net current assets/ (liabilities) | 694 | - | (25) | - | 669 |
| Creditors of more than one year | (9,095) | - | - | - | (9,095) |
| Total | (8,960) | 74,806 | 9,869 | 7,289 | 83,004 |

17. RECONCILIATION OF NET INCOME/ (EXPENDITURE) TO NET CASH FLOW FROM OPERATING ACTIVITIES

| | 2016/17 £000 | 2015/16 £000 |
|---|-----------------|-----------------|
| Net income/ (expenditure) for the reporting period (as per the statement of financial activities) | (360) | 17 |
| Less: Profit on sale of investment/ fixed asset | (393) | (155) |
| Add back: FRS102 Interest Pension Adjustment | 240 | 170 |
| Add back: Depreciation charges | 1,297 | 994 |
| (Increase)/ Decrease in stock | 8 | 2 |
| Asset donations (non-cash) | (131) | (147) |
| Decrease/(Increase) in debtors | 207 | 456 |
| (Decrease)/Increase in creditors | (187) | (1,105) |
| Pension current service cost adjustment | 540 | 520 |
| Net cash flow from operating activities | 1,221 | 752 |

18. RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET FUNDS

| | 2016/17 £000 | 2015/16 £000 |
|--|-----------------|-----------------|
| Cash in hand | 1,134 | 1,207 |
| Notice deposits (less than 3 months) | 867 | 990 |
| Overdraft facility repayable on demand | (26) | (1) |
| Net Funds at 31 March | 1,975 | 2,196 |

19. RELATED PARTY TRANSACTIONS

The Welsh Government is regarded as a related party. During the year the Library received funding from the Government in the form of Grant in Aid, Purchase, Capital and Project Grants as disclosed in note 2. The Library paid the following sums to Welsh Government: -

- Interest reimbursed – £2,614 (2016 - £8,529)
- Cost of recruitment of trustees – £3,259 (2016 - £3,866)

Mr Huw Williams, a Board member, is a partner at Geldards LLP who one of the Library's nominated legal advisors. Payments totalling £21,662 (2016: £69,947) were made to Geldards LLP during 2016/17 in respect of services rendered.

Mr Robert Gray, who was an independent member of the Library's Audit Committee until October 2015, is principal of Francis Gray, who assisted the Library with its 2014/15 year end accounts received payments amounted to £nil in 2016/17 (2015/16: £8,537).

Transactions and balances with the pension scheme are disclosed in Note 8 and Note 13.

At 31 March 2017, the Library had consolidated debtors and creditors with other Government financed bodies as follows:

| | Debtors £000 | Creditors: due in 1 year £000 | Creditors: more than 1 year £'000 |
|---------------------------|-----------------|----------------------------------|--------------------------------------|
| Central Government bodies | 20 | 25 | 25 |
| Local Government bodies | - | 3 | - |
| Non-Government Bodies | 1,162 | 529 | - |
| Total | 1,182 | 557 | 25 |

20. FINANCIAL INSTRUMENTS – RISK DISCLOSURE

The balance sheet shows the bank in both current assets and current liabilities. The cash book position shows one account as being overdrawn by £0.026m whereas the other accounts have £1.1m (2015/16: £1.2m) in hand. The Library did not have an overdrawn bank account at the year end, and the cashbook position uncleared cheques and deposits that had yet to be processed by the Bank.

The Library has no borrowings and relies primarily on departmental grants for its cash requirements and is therefore not exposed to liquidity risks. The only material deposit is disclosed in note 11, and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate risk or currency risk. In 2016/17, £10.838m or 88% of the Library's consolidated income derived from the Welsh Government (2015/16 £11.618m or 86%). The balance, £1.41m or 12% (2015/16 £1.833 or 14%) is derived from income on the Library's private funds (note 15b), from trading activities (note 4) and grants from other bodies as disclosed in Note 3 to these accounts.

The Library has exposure to market risk and this is managed through portfolio diversification as well as setting the risk appetite and investment objectives to be used by the Fund Manager.

21. LEASES

The Library made no lease payments during the year or the previous year.

22. PENSION COSTS

The Library operates a defined benefit scheme with benefits accruing at the rate of 1/80th of pensionable salary for each year of service. The latest full actuarial valuation was at 31 March 2016 and it was assessed that the Scheme was 99% funded, with a deficit of £370,000.

In the year ended 31 March 2017, the Library made contributions into the Scheme at a rate of 26.6% of pensionable salaries and this rate will continued to be applied in 2017/18 until agreement has been made on the future contribution rate which is likely to be 27.2% of pensionable salaries. Expected employer contributions for 2017/18 are £1.5 million.

(a) Development of the Net Balance Sheet Position

| | 31 March 2017 | 31 March 2016 |
|---|---------------|---------------|
| | £m | £m |
| Fair value of assets (22b) | 68.31 | 56.47 |
| Actuarial value of scheme liabilities (22c) | 77.38 | 63.88 |
| Pension (liability) recognised in balance sheet | (9.07) | (7.41) |

(b) Changes in the fair value of plan assets

| | Year Ended 31 March 2017 | Year Ended 31 March 2016 |
|---|-----------------------------|-----------------------------|
| | £m | £m |
| Scheme assets at beginning of year | 56.47 | 56.90 |
| Benefit paid from plan assets | (2.01) | (2.17) |
| Employer contributions | 1.51 | 1.59 |
| Members' contributions | - | - |
| Administrative costs | (0.12) | (0.10) |
| Interest income on Scheme Assets | 2.02 | 2.01 |
| Return on scheme assets greater/(less) than discount rate | 10.44 | (1.76) |
| Scheme assets at end of year – 22a | 68.31 | 56.47 |

(c) Analysis of changes in the Defined Benefit Obligations (DBO)

| | Year Ended 31 March 2017 | Year Ended 31 March 2016 |
|---|-----------------------------|-----------------------------|
| | £m | £m |
| Scheme liabilities at beginning of year | 63.88 | 62.55 |
| Interest cost on the DBO | 2.26 | 2.18 |
| Effect of employee services in the current period | 1.93 | 2.01 |
| Member contributions | - | - |
| Benefit paid from plan assets | (2.01) | (2.17) |
| Remeasurement on the DBO/ change of assumptions | 11.32 | (0.69) |
| Scheme liabilities at end of year – 22a | 77.38 | 63.88 |

(d) Amounts charged to SOFA (Total expenditure)

| | Year Ended 31 March 2017 | Year Ended 31 March 2016 |
|--|-----------------------------|-----------------------------|
| | £m | £m |
| Effect of employee services in the current period | 1.93 | 2.01 |
| Net interest on net defined benefit liability/ (asset) | 0.24 | 0.17 |
| Defined benefit cost recognised in P&L | 2.17 | 2.18 |
| Administration costs during the period | 0.12 | 0.1 |
| Cost of termination benefits | - | - |
| Total cost recognised in SOFA | 2.29 | 2.28 |

(e) Actuarial Gains/(Losses) charged to the Statement of Financial Activities:

| | Year Ended 31 March 2017 | Year Ended 31 March 2016 |
|--|-----------------------------|-----------------------------|
| | £m | £m |
| Return on scheme assets (greater)/ less than discount rate – 22b | (10.44) | 1.76 |
| Actuarial (gain)/ loss arising during period – 22c | 11.32 | (0.69) |
| Total actuarial (gain) loss recognised in reserves | 0.88 | 1.07 |

(f) Total defined benefit cost

| | Year Ended 31 March 2017 | Year Ended 31 March 2016 |
|---|-----------------------------|-----------------------------|
| | £m | £m |
| Total cost recognised in SOFA – 22(d) | 2.29 | 2.28 |
| Remeasurement effect recognised in reserves 22(e) | 0.88 | 1.07 |
| Defined benefit cost | 3.17 | 3.35 |

(g) Reconciliation of Net Balance Sheet Position

| | Year Ended 31 March 2017 | Year Ended 31 March 2016 |
|---|-----------------------------|-----------------------------|
| | £m | £m |
| Net defined (liability) at beginning of year | (7.41) | (5.65) |
| Effect of employee services in the current period (22c) | (1.93) | (2.01) |
| Net interest on net defined benefit liability/ (asset) | (0.24) | (0.17) |
| Remeasurement effect recognised in reserves 22(e) | (0.88) | (1.07) |
| Employer contributions 22b | 1.51 | 1.59 |
| Administrative costs 22b | (0.12) | (0.10) |
| Scheme liabilities at end of year – 22a | (9.07) | (7.41) |

(h) Market value of Assets and Percentage of Total Scheme Assets

| | 31 March 2017 | | 31 March 2016 | |
|------------------------------|---------------|------|---------------|------|
| | £m | % | £m | % |
| Equities | 24.7 | 36.1 | 19.5 | 34.6 |
| Bonds | 37.3 | 54.4 | 31.0 | 54.8 |
| Property | 6.5 | 9.5 | 6.0 | 10.6 |
| Total value of assets | 68.5 | | 56.5 | |

(i) Financial Assumptions

The financial assumptions made in order to calculate the FRS102 disclosure requirements are as follows:

| | 31 March 2017 | 31 March 2016 |
|--|---------------|---------------|
| | %per annum | %per annum |
| Price Inflation | 2.55 | 2.2 |
| Rate of Salary Increase | 2.55 | 3.7 |
| Rate of increase of pensions in payment* | 2.55 | 2.2 |
| Rate of increase for deferred pensioners | 2.55 | 2.2 |
| Discount rate** | 2.80 | 3.6 |

* in excess of any Guaranteed Minimum Pension (GMP) element

** prescribed by HM Treasury

The discount rate used for FRS102 disclosures is different to that used by the Actuary for the most recent financial assessment of the Scheme at 31 March 2016. The requirement to use the Treasury's discount rate for the FRS102 disclosure will result in the financial position of the Scheme being assessed differently under this measure in comparison to the method used in the formal actuarial valuation of the Scheme.

Ken Skates AC/AM

**Ysgrifennydd y Cabinet dros yr Economi a'r Seilwaith
Cabinet Secretary for Economy and Infrastructure**



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref MA-P-KS/0462/17

Rhodri Glyn Thomas
President
National Library of Wales
Aberystwyth
Ceredigion SY23 3BU

1 March 2017

Dear Rhodri

National Library of Wales Remit Letter 2017-18

This letter sets out our joint mission and purpose for 2017-18 grant-in-aid funding to the National Library of Wales.

Looking back on 2016-17, I would like to congratulate you on the UK wide recognition that the National Library achieved in receiving the Archive and Records Association Volunteering Award for 2016. I commend your support for the Cynefin crowdsourcing project, which has involved such a large number of virtual volunteers in activities based on our distinctive Welsh landscape. I am also pleased that the Library continues to support important national initiatives including the *Adventure is just a page away* exhibition in support of the Year of Adventure, and themed activities linked to the Roald Dahl commemoration.

Looking forward to 2017-18, this letter highlights a number of priorities I would ask the National Library to embrace to ensure your organisation continues to deliver important cultural functions for the people of Wales in a sustainable way.

I expect the National Library's aims to align with Welsh Government policies for the purposes of the grant-in-aid funding. However, I do recognise and respect the charitable and Royal Charter status of the Library and the need to act independently on a day-to-day basis and to draw up your own detailed policies and business plans. I expect us to have a relationship based on mutual trust and respect and open and honest communication. In practical terms my officials will provide the National Library with support and guidance from the Welsh Government.

In the context of a reduced overall Welsh Government budget, and competing demands for funding from vital public services, it is more important than ever that we are able to evidence the public value achieved with funding provided to the National Library. Our national institutions need to respond to the challenges set by the Wellbeing of Future Generations

Bae Caerdydd • Cardiff Bay
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CF99 1NA

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
0300 0604400

Gohebiaeth.Ken.Skates@llyw.cymru
Correspondence.Ken.Skates@gov.wales

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

(Wales) Act and to deliver high quality and efficient services that benefit people from all parts of Wales, and from all backgrounds. As specified in the Future Generations Act, you will need to evidence the Library's contribution towards the national wellbeing goals and relevant indicators.

We have a joint accountability to ensure that public money invested in the National Library is used appropriately and to best effect. Being able to effectively measure the impact, value and efficiency of the Library means targets must be set, data gathered and research carried out. I ask you to provide clear and regular evidence of how the Library is performing towards our agreed objectives and targets.

I look forward to discussing the targets in your Operational Plan and how you will measure and report on these on a regular basis; not only to my officials, but also to the National Library's users and stakeholders. **Please provide a draft to my officials by 6 March.** Grant funding can only be released where I am satisfied that public funds will be managed correctly and objectives met cost effectively. Once the Operational Plan is agreed, I will be in a position to release funding to the National Library for 2017-18.

The priorities I want to see acted upon in the year ahead (using the grant-in-aid funding provided by the Welsh Government) are set out below:

A national institution at the centre of Welsh life

For the people of Wales to benefit from our national cultural heritage institutions, they need to be aware of what is on offer and to take advantage of this. Several factors are key to any good customer experience including: inviting entry points and gateways to both physical and digital facilities; intuitive navigation to help users locate and access services and resources; and friendly and helpful support from Library staff.

I expect your Operational Plan to include objectives to:

- promote and effectively market your services and resources to increase usage by, and interest from, new and wider audiences
- improve entry points and provide appropriate training to customer facing staff
- achieve and maintain high standards of customer service
- extend access to National Library services to local communities throughout Wales

Performance measures should include:

- monitoring media coverage, reach, and evaluating the impact of promotional activity by the National Library
- increase the overall usage of the Library and encourage repeat visits and regular usage from physical and virtual customers
- monitor and respond to user feedback, and increase user and visitor satisfaction levels
- monitor and increase participation in Library events with a breakdown to include levels of participation from groups and individuals within key target audiences

The memory of our nation

The National Library is responsible for the care and development of our national collection and in making that rich and varied multimedia resource available to an audience in and beyond Wales. Maintaining statutory responsibilities and reaching and exceeding professional standards is key to demonstrating that the National Library is succeeding in this area. The Library also has an important role to play in establishing and leading a range of

partnerships that add value to the wider archive and library community in Wales for the benefit of users.

The Library has statutory duties and specific obligations for certain types of collection material under the following pieces of UK legislation:

- Legal Deposit Libraries Act 2003 and the Legal Deposit Libraries (Non-Print Works) Regulations 2013
- Public Records Act 1958, and has responsibilities for other controlled classes of records.

I expect the Library to maintain Archive Service Accreditation and its' status as a place of deposit under the Public Records Act 1958.

Inclusive organisations

Our cultural heritage organisations have the ability to help people from all backgrounds participate in, and benefit from, cultural life in Wales.

To achieve these objectives I would expect the National Library to:

- develop an outreach plan, including collaboration with the Fusion programme
- develop plans to work closely with appropriate organisations in the context of your volunteering scheme, and encourage people to improve their quality of life and their skills
- use your particular expertise in bilingual delivery to provide support for Welsh speaking communities in Carmarthenshire and Gwynedd through the Fusion programme

Measures of success should include:

- increased visits and usage by people from diverse or disadvantaged backgrounds
- increased recruitment of staff from diverse backgrounds
- increased volunteer numbers and time contributed by volunteers, and increasing the number of volunteers from diverse and disadvantaged backgrounds

I will of course expect that the National Library continues to ensure that the contribution made by volunteers adds value to existing paid positions, and is not used to fill staff vacancies in the organisation.

Outward facing nation

Wales' special and distinctive cultural heritage needs to be visible to the rest of the UK and the wider world. Your Operational Plan should include objectives to:

- support cultural tourism activities and promotional activities (particularly Year of Legends and Year of the Sea) by Visit Wales
- increase the visibility of our national collections online through your existing partnership with Wikimedia UK, and the delivery of attractive and user-friendly digital services and resources.

Measures of progress will include:

- analysis of the impact of key events, activities and exhibitions
- monitoring usage of online services and resources supported by the National Library

Digital engagement

Digital technology is revolutionising the way people create, consume and re-purpose cultural material.

Specifically I would expect your Operational Plan to include objectives to:

- lead and co-ordinate efforts to collect and preserve 'born digital' material and develop a national policy for digital preservation
- work in collaboration with other cultural heritage organisations to implement a new customised bilingual platform for crowdsourcing activity for use in virtual volunteering projects
- increase the amount of high quality cultural heritage material available online through digitisation of the national collections and collaborative projects with other partners
- contribute to delivering the People's Collection Wales action plan for 2017-18

Measures will include:

- increased number of virtual visitors who access and take up online resources and services
- social media followings and interaction levels
- virtual volunteering and direct engagement with the national collections through digital technology

Sustainable organisations

UK Government austerity has stretched heritage sector budgets over the last few years, and pressures are likely to increase in the future. To ensure that the National Library remains viable and can continually improve services, I would expect Welsh Government grant-in-aid funding to be supplemented by significantly increasing levels of funding attracted from other sources.

Objectives will include:

- increasing funding as part of wider collaborative projects with other partners (e.g. partners in the cultural heritage sector and higher education)
- higher levels of fund-raising (charitable giving)
- increased level of new added value activities and commercial opportunities that generate income

I would expect your Operational Plan to include targets for increased funding.

Collaboration and Leadership

Our national cultural heritage institutions, including the National Library, are stronger when they work together. I would expect to see joint-working objectives in your operational plan including:

- supporting research and formal learning through partnerships with higher and further education bodies
- strategic collaboration and partnerships within the cultural heritage sector, with other national institutions, and with non-national libraries and archive services in Wales
- activities supporting specific initiatives including the *Cymru'n Cofio Wales Remembers 1914 – 1918* programme and Fusion

Workforce development

The skills, passion and expertise of people working in the National Library can bring our heritage to life just as much as our physical cultural assets. It is clearly important for the

Library to have a workforce that is respected and motivated at all levels. This is challenging for many organisations that have undertaken significant restructuring and, as the main funder of the Library, it is only right that we work with you to address any issues.

Specifically I would expect the National Library to:

- work towards harmonising your key human resources policies with those of the Welsh Government, in consultation with your recognised trade unions
- make an initial assessment of the terms and conditions and pay of National Library staff and the implications of bringing those into line with the Welsh Government
- continue to improve the relationship between the Board of Trustees, management staff and union representatives, and ensure that a formal agreement is in place between the Library and unions which sets out the principles for partnership working and procedures for negotiation, consultation and communication
- ensure staff receive appropriate training to provide high quality services, and any key skills gaps (including specialist skills) are identified and addressed strategically (in consultation with your recognised trade unions) in your workforce development planning

Underpinning changes to policies, staff surveys are essential to measuring staff morale and management effectiveness. I would expect that such surveys are carried out regularly and findings acted upon. I ask you to keep my officials informed of the results and trends analysis from your staff surveys, and to seek advice if this would be useful.

Thank you for the National Library's contribution to the work of the Historic Wales Steering Group. I will publish my response to the Group's report in due course. I look forward to working with the National Library as we progress this important agenda.

Yours sincerely



Ken Skates AC/AM

Ysgrifennydd y Cabinet dros yr Economi a'r Seilwaith
Cabinet Secretary for Economy and Infrastructure

Annex 1

Financial support:

The Welsh Government will provide the following Grant-in-Aid funding to the National Library in 2017-18 to deliver the priorities outlined in this letter:

| Revenue | Plans 2017-18 £ |
|---|----------------------------|
| Baseline running costs (net) | 9,261,000 |
| Additional revenue funding for 2017-18 (3.5%) | 324,000 |
| Total Revenue | 9,585,000 |

| Non Cash | Plans 2017-18 £ |
|-----------------|----------------------------|
| Depreciation* | 1,250,000 |

**Depreciation is a non-cash item and is not available for drawdown in the course of the year*

| Capital | Plans 2017-18 £ |
|------------------------------|----------------------------|
| Purchase Grant | 200,000 |
| Digital Infrastructure Grant | 105,000 |
| Capital Maintenance | 8,000,000 |
| Total | 8,305,000 |

| | |
|-----------------------------------|--------------------|
| Total Grant-in-Aid 2017-18 | £19,140,000 |
|-----------------------------------|--------------------|

| Invest to Save scheme funding | Plans 2017-18 £ |
|---|----------------------------|
| Invest to Save: Energy Efficiency Project (capital repayment) | -25,000 |

Additional non Grant-in-Aid funding which has already been earmarked to support specific activities:

| | Plans 2017-18 £ |
|--|----------------------------|
| People's Collection Wales programme | TBC |
| First World War Commemoration activities (revenue) | £20,000 |

Terms and Conditions of Grant-in-Aid funding:

The National Library's funding agreement with the Welsh Government (the Framework document) sets out the details of the sponsorship relationship and the terms and conditions under which the Welsh Government provides grant-in-aid funding to the National Library under Section 61 of the Government of Wales Act.

The Framework document also sets out various operational requirements and refers to government guidance and policies with which the National Library needs to comply, in addition to its own duties and responsibilities as a Charter body, Registered Charity, and public institution in Wales. As stated in the Framework Document, the Welsh Government's Museums, Archives and Libraries Division (MALD) is the sponsor division for the National Library, and monitors the Library's progress against key targets and milestones, progress and expenditure on funded projects, through quarterly meetings.

People's Collection Wales digital heritage programme:

The National Library receives a funding allocation from the total People's Collection Wales budget, as one of the lead delivery partners for this programme. Exact funding allocations for future years are agreed between the lead partners on an annual basis. Lead partner allocations may vary between financial years, depending on the needs and priorities of the programme.

Payment of grant is subject to compliance with the National Library's Framework Document.

Grwp yr Economi, Sgiliau a Chyfoeth Naturiol
Economy, Skills and Natural Resources Group

Dirprwy Ysgrifennydd Parhaol • Deputy Permanent Secretary



Llywodraeth Cymru
Welsh Government

Nick Ramsay AM
Chair, Public Accounts Committee
National Assembly for Wales
Cardiff Bay
Cardiff CF99 1NA

SeneddPAC@Assembly.Wales

18 October 2017

Dear Nick Ramsay

National Library of Wales: A review of Governance Report

Further to your letter dated 20 February 2017 regarding the above and my response dated 20 March, I am now writing to provide a full response in respect of the legal process following the fire as this matter has now been drawn to a conclusion.

You asked about us working with the National Library on the possible pursuit of litigation following the fire. The Library initially worked with their legal advisers on the investigation of the fire and whether it was worth the Library pursuing claims against various third parties. They then advised us in 2015 that they had reached a point where they would need additional funding in order to pursue these claims further. Since that time we have worked jointly with the Library and their legal advisers on these matters. I approved expenditure on legal fees of up to £57,000 for this work, to pursue potential claims against three parties who were involved in the process, based on a clear strategy, and which took account of Counsel opinion.

We have now reached a point where I have decided not to pursue any of these potential claims any further, based on an analysis in each case of the legal arguments, the further costs which would be incurred, and the prospects of bringing the claims to a successful conclusion. I have therefore provided my approval to abandon the pursuit of the potential claims, and I can advise the Committee that the legal process has been completed.

The legal costs incurred amounted to some £36,000.

Yours sincerely

James Price



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Mr Nick Ramsay AM
Chair of the Public Accounts Committee
National Assembly for Wales
Cardiff Bay
Cardiff CF99 1NA

Reference: HVT/2759/caf

Date issued: 25 October 2017

Deu Nick

National Library of Wales – A Review of Governance

On 30 January 2017, the Public Accounts Committee (the Committee) discussed briefly my Review of Governance at the National Library of Wales (the Library), published in December 2016. My review included 12 recommendations, ten of which were addressed to the Library's Trustees and managers, with two recommendations being addressed to the Welsh Government.

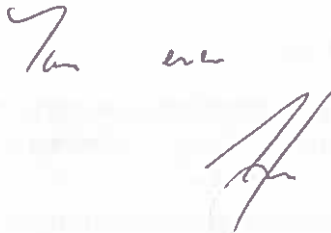
In my briefing to the Committee, I advised that Wales Audit Office staff would track the Library's progress in implementing its action plan in response to my recommendations. The Committee agreed to include the Library as part of its 'scrutiny of accounts' work in autumn 2017, providing the Committee with an opportunity to revisit the overall progress that is being made in response to the issues identified in my report.

The Appendix to this letter summarises my assessment of progress against each of the 12 recommendations in my report. Progress has been good in relation to most recommendations, particularly those relating to the effectiveness and transparency of the Board, and in improving the levels of trust and co-operation between management and staff. The Library has not yet fully addressed my recommendations in relation to workforce planning and asset management planning, but the work is in hand. Overall, the positive and systematic way in which the Library has responded to the recommendations is indicative of the considerable improvements in its governance arrangements and internal communication over the last 18 months.

I reported last December that the Library's ability to plan and manage its service delivery in the medium term is constrained by aspects of the Welsh Government's current funding arrangements. In my report I stated that the Library needed to re-assess the range and scale of services it provides and the quality standards it seeks to achieve in response to reductions in funding and staffing. Grant-in-Aid for 2017-18 included additional revenue funding of £324,000 (3.5% of the baseline running costs). The Library will also see a significant level of capital investment between 2017-18 and 2019-20, allowing it to

address some of the building's most urgent health and safety issues. The Library has continued to offer its full range of services. Nevertheless, staffing reductions have continued, albeit at a slower pace than before. The Library has not yet addressed explicitly in its strategic planning the difficult questions of what core services it may need to reduce or cease providing in future if levels of Grant-in Aid reduce.

However, the Library is necessarily proactive in seeking external grant funding. The award of Heritage Lottery Funding to accommodate the BBC Archive, for example, represents a significant recent success in this respect. The change from an annual operational plan to a four-year plan, updated annually to reflect the Welsh Government's Remit Letter, is beneficial in that it allows the Library the flexibility to re-prioritise and to adapt in order to accommodate such developments, and to align them as far as possible with existing workstreams. Nevertheless, the sustainability of the core services that the Library is required by its Royal Charter to provide remains a significant risk.



HUW VAUGHAN THOMAS
AUDITOR GENERAL FOR WALES

Appendix

National Library of Wales – A Review of Governance

Progress against recommendations

| Recommendation | Progress |
|---|---|
| <p>R1. We recommend that the Welsh Government clarifies its position in response to the Public Accounts Committee's recommendations that:</p> <ul style="list-style-type: none">• there should be greater clarity around the Library's insurance arrangements; and• those insurance arrangements should be reviewed. | <p>Implemented</p> <p>With the Welsh Government's financial support, the Library dealt with the direct consequences of the fire in 2013. However, when we were carrying out our initial review, discussions were continuing as to whether the Library might instigate a successful legal action against a contractor in order to recover some of the expenditure incurred. In its Scrutiny of Accounts 2014-15, the National Assembly for Wales Public Accounts Committee expressed the view that, 'the fire of 2013 raises questions regarding the National Library's insurance arrangements.' The Committee recommended (Recommendation 3) that the Library's insurance arrangements, 'be reviewed as a matter of urgency to ensure future arrangements are cost effective and minimise losses to the public purse' and (Recommendation 4) that 'there is a need for greater clarity around the National Library's insurance arrangements and we recommend that discussions take place with the Welsh Government to address this.'</p> <p>The Welsh Government has funded the costs incurred in considering the pursuit of litigation against other parties in respect of the fire in 2013. This legal process is now complete.</p> <p>In addition the Library has reviewed its own insurance arrangements and there is now greater clarity around them. In particular, the Library is strengthening its contracting arrangements to ensure that all suppliers of goods, services and capital works have appropriate insurance in place.</p> <p>After consultation with the Welsh Government and the Charity Commission, the Library has also decided to take out and fund commercial trustee indemnity insurance that covers all Trustees, whether appointed by the Welsh Government or by the Library.</p> |

| Recommendation | Progress |
|--|---|
| <p>R2. In order to increase the level of mutual understanding of the roles of staff and the Board, the Library should:</p> <ul style="list-style-type: none"> • create both formal and informal opportunities for Trustees and staff to meet regularly; and • establish protocols to ensure that engagement between Trustees and staff does not undermine the Library's line-management structures. | <p>Implemented</p> <p>The level of mutual understanding of the roles of staff and the Board is increasing.</p> <p>Trustees are constructively engaging with staff, both formally and informally, in a good range of different ways. For example:</p> <ul style="list-style-type: none"> • Trustee involvement in formal committees and groups that include staff; • Trustee attendance at Library events; • new internal communication channels designed to raise the profile of Trustees, such as the issuing of a Board Bulletin and pen-pictures of Trustees on the Library's website. <p>The President and Trustees are keen to have further engagement with staff wherever possible so that both sides have a better understanding of the work of each other.</p> <p>To guard against Trustees undermining the Library's line management structure, the Library has revised its Corporate Governance Framework (incorporating the Trustees' Code of Conduct), amplifying the Library's Regulations in relation to the standards of conduct expected of Trustees. Also, newly appointed Trustees follow an induction programme covering their duties as Trustees and their role in the functioning and operation of the Library, and they are also well supported by a governance handbook.</p> |
| <p>R3. In order to improve the effectiveness of its meetings, the Board should:</p> <ul style="list-style-type: none"> • in formulating and scheduling agenda items, give priority to those items requiring a decision; • focus discussion on reaching a decision where such a decision is required; • record decisions clearly in the minutes; and • establish and maintain an action log, and review its status at each Board meeting. | <p>Implemented</p> <p>The effectiveness of Board meetings has improved.</p> <p>Board meetings are well run and business-like, with matters that require discussion and decisions being prioritised.</p> <p>Decisions are clearly reported in the minutes and action logs are in place and reviewed at each Board meeting.</p> |

| Recommendation | Progress |
|---|---|
| <p>R4. In order to enhance the quality of decision making at Board meetings, the Board should establish further committees with clear terms of reference, and whose remits might include matters relating to:</p> <ul style="list-style-type: none"> • the workforce, including staff remuneration; and • the Library estate. | <p>Implemented</p> <p>The Board and the Governance & Performance Committee have considered the need for further committees. The role of the Governance & Performance Committee has become fully established, and the Board has also created the Financial Planning Committee to support the work of the Board. The work of the committees is making a positive contribution to the Board's effectiveness.</p> <p>The Board plans to establish an Estates Panel and has concluded that, at present, no further committees are necessary.</p> |
| <p>R5. In order to increase the level of trust and co-operation between staff and the Library's leadership:</p> <ul style="list-style-type: none"> • the executive team should engage the Trades Unions when considering the structure, content and frequency of a single staff perception survey, and seek the support of the Trades Unions in encouraging full participation by all staff; and • the results of future staff surveys should routinely be reported to the Board. | <p>Implemented</p> <p>Internal communication and engagement within the Library are much improved, reflecting the efforts of the Board, management and staff. This has contributed extensively to increasing levels of trust and co-operation between staff and the Library's leadership. The Library acknowledges the need to maintain its focus on further developing internal communication.</p> <p>In order to maintain comparability with previous surveys and with surveys conducted in other public bodies, the Library and Trades Unions have chosen to implement separate staff perception surveys for 2017.</p> <p>In previous years, there has been limited communication between the Executive, the Trades Unions and, in particular, the Board about the results of staff perception surveys.</p> <p>The Library and Trades Unions have now agreed to present a consolidated analysis of the two surveys to the Board in 2018. This represents a significant step forward.</p> |
| <p>R6. In order to increase the transparency of Board meetings, the Library should publish on its website:</p> <ul style="list-style-type: none"> • papers supporting agenda items in open sessions; and | <p>Implemented</p> <p>The transparency of Board meetings has improved.</p> <p>Alongside agendas and minutes, the Library now publishes covering reports for agenda items on its</p> |

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| <ul style="list-style-type: none"> brief reasons supporting the decision to restrict the public from those items to be discussed in closed session. | <p>website in advance of Board meetings. The covering papers outline the nature of the full report.</p> <p>Although the detailed supporting papers for each agenda item are not published, the Library is acting in accordance with its revised Regulations. We consider that the level of information published is proportionate as it sufficiently informs the public of issues to be discussed and allows them to seek further information before the meetings should they wish to do so.</p> <p>The use of closed sessions is more limited than in the past, and public agendas reference what is to be discussed in closed sessions.</p> |
| <p>R7. As part of future financial planning, the Board should consider establishing targets for the upper and lower limits of its balance of unrestricted private funds and set out clearly the reasons for its decision.</p> | <p>Implemented</p> <p>The Library has approved a Private Funds Investment Policy that includes upper and lower limits of its balance of unrestricted private funds. The new policy provides the Library with adequate flexibility and, at the same time, provides reference points for decisions about the use of private funds, and a rationale to justify the level of funds held.</p> |
| <p>R8. In order to support the Library in fulfilling its statutory duty to plan for a sustainable future, the Welsh Government should consider:</p> <ul style="list-style-type: none"> notifying the Library of its annual funding allocation at the earliest opportunity in the preceding financial year; and resume the practice of providing indicative budgets to the Library once the UK Government confirms indicative levels of future funding to the Welsh Government. | <p>Partially implemented</p> <p>The Welsh Government's response on 2 February 2017 to the recommendation is set out below:</p> <p>"We always inform the National Library of their budget on the day on which the Welsh Government's Draft Budget is published. This is subject to confirmation in the Final Budget. Budgets since 2015-16 have been developed against the backdrop of unprecedented uncertainty. Our intention throughout summer 2016 was to publish a budget for a three-year horizon, which would have provided our partner organisations with greater certainty in planning for a longer budget period. However, the lack of clarity about the revenue resources available beyond 2017-18 meant this ambition was not possible. As a result, we were able to only lay a one-year revenue budget, with capital budgets for four years.</p> <p>As we consider future Welsh Government budgets, we will continue to work with partners to provide the available indicative information to inform their forward financial planning. Our aim</p> |

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| | <p>is always to provide a longer run of budgets whenever possible.”</p> <p>The Welsh Government’s draft budget, published on 24 October 2017, sets out the Library’s draft Grant-in-Aid for 2018-19 and a planned figure for 2019-20.</p> |
| <p>R9. In implementing its income generation strategy, the Library should ensure a consistent approach to the implementation and monitoring of departmental business plans that includes a rigorous analysis of income generated and the associated costs.</p> | <p>Implemented</p> <p>The Financial Planning Committee approved an action plan for income generation in February 2017. Departments are adopting a consistent and more business-like approach and consider income alongside the costs incurred in generating it, with clear departmental income targets for 2017-18 being established.</p> <p>The Board and the Financial Planning Committee monitor the implementation of the income generation strategy regularly at both corporate and departmental levels.</p> |
| <p>R10. In developing its new Strategic Plan to succeed ‘Knowledge for All’, the Board should adopt a three-year business plan, to be updated annually, that:</p> <ul style="list-style-type: none"> • enables the more timely production of the annual Operational Plan, thereby allowing sufficient Board engagement; and • establishes a suite of projects and accompanying budgets and governance arrangements that, together, will deliver its Strategic Plan. | <p>Implemented</p> <p>The Library has produced a new Strategic Plan and a new Operational Plan, each covering the four-year period 2017-2021. The two documents are consistent with each other and their content reflects both internal and external engagement. An annual supplement to the Operational Plan addresses the requirements of the Welsh Government Remit Letter.</p> <p>The Library’s four-year work programme, underpinned by detailed annual operational plans, assumes a stable financial settlement.</p> <p>The Library’s ability to plan and manage its service delivery in the medium-term remains constrained by aspects of the Welsh Government’s current funding arrangements (see Recommendation 8). The Library has not yet had to re-assess the range and scale of services it provides and the quality standards it seeks to achieve in response to the reductions it has experienced in funding and staffing.</p> <p>The Library’s strategic planning has not yet explicitly addressed the difficult questions of what core services it may need to reduce or cease providing in future if levels of Grant-in Aid reduce.</p> |

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| | <p>The approach of having a four-year Operational Plan that identifies the outputs and outcomes the Library aims to deliver by 2021 gives the Library the opportunity to identify the medium-term consequences of any difficult decisions it needs to make to respond to unforeseen changes in its external environment.</p> |
| <p>R11. In producing its Workforce Development Strategy, implement a two-phased approach to managing workforce planning by:</p> <ul style="list-style-type: none"> • assessing the current workforce arrangements in order to inform a strategic review of the Library's functions and future delivery; and • once the strategic direction is clear, develop a 'People Strategy' that reflects the corporate plan and which includes the elements of workforce planning, succession planning, and talent management. | <p>Ongoing</p> <p>Most of the work required for this recommendation lies ahead, and many of the problems of the past remain in terms of recruitment, retention and the consequent erosion of the skill base.</p> <p>There is a clear, timed commitment within the Strategic Plan and Operational Plan to address this recommendation. A Skills Audit is planned for December 2017 and the Library has committed to producing a People Strategy and a Workforce Development Plan during 2018.</p> |
| <p>R12. In developing its asset management planning, the Library should:</p> <ul style="list-style-type: none"> • align the plan with its medium-term strategic planning, taking account of the agreed vision for the nature and volume of services that the Library will offer from its site in Aberystwyth; • assess the current condition of its estate assets, identifying how well they are serving the needs of the Library, and the costs of the action needed to bring them up to the required standards to deliver the Library's Strategic Plan; • establish a realistic baseline for future routine maintenance costs; | <p>Ongoing</p> <p>Since the report was published the Welsh Government has provided capital funding of £7.75 million to carry out a major capital programme over the period 2017-2020.</p> <p>The Library is prioritising how to use this funding carefully to address significant health and safety risks and storage issues. A Programme Board has been set up to deliver this capital programme. The Library is also responding well to the challenge of accommodating the BBC archive.</p> <p>Looking into the medium-term, the Library's Strategic Plan and Operational Plan set out its commitment to developing its long-term asset management plans. An Estates Panel is soon to be established that will be strategically-focused and look at the Library's future estate requirements.</p> |

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| <ul style="list-style-type: none"> • prioritise the assets that need attention, demonstrating how planned improvements will contribute to delivering the Library's strategic objectives and the risks associated with not carrying out the work; and • work alongside the Welsh Government to identify the sources of the funding needed to develop and maintain the assets. | |

