



Cyngor Celfyddydau Cymru
Arts Council of Wales

GENERAL ACTIVITIES ACCOUNT

Report and Financial Statements
for the year ended 31 March 2014



Noddir gan
Lywodraeth Cymru
Sponsored by
Welsh Government

Charity number 1034245

THE ARTS COUNCIL OF WALES GENERAL ACTIVITIES ACCOUNT

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ANNUAL REPORT for the year ended 31 March 2014

TRUSTEES' ANNUAL REPORT

Reference and administrative details

Trustees

Council Members who served since 1 April 2013 were:

		Attendance at meetings during 2013/14			
		Council	Audit Committee	Capital Committee	Remuneration Committee ¹
		Number of meetings held:			
		6	5	5	0
Professor Dai Smith, Chairman	(c)	6			Committee Chair n/a
Dr Kate Woodward, Vice-chairman	(d)	3			
Emma Evans (to 31 March 2014)	(a)	5	Committee Chair (to March 2014) 5		
Dr John Geraint	(a)(c)	4.5	Committee Chair (from April 2014) 1/1		n/a
Michael Griffiths OBE	(a)	4.5	3.5		
Melanie Hawthorne		5			
Dr Lesley Hodgson	(a)	3.5	0/1		
Margaret Jervis MBE DL	(c)(v)	4.5			n/a
Marian Wyn Jones	(i)(iii)	4			
Andrew Miller		6			
Osi Rhys Osmond	(d)	5			
Richard Turner	(ii)(iv)	5			
Alan Watkin	(a)(b)	6	(to December 2013) 3/4	5	
Professor Gerwyn Williams	(b)	3		Committee Chair 5	
John C Williams	(a)(b)	6	(to December 2013) 4/4	2	
<i>Attendance of independent Committee members:</i>					

		Attendance at meetings during 2013/14			
		Council	Audit Committee	Capital Committee	Remuneration Committee¹
		Number of meetings held:			
		6	5	5	0
Gareth Jones	(a)		5		
Phillip Westwood	(a)		4		
Jonathan Adams (to October 2013)	(b)			2/3	
Mark Davies	(b)			4	
Roland Wyn Evans	(b)			4	
Alan Hewson (appointed March 2014)	(b)			1/1	
Janet Roberts (to October 2013)	(b)			1/3	

¹ In the absence of guidance from the Welsh Government in respect of the Chair's remuneration and Chief Executive's salary, the Remuneration Committee did not meet during 2013/14.

- (a) Member of Audit Committee
- (b) Member of Capital Committee
- (c) Member of Remuneration Committee
- (d) Member of Wales at the Venice Biennale of Art Committee

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

- (i) Betsi Cadwaladr Health Board
- (ii) Monmouthshire County Council
- (iii) S4C
- (iv) University of Wales
- (v) Wales Council for Voluntary Action

Chief Executive

Nicholas Capaldi

Offices

Mid and West Wales region:

The Mount
 18 Queen Street

North Wales region:

Princes Park II
 Princes Drive

*South Wales region
 and national office:*

Bute Place
 Cardiff

Carmarthen
SA31 1JT

Colwyn Bay
LL29 8PL

CF10 5AL

Auditor

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

Internal auditors

Deloitte LLP
5 Callaghan Square
Cardiff
CF10 5BT

Solicitors

Geldards LLP
Dumfries House
Dumfries Place
Cardiff
CF10 3ZF

Bankers

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

Annual Governance Statement

This governance statement is the personal responsibility of me, Nicholas Capaldi, the Arts Council of Wales' Accounting Officer and Chief Executive. It sets out the governance arrangements of the Arts Council of Wales. 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.

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, 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; and,
- work through the Welsh and English languages.

We also work with other public bodies in Wales, and with the other Arts Councils in the UK, to achieve these aims. You can find a copy of our Royal Charter on our website.

We operate within a carefully prescribed and regulated environment. The Arts Council of Wales is accountable to the Welsh Government's Minister for Culture and Sport. We have to operate 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.

Along with other public bodies in Wales, we also have to operate within the guidance contained in *Managing Welsh Public Money*. The activities we carry out in connection with our *Collectorplan* scheme and Artists Loans scheme are subject to the Consumer Credit Act and guidance issued by the Financial Conduct Authority.

We are a distributor of Lottery funds which, under the National Lottery etc. Act 1993 (as amended), means 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 have to account for lottery distribution activities separately from the rest of our activities, and have appropriate arrangements in place to ensure we produce two sets of published financial statements. Our Lottery Distribution accounts are audited on behalf of

the Comptroller and Auditor General by the Wales Audit Office. The Wales Audit Office also audits our General Activities account on behalf of the Auditor General for Wales.

As a charity we have to ensure that we comply with the requirements of the Charities Acts 1960, 2006 and 2011, and follow guidance issued by the Charity Commission.

We have designed our systems and processes 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.

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

Our Governance arrangements:

We are governed by a Board of Trustees – Council – which currently consists of a Chair and thirteen members (fourteen up to 31 March 2014), one of whom is appointed as Vice-Chair. Since March 2013 the Welsh Government's Minister for Culture and Sport has been responsible for appointing our Trustees, each of whom brings specific expertise and knowledge to the oversight and development of our activities.

Appointments are usually for a three year term, renewable a maximum of twice. The Chair of Council is a remunerated position; rates are set annually by the Welsh Government. All other members provide their time and expertise on a voluntary basis, but are reimbursed for out-of-pocket expenses incurred on Council business. A summary is contained in note 9b of these financial statements.

Council is responsible for the strategic direction and management of our organisation. It is responsible for ensuring, through me as the Chief Executive, that we operate within the policy framework set by the Welsh Government, and that we satisfy the various other accountabilities required of us. The Chair maintains regular contact with the Minister, and the Chief Executive meets officials quarterly to provide updates.

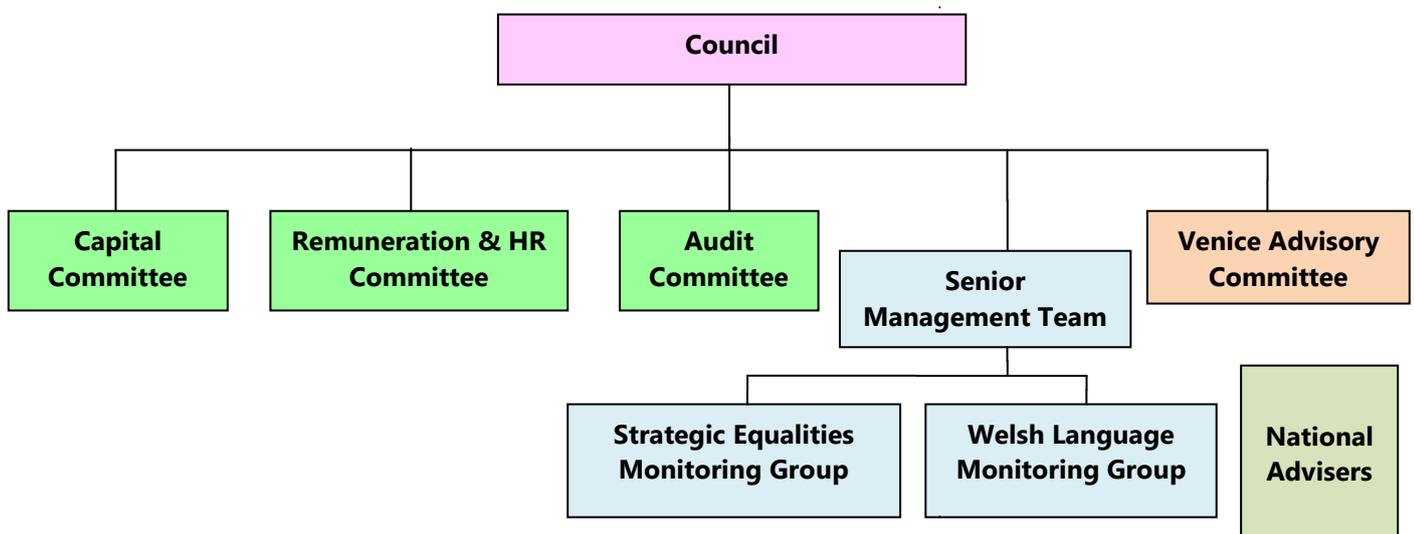
As the ultimate decision making body for the organisation, Council members have retained key decisions on corporate policy, the formulation of our Corporate and Operational Plans, and any major alterations to the terms and conditions of service for staff. They also set the annual budget, decide on the annual allocation of grants to revenue-funded organisations, and approve all grants of over £50,000, or in the case of Lottery funded capital projects over £250,000. Decisions on grants below these thresholds have been delegated to authorised staff, and to the Capital Committee respectively.

To help support its work, Council has appointed three committees to provide specialist advice. These are: Audit; Capital; and Remuneration & Human Resources Committees. It also has an *ad hoc* advisory committee, to advise on Wales in Venice, and internal monitoring groups who, via the Senior Management Team, assist Council in meeting its responsibilities.

Each committee includes Council members, one of whom acts as chair, and co-opted individuals, and is required to operate under specific terms of reference. Independent committee members are appointed for their specialist skills and experience, through an open selection process. Minutes of each committee meeting are provided to the next available full meeting of Council and each committee is also required to submit an annual report to Council, summarising its work.

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.

During the year, Council reviewed and updated the terms of reference of each of the Committees, and in some cases changed membership. In order to provide further assurance, Council expanded the role of the Remuneration and Appointments Committee to include oversight of Human Resources.



The Audit Committee is responsible for providing assurance to Council on the effectiveness of our governance, risk management and internal control arrangements. It reported to Council on the main focus of its work, including our internal governance arrangements, and the development of a Corporate Assurance Framework; the monitoring regime of our portfolio of revenue-funded organisation (RFOs); and the internal audit programme, the majority of reviews of which resulted in substantial assurance or higher.

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

The Remuneration & HR Committee is responsible for reviewing the performance of the Chief Executive against agreed objectives, and for setting targets for the forthcoming year. It also agrees the level of remuneration for the Chair within the limits determined by the

Welsh Ministers. In future, it will have responsibility for monitoring HR matters on behalf of Council.

Neither the Capital nor Remuneration & HR Committees made formal annual reports to Council.

Details of membership of Council and these three committees, together with details of members' attendance at meetings, can be found in the *Reference and administrative details* section at the beginning of the Trustees' Annual Report.

The Venice Advisory Committee was responsible for developing and overseeing the organisation of our presence at the 2013 Venice Biennale of Art.

The Senior Management Team (SMT) is led by me, supported by five Directors each responsible for particular aspects of our work. The Directors of Arts; Engagement & Participation; and Enterprise & Regeneration make up the Arts Development team, whilst the Directors of Finance & Resources; and Investment & Funding Services make up the Corporate Services Team. I also have a Chief Executive Team. Further details are contained in the Remuneration Report and note 9 of these financial statements.

We also had two internal monitoring groups, the Strategic Equalities Monitoring Group, and the Welsh Language Monitoring Group, to help drive forward Council's agenda in these areas. The Strategic Equalities Monitoring Group produced a comprehensive Annual Equity Report for 2012/13 which examined our RFO portfolio and our people – staff, Committees and advisers – in detail. The report also cited relevant examples of other work we funded. A copy can be found at <http://www.artscouncilofwales.org.uk/arts-in-wales/engagement-and-participation/equality-and-diversity>. Quarterly updates from both groups were provided to Council.

Our National Advisers are appointed through an open recruitment process and bring specialist knowledge to help support policy development, the assessment of grant applications, and to provide advice to officers.

We promote values of good governance:

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

To help support this, we have a Code of Best Practice which helps ensure 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.

We require each member of Council, of each Committee, and all National Advisers and staff to complete an annual declaration of interest statement, and to ensure that changes in circumstances are promptly notified. 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.

Written reports 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. You can find copies of the agenda and minutes of our Council meetings on our website.

As part of our commitment to improving our performance, we are keen to learn from other comparable public bodies. Working with Higher Education Funding Council for Wales, we were the first Welsh Government Sponsored Bodies to hold reciprocal visits for the Chairs of Audit to attend each other's Audit Committee as observers.

Although the Corporate Governance code issued by HM Treasury does not directly apply to Arts Council of Wales, 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.

We take 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 inform decisions. 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 to properly consider and debate policy and the future direction of the organisation.

Council was content with the timeliness and quality of data and information provided for its use, and that the information provided in respect of grant funding was reliable. The systems used to provide the information on grants are reviewed annually as part of the internal audit programme.

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

Matters considered by Council during the year:

Council met six times during 2013/14 to discharge its responsibilities. In total the fifteen members attended on 69 out of a possible 90 occasions. Satisfactory explanations of absence were received in all cases. Details of individual attendance can be found at the beginning of the Trustees' Annual Report.

Creativity and the Arts, our arts development strategy, sets out the key arts challenges in the next few years, and forms the basis of the 2013-2018 Corporate Plan. The development of the strategy was informed by a series of open meetings – *Sgwrs Gelfyddydol* – with stakeholders and other interested parties. Members of Council were actively involved in driving forward this key piece of work.

As part of its governance responsibilities, Council received regular financial monitoring reports; updates on key areas of performance including the Operational, Strategic Equalities and Welsh Language Plans; and monitoring reports on our portfolio of RFOs. Satisfactory progress was made on most areas, but regrettably we were unable to retain our Investors in People accreditation. We intend to re-apply in the next year.

Regular updates were provided on strategically important projects, including the high profile, and very successful, WOMEX13 and Venice 2013 projects. There were also presentations from our Portfolio Managers, from some of the National Companies in the RFO portfolio, and from *Coreo Cymru*, the creative producer for dance in Wales.

Three RFOs experienced serious difficulties during the year. Council considered reports and recommendations from officers and specialist advisers in connection with these organisations. In certain cases, Council insisted on significant changes in the organisations, as a condition of continued funding, in order to try and safeguard their futures. These organisations will all continue to be the subject of detailed monitoring until such time as we feel confident that they have stabilised and are operationally sustainable.

Following the introduction of our new organisational structure in May 2012, we commissioned surveys of our external customers and stakeholders, and of our staff to help inform an initial review of the effectiveness of the new arrangements. During 2014/15 we will be considering where further work is needed, and responding accordingly.

Council's annual self-assessment review concluded it was satisfied that the vast majority of its indicators of effectiveness had once again been met, and that it was content with progress made during the year, and with the overall effectiveness of the organisation. Allied to this, and as part of its commitment to excellence and continual improvement, Council intends to prioritise, over the coming year, policy and its enactment by deepening its relationship with SMT and other key staff, and further improving the alignment of strategy and budget setting.

We provide funding to third parties:

A key activity of the organisation is the distribution of funding to the arts sector in Wales. We are a major distributor of funding – from the Welsh Government, the National Lottery and other sources, including European funds – and take such responsibility very seriously.

We have developed appropriate 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 both internal and external

auditors are monitored by our Audit Committee to ensure they are implemented on a timely basis.

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

Regular reports showing the risk assessment of each of our annually funded RFOs are produced for Council. These are supported by a report setting out the key themes that emerged from the series of annual review meetings held with each RFO.

As indicated above, when necessary we take a pro-active approach with organisations that run into difficulties, and invest time and energy to help them resolve matters of concern.

We publish annual guidelines for each of our Lottery funded grant programmes. You can find details on our website.

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

We take a risk-based approach to our assessment of applications and 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, such occurrences, including Whistle-blowing and Anti-fraud policies.

A full list of grants offered during the financial year can be found in the annex to this Report and Financial Statements.

Our approach to risk management:

Council takes a considered view of risk in line with its responsibilities both as a publicly-funded body and the nature of the sector it serves.

It recognises that any ambitious developmental strategy has to accept the potential of some risk of failure to achieve policies, aims and objectives. Our aim is to promote a more innovative, less risk-averse culture in order that we can support artists, organisations and projects to deliver our objectives.

We need to balance our duty to innovate with the ever-increasing need to maximise the benefits of our investment for the sector and for the public. We need to take appropriate but considered risks on occasions, and to acknowledge that there might be occasional

failures. However, we would not behave recklessly, nor would we wilfully squander public money nor endanger our reputation for prudence.

We have a system of internal control which has been designed to identify and prioritise the risks that could prevent us achieving Council's policies, aims and objectives. It evaluates the likelihood of the risks being realised, considers the impact should they occur, and seeks to manage them efficiently, effectively and economically. However, we recognise our system of internal control can only manage risk to a reasonable and appropriate level, and can therefore only provide reasonable and not an absolute assurance of effectiveness.

We are always looking to improve our internal control systems, to ensure they help us achieve our funding and strategic goals. A key initiative which came to fruition during the year was the development and implementation of a Corporate Assurance Framework, overseen by our Audit Committee. The framework is used to identify the robustness of the underlying controls and assurance processes used to identify and manage key strategic risks. Any aspects that need strengthening are highlighted so that appropriate action can be taken.

Key risks facing the Arts Council:

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

The most significant strategic risk in the immediate future is the impact of cuts to public expenditure and the potential impact this may have on the wider arts sector. Our own budgets are under pressure. We have had to reduce the level of annual revenue funding to our RFO portfolio, as well as finding further savings in our own running costs. Local Authorities also have to take difficult decisions and there is growing evidence that the level of support they have previously provided to the arts sector will suffer. This could have serious consequences for the arts infrastructure across Wales. We are closely monitoring the situation and, where we are able to, will address issues where we are a key funder, or where we can have direct influence.

We have two large Lottery funded capital projects in progress. Both, for differing reasons, have experienced difficulties during the year, and are being closely monitored with the help of independent specialists using our rigorous monitoring procedures. Each of the other capital projects we are involved in is also being closely monitored.

The sharp increase in our Lottery income in recent years presented challenges in terms of increasing the level of commitments, with a resultant increase in the level of our balances held within the National Lottery Distribution Fund. We have begun to address this, but we are now beginning to see a reduction in income levels. Although manageable currently, if this proves to be a sustained downward trend we will need to re-assess our strategic priorities for grant awards for the next few years. We are closely monitoring the situation.

Earlier in the year our Chair was invited to lead a review into the state of arts education in Welsh schools. The Welsh Government accepted the main recommendations in the *Arts & Education in the Schools of Wales report* in March 2014, and we look forward to playing a significant role in its implementation. The scale of the changes proposed is ambitious and

it is likely that the scale and complexity of the programme needed will involve us in a number of major developments. We welcome the opportunity, but also recognise the need to manage carefully the many risks such an initiative will bring.

Later this year the Welsh Government is expected to introduce its *Future Generations* Bill and its commitment to sustainability duty. We have preparatory work underway to ensure we are able to fully discharge our duties when they take effect in April 2015.

Security of data:

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

Neither the high level review over ICT controls carried out by our external auditors, nor our programme of internal audit reviews carried out during the year, highlighted any matters of 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.

Control issues identified during the year:

Our internal audit service is provided by Deloitte LLP under the guidance of a nominated Head of Internal Audit, working to the Public Sector Internal Audit Standards.

Audit Committee agrees a programme of reviews covering the period of appointment of our internal auditors. Priorities for each year are reviewed annually, and contain audits of key business activities, as well as examining key areas of potential risk to the organisation. The reviews are designed to provide assurance and to assist management by identifying improvements where they are considered necessary.

Ten internal audit reviews were carried out during the year. Of these one was the annual follow up review of previous recommendations and three were advisory reviews. The remaining six reviews resulted in either substantial or full levels of assurance. All recommendations raised by internal audit are reported to Audit Committee which monitors them to ensure appropriate action is taken on a timely basis.

The internal auditors concluded that their overall assessment of the review of Corporate Governance provided full assurance and in respect of risk management, substantial assurance.

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

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

The findings of the National Audit Office and Wales Audit Office’s annual audits are reported in an Additional Assurance Report and Management Letter addressed to Council. A copy is provided to the Permanent Secretary of the Welsh Government. The Audit Committee considers the findings and monitors them to ensure appropriate action is taken on a timely basis.

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
11 July 2014

Endorsed on behalf of Council:

Professor Dai Smith
Chairman
11 July 2014

Structure, governance and management

Members' induction and training

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

Council Members reserve to themselves matters such as decisions of policy, the Corporate and Operational Plans, the setting of the annual budget, the annual allocation of grants to revenue-funded organisations, and major alterations to the terms and conditions of service for staff.

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

Objectives, activities, achievements and performance for the public benefit

The Council's chartered objects are:

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

The Council's main purpose is to support and develop the arts in Wales for the benefit of people throughout Wales. The principal way in which Council seeks to fulfil this purpose is by the formulation of arts strategies, research, and providing recurrent and one-off grants

to organisations and individuals within a strategic and developmental context. Such grant making is backed up by a process of monitoring and assessment to ensure that public money is used effectively for the intended purposes. The Council also manages a range of non-grant activities and services, often in partnership with local authorities and others.

Main objectives for the year

The Council's strategic priorities for 2013/14 are set out in the table below according to our Corporate Plan themes, alongside key achievements made in relation to each operational target during the year:

Supporting the best in the creation of great art – What will success look like?		
<p>We are passionate about the arts. We are ambitious for their success. At their best – and it's the best we're interested in – the arts have the power to excite, inspire, move and challenge. We want to shape an environment for our artists and organisations in which they can create their best work. We want the people of Wales to be able to enjoy and take part in the best that our nation has to offer. And we believe that the best experience of art only happens when this chord is struck, when art connects. That's our definition of great art. Making art, sharing art, being a part of it, in the community, in performance, off the page, in a space, in lives – this is when art works, inspirationally, individually, collectively.</p> <p>Of course, we can't guarantee that every artist or arts organisation that we support will always be producing work at the top of their game. However, we <u>can</u> help to create an environment in which ambitious, exciting and compelling work becomes a more likely outcome.</p>		
Action	Target	Achievements and performance
1. Produce a new corporate strategy for arts development (<i>Creativity and the Arts</i>)	<ul style="list-style-type: none"> • Consultation on draft proposals during Q1 • Publication of new Strategy during Q2 • First phase of implementation during Q3-4 	<p>Council approved the latest draft for consultation in December.</p> <p>Consultation ran until 30 April 2014.</p>
2. Deliver successful Cymru yn Fenis/Wales in Venice project with featured artist Bedwyr Williams	<ul style="list-style-type: none"> • Number of visitors by end of Q3 exceeds figure for 2011 • Extent of media coverage exceeds previous years • Specific identifiable development opportunities for the visual arts sector in Wales 	<p>The Exhibition closed on 23 November 2013 with final attendance figures of approximately 23,000. The Wales pavilion attracted almost 30,000 visitors in 2011.</p> <p>A full evaluation report on the project was taken to Council in February together with the proposed strategic approach to Cymru yn Fenis/Wales in Venice in 2015. These were approved by Council and a budget allocated.</p>
3. Contribute to the planning, development and delivery of a successful Dylan Thomas 100 Festival during 2014	<ul style="list-style-type: none"> • Attendance at Steering Group meetings • Published programme of events by Q2 	<p>A prospectus has been prepared and the programme of activity has been launched and is underway.</p> <p>We will take the lead in co-ordinating PR opportunities for arts events throughout 2014 and will continue to monitor the funded projects and their staged contribution to the Festival throughout the year.</p>
4. Support the development of our National Advisers (NAs) and their engagement with our work	<ul style="list-style-type: none"> • Development of an online community for National Advisers including six monthly Newsletter • Two workshop/briefing events held during 2013/14 	<p>Discussion groups were held, informing the drafting of the Strategy: <i>Inspire: Our strategy for Creativity and the Arts</i>.</p> <p>During 2013/14 we have not been able to progress Hwb (intranet) access for NAs. This consideration will be factored into a subsequent work programme as Hwb develops as a resource.</p>

Action	Target	Achievements and performance
5. Ensure nationwide monitoring of the quality of our revenue-funded organisations (RFOs)	<ul style="list-style-type: none"> • Two quality monitoring reports by National Advisers for each RFO • A minimum of two quality monitoring reports by Arts Council staff for each RFO • Officer overview report for each RFO • Increased participation in Quick Review initiative 	<p>Work is underway in consideration of the recommendations contained in the Advisory report by our internal auditors, presented at the end of 2013/14.</p> <p>Appraisals have been commissioned from National Advisers.</p> <p>At the end of the year we completed 152 Quality Appraisals which equated to 53% of our annual quality monitoring target. Officer reports were significantly behind target. A radical overhaul of Quality Appraisal will be necessary to correct this position in 2014/15.</p>
6. Deliver a full year programme of grant awards to individuals and organisations	<ul style="list-style-type: none"> • Administration of grants management processes • Delivery of Creative Steps programme • Delivery of Creative Wales awards and Creative Wales conversations 	<p>We commissioned an external evaluation of the effectiveness of the Guidelines and will be considering a review of the whole grant process and Guidelines to ensure that they reflect Creativity in the Arts and possible incorporate a reduction in the number of funding programmes.</p> <p>We are still progressing work on the next stage of Creative Steps and have continued to make awards with two major projects reaching a significant stage of development in the last quarter.</p> <p>Creative Conversations, rounded off with an award ceremony for the Creative Wales Awards took place in February. The event was well received by attendees.</p>
7. Deliver programme of projects and services that assist artists and arts organisations to exploit the international potential of their work	<ul style="list-style-type: none"> • Develop successor programme to Creating 2013 • Year 3 of Wales Arts International/British Council partnership and negotiate next phase of collaboration • Lead on WOMEX 2013 • Deliver digi-music tourism project • Participate in European networks and future project developments • Engage with the development of Creative Europe and other future strands of European Funding • Use Wales European Arts Forum provide intelligence and guidance for arts organisations seeking European funding • Work on showcasing (e.g. Edinburgh, SxSW) • Strategic work with Welsh Government in priority countries • Deliver funding through the International Opportunities 	<p>We are continuing to deliver across a broad range of international activity and PR opportunities are discussed continuously with the WAI team to ensure maximum exposure is achieved.</p> <p>The next WAI 5 year strategy is being drafted in line with Creativity and the arts. The new partnership agreement with British Council is still in progress and will be agreed in 2014/15.</p> <p>We will be working with Welsh Government's Department for Economy Science & Transport to establish the best solution for delivering the Creative Europe Funding programme in Wales. We have agreed to look at a secondment in 2014/15.</p> <p>85 artists have been supported to date through the International Opportunities Fund.</p> <p>WOMEX 13 took place in October and was a resounding success as an event. The headline achievements were reported to Council in December. The targets for the event have been met or exceeded. As the event was entered into largely for its potential to have legacy, the team is now engaged in evaluation and the wrap up of the project which will extend into the new financial year.</p>

8. Use our media contacts to promote the arts in Wales	<ul style="list-style-type: none">• Level of coverage and air time received for the arts increases	The Communications Strategy has been approved by SMT. Media opportunities are continuously explored. Monthly meetings with media contacts remain valuable.
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Action	Target	Achievements and performance
9. Deliver effective presence at external events, promoting and supporting the arts in Wales	<ul style="list-style-type: none"> • Successful presence at National Eisteddfod, Urdd Eisteddfod and Hay 	<p>The National Eisteddfod presence was deemed a success. More visitors attended Y Lle Celf than in previous years.</p> <p>WOMEX 13 took place in October and was a resounding success. A full evaluation report was presented to May 2014 Council.</p>

Encouraging more people to enjoy and take part in the arts –
What will success look like?

Levels of arts attendance and participation are currently high in Wales. But as average household income reduces, attendance and participation figures will come under pressure. However, it's not just about defending and protecting what already exists. We want to see the arts activities that we support reaching out to a wider cross section of the population of Wales – to people who've previously experienced barriers to attending and taking part in the arts.

Action	Target	Achievements and Performance
10. Work with the Welsh Government to support the implementation of the findings of the Arts and Education Review	<ul style="list-style-type: none"> • Action Plan agreed • Findings of RFO mapping exercise published by Q2 • Design and produce final report for Welsh Government 	<p>Welsh Government's response has been received. The Government has accepted all of the report's recommendations and identified funds for their implementation. Arts Council is working with Welsh Government on plans for implementation.</p>
11. Address the recommendations on Participation in the Arts from National Assembly Communities, Equalities and Local Government Committee	<ul style="list-style-type: none"> • Prepare strategic response to Committee report by Q1, reporting on progress • Publish information, and provide training, on alternative sources of funding • Develop a strategy to increase levels of funding from business • Design an action research programme for increasing participatory activity in partnership with a Communities First Hub • Pilot new business models for promoting community arts 	<p>Action Plan agreed. Ideas People Places is a pilot programme that will include looking at new models for community focused work.</p> <p>Work is progressing around new business models for the arts sector broadly, but we do not anticipate test driving new models this year.</p> <p>We are working closely with ArtsWorks Cymru and supported a very successful 'all Wales' dissemination and networking event. Paul Hamblyn Foundation has agreed further funding and we are now in discussion about developing our partnership.</p> <p>The proposed action research programme did not go ahead.</p> <p>Following discussions with Communities First the agreed focus for the work in this year is arts and young people.</p>
12. Implement our strategies for Young Creators and Child Poverty	<ul style="list-style-type: none"> • Implement Action Plans • Report progress on quarterly basis 	<p>Family Arts campaign has progressed in line with the programme. The next phase of the Festival work has commenced.</p>

13. Implement our Strategic Equality Plan	<ul style="list-style-type: none">• Publish Action Plan for 2013/14 by Q1• Report progress on quarterly basis• Equality Impact Assessments completed/updated as appropriate	<p>We achieved 4 of the 6 key areas of our Strategic Equality Plan 2013/14.</p> <p>Whilst we made some progress against the objectives under Internal Training and Partnerships we did not fully achieve all actions in these areas. Work on these will continue into 2014/15.</p> <p>Diverse Cymru are close to completing their work on developing the Equalities guidelines/toolkit and we have agreed a programme of training and development for Arts Council staff.</p>
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Action	Target	Achievements and performance
14. Promote our Welsh Language Scheme through the implementation of the 15 key targets in our Welsh Language Action Plan for 2013/14	<ul style="list-style-type: none"> • Publish Action Plan for 2013/14 by Q1 • Report progress on quarterly basis 	<p>The 2013/14 Action Plan was published in April 2013 and arrangements in place throughout the year for its quarterly monitoring and reporting of progress to the Welsh Language Monitoring Group and Council.</p> <p>We achieved our actions against all 3 strategic areas of the plan.</p> <p>The Welsh Language Commissioner has approved our Welsh Language Annual Report 2012/13.</p>
15. Work with our portfolio of presenting organisations (venues and galleries) to increase and diversify their audiences	<ul style="list-style-type: none"> • Minimum of 4 action research projects during 2013/14 • Development by Q4 of a ticketing scheme for disabled people in all our RFO presenting venues • Trial of new framework, during 2013/14, for evaluating impact on wellbeing of attending the arts • Increase in levels of engagement and participation across our RFO portfolio 	<p>We approved a second stage proposal from the Red House for the Merthyr based project in Q3 and, in Q4, a second stage proposal for Llantarnam Grange.</p> <p>We appointed Creu Cymru to undertake the second stage of the Disability Ticketing scheme and work commenced in Q4.</p> <p>The Wellbeing research with venues was concluded and a draft report shared with ACW. A final report is expected in May 2014.</p> <p>Figures for the first 6 months of the year show RFO's delivered a total of 9,090 arts events during the six month period which generated attendances of 1.82 million. 38,429 participatory art sessions were delivered, with 554,612 attendances made to these workshops. Figures for the final 6 months will be collected in May 2014 and an annual summary published in July.</p>
16. Support methods of engaging 'hard to reach' young people through the delivery of the <i>Splash Arts</i> and <i>Reach the Heights</i> programmes	<ul style="list-style-type: none"> • Development of new successor funding scheme • 500 young people supported • 20 projects supported across Wales • Develop child poverty project in partnership with another cultural body • Number of young people progressing on to further education, training and employment • Identifying opportunities for further European funding 	<p>Significant progress was made during Q3 with a successful application to Communities First for partnership funding for an interim pilot project.</p> <p>We received 27 project proposals and offered funding to 14, all of which were up and running before the end of Q4.</p> <p>We have not progressed work around developing a partnership project with another cultural body.</p> <p>We are in discussion with potential partners regarding a European bid to build on the work developed through Momentum.</p>
17. Expand the <i>Developing Talent</i> programme of activity	<ul style="list-style-type: none"> • <i>Criw Celf</i> visual arts initiative rolled out by Q2 across local authorities in South East and South Central regions • National Youth Arts Wales' targets achieved by Q4 	<p><i>Criw Celf</i> has been successfully rolled out in South east and South Central.</p> <p>An evaluation will be commissioned in the new financial year.</p>

Action	Target	Achievements and performance
18. Promoting high quality touring activity in local communities across Wales, especially through the work of the Arts Council's <i>Night Out</i> service	<ul style="list-style-type: none"> Through our Night Out service deliver 550 events, of which 150 will be in Communities First areas and 12 will be Young Promoters events Develop initiatives to increase the availability of "family friendly" activity 	<p>During 2013/14 we delivered a total of 532 Night Out events, 114 (21.4%) of which were in Community First areas and 141 (26.5%) were delivered through the medium of Welsh.</p> <p>There have been 28 Young Promoter events, 6 of which were delivered in partnership with Gwent Police.</p> <p>Total demand for the scheme is down slightly mostly due to a drop of working with community first teams due to its re-organisation.</p> <p>Web site ongoing development but delays due to programming issues – launch autumn 2014.</p> <p>9 tours achieved of which 6 were family shows.</p>
19. Work with specialist agencies (Voluntary Arts Wales, Disability Arts Cymru, Diverse Cymru, Stonewall Cymru) to provide support that helps us to deliver our strategic objectives	<ul style="list-style-type: none"> Service level or funding agreements in place by Q1 	<p>We are working with Diverse Cymru on two major projects and we have commissioned Voluntary Arts Wales to undertake a programme of work in 2014/15.</p>
<p>Growing the Arts Economy – What will success look like?</p> <p>We want to see a financially resilient arts sector that is not wholly dependent on public subsidy. With the value of public subsidy for the arts decreasing in real terms, such dependency can only prove an impediment to innovation, development and sustainability.</p> <p>The Arts Council will use all its powers of advocacy to encourage the widest possible range of public and private sector agencies to invest in the arts. However, we believe that success will largely depend on the extent to which artists and arts organisations are able to build their own business capability and exploit the full value of their artistic worth.</p> <p>As we encourage growth, we must also encourage sustainability. Ways of working that squander resources rather than enhance and protect them run counter to the spirit of the time. We need to address the demands of the present without compromising future generations' economic, social and cultural well-being.</p>		
Action	Target	Achievements and Performance
20. Agree a new three year strategy for the Arts Council investment in the arts	<ul style="list-style-type: none"> Review of RFO portfolio New funding allocations to RFO appropriate strategic funding streams and budgets in place 	<p>A two year strategy was agreed by Council in December 2013. The shorter timeframe reflects the funding timetable of Welsh Government and the date of the next Assembly elections in Wales.</p>

Action	Target	Achievements and performance
<p>21. Encourage our portfolio of RFOs to become more resilient and sustainable (culturally, organisationally and financially), and provide information on the portfolio's performance</p>	<ul style="list-style-type: none"> • Number of performances/exhibitions/ events and audience/ participant numbers • Geographical distribution of activity • Publish 2011/12 RFO Annual Review Meeting reports by Q2 • Hold 2013/14 Annual Review Meetings during Q4 • Publish an annual RFO performance report during Q2 • Provide programme of RFO Development initiatives 	<p>We are continuing to deliver against all our targets in relation to the RFO survey and publish our key findings.</p> <p>Last year's ARM was completed although we note that some meetings were not undertaken. Changes have been made to the 2014/15 procedure to help ensure that this does not recur.</p> <p>ARM meetings for 2013-14 took place throughout February and March and the deadline for reports was April 4th.</p> <p>The Annual RFO Performance report has been delayed due to the very fluid situation regarding local authority funding. However, data has been released to our client portfolio regarding audience and participation figures and financial performance.</p>
<p>22. Develop <i>Ideas, People, Places</i>, a challenge fund investing in arts-led regeneration projects that promote art in the public realm</p>	<ul style="list-style-type: none"> • Policy document published during Q1 • Small scale challenge fund established for individual artists wanting to work in the public realm during Q1 • Minimum of 4 public art residencies underway during 2013/14 • 4 projects commissioned and underway by Q4 	<p>Memorandum of Understanding complete.</p> <p>We have tendered and procured a short term contract to compile the web resources.</p> <p>29 applications were received for consideration for the research and development phase. A sub-group of the Capital committee has been set up to assess the applications. 12 projects were selected to progress to the second stage of assessment. The deadline for this second phase is July 2014.</p> <p>We have appointed a Programme Manager to coordinate the programme including the assessment process. The PM has also attended inception meetings with the successful projects and will offer specialist advice and support to them in the interim.</p> <p>4 specialists (including architects and practitioners) in this area of work have been approached to join the list of National Advisers to assist the decision making group select the best projects. This is still ongoing in order to find suitably qualified assessors and monitors but the sub-group from Capital Committee was the decision making group for the first stage and will make recommendations to Council for the second.</p>
<p>23. Deliver our Lottery capital priorities</p>	<ul style="list-style-type: none"> • Monitor the progress of our two major capital projects - Pontio (Bangor) and Glynn Vivian (Swansea) • Monthly reports (which are shared with Welsh Government) • All appropriate legal agreements are in place and followed 	<p>A Deed of Covenant with Bangor University has been finalised and signed by all parties.</p> <p>Regular steering group meetings have been attended by officers. Officers are also invited to attend specific project steering groups, such as Myrddin and Mission Gallery.</p>

<p>24. Initiate a programme of activity that encourages the development of digital capacity in the arts</p>	<ul style="list-style-type: none">• Advocacy/best practice showcase events• Digital R&D Fund established in association with Nesta, with first cohort of projects supported by Q1• Digital Producers Development fund established	<p>12 digital producers have completed the course.</p> <p>Second round of the digital R&D fund closed in January. Two further projects were supported in addition to the four supported through the initial round.</p>
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Action	Target	Achievements and performance
25. Re-launch the <i>Collectorplan</i> scheme	<ul style="list-style-type: none"> An Action Plan is published New website developed Media campaign supporting relaunch during 30th anniversary year Increase in second half of year in value and number of loans 	<p>We are awaiting the new financial credit regulations. New website is currently under development.</p> <p>A successful press campaign was delivered around the <i>Collectorplan</i> 30th birthday in December.</p> <p>Increases in usage have been recorded during the campaign which targeted Christmas sales.</p> <p>An action plan is now in place to take forward the recommendations from the Bond Report. A 5% increase in sales is in our targets for 2014.</p>
26. Deliver WOMEX 2013 as a world class event to realise its potential as a catalyst for the music sector in Wales	<ul style="list-style-type: none"> Number of trade fair exhibitors Number of delegates Number of attendees at evening concerts and events Delivery of digi-tourism music project Delivery of legacy programme that has catalytic effect on development of sector in Wales Delivery of Horizons programme Value to local economy Delivery of the project within the agreed budget 	<p>WOMEX 13 took place in October and was a resounding success as an event. The headline achievements were reported to Council in December.</p> <p>The targets for the event have been met or exceeded.</p> <p>As the event was entered into largely for its potential to have legacy, the team is now engaged in evaluation and the wrap up of the project which will extend into the new financial year.</p>
27. Deliver successful Arts Council corporate events (Annual Conference, Marketing Symposium and <i>Sgwrs Gelfyddydol</i>)	<ul style="list-style-type: none"> Attendance numbers Delegate satisfaction 	<p>The Spring <i>Sgwrs Gelf</i> series was successfully delivered.</p> <p>Creative Futures, our annual conference was deemed a success with 183 attendees noting this was one of the best to date. 83% of respondents to the subsequent survey rated the event as good to excellent.</p> <p>An evaluation will take place on all our events and a strategy will be produced with a clear focus on all future events.</p>
28. Develop the entrepreneurial leadership skills that help artists and arts organisations to develop forward-looking, sustainable and resilient business practice	<ul style="list-style-type: none"> Development, with Arts and Business Cymru, of the MENTORA project Piloting of Mission, Models Money projects Short course initiatives 3 modules of the Arts Council's RFO Development Programme delivered in 2013/14 (Governance, Business Planning and Access) 	<p>The financial situation of Arts and Business has been clarified now for 2014/15 and we will be working with them to progress their new business plan.</p> <p>Mission Models Money programme is up and running although take-up has not been as high as we would have liked. An action learning set has emerged from the projects worked and is meeting regularly.</p> <p>We have signed up to the Wales Clore Fellowship for 2014/15.</p>

Action	Target	Achievements and performance
29. Embed our new three stranded (national, regional and individual) partnership with local government across Wales	<ul style="list-style-type: none"> • Membership of the Chief Culture and Leisure Officers of Wales (CLOW) group • Production of national arts and cultural policy based on RBA scorecard approach • 'Pairing' of Arts Council Director with LA region • Lead officer designated for every local authority in Wales • Programme of AD:UK regional arts development officer meetings • Agreement to a set of Performance Indicators for the local authority arts and cultural sector • Integrated national data collection mechanism established on Ffynnon • Delivery of a <i>Sgwrs Gelfyddydol</i> twice a year in each of the 4 local authority regions 	<p>All the Authorities have signed up to collecting data this year according to the standard negotiated KPI's.</p> <p>This has been agreed by our research officers, CLOW, WLGA, Welsh Government Data Unit and AD:UK.</p> <p>Directors have held regional internal meetings. This has been particularly important in relation to the current Local Authorities' budgetary situation.</p> <p>We have had officers at the AD:UK meetings.</p> <p>We organised 4 regional <i>Sgwrs</i> events in January/February including sessions on crowd funding, philanthropy and cultural tourism.</p>
30. Develop Public Value Partnerships with BBC Cymru Wales and S4C	<ul style="list-style-type: none"> • Partnership documents agreed and published • Delivery of partnership projects (eg: TV scriptwriting in Welsh, WOMEX) 	<p>Public Value Partnership with BBC Wales/Cymru has been signed and launched.</p> <p>Memorandum of Understanding (MoU) with S4C has been agreed and will be launched officially at the media launch for 'Hinterland/ Y Gwyll'</p> <p>We have been meeting regularly with BBC and S4C and have started to develop a creative partnership with them.</p>
31. Nurture partnerships that support the delivery of our arts priorities, developing new opportunities for artists to commission, develop and present work	<ul style="list-style-type: none"> • Memoranda of agreement (where appropriate) • <i>Site Specific</i> initiative with national companies 	<p>MoUs with Cadw, CAT, Canal and River Trust have been signed.</p> <p>MoU with the National Trust has been agreed.</p> <p>Work is progressing to plan with the national companies. Research phase near to completion.</p>
32. Maximise benefits to the arts from European Programme 2014-2020 including structural funds	<ul style="list-style-type: none"> • Agreement with Welsh Government on areas of possible co-investment 2014-2020 through Structural Funds and Creative Europe eg digital skills 	<p>Continued input to the WEFO Delivery & Compliance Work Stream. Attended launch of new 2014 – 2020 programme by Finance Minister in November.</p>

Making the Arts Council as an effective and efficient public organisation –

What will success look like?

During 2012/13 we implemented the outcomes of our Organisational Review. A new staffing structure is in place. Now our challenge is to create a strong, confident organisation providing services that are relevant and useful.

We'll be providing professional services across a range of disciplines. And we'll be doing so in ways which reduces cost and recognises our responsibility to become a more environmentally sustainable organisation.

Action	Target	Achievements and Performance
33. Developing the professional capability, skill and well-being of our staff	<ul style="list-style-type: none"> • HR policies updated and published in respective Handbooks by Q1 • Team and Individual Work Plans completed for Q1 • New Learning and Development policy and plan by Q1 • Implementation of new Performance Management/360 degree appraisal process by Q3/4 • Introduction of Employee Assistance programme 	<p>Policies review largely completed, a small number of which are awaiting Union sign off.</p> <p>Workplans have been agreed and 1:1 sessions are on-going.</p> <p>We have embarked on a Learning and Development programme.</p> <p>New Performance Management system re-scheduled by SMT for 2014/15 implementation.</p>

<p>34. Implement our ICT Strategy</p>	<ul style="list-style-type: none"> • ICT policies finalised • Implementation of Windows 7/Office 2010 upgrade by Q1 • Implementation of <i>Night Out</i> website by Q1 • Introduce expense@work • New Contacts database in place • Next phases of development of RFO survey completed • Next phases of development of Hwb completed • Incorporation of social media capacity into enhanced website 	<p>Finalisation of policies delayed pending completion of revised HR policies.</p> <p>Windows 7/Office 2010 upgrades completed.</p> <p>Core development of the <i>Night Out</i> web application is completed and the project has entered first phase user acceptance testing (UAT). A complete list of issues and bugs has been outlined and work schedule to complete has been published. Completion to live testing due September 2014.</p> <p>Expense@work implemented.</p> <p>Head of Communications leading on the Contacts Database project with ICT supporting. Work on this is progressing and will continue into 2014/15.</p> <p>RFO survey database changes to include protected characteristics have been completed and all associated tools and templates are ready for use.</p> <p>All intranet team pages are live with the exception of two that are currently under development. Developments to improve user adoption continue to be discussed at ICT User Group to inform SMT discussion and decision.</p> <p>Local Authority pages framework on Hwb are almost complete.</p> <p>Social Media on website now implemented.</p> <p>Microsoft Lync roll-out is complete and integration and testing with the video conferencing estate is in place to enable all laptop workers to fully utilise VC both point to point and multipoint. A pilot is also taking place to investigate integrating Lync with the existing telephone system.</p>
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Action	Target	Achievements and performance
35. Develop a suite of Corporate publications and video, promoting the Arts Council brand and the work that we do	<ul style="list-style-type: none"> Suite of publications and video produced Supporting media campaign 	<p>The film promoting <i>Creativity and the arts</i> has been completed and will run in conjunction with the consultation. Human interest stories are being collated continuously and used when appropriate.</p> <p>Further training for the Communications Team in the production of video has been identified and this will be progressed via the Corporate Learning and Development Plan.</p>
36. Manage our office estate efficiently, safely and at best value	<ul style="list-style-type: none"> Complete rationalisation of Cardiff office Agree new approach to Carmarthen Undertake Emergency Planning rehearsal 	<p>Alternative options for use of 1st floor Cardiff being explored and have opened discussions regarding our current lease with our landlord.</p> <p>New premises in Carmarthen secured; and the Carmarthen Office relocated in May 2014.</p> <p>Rehearsals undertaken successfully for reinstalling network and software systems in the event of an emergency.</p>
37. Develop our Information Service	<ul style="list-style-type: none"> Enhanced print and online information More extensive programme of funding surgeries 	<p>The programme of Funding Advice Sessions has been re-organised and a particular focus placed on areas of traditionally low take up.</p> <p>Some changes have been implemented as a result of the individual artist working group. We will consider the findings of the Stakeholder survey.</p>
38. Implement cost cutting measures to help us to achieve our Organisational Review financial targets	<ul style="list-style-type: none"> Reduction in grant in aid running costs 	<p>Regular reports provided to SMT and Council.</p> <p>Financial targets have been achieved.</p>
39. Retain IiP accreditation	<ul style="list-style-type: none"> Action plan prepared Q1 Quarterly monitoring IiP accreditation confirmed Q4 	<p>This year has seen the three yearly review of our Investors in People (IiP) accreditation. Organisational Development Group set up to monitor progress against our IiP action plan throughout the year.</p> <p>The assessor's overall conclusion was that whilst good progress was evident in some areas, more work, and time was needed to demonstrate impact. We will focus on this aspect in 2014/15.</p>
40. Assess independently the effectiveness of our organisation	<ul style="list-style-type: none"> Internal staff satisfaction survey Q2 External customer satisfaction survey Q2 	<p>Stakeholder, Client and Staff Survey completed and received. The final report has been reviewed by the Steering Group, and will be shared with the relevant audiences.</p>
41. Achieve published targets for processing: a) of grants applications; b) financial payments	<ul style="list-style-type: none"> Grants management targets Targets for payments to suppliers 	<p>All grant applications processed within timescales.</p> <p>As at the end of 2013/14 we paid 95% of suppliers within the terms of our agreed payment policies, and 85% within 10 days. Last year we achieved 94% and 72% respectively. Performance is reported in financial reports to Council (quarterly) and SMT (monthly).</p>

42. Review and simplify our grant making processes	<ul style="list-style-type: none">• Grant Processing Group established Q1• Complete review of current processes Q2• Review and simplify all Guidelines Q2	We commissioned an external evaluation of the effectiveness of the Guidelines and will be considering a review of the whole grant process and Guidelines to ensure that they reflect Creativity in the Arts and possible incorporate a reduction in the number of funding programmes.
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Action	Target	Achievements and performance
43. Manage our financial resources to the highest standards of accountability	<ul style="list-style-type: none"> • Annual statutory accounts; interim and final audits • Whole of Government Accounts • Budget setting • Monthly management accounts • Statutory returns 	<p>All deadlines to date in respect of both sets of Statutory Accounts and WGA, achieved.</p> <p>Management accounts submitted to SMT and financial reports to Council</p>
44. Develop a constructive relationship with Welsh Government through: a) Delivery and reporting on requirements of the Remit Letter 2013/14; b) Biannual meetings with the Minister; c) Culture Forum; d) Quarterly Monitoring Meetings with officials	<ul style="list-style-type: none"> • Papers produced and circulated within timescales for meetings • Reports produced as appropriate 	<p>Arrangements are in place to ensure meeting papers are produced and circulated within designated timescales.</p> <p>Reports are circulated, as required, to the Minister and as part of our Quarterly Monitoring meetings.</p> <p>All Assembly questions (AQs) are responded to within timescales. During 2013/14 we had received and responded to 231 AQs.</p>
45. Annual Report for 2012/13 published	<ul style="list-style-type: none"> • Report produced and published including information about: <ul style="list-style-type: none"> a. Operational Plan b. Welsh Language Action Plan c. Strategic Equality Plan d. Equalities e. Equality Impact Assessments f. Environmental responsibilities 	<p>The annual report has been designed and published on our website.</p>
46. Support the corporate management of the Arts Council's business through: a) The management and organisation of Council and its Committees; b) The management and organisation of the Senior Management Team; c) The management and organisation of Management Board	<ul style="list-style-type: none"> • Timely preparation of agendas, papers and minutes of meetings • Organisation of: <ul style="list-style-type: none"> a. 6 Council meetings b. weekly senior management meetings • Quarterly Management Board meetings 	<p>Meetings scheduled in diaries for the current year.</p> <p>Arrangements are in place to ensure meeting papers are produced and circulated within designated timescales.</p>

Action	Target	Achievements and performance
47. Ensure the diversity of the Arts Council of Wales Council members and its staff	<ul style="list-style-type: none"> 50% of Council members and staff are Welsh language speakers Diversity represented within Council 	<p>Currently we have 60.4% of staff and 53% of Council Members who are Welsh speakers.</p> <p>The diversity of the Council members improved following recruitment of new members during 2012/13. Findings detailed in Annual Equality Report 2012/13 presented to Council during the year suggest further work is required with regards to increasing diversity amongst staff and this will form part of our Strategic Equality Action Plan for 2014/15.</p> <p>However, any action in respect of this would need to be managed in accordance with recruitment opportunities as they arise.</p>
48. Deal effectively with Welsh Government enquiries, complaints and Freedom of Information (FoI) requests	<ul style="list-style-type: none"> 100% of Welsh Government enquiries, Complaints and FoI requests dealt with in the specified timescales 	<p>Procedures are in place to ensure all complaints and FoI requests are responded to within designated timescales. During the year we received one formal complaint relating to a tendering exercise which was partially upheld. We also received 25 FoI requests, all of which were responded to within the statutory deadlines.</p>
49. Meet our environmental responsibilities in accordance with the Welsh Government's Sustainable Duty	<ul style="list-style-type: none"> Produce environmental statement Q4 	<p>We have achieved level 5 rating in the recent Green Dragon Environmental audit scheme. This was achieved ahead of the planned schedule of 2015.</p> <p>New quarterly reporting format has been agreed in Environmental Communications plan – annual report by April 2014 with quarterly updates to begin in 2014/15 financial year.</p> <p>A Task and Finish Group has been set up and meetings are underway.</p>
50. Implement new payroll systems	<ul style="list-style-type: none"> Real Time Information provided on monthly basis to HMRC Q1 Pensions auto-enrolment 	<p>RTI completed.</p> <p>Auto-enrolment to be introduced in 2014/15 in line with our staging date.</p>

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

Grant making policies

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

Recurrent, or annual revenue, grants are made to a portfolio of organisations to deliver high quality artistic services. Consideration of revenue status for any organisation is dependent on the availability of funding, the sustainability of the organisation, and demonstration of strong fit with the Council's strategic priorities. Currently, each revenue-

funded organisation enters into a funding agreement for a term of one to three years which sets out the anticipated level of funding, the programme of activity to be delivered, requirements for monitoring and annual review, standard conditions of grant, and any additional conditions. They are at the heart of the Council's future strategy to develop the arts in Wales.

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

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

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

Financial review

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

Reserves

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

Most of the Council's unrestricted funds are committed during the year, in accordance with the conditions of grant-in-aid issued by the Welsh Government. Any surplus funds are carried forward and used in furtherance of the Council's chartered objectives in the following year. There were no designated funds at 31 March 2014 (2013: £Nil).

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

Investment

Investment powers are governed by the Trustee Act 2000 and the Framework Document issued by Welsh Ministers. The Council's policy is to achieve the maximum return within

these terms. Interest at a negotiated rate linked to bank base rate is received on all credit balances in the Council's current accounts. From time to time, higher rates may be available for restricted funds on long term deposit.

Since October 2013, to minimise risk to our charitable and public funds whilst retaining the control and flexibility needed for day-to-day operations, the Council opened accounts with CCLA Investment Management Limited which allows us to make daily transfers of surplus funds between their Public Sector Deposit Fund and our bank current accounts. The Fund is AAmmf rated by Fitch Ratings.

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.

Financial results

	2013/14 £'000	2012/13 £'000
The General Activities accounts, excluding Lottery distribution activities, show:		
Total incoming resources for the year	35,799	37,114
Net incoming/(outgoing) resources	(1,295)	332
Net current assets	1,684	2,925
Total fund balances at 31 March	1,940	3,235
and		
Forward commitments of grants in respect of the following year	27,733	28,129
The separate Lottery Distribution accounts show:		
The Council's share of the proceeds from the National Lottery	16,892	19,355
On the basis outlined below¹ the combined:		
Total incoming resources for both general and Lottery activities was	52,843	56,599
and		
Total direct charitable arts expenditure ¹ for both general and Lottery activities was	56,784	50,055

¹ General grants are charged to the Statement of Financial Activities as soon as they are offered, except for forward commitments as described in Accounting policy note 1f. Lottery grants are charged only when the formal offer has been accepted by the recipient. Although not all charged as expenditure in the Lottery Statement of Comprehensive Net Expenditure, during 2013/14 the Council approved Lottery grants amounting to £18,078,000 (2012/13: £11,958,000). The combined total direct charitable arts expenditure has been stated on this basis.

Plans for future periods

Our priorities for 2014/15 are set out in the following table:

<p>Creating the environment for the arts to flourish What are we trying to achieve? We want to see our best artists and organisations able to create their best work and to sustain themselves through the quality of their activities. Priorities will be our investment in our revenue funded (RFO) portfolio, support for the individual artist and festivals and major events that significantly raise the profile of the arts.</p>	
<p>Goals for 2018</p> <ul style="list-style-type: none"> – Arts Council revenue funding for RFO portfolio has decreased as a % of total income by 10 percentage points – 75% of the RFO portfolio is designated as ‘low risk’ – 25% increase in average annual earnings of individual artists – completion of Council’s five year Capital strategy 	<p>Targets for 2014/15</p> <ul style="list-style-type: none"> – Delivery of 5 modules in RFO Development Programme (Pension auto-enrolment; Access; Governance; Finance; Apprenticeships and Internships) – Introduction of Sustainability and Resilience scheme – Action plan for implementation <i>Support for Individual Artists</i> report – Completion of Pontio capital project – At least 4 Artist Residencies established – Delivery of Dylan Thomas 100 Festival – Terms of Reference for next Investment Review agreed
<p>Increasing the value of international cultural exchange to the arts in Wales What are we trying to achieve? We want to enable leading artists and arts organisations in Wales to realise their international ambitions by expanding horizons, encouraging potential and connecting with inspiring partners and markets. In an increasingly globalised world we want the arts in Wales to be able to operate effectively in the global market place.</p>	
<p>Goals for 2018</p> <ul style="list-style-type: none"> – International Opportunities Fund (IOF) leverages a 3:1 return on investment – 10 artists from Wales showcased in at least 5 international events under the “Wales in...” brand – 2 major international arts events secured and hosted in Wales – Participation in at least 2 European funded transnational projects – Increased audience numbers for Cymru yn Fenis/Wales in Venice 2015 and 2017 – Artists featuring in/leading on 2 Welsh Government international delegations a year 	<p>Targets for 2014/15</p> <ul style="list-style-type: none"> – Delivery of International Opportunities Fund – New partnership agreement with British Council – Engagement agreed with Wales’ Creative Europe Desk – Publication of WOMEX 2013 evaluation – Strategy agreed for Patagonia 2015 – Wales artists represented at 1 major showcase/network event – At least 1 project delivered in partnership with Welsh Government

<p>Finding new opportunities, ways and places for people to enjoy and take part in the arts What are we trying to achieve?</p> <p>We want to encourage as many people as possible in Wales to enjoy and take part in the arts. It's not just about defending and protecting what already exists. We want to see the arts activities that we support reaching out to a wider cross section of the population of Wales – in new ways and in new places – to people who've previously experienced barriers to attending and taking part in the arts.</p>	
<p>Goals for 2018</p> <ul style="list-style-type: none"> – A 5 percentage point increase in attendance and participation amongst C2, D and E social group categories – A 5% increase in funding to the 10 local authorities currently receiving the lowest level of per capita Lottery funding – 10% increase in audiences for Arts Council funded National Touring projects 	<p>Targets for 2014/15</p> <ul style="list-style-type: none"> – Delivery of at least 3 <i>Creative Steps</i>, 3 <i>Our Space</i> and 3 <i>Ideas: People: Places</i> exemplar projects – At least 2 Welsh commissions for <i>The Space</i> – Implementation of Disability Ticketing Scheme – Delivery of 2nd year of Family Arts Programme – 580 <i>Night Out</i> events, of which at least 130 are in Communities First areas – Partnership projects established with Diverse Cymru and Voluntary Arts Wales
<p>Developing the creativity of children and young people What are we trying to achieve?</p> <p>We want to see more children and young people across Wales actively involved in high quality creative activity. Whatever the circumstances that they face, we want all young people to have the opportunity to develop their talents (including to an advanced level of attainment).</p> <p>A key priority will be working with the Welsh Government on the implementation of the Arts & Education Review.</p>	
<p>Goals for 2018</p> <ul style="list-style-type: none"> – 5% increase in the number of children and young people in our most deprived communities who are attending or participating in the arts – Publication of evidence demonstrating involvement in creative activity and a rise in levels of educational attainment 	<p>Targets for 2014/15</p> <ul style="list-style-type: none"> – Establishment of <i>Momentum</i> programme – Agreement with Welsh Government on action plan for implementation of Arts & Education Review

<p>Encouraging innovation, resilience and sustainability</p> <p>What are we trying to achieve?</p> <p>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>Financially resilient will be key for the future. However, our definition of sustainability is wide ranging and extends to environmental, social and economic well-being.</p>	
<p>Goals for 2018</p> <ul style="list-style-type: none"> – Becoming a signatory to the Sustainable Development Charter – Arts Council revenue funding for RFO portfolio has decreased as a % of total income by 10 percentage points – RFO portfolio has achieved a 10 percentage point reduction in the level of its carbon emissions – Media partnerships with BBC and S4C have been renewed 	<p>Targets for 2014/15</p> <ul style="list-style-type: none"> – Completion of mapping audit of Sustainability projects in Wales – Processes for measuring and monitoring environmental targets agreed with the RFO portfolio – Implementation of BREEAM 'excellent' standards for all new capital projects and BREEAM 'very good' for refurbishments – Action plans agreed for BBC and S4C partnerships, with at least 4 projects supported – Evaluation of Nesta Research & Development fund
<p>Protecting and growing the economic base for the arts in Wales</p> <p>What are we trying to achieve?</p> <p>The arts in Wales are sustained by a range of different organisations contributing money, resources and expertise. However, funding (especially in the public sector) is being squeezed, with our local authorities in particular facing increasing difficulties in maintaining current levels of funding. Our priority during 2014/15 will be an advocacy campaign designed to protect local authority investment in the arts.</p>	
<p>Goals for 2018</p> <ul style="list-style-type: none"> – Local authority income is maintained at a level comparable to 2013/14 – Value of <i>Collectorplan</i> loans increases by 15% – Value of private sector income to the Arts in Wales increases by 20% – Achieve 3:1 return on Arts Council investment – Secure level of European funding equivalent to 3% of Government grant-in-aid 	<p>Targets for 2014/15</p> <ul style="list-style-type: none"> – Commission audit of local authority investment in the arts – Develop advocacy campaign for local authorities – Value of <i>Collectorplan</i> loans increases by 5%

<p>Demonstrating the value of the arts What are we trying to achieve? 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 understands what we, the Arts Council, are trying to achieve.</p>	
<p>Goals for 2018</p> <ul style="list-style-type: none"> – 5% increase in media coverage of the Arts in Wales – 10% increase in public recognition of the Arts Council – 25% increase in the number of ‘hits’ on our website – 5% increase in attendances at our Annual Conference – 15% increase in attendances at our <i>Sgwrs</i> events 	<p>Targets for 2014/15</p> <ul style="list-style-type: none"> – At least 5 major press/media campaigns – Publication of Advocacy toolkit – 15% increase in attendances at our <i>Sgwrs</i> events – Develop new Arts Council media and web platforms
<p>Making the Arts Council an effective and efficient public body What are we trying to achieve? 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. As well as aiming for quality in the delivery of these services, we’re committed to doing so in ways which reduce cost and recognise our responsibility to become a more environmentally sustainable organisation.</p>	
<p>Goals for 2018</p> <ul style="list-style-type: none"> – Grant-in-aid running costs increase by no more than 5% of 2013/14 levels – Transaction processing (grant payments and payments to service providers) consistently meet targets – Maintain <i>Investors in People</i> rating – Levels of staff absence in top quartile of peer group WGSBs – Achieve 14001 standard for Environmental Management of Events – 90% of internal audit assurance reports achieving a rating of at least “substantial assurance” – 100% of Complaints and Freedom of Information requests handled within time limits – 70% satisfaction rating by Stakeholders and Clients 	<p>Targets for 2014/15</p> <ul style="list-style-type: none"> – £50,000 reduction in grant-in-aid running costs – 75% of internal audit assurance reports achieving a rating of at least “substantial assurance” – 100% of Complaints and Freedom of Information requests handled within time limits – Review of the management of our brand

Human resources

Equal opportunities

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

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

Sickness absence

During 2013/14 staff sickness absence totalled 587 days (2012/13: 364 days). This represented 2.98% (2012/13: 1.97%) based on 260 working days, including 1.67% (2012/13: 0.16%) as a result of long term absence (over 28 days).

Employee communication

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

Pension scheme

Most employees are members of the Arts Council Retirement Plan 1994 (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 17.

The Council also introduced a defined contribution scheme, The People's Pension, as an alternative option to meet the needs of Auto Enrolment legislation. The small number of eligible employees that were not members of the ACRP were auto-enrolled into the defined contribution scheme as of 1 May 2014, the Council's official staging date. The scheme is accounted for in accordance with FRS 17.

Payment of creditors

Under the Late Payment of Commercial Debts (Interest) Act 1998, and the UK Government's Better Payment Practice Code, the Council is required to pay suppliers'

invoices not in dispute within 30 days of receipt of goods or services or valid invoice, whichever is the later.

The Council aims to pay 100% of invoices, including disputed invoices once the dispute has been settled, in line with these terms. During the year ended 31 March 2014, the Council paid 95% (2012/13: 94%) of all invoices within the terms of its payment policy. Since November 2008 the Council, in line with Welsh Government policy, aims to pay invoices within 10 days. For 2013/14 85% (2012/13: 72%) of invoices have been paid within 10 days. It is not anticipated that our policy will alter in future years.

Financial risk and capital management

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

Liquidity risk - The Council is satisfied that it has sufficient liquid resources, in the form of cash at bank and agreed funding for 2014/15, to meet all current contracted commitments. The Council does not consider that its general activities are exposed to any significant liquidity risk.

Interest rate risk - Cash balances, which are drawn down from the Welsh Government to pay grant commitments and operating costs, are held in instant access variable rate bank accounts which on average carried an interest rate of 0.38% (2012/13: 0.56%) in the year. Surplus daily funds invested in the Public Sector Deposit Fund on average carried an investment return of 0.34% in the year (2012/13: n/a). The effective unrestricted year-end cash balance held by the Council in the bank was £789,000 (2013: £1,065,000). The Council does not consider that its general activities are exposed to significant interest rate risks.

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

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

Personal data related incidents

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

Social and community issues

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

We continue to have strategies targeted at young people, community and voluntary arts and broadening public engagement in the arts. We have moved forward this year on a number of key programmes. We have commissioned work to establish a disability ticketing scheme for disabled theatre goers and their carers, commissioned a diversity and equalities toolkit for the arts and a bespoke training and CPD programme for our staff.

We launched a pilot participatory project, in partnership with Communities First, targeting our most disadvantaged young people and began discussions with the Baring Foundation and Age Cymru about supporting a project focusing on our older people living in care homes.

The *Our Space* programme has provided opportunities for venues and other arts providers to explore innovative approaches to audience development, targeting in this young people and people from our black and minority ethnic (BME) communities.

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

As we move forward into 2014/15 our focus will be to complete and build on the projects we have initiated this year. The diversity toolkit will be launched through a series of training events and our in-house equalities training programme will begin. We will progress our disability ticketing scheme and our partnership project for older people will begin.

Children and young people will be a primary focus for our work as we implement our work around child poverty and arts and education.

We plan to re-launch *Our Space* with a view to focusing this scheme on families living in our most deprived communities.

Sustainability

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

We have therefore reflected this into the development of our new arts development strategy *Inspire: Creativity and the Arts* which puts sustainable development at the heart of our activities moving forward and explores in an holistic way how the arts sector can contribute to social and economic – as well as environmental – sustainability.

At its October 2013 meeting, Council considered and approved a Project Initiation Document and an Equality Impact Assessment for the establishment of a Sustainable Development Task and Finish Group. The main aims of this group were:

1. To plan, organise and deliver a sustainable development strategy for the Arts Council of Wales
2. To develop an operational plan to deliver the above and be compliant with any relevant legislation and guidelines from Welsh Government (for implementation from April 2014 onwards).

The Task and Finish Group has met twice, once in November 2013, once in March 2014 and has made excellent progress. We have commissioned research and a mapping exercise to identify and share best practice models both within Wales and beyond. We have also commissioned a piece of digital filmmaking that makes the case for Sustainable Development to assist in the training of staff and arts organisations and in our leadership role within the arts sector.

We have now got a draft Sustainable Development Policy that will take a three pronged approach – firstly, what we can deliver ourselves through our own procedures, policies and services; secondly, what we can encourage and support the individuals and organisations we work with to achieve and thirdly, how we can use our position of leadership to promote sustainable development more widely. We also end the year with an action plan to take forward the various objectives and monitor progress throughout the next financial year.

During the next year we will be developing our plans further to meet our duties under the *Sustainable Development Bill* in order to ensure that we fully play our part in delivering the Welsh Government's vision. We are totally committed to doing so.

Audit

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

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

ENVIRONMENTAL REPORT

We are committed to operating our business in a sustainable manner, and to applying good environmental practice in order to reduce our environmental impact and continually improve our performance.

Although we are below the Welsh Government's de minimis level, we decided we would continue to voluntarily report more fully on our environmental performance. We believe this to be in line with the spirit of the Welsh Government's aspirations for, and our commitment to drive forward with the Sustainable Development agenda.

Review of progress:

Since introducing an environmental policy some years ago, we have focussed on improving our environmental performance. We have made good progress, through a combination of financial investment, the introduction of systems, changing our operating practices, and through the commitment of our staff.

We continue to operate from three locations across Wales and will, in the early part of the new financial year, have achieved our target to reduce the size of our estate by 25%. Our North Wales based staff now work out of smaller premises, we moved our Cardiff based staff into a smaller area, and recently relocated to smaller premises in West Wales. Our offices are fitted with a range of energy saving devices and equipment.

Our offices are accessible through public transport networks. In recent years we have seen an increase in the number of visitors using public transport to reach us, as well as an increase in the number of staff using trains and buses for their journeys to and from work.

We use energy-saving devices and equipment to reduce electricity consumption and encourage staff to reduce consumption whenever possible. We recently replaced our photocopying and printing multi-functional devices with new Energy star rated equipment which reduces power consumption by 35% from replaced models. We also replaced all of our monitors. These too have an Energy star rating and reduce power consumption by 25% in comparison to similar LED screens.

The focus of our ICT strategy in recent years has been on extending the use of our information technology infrastructure to provide business and environmental benefits.

Two of our key systems – finance and on-line grant application systems – are fully electronic from initial order or application through to final payment. All supporting documents are accessible electronically. We also scan all incoming mail and invoices etc. This enables staff to access documents remotely, as well as reducing the volume of paper we receive, handle, store and re-cycle, with consequential reductions in our storage requirements.

We have virtualised our IT servers resulting in reduced energy for power and cooling.

More than half of our members of staff are equipped with laptops and smartphones, enabling them to operate on a mobile basis, so reducing their dependency on having to work from our offices. This has helped reduce travel to work journeys and, in turn, their carbon dioxide (CO₂) emissions. We have not yet been able to report accurately on the impact of this but will be examining the feasibility of doing so in future.

We have upgraded and extended our video conferencing capacity in all three offices and actively promote its use as an alternative to travel. We are currently implementing a programme to enable our mobile workers to participate in video conferencing meetings with colleagues and clients whilst away from our premises. We expect to fully implement this initiative during 2014/15.

In addition to improving the environmental performance of our offices, we have also made progress in changing organisational behaviours.

The introduction of a new staffing structure in 2011 and flexible, mobile working arrangements has resulted in some staff needing to travel more between offices, and to increase the level of visits made to funded organisations. However, we have introduced a number of initiatives to off-set the impact of this.

We promote the use of environmentally friendly means of transport, restrict travel to necessary journeys only, and encourage staff to make journeys by the most efficient means possible, taking account of both environmental and financial considerations. Car sharing is encouraged, and we provided cycle racks in our Cardiff office. We are considering introducing further incentives.

Our staff induction programme includes Environmental Awareness, and members of staff are given periodic training and updates as appropriate.

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

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

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

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

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

Allied to this, our website provides a wide range of information to grant applicants, artists and arts organisations, and to the general public. This helps us deliver our level of service without the need to print and send paper copies. Our main website has now been in operation for over four years, so we will be reviewing our suite of websites and their content during the year with a view to making them more accessible, increasing the level of information and content, and improving our standards of service.

We were pleased that our efforts have been recognised and helped us secure level 5 Green Dragon accreditation during the year. We see this as a testament to the progress we have made in recent years.

Our performance:

Our internal reporting systems enable us to capture and measure details of our use of consumables, waste, energy, water and staff travel, and thus our CO₂ emissions. Following guidance from Green Dragon, we have enhanced our waste reporting matrix and intend to continue to broaden and refine our reporting.

All three offices are now on a shared occupancy basis, with certain costs included within our service charge, particularly relating to waste costs and water usage. This restricts our ability to accurately assess our water and, to an extent, electricity usage. We will be exploring with our landlords the practicalities of introducing systems to improve our data capture.

	2013/14	2012/13
Waste:		
Non-financial (tonnes)		
Landfill - <i>estimate</i>	1.65	2.2
Reused/recycled - <i>estimate</i>	6.44	7.45
Greenhouse gas emissions (CO₂ tonnes)		
Gross emissions, scope 2&3 (indirect)	61	61
Energy consumption (Kwh)		
Electricity (non-renewable)	125,644	126,708
Electricity (renewable)		
Gas	N/A	N/A
Financial indicators (£)		
Expenditure – energy	21,709	18,900
Water supply costs (office estate) – currently unable to assess, included in service charge	N/A	N/A

	2013/14	2012/13
Travel emissions (CO₂ tonnes)		
Rail	8	12
Air ¹	64	64
Car/vans	25	35
Travel cost (£)		
Rail	24,085	33,194
Air	22,646	19,981
Car/vans	47,956	39,440
Travel (miles)		
Rail	102,761	154,806
Air	224,369	221,803
Car/vans	65,695	86,789

¹ Includes 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 NOx (nitrous oxides) and water vapour when emitted at high altitude.

Our ability to influence:

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

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

We actively encourage high environmental standards in the capital projects we grant fund. Two current examples include the major new build project in Bangor, *Pontio*, which will achieve BREEAM Excellent standard, and the *Glynn Vivian* project in Swansea will reach BREEAM Very Good, due to its status as an historic building. Future capital projects we fund will also require the recipient to meet appropriate BREEAM standards.

Looking ahead:

As well as continuing to improve our own environmental performance and thus minimise our own impact on the environment, we are keen to influence the organisations and artists we fund to do the same.

Our Sustainable Development Policy will specifically target our Revenue Funded Organisations through a combination of help and support, funding programmes and facilitated training and information sharing.

We also intend to raise awareness through a combination of: partnerships and collaborations; involvement in relevant networks; creating and facilitating opportunities to engage with the issues; and advocating for the role of the arts in social change.

Whilst going beyond purely environmental issues, we see our Sustainable Development Policy as an agent for change in improving environmental awareness and performance amongst those we fund. And in so doing enabling us to fully play our part in helping deliver the Welsh Government's vision contained in the *Future Generations Bill*.

Nicholas Capaldi
Accounting Officer

11 July 2014

Professor Dai Smith
Chairman

11 July 2014

REMUNERATION REPORT

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

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

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

The Chief Executive's remuneration consists of a basic salary plus an annual bonus. Annual bonuses are recommended to Council by the Remuneration Committee in consideration of the performance of the Chief Executive against a set of predetermined objectives. A percentage of the bonus, as advised by the Welsh Government, is consolidated into the Chief Executive's salary and the remainder is paid as a non-consolidated award. In the absence of guidance from the Welsh Government in respect of changes to the Chief Executive's salary, the Remuneration Committee was unable to determine whether an increase could be paid during the year. As a result the Chief Executive did not receive an increase or a non-consolidated bonus in respect of 2013/14.

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

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

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

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

The Remuneration Committee members who served since 1 April 2013 were:

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

Nicholas Capaldi
Accounting Officer

11 July 2014

Professor Dai Smith
Chairman

11 July 2014

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

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

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

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

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

Nicholas Capaldi
Accounting Officer

11 July 2014

Professor Dai Smith
Chairman

11 July 2014

THE CERTIFICATE AND REPORT OF THE AUDITOR GENERAL FOR WALES TO THE ARTS COUNCIL OF WALES

I certify that I have audited the financial statements of the Arts Council of Wales General Activities Account for the year ended 31 March 2014 under Article 11 of the Council's Royal Charter. These comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Council, Accounting Officer and auditor

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

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

Scope of the audit of the financial statements

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

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

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

Opinion on Financial Statements

In my opinion the financial statements:

- give a true and fair view of the state of the Arts Council of Wales' affairs as at 31 March 2014 and of its deficit and cash flows for the year then ended; and
- have been properly prepared in accordance with the Welsh Ministers' directions issued under Article 11 of the Council's Royal Charter.

Opinion on Regularity

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

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

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

16 July 2014

THE ARTS COUNCIL OF WALES

STATEMENT OF FINANCIAL ACTIVITIES

for the year ended 31 March 2014

		Unrestricted funds	Restricted funds	2014 Total	2013 Total
	Note	£'000	£'000	£'000	£'000
INCOMING RESOURCES					
Incoming resources from generated funds					
<i>Voluntary income:</i>					
Grant-in-aid from the Welsh Government	3	29,826	4,400	34,226	34,247
Other grants and donations	4	-	845	845	2,409
Sub-total Voluntary income		<u>29,826</u>	<u>5,245</u>	<u>35,071</u>	<u>36,656</u>
<i>Activities for generating funds:</i>					
Services and sponsorship	5	148	63	211	267
<i>Investment income:</i>					
Bank interest		9	-	9	17
Other incoming resources	6	508	-	508	174
Total incoming resources		<u>30,491</u>	<u>5,308</u>	<u>35,799</u>	<u>37,114</u>
RESOURCES EXPENDED					
Charitable activities	7,8,9	31,538	5,158	36,696	36,678
Governance costs	10	89	-	89	87
Grant-in-aid surrendered to Welsh Government		-	300	300	-
Bank interest surrendered to Welsh Consolidated Fund		9	-	9	17
Total resources expended		<u>31,636</u>	<u>5,458</u>	<u>37,094</u>	<u>36,782</u>
Net incoming/(outgoing) resources					
Gross transfers between funds	15	<u>30</u>	<u>(30)</u>	<u>-</u>	<u>-</u>
Net movement in funds		<u>(1,115)</u>	<u>(180)</u>	<u>(1,295)</u>	332
Fund balances brought forward		<u>2,823</u>	<u>412</u>	<u>3,235</u>	<u>2,903</u>
Total funds carried forward		<u>1,708</u>	<u>232</u>	<u>1,940</u>	<u>3,235</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 48 to 66 form part of these financial statements

THE ARTS COUNCIL OF WALES

BALANCE SHEET

as at 31 March 2014

		2014		2013	
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Intangible fixed assets	11a		7		15
Tangible fixed assets	11b		249		295
			<u>256</u>		<u>310</u>
Investment in Cerdd Cymru:Music Wales Ltd					
	1b, 20		-		-
Current assets					
Grants paid in advance	12	496		516	
Other debtors and prepayments	13	1,216		2,281	
Cash and cash equivalents		1,021		1,491	
		<u>2,733</u>		<u>4,288</u>	
Creditors: amounts falling due within one year					
Grants payable		(504)		(104)	
Other creditors falling due within one year		(545)		(1,259)	
	14	<u>(1,049)</u>		<u>(1,363)</u>	
Net current assets			<u>1,684</u>		<u>2,925</u>
Total assets less current liabilities			1,940		3,235
Net assets			<u>1,940</u>		<u>3,235</u>
Represented by:					
Funds					
Unrestricted funds	15		1,708		2,823
Restricted funds	15		232		412
			<u>1,940</u>		<u>3,235</u>

The notes on pages 48 to 66 form part of these financial statements

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

Nicholas Capaldi
Accounting Officer
11 July 2014

Professor Dai Smith
Chairman
11 July 2014

THE ARTS COUNCIL OF WALES

CASH FLOW STATEMENT

for the year ended 31 March 2014

	Note	2014 £'000	2013 £'000
Net cash inflow/(outflow) from operating activities	17a	(414)	(6,101)
Bank interest		9	17
		<hr/>	<hr/>
		(405)	(6,084)
Capital expenditure	17b	(65)	(76)
		<hr/>	<hr/>
Increase/(Decrease) in cash in the year	17c	(470)	(6,160)
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 48 to 66 form part of these financial statements

1. Accounting policies

a. Basis of preparation

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

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

b. Cerdd Cymru:Music Wales Limited

The Council has a 50 per cent interest in Cerdd Cymru:Music Wales Limited, a joint arrangement with the Welsh Music Foundation. In accordance with FRS 9 this interest is accounted for as a joint arrangement that is not an entity (JANE) and not consolidated into the Council's financial statements. Instead, the Council's share of the cash flows within Cerdd Cymru:Music Wales have been identified and accounted for within the Statement of Financial Activities as if they were part of the Council's operations. Any amounts owing to or due from Cerdd Cymru:Music Wales are shown under the appropriate balance sheet headings. As the joint arrangement is not consolidated, any investment in Cerdd Cymru:Music Wales is recorded at historic cost less impairment to reflect the Council's share of the net assets, where this is lower. The financial statements do not take into consideration any surplus generated and held within Cerdd Cymru:Music Wales as there are restrictions and uncertainties on its distribution. (See note 20)

c. Income

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

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

d. Lottery distribution

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

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

e. Resources expended

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

f. Grants awarded

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

Forward commitments made in the year relating to next year's activity, as disclosed in note 19, are not charged to the Statement of Financial Activities. As the grant-in-aid to meet these commitments cannot be recognised until it is received, the Trustees do not believe their inclusion would provide a true and fair view of the application of the Council's resources.

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

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

g. Services and sponsorship

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

h. Allocation of operating costs

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

i. Governance costs

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

j. Foreign currency

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

k. Recognition of liabilities

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

l. Fund accounting

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

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

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

m. Fixed assets

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

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

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

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

n. Amortisation and depreciation

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

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

o. Leases

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

p. Pensions

The Council is an admitted employer of the Arts Council Retirement Plan 1994 (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 fund is a defined benefit, multi-employer scheme so the Council is unable to identify its share of the underlying assets and liabilities. The scheme has therefore been accounted for as if it were a defined contribution scheme, in accordance with FRS 17.

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 17.

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 incoming resources and direct charitable arts expenditure

The separate Lottery distribution account shows the Council's 2013/14 share of the proceeds from the National Lottery of £16,892,000 (2012/13: £19,355,000). The combined total incoming resources for both general and Lottery activities for 2013/14 was £52,843,000 (2012/13: £56,599,000).

General grants are charged to the Statement of Financial Activities as soon as they are offered. Lottery grants are charged only when the formal offer has been accepted by the recipient. Although not all charged as expenditure in the Statement of Comprehensive Net Expenditure, during 2013/14 Council approved Lottery grants amounting to £18,078,000 (2012/13: £11,958,000). On this basis, the combined total direct charitable arts expenditure for both general and Lottery activities for 2013/14 was £56,784,000 (2012/13: £50,055,000).

3. Incoming resources

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

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

	Unrestricted funds	Restricted funds	2014 Total	2013 Total
	£'000	£'000	£'000	£'000
Cash grant-in-aid paid in full	29,826	4,400	34,226	34,247
Grant-in-aid credited to incoming resources in the Statement of Financial Activities	29,826	4,400	34,226	34,247

4. Incoming resources
Voluntary income: Other grants and donations

	Unrestricted funds	Restricted funds	2014 Total	2013 Total
	£'000	£'000	£'000	£'000
Grants from European funds	-	155	155	1,851
<i>Momentum</i> – contribution from Welsh Government's Communities First programme	-	100	100	-
Dylan Thomas 100 Festival – contributions from partners	-	590	590	-
Legacy Trust UK	-	-	-	507
Prior years' grants no longer required	-	-	-	51
	-	845	845	2,409

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

	Unrestricted funds	Restricted funds	2014 Total	2013 Total
	£'000	£'000	£'000	£'000
Community Touring scheme:				
- contributions from venues/promoters	114	-	114	126
Wales Arts International:				
- contribution from the British Council	-	60	60	40
- contributions from others	-	3	3	15
<i>Collectorplan</i> charges	25	-	25	24
Annual Conference - delegate fees	6	-	6	4
Arts Marketing Symposium - trainee fees	2	-	2	-
Other income	1	-	1	-
Cultural Olympiad 2012:				
- contribution from the Welsh Government	-	-	-	33
Legacy Trust UK - management fees	-	-	-	24
Fees for exhibition work at Gwydyr House, Whitehall	-	-	-	1
	148	63	211	267

6. Incoming resources
Other incoming resources

	Unrestricted Funds	Restricted Funds	2014 Total	2013 Total
	£'000	£'000	£'000	£'000
Lease incentive - release of deferred income	49	-	49	59
Contribution from the Lottery Distribution account	48	-	48	41

for use of fixed assets
 Share of income of Cerdd Cymru:Music Wales (note 20)

411	-	411	74
508	-	508	174

7. Resources expended
Charitable activities

	Direct activities	Support costs	2014 Total	2013 Total
	£'000	£'000	£'000	£'000
Grant making and arts development ¹	31,868	363	32,231	30,413
Arts strategy and research	1,888	269	2,157	1,788
International	672	121	793	609
European funded projects	37	8	45	2,155
Services: <i>Night Out & Collectorplan</i>	583	84	667	670
Advocacy	341	33	374	271
Impairment of investment in Cerdd Cymru:Music Wales (note 20)	35	-	35	60
Share of expenditure of Cerdd Cymru:Music Wales (note 20)	394	-	394	91
Cultural Olympiad 2012 & Legacy Trust UK	-	-	-	621
	35,818	878	36,696	36,678

¹ Including grants:

- to public bodies	4,853	4,535
- to private bodies	25,917	24,591
	30,770	29,126

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

8. Operating costs

	Gross costs	Deduct Recharges to Lottery Distribution	2014 Net charge to General Activities	2013 Net charge to General Activities
	£'000	£'000	£'000	£'000
Charged to Direct activities (note 7)				
Grant making and arts development	505	256	249	205
Arts strategy and research	290	105	185	161
International	83	-	83	75
European funded projects	5	-	5	37
Services: <i>Night Out & Collectorplan</i>	57	-	57	51
Advocacy	50	26	24	20
Cultural Olympiad 2012 & Legacy Trust UK	-	-	-	16
	990	387	603	565
Charged to Support costs (note 7)				
Staff related costs	67	34	33	24
Infrastructure	184	87	97	92
Office running costs	23	11	12	9
Professional fees	72	45	27	15
Irrecoverable VAT	56	29	27	24
Amortisation and depreciation	51	19	32	28

Organisational review	-	-	-	10
	453	225	228	202
Total	1,443	612	831	767

9. Staff costs

a. Total staff costs consist of:

	Gross costs	Deduct Recharges to Lottery Distribution	2014 Net charge to General Activities	2013 Net charge to General Activities
	£'000	£'000	£'000	£'000
Wages and salaries	2,697	814	1,883	1,890
Social security costs	239	73	166	154
Other pension costs	493	146	347	366
Agency costs	14	6	8	3
Redundancy costs	-	-	-	16
	3,443	1,039	2,404	2,429

Gross costs	Deduct Recharges to Lottery Distribution	2014 Net charge to General Activities	2013 Net charge to General Activities
£'000	£'000	£'000	£'000

Staff costs are incorporated in the financial statements as follows:

Charged to Direct activities (note 7)

Grant making and arts development	1,143	431	712	642
Arts strategy and research	705	177	528	506
International	238	-	238	234
European funded projects	15	-	15	116
Services – <i>Night Out & Collectorplan</i>	164	-	164	160
Advocacy	101	36	65	64

Cultural Olympiad 2012 & Legacy Trust UK

-	-	-	49
2,366	644	1,722	1,771

Charged to Support costs (note 7)

Management and internal control	447	174	273	283
Finance	213	74	139	130
Information and computer technology	147	52	95	80
Facilities management	62	22	40	38
Human resources	43	15	28	22
Communications	116	41	75	73
	1,028	378	650	626

Charged to Governance (note 10)

Chairman's remuneration	49	17	32	32
	3,443	1,039	2,404	2,429

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

	Across the whole Council	On Lottery Distribution activities	2014 On General activities	2013 On General activities
	No	No	No	No
On charitable activities: directly charged	11	-	11	14
On charitable activities: recharged	49	14	35	36
In support of our charitable activities	16	8	8	8
Agency staff	1	-	1	-
	77	22	55	58

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

2014	£30,000	2013	£30,000
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The ratio between the median annual remuneration and the annual remuneration of the highest paid member of staff was (whole Council):

1:3.12	1:3.12
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Compensation schemes - exit packages (whole Council):

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
<£9,999	-	-	-	-	-	-
£10,000 to £24,999	-	1	-	-	-	1
£25,000 to £49,999	-	-	-	-	-	-
£50,000 to £99,999	-	-	-	-	-	-
Total number of exit packages	-	1	-	-	-	1

Total cost (£'000)	-	16	-	-	-	16
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Redundancy costs were paid in accordance with the provisions of the Council's redundancy policy. The Council usually pays exit costs when employment ends but provides for the exit costs in full at the point when there is sufficiently detailed information to do so.

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

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

This year, for the first time, this note must include a single total figure of remuneration. Prior year comparatives have been provided for 2012/13. This is a different way of presenting the remuneration for each individual for the year. The table used is similar to that used previously, and the salary element is unchanged. The amount of pension benefits for the year which contributes to the single total figure is calculated in a new way, similar 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 were:

Name and Position	2014			2013		
	Emoluments ¹ band	Pension benefits	Single total remuneratio n	Emoluments ¹ band	Pension benefits	Single total remuneratio n
	£'000	£'000	£'000	£'000	£'000	£'000
Nicholas Capaldi <i>Chief Executive</i>	90-95	22	115-120	90-95	21	110-115
David Alston <i>Director of Arts</i>	65-70	22	90-95	65-70	15	80-85
Katherine Davies <i>Director of Investment and Funding Services</i>	55-60	37	95-100	50-55	51	100-105
Diane Hebb <i>Director of Engagement and Participation</i>	55-60	27	80-85	50-55	31	80-85
Siân Tomos <i>Director of Enterprise and Regeneration</i>	55-60	32	85-90	50-55	20	70-75
Hywel Tudor <i>Director of Finance and Resources</i>	65-70	24	90-95	65-70	12	75-80

¹ **Emoluments** – Guidance has not yet been issued by the Welsh Government in respect of Chief Executives' entitlement to a performance-related non-consolidated award for 2013/14. The other Directors have no entitlement to performance-related awards.

The pension benefits were:

Name and Position	2014		2014		2014	2013	2014
	Real increase in pension and related lump sum at age 65		Total accrued pension at age 65 as at 31/03/14 and related lump sum		Cash Equivalent ² Transfer Value at 31/03/14	Cash Equivalent Transfer Value at 31/03/13	Real increase ³ in Cash Equivalent Transfer Value
	£'000		£'000		£'000	£'000	£'000
Nicholas Capaldi <i>Chief Executive</i>	Pension 0-2.5 Lump sum 2.5-5		Pension 5-10 Lump sum 15-20		91	77	12
David Alston <i>Director of Arts</i>	Pension 0-2.5 Lump sum 2.5-5		Pension 5-10 Lump sum 15-20		124	104	18
Katherine Davies <i>Director of Investment and Funding Services</i>	Pension 0-2.5 Lump sum 2.5-5		Pension 15-20 Lump sum 55-60		263	243	16
Diane Hebb <i>Director of Engagement and Participation</i>	Pension 0-2.5 Lump sum 2.5-5		Pension 5-10 Lump sum 25-30		145	129	14
Siân Tomos <i>Director of Enterprise and Regeneration</i>	Pension 0-2.5 Lump sum 2.5-5		Pension 10-15 Lump sum 40-45		209	190	16
Hywel Tudor <i>Director of Finance and Resources</i>	Pension 0-2.5 Lump sum 2.5-5		Pension 10-15 Lump sum 30-35		185	168	15

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

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

Following an amendment to the Council's Royal Charter, and with the approval of the Charity Commission, since 1 April 2004 the Chairman has been remunerated for his services but receives no bonus payments and is not a member of the pension scheme. Other Council Members, Committee Members and National Advisers receive no payment for their services. Council meeting costs for 2013/14 include an aggregate amount of £15,477 (2012/13: £9,801) reimbursed to 14 (2012/13: 12) Council members.

The total actual emoluments of the Chairman and Chief Executive were

made up of:

	2014	2013
	£	£
Chairman		
Salary	<u>43,810</u>	<u>43,810</u>
Chief Executive		
Salary	93,380	93,380
Employer's pension contribution	<u>16,155</u>	<u>16,155</u>
	<u>109,535</u>	<u>109,535</u>

	2014	2013
	£	£
Travel and subsistence expenses incurred and defrayed whilst on Council business:		
Chairman	3,129	2,882
Chief Executive	8,744	8,283

66.04% (2012/13: 66.04%) 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 17.

An independent actuarial valuation of the ACRP normally takes place every three years. The most recent valuation, as at 31 March 2013, came into effect on 1 April 2014. The valuation introduced new contribution rates for the Council in respect of accruing benefits, and also requires a minimum level of payment to be made each year towards the past service deficit, at a rate advised by the scheme actuary. In order to eliminate the deficit, the actuary recommended increased employer contributions over the next 9 years, compared to the 13 years used previously.

On the assumption that the recommended amounts would be paid to the Plan, the actuary's opinion was that the resources of the scheme are likely in the normal course of events to meet in full the liabilities of the scheme as they fall due. The main actuarial assumptions used were: that price inflation would be 2.75% per annum; pay increases would be 1.5% per annum for the first 5 years and 3.5% thereafter; pension increases would be 2.75% per annum on pensions in excess of Guaranteed Minimum Pensions (GMPs); pension increases of deferred pensions would be 2.75% per annum on pensions accrued before April 2009 and 2.5% on pensions accrued after that date, both subject to statutory revaluations; the past service discount rate would be 4.8% per annum and the future service discount rate would be 4.8% per annum.

Contributions by the Council and its employees were:

For staff joining the Plan:	Council		Employees	
	2014	2013	2014	2013
on or before 31 August 2006	19.3%	19.3%	1.5%	1.5%
from 1 September 2006 to 31 March 2010	17.3%	17.3%	3.5%	3.5%
on or after 1 April 2010	14.8%	14.8%	6.0%	6.0%

The Council was also required to contribute a minimum payment of £48,000 towards the deficit during

2013/14.

From April 2014 the Council's contributions on behalf of its employees increased to 22.0% (for those who joined up to 31 August 2006), 20.0% (for those who joined between September 2006 and March 2010), and 17.5% (for those joining from April 2010). The minimum contribution to the deficit increased to £48,700 per annum from April 2014.

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.

We auto-enrolled all eligible employees into The People's Pension on 1 May 2014, our official staging date. The Council contributes 4% and the employee 1%. These rates will change in the future, in line with the requirements of the legislation.

10. Resources expended
Governance costs

	2014	2013
	Total	Total
	£'000	£'000
Chairman's remuneration	32	32
Auditor's remuneration - Audit	22	22
Additional assurance	-	4
Internal audit	12	11
Consultancy	2	-
Council meetings, including Members' travel and subsistence	10	7
Committee meetings, including travel and subsistence	11	11
	89	87

11. Fixed assets

a. Intangible fixed assets

	Computer software
	licences
	£'000
Cost at 1 April 2013	574
Additions	8
Disposals	(4)
Cost at 31 March 2014	<u>578</u>
Amortisation at 1 April 2013	559
Charge for the year	16
Disposals	(4)
Amortisation at 31 March 2014	<u>571</u>
Net book value at 31 March 2014	<u>7</u>
Net book value at 1 April 2013	<u>15</u>

b. Tangible fixed assets

	Alterations to leasehold properties	Computer system, furniture, etc	Website	Total
	£'000	£'000	£'000	£'000
Cost at 1 April 2013	192	639	64	895
Additions	-	49	8	57
Disposals	-	(59)	-	(59)
Cost at 31 March 2014	<u>192</u>	<u>629</u>	<u>72</u>	<u>893</u>
Depreciation at 1 April 2013	133	446	21	600
Charge for the year	14	62	27	103
Disposals	-	(59)	-	(59)
Depreciation at 31 March 2014	<u>147</u>	<u>449</u>	<u>48</u>	<u>644</u>
Net book value at 31 March 2014	<u>45</u>	<u>180</u>	<u>24</u>	<u>249</u>
Net book value at 1 April 2013	<u>59</u>	<u>193</u>	<u>43</u>	<u>295</u>

	2014	2013
	£'000	£'000
Amortisation and depreciation charged has been allocated to charitable activities as follows (note 7):		
Direct activities	88	74
Support costs	31	28
	<u>119</u>	<u>102</u>

c. Net book value at 31 March 2014 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.

12. 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.

	2014	2013
	£'000	£'000
Payments in respect of the following year's grants	496	516

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

a. Analysis by type

	2014	2013
	£'000	£'000
<i>Collectorplan</i> loans	347	315
Trade debtors	93	55
Other debtors	222	1,246
Prepayments	287	623
	949	2,239
Due from Lottery distribution fund	243	41
Share of debtors and prepayments of Cerdd Cymru:Music Wales (note 20)	24	1
	1,216	2,281

b. Intra-government balances

	2014	2013
	£'000	£'000
Balances with other central government bodies	26	822
Balances with local authorities	43	6
<i>Sub-total: Intra-government balances</i>	69	828
Balances with bodies external to government	1,147	1,453
Total debtors and prepayments	1,216	2,281

14. Creditors: amounts falling due within one year

a. Analysis by type

Grants payable	504	104
Taxation and social security	69	71
Trade creditors	96	110
Other creditors	61	62
Accruals and deferred income	295	920
Share of current liabilities of Cerdd Cymru:Music Wales (note 20)	24	32
	1,049	1,299
Due to Lottery distribution fund	-	64

1,049	1,363
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b. Intra-government balances

Balances with other central government bodies	69	71
Balances with local authorities	1	3
<i>Sub-total: Intra-government balances</i>	70	74
Balances with bodies external to government	979	1,289
Total creditors	1,049	1,363

15. Statement of funds

	At 1 April 2013	Incoming resources	Resources expended	Transfers	At 31 March 2014
	£'000	£'000	£'000	£'000	£'000
Unrestricted funds					
General fund	2,823	30,491	(31,636)	30	1,708
Total unrestricted funds	2,823	30,491	(31,636)	30	1,708
Restricted funds					
Income					
Welsh Government for specific arts activity	300 ¹	4,400	(4,705) ¹	105	100
European Funded Projects	-	155	(33)	(122)	-
Wales Arts International: contributions from the British Council	-	63	(44)	1	20
<i>Momentum</i>	-	100	(102)	2	-
Dylan Thomas 100 Festival	-	590	(574)	(16)	-
	300	5,308	(5,458)	(30)	120
Capital					
Alun Llywelyn Williams Memorial Fund (income to provide bursary for young artist)	13	-	-	-	13
Brian Ross Memorial Fund (income to provide bursary for young visual artist)	99	-	-	-	99
	112	-	-	-	112
Total restricted funds	412	5,308	(5,458)	(30)	232
Total funds	3,235	35,799	(37,094)	-	1,940

¹Resources expended includes uncommitted funds of £300,000, received in 2012/13, surrendered to Welsh Government.

The Alun Llywelyn Williams and Brian Ross Memorial Funds are represented by cash at bank and are within the total of £1,021,000 shown on the balance sheet.

16. Analysis of net assets between funds

	Unrestricted funds	Restricted funds	Total
	£'000	£'000	£'000
Fund balances at 31 March 2014 are represented by:			
Fixed assets	256	-	256
Current assets	2,501	232	2,733
Creditors: amounts falling due within one year	(1,049)	-	(1,049)
Total net assets	1,708	232	1,940

17. Cash flow information

	2014	2013
	£'000	£'000
a. Reconciliation of changes in resources to net inflow from operating activities		
Net incoming/(outgoing) resources	(1,295)	332
Bank interest	(9)	(17)
Amortisation and depreciation (note 11c)	119	102
(Increase)/Decrease in grants paid in advance	20	(47)
(Increase)/Decrease in debtors and prepayments	1,065	(751)
Increase/(Decrease) in grants payable	400	(240)
Increase/(Decrease) in other creditors falling due within one year	(714)	(5,431)
Increase/(Decrease) in creditors falling due after more than one year	-	(49)
Net cash inflow/(outflow) from operating activities	<u>(414)</u>	<u>(6,101)</u>
b. Analysis of cash flows		
Capital expenditure		
Payments to acquire intangible fixed assets (note 11a)	(8)	(3)
Payments to acquire tangible fixed assets (note 11b)	(57)	(76)
Loss on disposal of tangible fixed assets (note 11b)	-	3
	<u>(65)</u>	<u>(76)</u>
c. Reconciliation of net cash flow to movement in net funds		
Increase/(Decrease) in cash in the year	(470)	(6,160)
Net funds at 1 April	1,491	7,651
Net funds at 31 March	<u>1,021</u>	<u>1,491</u>

18. Commitments on operating leases

At 31 March 2014 the Council had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Equipment	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Operating leases which expire				
within one year	6	-	3	1
one to five years	35	25	2	5
over five years	189	206	-	-

19. Forward commitments

	2014	2013
	£'000	£'000
Grants		
Forward funding - grants formally offered	27,733	28,129

Forward funding at 31 March 2014 represents allocations to organisations and individuals in respect of projects due to commence in 2014/15 and where payments are expected to be made within 12 months.

20. Cerdd Cymru: Music Wales Limited

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

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

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

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

	£'000
Investment at 1 April 2013	110
Investment this year	35
Investment at 31 March 2014	<u>145</u>
Impairment at 1 April 2013	110
Impairment adjustment this year	35
Impairment at 31 March 2014	<u>145</u>
Net value of investment at 31 March 2014	<u>Nil</u>
Net value of investment at 1 April 2013	<u>Nil</u>

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

	2014		2013	
	Total	Arts Council of Wales' share	Total	Arts Council of Wales' share
	£'000	£'000	£'000	£'000
Profit & Loss Account				
Income (note 6)	821	411	148	74
Expenditure (note 7)	(787)	(394)	(182)	(91)
Net incoming/(outgoing) resources	<u>34</u>	<u>17</u>	<u>(34)</u>	<u>(17)</u>

	2014		2013	
	Total	Arts Council of Wales' share	Total	Arts Council of Wales' share
	£'000	£'000	£'000	£'000
Statement of Financial Position				

Current assets:				
Debtors and prepayments (note 13)	47	24	2	1
Cash at bank and in hand	-	-	28	14
	<u>47</u>	<u>24</u>	<u>30</u>	<u>15</u>
Current liabilities (note 14)	(47)	(24)	(64)	(32)
Net assets/(liabilities)	<u>-</u>	<u>-</u>	<u>(34)</u>	<u>(17)</u>
Reserves	<u>-</u>	<u>-</u>	<u>(34)</u>	<u>(17)</u>

21. Financial instruments

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

Liquidity risks – In 2013/14 £34,226,000 or 95.6% of the Council's income was derived from the Welsh Government (2012/13: £34,247,000 or 92.3%). Of the remaining income £1,573,000 or 4.4% was derived from investment income and sundry income (2012/13: £2,867,000 or 7.7%). 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 0.38% in the year (2012/13: 0.56%). Surplus daily funds invested in the Public Sector Deposit Fund on average carried an investment return of 0.34% in the year (2012/13: n/a). The effective unrestricted cash balance at the year end was £789,000 (2013: £1,065,000). 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.

22. Corporation Tax

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

23. Post balance sheet event

Authorisation of these financial statements for issue

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

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

Council Members

A number of Council Members and/or their close family were members of the Boards of Management (or equivalent) or senior employees of organisations who were offered grants or other payments from the Council in 2013/14. In all such cases, in accordance with the Council's Code of Best Practice, the Member concerned withdrew from any meeting during discussion of the application.

Member Role	Organisation	Transaction (number)	Total value £	Total balance outstanding at 31 March 2014 £
Emma Evans Trustee/Director	Creu Cymru	Invoice (4)	90,804	Nil
Dr John Geraint Bursary recipient (family member)	Literature Wales	Grant (3)	856,915	Nil
Michael Griffiths Member (until May 2012)	National Dance Company of Wales	Grant (2)	915,000	Nil
Margaret Jervis Director of Operations	Valleys Kids	Grant (2)	158,032	3,603
Marian Wyn Jones Board Member	Canolfan Gerdd William Mathias	Grant (1) Invoice (1)	80,000 150	Nil Nil
Member	Bangor University	Grant (3) Invoice (4)	138,105 47,791	12,755 Nil
Andrew Miller Employment	Royal Welsh College of Music & Drama	Grant (2)	72,250	Nil
Osi Rhys Osmond Employment	Swansea Metropolitan University	Invoice (1)	40,543	Nil
Richard Turner Chairman	South Wales Intercultural Community Arts	Grant (1)	90,000	Nil
Employment	Royal Welsh College of Music & Drama	Grant (2)	72,250	Nil
Business Consultant	Jukebox	Invoice (1)	4,743	Nil
Alan Watkin Board Member	Clwyd Theatr Cymru	Grant (3)	1,912,625	3,478

Professor Gerwyn Williams

Employee	Bangor University	Grant (3)	138,105	12,755
		Invoice (4)	47,791	Nil

John C Williams

Employee	Theatr Iolo	Grant (3)	268,605	Nil
Employee	Royal Welsh College of Music & Drama	Grant (2)	72,250	Nil

Member Role

Organisation

Transaction (number)

Total value

Total balance outstanding at 31 March 2014

£

£

Dr Kate Woodward

Management Committee member	Aberystwyth University (including Aberystwyth Arts Centre)	Grant (1)	560,000	Nil
Employment (family member)	Theatr Genedlaethol Cymru	Grant (3)	1,117,794	Nil
		Invoice (4)	16,890	Nil
Third party funding recipient (family member)	Steve Eaves Band	Invoice (3)	2,050	Nil

Staff

A number of members of staff and/or their family were members of the Boards of Management (or equivalent) or employees of organisations who were offered grants or other payments from the Council in 2013/14. In all such cases, in accordance with the Council's Code of Best Practice, the member of staff took no part in any discussion of the application or decision-making meeting.

Staff member Role

Organisation

Transaction (number)

Total value

Total balance outstanding at 31 March 2014

£

£

Nathalie Camus

Board Member (family member)	Mostyn Gallery	Grant (1)	400,000	Nil
		Invoice (3)	214	Nil

Kath Davies

Occasional unpaid work	Royal Welsh College of Music and Drama	Grant (2)	72,250	Nil
Employment (family member)	St David's Hall	Grant (1)	65,000	Nil
Scholarship recipient (family member)	Ballet Cymru	Grant (1)	200,000	Nil

Eluned Hâf

Director (family member)	Canolfan Gerdd William Mathias	Grant (1)	80,000	Nil
		Invoice (1)	150	Nil

Ffion McCarthy

Artist (family member)	Bryn Fôn	Invoice (1)	650	Nil
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Betsan Moses

Councillor (family member)	Carmarthenshire County Council	Grant (1)	37,500	3,750
Board Member (family member)	Oriel Myrddin	Invoice (1)	5,312	Nil
		Grants (2)	69,500	2,250

THE ARTS COUNCIL OF WALES
Notes forming part of the financial statements

Hywel Tudor

Short-term freelance work
(family member)

Orchard Media

Invoice (1)

6,000

Nil

ANNEX TO THE ANNUAL REPORT (not forming part of the financial statements)

GENERAL ACTIVITIES - GRANTS 2013/14

Annual Revenue

Aberystwyth Arts Centre	£560,000
Arad Goch	£378,250
Artes Mundi Prize Limited	£147,500
Artis Community Cymuned	£205,500
Arts Care Limited	£132,500
Arts Connection / Cyswllt Celf	£65,000
Ballet Cymru	£200,000
BBC National Orchestra of Wales	£844,525
Canolfan Gerdd William Mathias Cyf	£80,000
Chapter (Cardiff) Ltd.	£686,000
Clwyd Theatr Cymru	£1,645,000
Clwyd Theatr Cymru TYP	£232,850
Community Music Wales	£105,000
Cwmni'r Fran Wen	£190,075
Dawns i Bawb	£85,000
Dawns TAN TAN Dance Ltd.	£90,000
Disability Arts Cymru	£170,000
Earthfall Dance Ltd.	£245,000
Ffotogallery	£205,000
g39	£70,000
Galeri Caernarfon Cyf	£325,000
Glynn Vivian Art Gallery	£125,000
Grand Theatre Swansea	£73,000
Hafren	£106,680
Head for Arts	£150,000
Hijinx Theatre	£160,000
Literature Wales	£851,915
Live Music Now Wales	£45,000
Llantarnam Grange Arts Centre	£85,000
Mid Wales Opera	£104,000
Mission Gallery	£95,000
Mostyn	£400,000
Music Theatre Wales	£270,000
National Dance Company Wales	£915,000
National Theatre Wales	£1,685,000
NEW Dance	£75,287
NoFit State Community Circus Ltd	£200,000
Oriel Davies Gallery	£230,000
Oriel Myrddin Trust	£47,000
Pontardawe Arts Centre	£63,000
Powys Dance	£112,250

Rhondda Cynon Tâf County Borough Council	£155,000
Rubicon Dance	£200,000
Ruthin Craft Centre	£400,000
Sherman Cymru	£1,228,000
Sinfonia Cymru	£115,000
South Wales Intercultural Community Arts	£90,000
St. David's Hall	£65,000
Taliesin Arts Centre	£27,000
Taliesin Arts Centre	£226,000
The Riverfront	£125,000
Theatr Bara Caws	£287,556
Theatr Brycheiniog	£230,000
Theatr Felinfach	£60,000
Theatr Ffynnon	£75,000
Theatr Genedlaethol Cymru	£1,052,942
Theatr Iolo	£246,225
Theatr Mwldan	£245,000
Theatr na n'Óg	£324,850
Torch Theatre Company Limited	£460,000
Touch Trust Ltd.	£150,000
trac - Music Traditions Wales	£80,000
Ty Cerdd - Music Centre Wales	£328,000
Ty Cerdd - Music Centre Wales	£10,000
Ucheldre Centre	£75,000
Valley & Vale Community Arts Ltd.	£180,000
Valleys Kids	£122,000
Venue Cymru	£78,000
Volcano Theatre Company Ltd	£215,000
Wales Millennium Centre	£4,000,000
Welsh National Opera	£4,755,808
WJEC CBAC Ltd.	£250,000
	£28,311,713

Creative Wales Ambassadors

Daws, Martin	£25,000
Edwards, Sean	£25,000
Griffiths-Jones, Julia	£25,000
Gwyn, Richard	£25,000
Harris, Sean	£25,000
	£125,000

Dylan Thomas 100 Festival

Bangor University	£23,105
Carmarthenshire County Council	£37,500
Chapter (Cardiff) Ltd.	£27,000
City and County of Swansea	£100,000

Dylan Thomas Birthplace at 5 Cwmdonkin Drive Ltd	£10,200
Ffotogallery	£30,000
Laugharne Literary Festival	£80,000
Locws International	£30,000
Oriel Myrddin Trust	£22,500
Swansea Festival of Music and the Arts Ltd	£50,000
Taliesin Arts Centre	£70,000
Wales Theatre Company Ltd	£80,000
	£560,305

International Opportunities Fund

Arad Goch	£2,522
Asquith, John	£2,359
Atkinson, Tiffany	£2,100
Awst, Manon	£2,780
Bedwani, Jay	£2,577
Black, Stephen	£5,000
Bowen, Robin	£1,781
Brett, Jessie	£1,500
Brookes, Michael	£2,000
CAAPO	£450
Calan	£5,000
Chapter (Cardiff) Ltd.	£5,640
Clifford, Helen	£542
Colquhoun, Kim	£1,057
Conn, Gerald	£3,000
Curtis, Tony	£449
Cyfnewidfa Lên Cymru	£6,380
Dance Collective	£653
Davidson, Glenn	£1,652
Davies, Rose	£890
Dubois, Pascal-Michel	£1,131
Dyer, Kevin	£3,472
Elfyn, Menna	£800
Fowler, Dylan	£2,413
Gegenwart, Beate	£790
Gilhespy, Tom	£700
Graham, Alison	£1,115
Griffiths, Catrin	£1,822
Gwyn, Richard	£4,681
Hall, Jenny	£2,000
Hawes, James	£5,000
Hijinx Theatre	£880
Hopwood, Elin Mererid	£2,100
Husted, Mary	£7,903
Huws, Sioned	£5,000
Jenkins, Paul	£2,000

Jones, Dylan	£2,100
Jones, Leona	£2,759
Keehan, Bridget	£1,090
Lampeter Festival of World Sacred Music	£5,000
Lawrence, Wendy	£1,250
Literature Wales (2 awards)	£5,000
Mothersuckers	£4,975
Mr and Mrs Clark	£4,926
Nash, Mandy	£850
Olion Byw	£3,340
Owen, Karen	£2,100
Owen, Tom	£5,000
Packham, Ruth	£860
Palser, Marega	£2,980
Perry, Samuel	£3,894
Poetry Wales Press Limited	£550
Pryce, Guto	£5,000
Rees, Marc	£5,000
Rhydderch, Francesca	£1,570
Rhys, Gruff	£5,000
Rickard, Erin	£1,487
Roberts, Stephanie	£1,519
Rusty Shackle	£5,000
Shapland, Anthony	£3,000
Smith, Robert	£4,695
Sullivan, Steve	£1,000
Tanja Râman+dbini industries	£5,000
The Original Print Place	£1,640
Theatr Genedlaethol Cymru	£4,852
Theatr Iolo	£4,880
Theatr Mwldan	£5,000
Theatr na n'Óg	£2,675
Thomas, Julia	£3,000
Thomas, Sian	£5,000
Wales Arts Review	£620
Warren, Huw	£734
Weedon, Cordelia	£1,500
Wells, Meri	£1,055
Williams, Gwyn L	£758
Williams, Jeremy Huw	£3,000
Williams, Phil	£2,647
Williams, Sue	£2,500
Winfield, Peter Lawrie	£5,000
Younan, Sarah (from <i>Igniting Potential</i> fund)	£2,000

£221,945

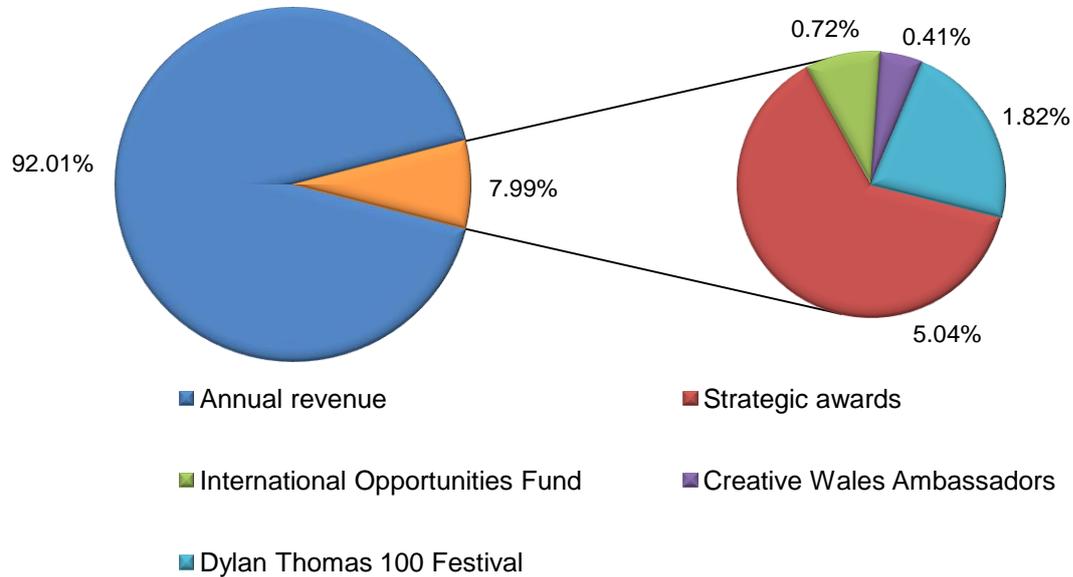
Strategic awards

Action in Caerau and Ely	£37,496
Bangor University	£115,000
Cariad Interactive	£4,860
Celf O Gwmpas	£8,500
Chapter (Cardiff) Ltd.	£325,000
Clwyd Theatr Cymru TYP	£34,775
Creative Skillset Cymru	£40,000
Cwmbran Centre for Young People	£37,724
Cwmni'r Fran Wen	£38,138
engage (National Association for Gallery Education)	£39,750
Hafod Youth Action Group	£32,564
Head for Arts	£40,000
Llangollen International Musical Eisteddfod	£16,382
Llantarnam Grange Arts Centre	£50,000
Merthyr Tydfil Housing Association	£36,593
Mess up the Mess Theatre Company	£38,971
National Theatre Wales	£49,665
Oriel Davies Gallery (for Venice Biennale)	£91,400
Pontardawe Arts Centre	£24,958
Redhouse	£24,300
Royal Welsh College of Music and Drama	£72,250
Span Arts Ltd	£34,724
Swansea City Opera & The Opera School Wales	£38,220
Swansea YMCA	£39,409
Theatr Genedlaethol Cymru	£60,000
Theatr Iolo	£17,500
UCAN Productions	£28,928
Valleys Kids	£36,032
Wales Millennium Centre	£60,000
Wales One World Film Festival	£16,200
Whitehead- Ross Education and Consulting Ltd	£32,314
Youth of Creative Arts	£29,650
	£1,551,303

TOTAL GRANTS OFFERED

£30,770,266

GRANTS BY TYPE



WHAT DID OUR GRANTS SUPPORT?

	<u>Value of grants</u>		<u>No of grants</u>
Grants to support:			
Theatres and arts centres	£7,039,680	22.88%	16
Theatre production and presentation	£6,733,498	21.88%	9
Opera	£5,129,808	16.67%	4
Dance	£1,922,537	6.25%	9
Visual & applied arts	£1,804,500	5.86%	10
Arts and Young People	£1,622,250	5.27%	7
Music	£1,502,525	4.88%	7
Community arts	£1,095,000	3.56%	9
Literature	£851,915	2.77%	1
Dylan Thomas 100 Festival	£560,305	1.82%	12
Circus & carnivals	£290,000	0.94%	2
International Opportunities Fund	£221,945	0.72%	87
Disability arts	£170,000	0.55%	1
Arts & health	£150,000	0.49%	1
Creative Wales Ambassadors	£125,000	0.41%	5
Other grants:			
Strategic awards	£1,551,303	5.04%	34
	£30,770,266		214