



Cyngor Celfyddydau Cymru  
Arts Council of Wales

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Pla a Hifogydd...

# General Activities & Lottery Distribution

Report and Financial Statements for the year ended 31 March 2020

Charity number 1034245

18ALR20





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

Arts Council of Wales operates an equal opportunities policy.



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What we do...

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





Top: Undo Things Done, installation view, Wales in Venice, 2019 (image: Martin Kennedy)  
Artist Sean Edwards (image: @AntonioOlmos)

Established by Royal Charter on 30 March 1994, we exist to support and develop the arts in Wales for the benefit of people throughout Wales, and to support Welsh arts internationally.

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

Our **Royal Charter** sets out our objectives.

They are to:

- develop and improve the knowledge, understanding and practice of the arts;
- increase the accessibility of the arts to the public;
- work through the Welsh and English languages; and,
- work with other public bodies in Wales, and with the other Arts Councils in the UK, to achieve these aims.

A copy of our Royal Charter can be found on our [website](#).

In usual times, people across Wales are enjoying and taking part in the arts in Wales every day. Covid-19 has, for the moment, meant that activity has had to pause. Nevertheless, we look forward to resuming our principal work – helping to support artists and reaching out to new and wider audiences.

We will do this by using the public funds that are given to us by the Welsh Government. We will also continue to distribute the money that we receive from the National Lottery.

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

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





Jukebox Collective, St David's Day Festival, Wales Millennium Centre (image: Polly Thomas)

## Creativity and healing for troubled times...



**Chair, Phil George, reaffirms the Arts Council's mission to bring extraordinary arts activities within the reach of a wider cross section of people in Wales.**

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It might seem a luxury or worse, an irrelevance, to look back on the achievements of the last year in the arts of Wales and the work of the Arts Council. We are living through a cataclysmic crisis which fills us with anxiety and uncertainty about the future.

But I'm absolutely certain that the imaginative power, the challenging insights, the healing energies, the empathy and the sheer delight which the arts give will be crucial to our lives as we rebuild Wales following this pandemic. So, it's in that conviction that we look back to help us move forward.

We travelled through the last year with our plan "For the benefit of all" as our guide. The present crisis has made many organisations and individual artists concerned about current survival and future employment. But it has also sharply revealed the economic and opportunity inequalities in our society. We are determined to reach more widely and more deeply in the communities of Wales where people are too often effectively excluded from the life-transforming experience of the arts. Now more than ever is this an urgent matter.

I've seen the commitment to this vision in so many places. You see it in our remarkable community arts organisations. You see it in our support for Black History Month. You see it in theatres like Torch in Milford or Brycheiniog in Brecon, Sherman in Cardiff or Clwyd in Mold – venues buzz with classes and social engagement activity as well as exciting performances. It's there in the extensive outreach work of Wales Millennium Centre and the creation of performances with refugees by Welsh National Opera. And it's there in the work of Hijinx, Wales's specialist company in performances featuring talented actors with learning disabilities, who staged a remarkable site-located collaboration with National Theatre Wales called "Mission Control".





Ryghi, Annwyl i Mi Dear to Me by Fearghus Ó Conchúir at National Eisteddfd 2019 (image: Iolo Penri)

As we all become more familiar with our vulnerabilities at this time of disrupted human contact, we look back on a year of successfully driving forward our Arts and Health work, so rich in potential for the mental health and physical wellbeing of Welsh people. In close partnership with the Welsh NHS Confederation, it's been thrilling to see progress across the 7 Health Boards in setting up arts and health coordinators in each board. And before the pandemic demanded all his attention, we had begun a promising dialogue with the Chief Medical Officer about social prescribing and the arts.

Another example of major work in the mainstream of Welsh society is our ground-breaking and widely-praised "*Creative learning through the arts*" programme. I was delighted that this year saw the Minister for Education, Kirsty William MS, agreeing a second phase of the programme after its first 5-year unrolling. The creative problem-solving focus that's at the heart of the programme is really valuable in the preparation of teachers for the new curriculum and has shown its strengths in the response to home learning needs in the pandemic shutdown.

We're living through a global crisis, of course, and it will require global responses and collaboration. Wales has a proud internationalist tradition and our specialist arm Wales Arts International has been at the forefront of events showcasing the sporting, cultural and business talents of the nation. The most high-profile of these was the digitally-innovative arts presence at the Rugby Union World Cup in Japan where performers like

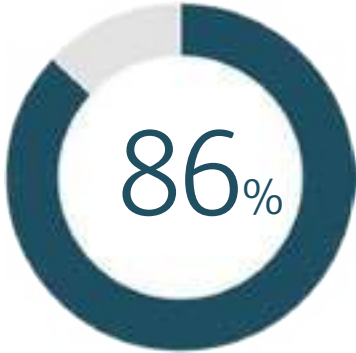
Gruff Rhys featured alongside a new rugby-inspired piece, “Annwyl i mi”, by our National Dance Company. The spine-tingling singing of “Calon Lân” by the children of Kitakyushu was just the beginning of an ongoing relationship with the city which is set to give important opportunities to Welsh artists.

Our international showcasing was also strong at the Edinburgh Festival this year. Whilst featuring a thrillingly diverse range of performance we also broke new ground with a clear commitment to environmental and climate responsibility in the way the Arts Council ran its presence in Edinburgh.

We’re thinking hard about the balances that need to be struck in our international work, between sustaining connections and creative opportunities on the one hand and the reduction of our environmental impact on the other. This raises questions for other projects, such as our presence at the Venice Biennale, where once again we created a stir in 2019 with Sean Edwards’s haunting and provocative group of pieces drawing on his family experience growing up in a Cardiff council estate.

The Venice show had Tŷ Pawb in Wrexham as its Welsh gallery partner. I hugely enjoyed visiting the fine new building in the heart of the town this year and seeing the extraordinary local textiles social history and fine new work set alongside a highly accessible Grayson Perry show. In a year when I also attended an international class Eleri Mills show in Oriel Davies, Newtown and the opening of the stunning Elysium artists-led gallery in Swansea, I felt that the visual arts were in strong and socially-engaged form.

Wales is a proudly bilingual nation and we continue to drive forward and set demanding targets for activity in the Welsh language. I saw some fine new theatre work in Welsh last year and the arts presence was full of contemporary edge at the National Eisteddfod in Llanrwst. It’s also hugely exciting to see the strength and vitality of our



of children  
in Wales  
participated  
in the arts

2018/19: 87%  
Source: Children’s Omnibus Survey



bilingual folk music bands who are increasingly attracting attention at events like Celtic Connections. They need to be better known in Wales itself.

I've barely scratched the surface of the artistic wealth I experienced in Wales last year. This rich resource of creativity has been nurtured by the careful work of the Arts Council in close collaboration with Welsh Government, Local Authorities and other key partners. It must be sustained when the financial cost of this crisis is being processed. Our lives as citizens are enriched by the arts, filling us with delight and insight. The future needs them.

Phil George

Phil George, Chair



Eleri Mills: Egni - a decade of creativity at Oriol Davies curated by Philip Hughes 2019 (image: Dewi Tannatt Lloyd)

# Trustees' Report and Management commentary



## And then everything changed...



Chief Executive,  
Nick Capaldi,  
reflects on  
supporting the  
arts in response  
to the unexpected  
emergency of  
Coronavirus /  
Covid-19.

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In the days following Christmas we were starting to hear rumours of an undefined new virus sweeping through the Chinese city of Wuhan. No immediate cause for alarm – it was something happening far away, and to other people. But we told ourselves that we needed to keep an eye on it in case it affected our growing programme of international work in China and the Far East.

Until that moment our international activities had been expanding fast. And to our regular attendance at trade fairs and showcases – from Sean Edwards’ exciting presence at the Venice Biennale to barnstorming performances by Welsh bands at the Lorient Festival Interceltique – was added a major cultural programme in Japan to coincide with the Rugby Union World Cup.

These international activities were part of a wider partnership with the Welsh Government to support its newly published International Strategy. Our role was to promote the creativity and dynamism of Wales’ cultural sector as we prepare for a post Brexit world. Fewer Welsh artists than we would like are able to sustain a viable career by working in Wales alone, so we need to be out there working for Wales on the world stage.

Whether working overseas or closer to home, our touchstone remains the vision set out in our corporate plan – “For the benefit of all”. Our purpose is clear. We have said, unequivocally, that we want to be part of a society that embraces equality and celebrates difference, wherever it’s found in race, gender, sexuality, age, language, disability or affluence. This is no trendy tick box nod to compliance, but something more fundamental. A generous, fair minded and tolerant society is instinctively inclusive and values and respects the creativity of **all** its citizens. And publicly funded institutions – the Arts Council included – must reflect this.



Wales Millennium Centre's Community Banquet (image: Dan Green)

These were to be the principles that would underpin the funding review that kicked off in Autumn 2019. Every five years, the Arts Council of Wales decides who will be included in its portfolio of revenue funded arts organisations – a process that we call our Investment Review. The outcome expected of the Review this time was straightforward. Reflecting “For the benefit of all”, the organisations that we would support in the future would be expected to reach out and connect across a more inclusive range of the Welsh public than is currently the case.

In the end, the Coronavirus/Covid-19 forced us to think again, with the Investment Review postponed for a year.

As soon as the scale of the Covid-19 emergency became clear, we moved quickly to respond with practical help and support – reacting and anticipating events as they unfolded. Our number one priority was to support people who work in the arts, including our own staff. Our immediate goal was to try and ensure that as strong a sector as possible could come out the other side of this crisis.



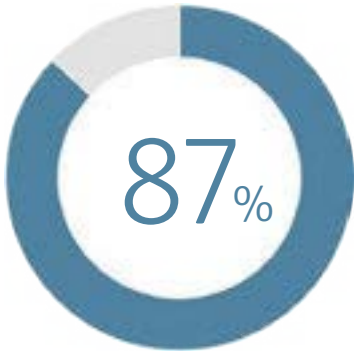
We changed the funding requirements for those individuals and organisations who had already received Arts Council funding to help alleviate pressure on them as best we could. And together with the Welsh Government, we reallocated money from existing budgets to create a new Resilience Fund for the Arts.

The challenge is immense. Our sector is largely made up of charities, community interest companies, social enterprises, and freelancers. Charitable organisations and individual creatives generally carry no sizeable reserves and, even when operating in normal circumstances, do not set out to make large surpluses. Any surplus that's made is generally re-invested into enhancing delivery and extending the impact of organisations' arts programmes.

The arts in Wales are also sustained by innumerable individual practitioners and creative professionals. Many of these are at risk of real hardship as booking and contracts are cancelled with no prospect in the immediate future of new work. Public health crises aren't equal opportunities events: the poorest, most marginalised and disabled are generally the worst affected, while the wealthy, connected and healthy are usually better able to weather the storm.

It's clear that we're seeing a profound questioning and re formulation of values across all aspects of public life. Braver people aren't talking about a post-Covid-19 'new normal' – 'normal' being neither possible nor, perhaps, what the public wants or deserves.

'Normal' hasn't served us well for a while. The prominence given to the lived experiences of BAME people in these past few months has filled our newspapers and television screens. No one can now be unaware of the disproportionate impact of the Covid-19 virus on BAME communities and disabled



of adults in  
Wales attended  
the arts

2018/19: 85%  
Source: Wales Omnibus Survey

people. But if our culture is the reflection of who we are, then Black Lives Matter is telling us that we still haven't noticed that society is reinforcing discrimination and lack of equality. It shouldn't be this way, but sometimes it needs a crisis to focus our attention on those whose rights and needs are being almost casually ignored. A powerful coalition of disabled people warned through their "We Shall Not Be Removed" campaign that they faced a social and health emergency with their community of disabled artists becoming increasingly isolated and threatened by the Covid-19 pandemic. It was an important moment to pause and take note.

Given this, it feels indulgent to be looking into the future and trying to forecast even the next ten days, let alone what the longer term might look like. Of course, we'll return to some familiar challenges. Pre-pandemic, climate crisis was the pre-eminent existential question of the decade ahead – and it still will be. But with travel suspended, will we find more sustainable ways of travelling to events and performances? Will Covid-19 push us toward a longer-term digital reliance? What appetite will there be for audiences to come together and congregate as they once did?

The consumption of the Arts online is being fuelled by fast and resilient responses from publicly funded cultural organisations in Wales. Many have been offering live streamed concerts, dance classes, readings, clubs and choirs.

Thank goodness for that. Because the Arts have always provided relief and solace for people, especially in times of crisis. 'Live' has changed suddenly. But ultimately it's the artists themselves, as so often it is, who are taking the lead and inspiring us to experience new dimensions of expression and understanding that go just a little further in helping the rest of us to make sense of what's happening around us.

Perhaps some things don't change after all.

A handwritten signature in black ink that reads "Nick Capaldi". The signature is written in a cursive, slightly slanted style.

Nick Capaldi, Chief Executive





Into the Light, Hijinx Theatre (image: Kirsten McTernan)







Illumine, Young people project, Peak

## Make: Reach: Sustain

### The principles that drive our work

Our strategy is rooted in a straightforward statement of the three principles that drive our work – **Make: Reach: Sustain**.

The greatest impact is achieved when these three things – Make: Reach: Sustain – fuse together in a single way of working.

When we talk about **Make**, we mean artistic creation. We want to foster an environment in which artists, arts organisations and creative people can create their best work.

If we Make well, we inspire. And by inspiring, it becomes more likely that people will enjoy and take part in the arts. We believe that the best experience of art happens when that chord is struck – when what is made, connects. This is what it means to **Reach**, and crucially to reach further and deeper than before.

If in doing this something of worth is created in what is made or who is embraced, then we must ask how we protect and **Sustain** these things in ways that will endure.

The ambitions of **Make: Reach: Sustain** are reflected in our three priorities:

- 1 Promoting **Equalities** as the foundation of a clear commitment to reach more widely and deeply into all communities across Wales.
- 2 **Strengthening the Capability and Resilience** of the sector, enabling creative talent to thrive.
- 3 **Enabling the Arts Council to work more effectively**, collaborating more imaginatively with like-minded partners across Wales.

The Welsh Government's expectations of us are set out in an annual Remit Letter. The Remit Letter for 2019/20 set out four categories of activity. These are listed below with the Welsh Government's aims for each:

- 1 **United and Connected**  
*"Our aim is to build a nation where people take pride in their communities, in the Welsh identity and language, and our place in the world."*
- 2 **Ambitious and Learning**  
*"Our aim is to instil in everyone a passion to learn throughout their lives."*
- 3 **Prosperous and Secure**  
*"Our aim is a Welsh economy which delivers individual and national prosperity while spreading opportunity and tackling inequality."*
- 4 **Healthy and Active**  
*"Our aim is to improve health and well-being in Wales, for individuals, families and communities... and to shift our approach from well-being to prevention."*



As a Welsh Government Sponsored Body, we operate within a complex network of public policies, strategies and legislation. The most important of these is the Welsh Government’s Well-being of Future Generations legislation. Well-being and sustainability are fundamental to our work. Our activities address all seven of the well-being goals.



**1**

a prosperous Wales



**2**

a resilient Wales



**3**

a healthier Wales



**4**

a more equal Wales



**5**

a Wales of more cohesive communities



**6**

a Wales of vibrant culture and thriving Welsh Language



**7**

a globally responsible Wales

We also adopt, in our planning and in the delivery of our work, the legislation’s “five ways of working”: Long-term, Prevention, Integration, Collaboration, Involvement.



Mission Control, ynhyrchiad Gŵyl Undod National Theatre Wales a Theatr Hijinx (llun: Main House)

Making the arts  
central to the life  
and well-being of  
the nation



## Public benefit

In setting our objectives, and in the planning of our work, Council members have given serious consideration to the Charity Commission's general guidance on public benefit. Public benefit is at the centre of all aspects of our work. This commitment is strengthened by the Welsh Government's Well-being of Future Generations legislation.

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

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

- 1 it helps to make sure that Welsh audiences are able to enjoy high quality arts activities
- 2 it enables investment in the commissioning, production and exhibition of the arts, helping to sustain the careers of creative professionals in Wales
- 3 it makes the arts more affordable, bringing them within reach of more people
- 4 it encourages innovation and risk-taking, raising the quality and diversity of the arts made and promoted in Wales
- 5 it furthers the cultural, social and economic priorities of the Welsh Government

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

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

# Creative learning through the arts

Creative learning through the arts: an action plan for Wales 2015-2020, has transformed teaching and learning in Wales over the last five years, by placing the arts and creativity at the heart of education. 2019-20 was the final year of the initial 5 year programme, developed and delivered in partnership with the Welsh Government.

A programme of extraordinary reach and impact, Creative learning through the arts has:



engaged with more than **1,110 schools** across the whole programme

provided opportunities for over **119,000 pupils** to engage in arts and creative learning activities



involved **604 schools** in intensive creative learning projects through the Lead Creative Schools Scheme



seen **1,400 creative professionals** contracted to work in our schools



enabled more than **4,000 teachers** to participate in professional development and training linked to developing creative skills in the expressive arts

Evidence from schools alongside independent evaluation shows that the impact of the innovative approach to teaching and learning, developed through the programme, is having a positive impact on pupil engagement with learning as well as on their attainment.



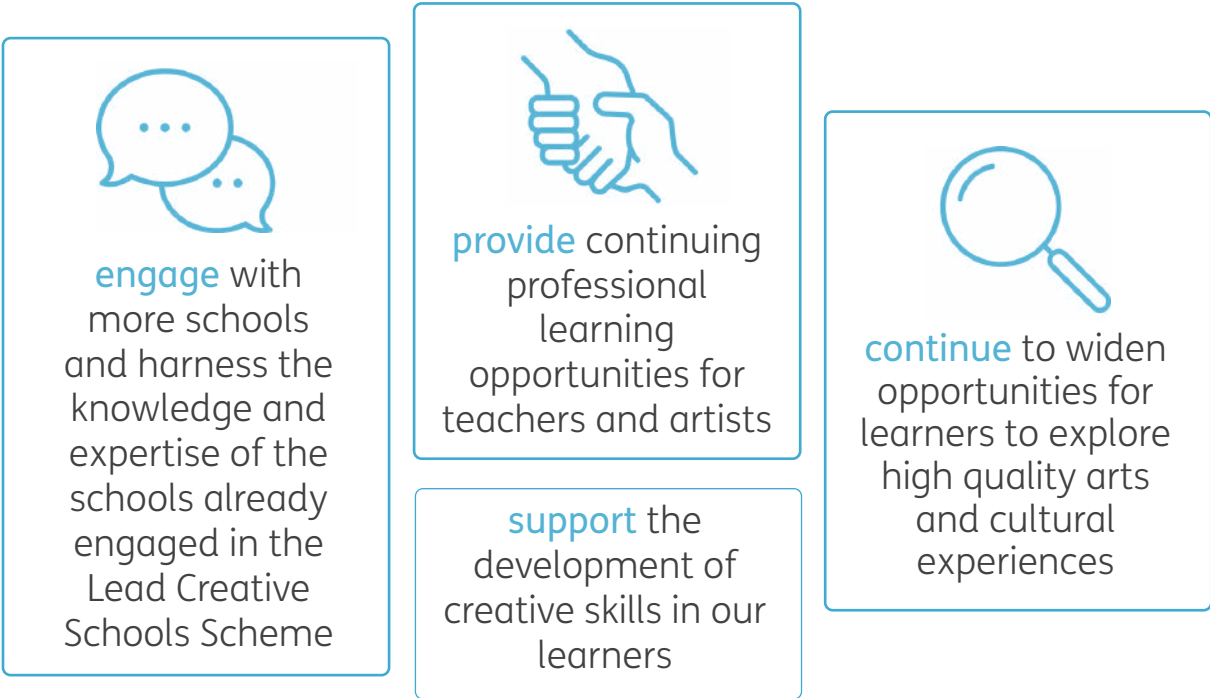


Let's Celebrate! Creative learning through the arts, Llandudno



In February 2020, the Arts Council of Wales in partnership with Welsh Government was delighted to announce a second phase for the programme. This reflects the fact that during the course of the programme, and specifically in this last year, the programme has been recognised as helping schools prepare for the advent of the new curriculum.

A further two years of funding will allow the programme to:



The infographic consists of three main boxes with blue borders. The left box contains a speech bubble icon and text about engaging with schools. The middle box contains a hand-holding-a-pencil icon and text about providing professional learning opportunities. The right box contains a magnifying glass icon and text about widening opportunities for learners. Below the middle box is a smaller box with a hand-holding-a-pencil icon and text about supporting the development of creative skills.

- engage** with more schools and harness the knowledge and expertise of the schools already engaged in the Lead Creative Schools Scheme
- provide** continuing professional learning opportunities for teachers and artists
- support** the development of creative skills in our learners
- continue** to widen opportunities for learners to explore high quality arts and cultural experiences

Plans for this next phase of the programme are currently on hold due to the onset of Covid-19, but the programme is now beginning to deliver its main elements through online platforms.

Creative learning through the arts is providing creative, engaging and arts focussed learning to support teachers and pupils in both school and home settings.

Work includes the commissioning of artists from a range of arts disciplines to deliver online masterclasses and workshops, continuing to lead creative learning experiences. The team is also delivering online creative learning workshops and seminars as they continue to see the arts sector support schools as they develop creative approaches to teaching and learning.

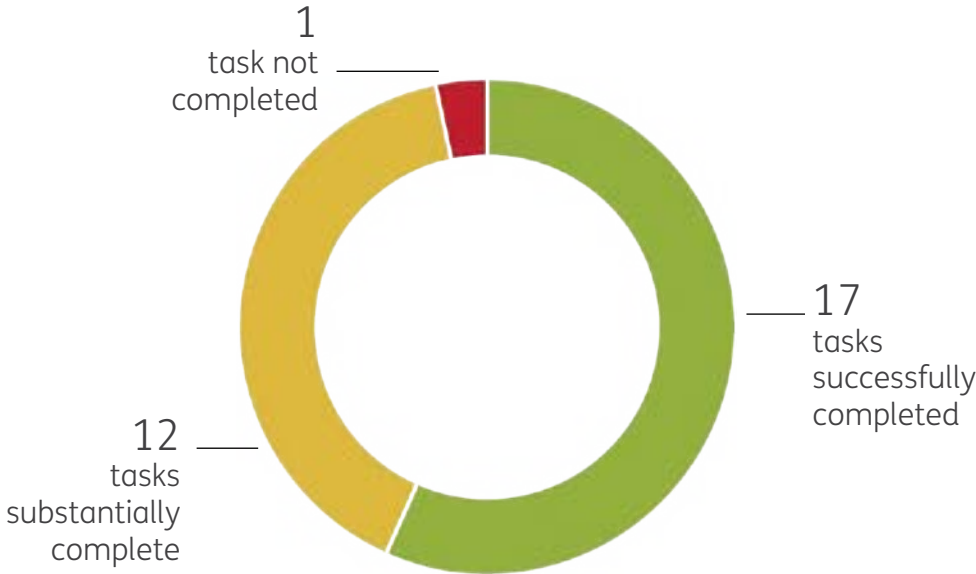
An investment of £3m of Welsh Government and National Lottery funding distributed by the Arts Council of Wales extends the scheme for another two years.

# Our performance

A year of strong performance against our corporate objectives

Our Operational Plan for 2019/20 provided the focus for our work. It contained 30 key tasks, each with its own targets. Progress was monitored throughout the year through quarterly progress reports that are presented to Council. We also meet quarterly with officials of the Welsh Government.

We successfully completed over half our tasks in 2019/20. At the end of the year:



We completed many of the projects that we set at the beginning of the year. This helped us to demonstrate significant progress towards the achievement of our key objectives.

The overall results of this were as follows:

4.2 million people  
attended Arts  
Portfolio Wales  
organisation events,  
up by 10% from the  
previous year



Attendance and Participation increased – finalised data from the 2018/19 APW survey highlighted that more people were enjoying and taking part in the arts.



**1.1 million participants**  
took part in participatory arts sessions  
organised by APW organisations in 2018/19,  
up by **33%** from the previous year.

During the six-month period 1 April 2019 to 30 September 2019:



APW organisations delivered  
a total of **9,678** arts  
events, which generated  
attendances of **2.3 million**



**35,543**  
participatory arts sessions  
were delivered, with  
**398,859** participants

Night Out continued to reach into local communities across Wales – there were more events:

**28,298**  
people attended,  
with **60%** of the  
performances  
in English, **27%**  
through the  
medium of Welsh  
and **13%** bilingual



the scheme  
funded **537**  
performances,  
up from **513** in  
2018/19

**321**  
different  
promoter groups  
representing **249**  
different venues  
and including  
**3,120** individual  
volunteers



Aberhenfelen, Theatr Bara Caws co-production with the Urdd (image: Llundia Cwmni)

We helped to build the capability of arts organisations – through investment from our Resilience programme:



research into the marketing of Welsh language theatre work



the programme supported **57** organisations

independent evaluation concluded that the programme had been **successful** overall

New partnerships helped promote professional development for individuals – we collaborated with:

**JERWOOD  
ARTS**

Weston Jerwood Fund  
(7 bursaries agreed)

**Arts  
& Business**

**creative  
& cultural  
skills**



 **PRS  
Foundation**

partnering on  
International Showcase Fund,  
Momentum and Beyond Borders





Aisha Bywaters speaks at Ffilm Cymru's Launchpad training event for BAME creative talent (image: David Lennon)

We continued implementation of our Strategic Equality Action Plan – priorities included:



expansion of our national ticketing access scheme, **Hynt**, now with **over 19,000 members**

delivery of our **Creative Steps** programme, developing the capacity and resilience of 6 BAME and Disability-led organisations

signing up to a **Memorandum of Understanding** with 10 other public bodies to agree a set of Strategic Equality Objectives that we would drive forward in partnership as part of our new Strategic Equality Plans 2020-2024

We successfully concluded the first phase of Creative learning through the arts – during the life of the programme:

the total number of schools engaged with the whole programme to date is over **1,110**  
(76.8% of schools in Wales)



there are more than **119,000** pupil beneficiaries to date

the programme has been **extended** for a further two years, in partnership with the Welsh Government

We delivered an enhanced programme of Arts and Health – activities included:

**1**

establishing a **Memorandum of Understanding** with the Welsh NHS Confederation

**2**

establishing **specialist arts co-ordinator** posts in each Health Board

**3**

**promoting the arts** as part of the Confederation’s annual conference

We engaged in an extensive programme of international activity – this included:

1

being present as an official Collateral Event of the **58th International Art Exhibition of La Biennale di Venezia** which finished 3 weeks early due to unprecedented floods in Venice in November. Visitor numbers totalled **24,954**

2

working with the **British Council in Tokyo**, we hosted an Arts & Healthy Ageing event in Japan

3

we facilitated production of the **“This is Wales Cultural Brand”**, and a new library of footage and arts content

4

supporting the Welsh Government’s launch of its new **International Strategy** in January 2020, leading the input of cultural stakeholders

5

we co-hosted a **Breton delegation** with the Welsh Government and the Breton Regional Government for the St David’s Day celebration by BBC National Orchestra of Wales with the Breton Symphony Orchestra

6

making **11 Connect awards** for organisations to participate in international networks

7

providing information and intelligence on the potential implications of **Brexit**



We improved the robustness and resilience of our IT infrastructure – we strengthened two key areas:



Cyber Security



equipping staff with the technology to work remotely

We launched a new Arts Council website – it contains:

an **open data platform** to publish data in an accessible format



our diversity data, published here in line with **Welsh Government's Public Service Equality Duty**

fully **bilingual content** that meets AAA accessibility standards.

We increased our publication of material in alternative formats, including EasyRead and British Sign Language.



We promoted the National Lottery's 25th birthday celebration – reaching its peak in October and November 2019 we:

highlighted transformational projects through the media and in special events



hosted events promoting the arts

Where targets were substantially but not fully completed, the reason in most cases was the need to re-order key activities in response to the onset of Covid-19, prior to the year end.

The main projects affected were:

**funding strategy** – we had planned a significant review of the way that we fund key organisations and projects:

- 1 the Investment Review 2020, our major review of funding to Portfolio Organisations, has been postponed
- 2 we have deferred the final stages of our review of Lottery funding because existing funds were temporarily reallocated to Covid-19 response

**delays to some aspects of our Arts and Health strategy** – we couldn't progress as quickly as we had hoped in some areas:

- 1 our work with the Innovation Agency, Nesta and the Welsh NHS Confederation to instigate and support a series of '100 day challenges' within Health Boards has had to be re-scheduled
- 2 our positive conversations with the Chief Medical Officer about Social Prescribing and the Arts have had to be put temporarily on hold





**refurbishment of our Cardiff office** – given the current funding constraints, this has been postponed indefinitely

The one task that was not completed refers to our **implementation of a new grants management system** and the technology that underpins and supports the online receipt and processing of funding applications. We did make good progress through most of the year in researching and identifying a suitable solution, although Covid-19 slowed us down a little in the last weeks of 2019/20. We're moving forward now at pace but, mindful of potential impact on our grant making activity during its installation, we felt it important to reflect the potential risks. Installation of the new system is now expected to take place in November 2020.






# Corporate Governance






## Our Trustees



Council Members who served since 1 April 2019 were:

		Attendance at meetings during 2019/20			
		Council	Audit & Risk Assurance Committee	Capital Committee	HR & Remuneration Committee
		Number of meetings held:			
		6	5	3	4
	<b>Phil George</b> Chair from 1 April 2016	6			
	<b>Marian Wyn Jones</b> from 1 April 2012 Vice Chair from 1 April 2017  Chair of Welsh Language Monitoring Group	5			
	<b>Iwan Bala</b> from 1 November 2016  Member of Wales in Venice Advisory Committee	4			
	<b>Lhosa Daly</b> from 1 April 2019  Member of Audit & Risk Assurance Committee (from May 2019) Chair of Future Generations Monitoring Group (from May 2020)	6	4		



		Attendance at meetings during 2019/20			
		Council	Audit & Risk Assurance Committee	Capital Committee	HR & Remuneration Committee
		Number of meetings held:			
		6	5	3	4
	<p><b>Devinda De Silva</b> from 1 April 2019</p> <p>Member of Equalities Monitoring Group (from May 2019)</p>	4			
	<p><b>Andy Eagle</b> from 1 November 2016</p> <p>Chair of Capital Committee</p> <p>Member of HR &amp; Remuneration Committee to May 2019</p>	4		2	2 <sup>1</sup> / <sub>2</sub>
	<p><b>Kate Eden</b> from 1 April 2017</p> <p>Chair of Audit &amp; Risk Assurance Committee</p> <p>Member of HR &amp; Remuneration Committee</p>	6	5		4
	<p><b>Michael Griffiths OBE</b> from 1 April 2012</p> <p>Member of Audit &amp; Risk Assurance Committee to May 2019</p> <p>Chair of HR &amp; Remuneration Committee</p>	5	n/a		4
	<p><b>Professor Tudur Hallam</b> from 1 April 2019</p> <p>Member of Welsh Language Monitoring Group (from May 2019)</p>	6			

Attendance at meetings during 2019/20				
	Council	Audit & Risk Assurance Committee	Capital Committee	HR & Remuneration Committee
Number of meetings held:				
	6	5	3	4
 <p><b>Melanie Hawthorne</b> from 1 April 2012 to 1 February 2020  Chair of Future Generations Monitoring Group to 1 February 2020</p>	2/4			
 <p><b>Gwennan Mair Jones</b> from 1 April 2019  Member of Future Generations Monitoring Group (from May 2019)</p>	4			
 <p><b>Alison Mears Esswood</b> from 1 April 2019  Member of HR &amp; Remuneration Committee (from May 2019)</p>	5			2/3
 <p><b>Andrew Miller</b> from 1 April 2012  Chair of Equalities Monitoring Group from May 2019)</p>	6			
 <p><b>Victoria Provis</b> from 1 April 2019  Member of Capital Committee (from May 2019)</p>	5		2	

		Attendance at meetings during 2019/20			
		Council	Audit & Risk Assurance Committee	Capital Committee	HR & Remuneration Committee
		Number of meetings held:			
		6	5	3	4
	<p><b>Dafydd Rhys</b> from 1 April 2017</p> <p>Member of Audit &amp; Risk Assurance Committee to June 2019</p> <p>Member of Capital Committee (from May 2019)</p>	6	2/2	3	
	<p><b>Dr Sarah Younan</b> from 1 April 2019</p> <p>Member of Audit &amp; Risk Assurance Committee (from May 2019)</p>	4	4		

#### Attendance of independent Committee members at meetings during 2019/20

	Audit & Risk Assurance Committee	Capital Committee	HR & Remuneration Committee
	Number of meetings held:		
	5	3	4
Andrew Butler	3		
Elid Morris	3		
Arwel Thomas	5		
Ruth Cayford		2	
Mark Davies		2	
Roland Wyn Evans		3	
Alan Hewson		4	
Valerie Ellis			0
Philip Westwood			4



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

All financial transactions between members and the Council, other than the remuneration of the Chairman, are disclosed in the financial statements under Related party transactions.

**Personal data related incidents**

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

**Our Chief Executive and Accounting Officer**  
Nicholas Capaldi

**Our Offices**

Mid and West Wales: The Mount 18 Queen Street Carmarthen SA31 1JT	North Wales: Princes Park II Princes Drive Colwyn Bay LL29 8PL	South Wales and national office: Bute Place Cardiff CF10 5AL
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<b>Auditor - General Activities</b> Auditor General for Wales Audit Wales 24 Cathedral Road Cardiff CF11 9LJ	<b>Auditor - Lottery Distribution</b> Comptroller and Auditor General 157-197 Buckingham Palace Road London SW1W 9SP	<b>Internal auditor</b> Deloitte LLP 5 Callaghan Square Cardiff CF10 5BT
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<b>Solicitors</b> Geldards LLP Dumfries House Dumfries Place Cardiff CF10 3ZF	<b>Bankers</b> Santander UK p.l.c. 9 Queen Street Cardiff CF10 2UD
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Top: Classical Playlist Live Swansea, BBC NOW (image: Kirsten McTernan)  
National Youth Brass Band of Wales (image: Kirsten McTernan)



# Governance Statement

This Governance Statement is the personal responsibility of me, Nick 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've 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're adhering to proper standards and establishing the necessary safeguards to protect the use of public money.

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



## The legislative framework

We operate within a carefully prescribed and regulated legal environment. The Arts Council of Wales is accountable to the Welsh Government's **Deputy Minister for Culture, Sport and Tourism**. Our work is also subject to the scrutiny of Committees of the **Welsh Parliament**. We work within a framework that sets out the terms and conditions under which Welsh Ministers provide our grant-in-aid funding, and how we're able to use this funding. We manage our funds with probity and in the public interest and, along with other public bodies in Wales, adhere to the principles contained in *Managing Welsh Public Money*.

As a distributor of Lottery funds under the National Lottery etc. Act 1993 (as amended), we're accountable to the UK's Secretary of State for Digital, Culture, Media & 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're required to account for Lottery distribution activity separately from the rest of our work, and we have appropriate arrangements in place to ensure that we produce two sets of published accounts. Our Lottery Distribution accounts are audited under contract to National Audit Office by Audit Wales. Audit Wales also audits our General Activities account.

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

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

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

Risk assessment and management is fundamental in our operations and this Governance Statement should be read in conjunction with the Principal risks and uncertainties section of the Performance Report.

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



2Faced Dance Company, Dance Days Festival 2019, Taliesin Arts Centre (image: Philip Rees)

## Our Governance arrangements

We're governed by a Board of Trustees – Council – consisting of a Chair and up to seventeen other independent members, one of whom is appointed as Vice-Chair. Our Trustees are appointed by the Deputy Minister for Culture, Sport and Tourism through an open selection process. Appointments are usually for a three-year term, renewable for a maximum of two additional terms.

Each Trustee brings specific expertise and knowledge to the oversight and development of our activities. At the end of March 2020, our Council comprised of the Chair plus fourteen members. There had been no changes at the time of signing these accounts.

The Chair of Council is a remunerated position, at a rate set annually by the Welsh Government. All other Trustees provide their time and expertise on a voluntary basis. However, they are reimbursed for out-of-pocket expenses incurred on Council business.

## We promote values of good governance

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

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

In accordance with the Code, each member of Council, of each Committee, and all Arts Associates and staff are required to complete an annual **Declaration of Interest** statement, and to ensure that changes in circumstances are notified promptly. They make declarations of interest in respect of directorships, memberships of boards of management (or equivalent) or employment which may conflict with their Arts Council of Wales' responsibilities. The register of interests is available for public inspection, by appointment, at each of the Council's offices during normal working hours. All financial transactions between members and the Council are disclosed in the financial statements under Related party transactions.

Council, the Audit & Risk Assurance Committee and HR & Remuneration Committee all carried out a **self-assessment review** of their performance during the year. The findings of these evaluations were positive. Areas identified for improvement are captured in



action plans. In particular, Council’s own annual self-assessment review concluded that the vast majority of its indicators of effectiveness were being met.

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

The Corporate governance in central government departments: code of good practice, issued by HM Treasury, does not directly apply to the Arts Council of Wales. However, as Accounting Officer, I’m 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.



Hamletmachine, 2019, Volcano Theatre Company (image by Victoria Boobyer)  
Pictured left to right: Christopher Elson, Mairi Phillips, Cecilia Crossland, Manon Wilkinson.

## **Whistle-blowing**

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

## **Taking informed decisions**

Decisions taken by our Council and Committees are informed by advice provided by Arts Council staff. Papers and reports produced by officers are expected to show clearly all relevant information needed to enable informed decisions to be taken. All key papers highlight: financial, HR and the Well-being of Future Generations Act's 5 ways of working; risks; and an assurance statement.

Papers are circulated in advance of each Council and Committee meeting; tabled items and verbal reports are only accepted in exceptional circumstances. Council was content during the year with the timeliness and quality of information provided for its use. In the rare instances where the information provided does not meet the required standards, the paper is rejected and a replacement commissioned. There were no instances of this happening in 2019/20.

Where appropriate and relevant, advice from officers is supplemented with specialist, expert advice and legal opinions. Council will continue to ensure that it has sufficient time and information to properly debate policy and consider the future direction of the organisation. Key policy proposals are put out to public consultation. Responses and feedback further inform discussions at Council before policies are finalised.

## **We provide funding to third parties**

One of the Council's most important duties is the distribution of funding to develop and support the arts in Wales. We're a major distributor of funding – from the Welsh Government, the National Lottery and other sources, including, where applicable, European funds.

We've developed robust and accountable systems and procedures to support this key activity. Grant making and monitoring processes are reviewed annually by our internal auditors. Audit Wales also examines our grant making activities each year. All recommendations made by our internal and external auditors are monitored by our Audit & Risk Assurance Committee to ensure they're implemented on a timely basis.

## Security of data

We hold large amounts of data and treat seriously our obligations under the **Data Protection Act** which incorporates the **General Data Protection Regulations (GDPR)**. Our **ICT systems** and rules ensure that the security of data is tightly controlled. We regularly assess our security arrangements and have taken steps to make them more robust.

Neither the high-level review over IT controls carried out by our external auditors, nor our programme of internal audit reviews carried out during the year, nor the annual security review on behalf of Welsh Government, highlighted any matters of serious concern in this area. To the best of my knowledge and belief, no loss of data occurred during the year.

## Complaints

Complaints about our work are investigated according to our Complaints policy. Sometimes our policy requires a complaint to be investigated by an Independent Complaints Reviewer. For reasons of openness and transparency, we publish all final reports from the Reviewer.

During 2019/20 we received a Complaint about the administration of our Arts Associates scheme. This complaint was referred to the Independent Complaints Reviewer who upheld the complaint. The Arts Council accepted the report's recommendations in full and apologised to the complainant. Changes have been made to the Arts Council's procedures to take account of the shortcomings identified and the full report has been published on our website.

## 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.



## Our Governance Structure

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



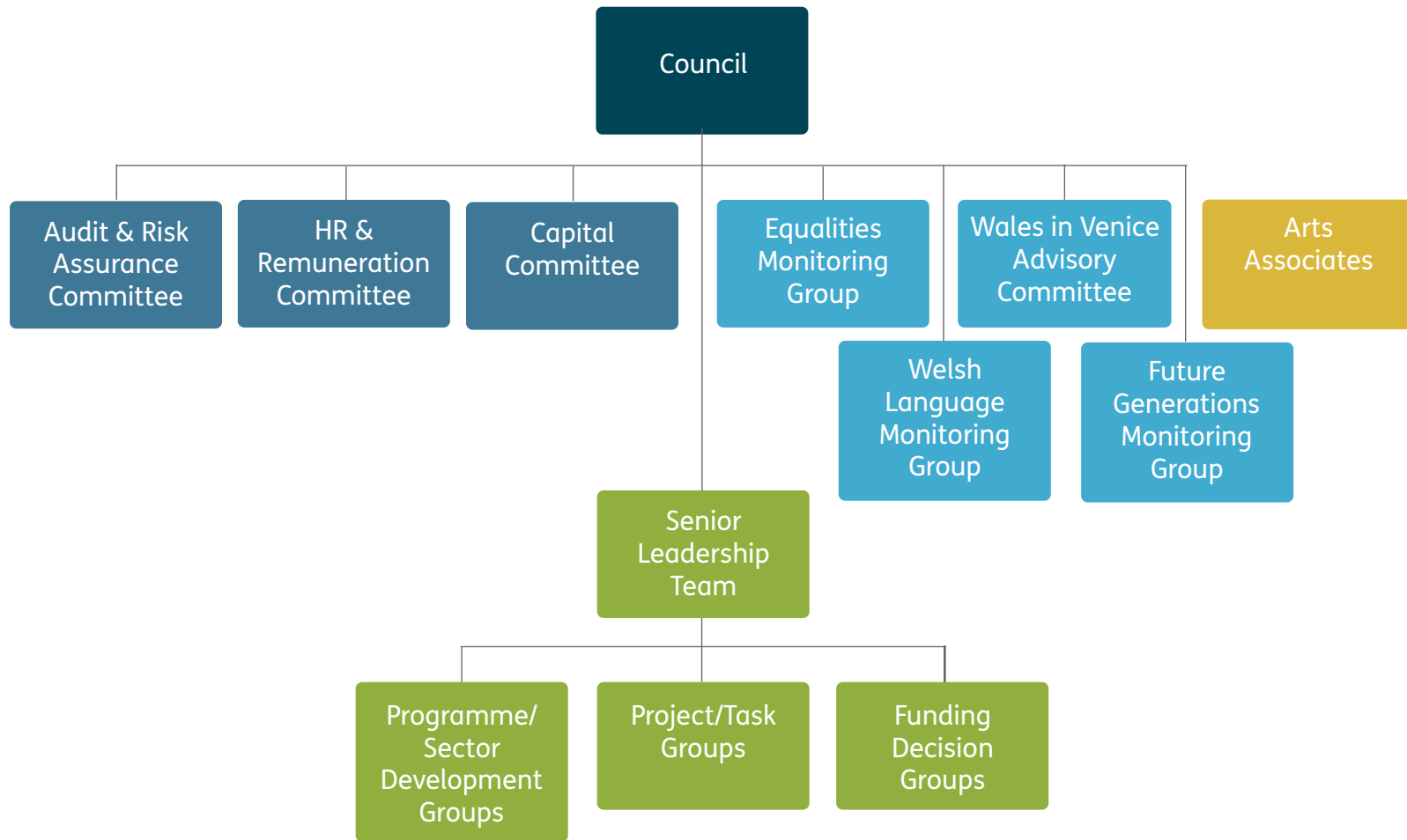
CultureFest 2019, Arts Connection

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

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

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

During the year we recruited a new cohort of **Arts Associates**. The Associates, who began their work during 2019/20, support executive staff. Their specialist knowledge contributes to policy development, the assessment of grant applications, and advice to officers.





## Council

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

Council members are responsible for key decisions on corporate policy: the formulation of our Corporate and Operational Plans, and any major alterations to the terms and conditions of service for staff.

Council sets the annual budget, decides on the annual allocation of grants to organisations in the Arts Portfolio Wales, and approves all grants over £50,000 or, in the case of Lottery funded capital projects, over £250,000 and Resilience awards over £100,000. Decisions below these thresholds are delegated to authorised staff and to the Capital Committee.

Members assist with Council Committees. They also attend arts events across Wales as representatives of Council.



Digital Experience, A Vixens Tale, Welsh National Opera (image: Sioned Birchall)

## Council activities undertaken during 2019/20 include:

- ① As part of its ongoing scrutiny of **Governance**, preparing and monitoring the **Operational Plan** for the year. Council also received and noted the **Committees'** year end reports to inform its **Governance Statement** as part of this Annual Report.
- ② Following detailed public consultation in 2018/19, approving the new **Lottery Strategy Funding Programmes** for the Autumn 2019 launch.
- ③ Considering the terms and preparations for the **Investment Review 2020** (now delayed due to Covid-19), informed by the outcomes of the public consultation exercise.
- ④ Monitoring delivery of key projects, including the final year of Phase 1 of the **Creative Learning** programme and advocacy for the continuation of the programme for a further phase, the evaluation of the **Resilience** programme, the continued successful progress of the **Arts and Health** programme and the development stages for the **National Gallery of Contemporary Art**. **International** considerations included the **Wales in Venice** biennale and **Cultural Mission to Japan**.
- ⑤ Endorsing the innovative partnership with **Size of Wales** to mitigate carbon footprint considerations for the **This is Wales Edinburgh Showcase**.
- ⑥ Considering the **Pay Review** and, more recently, mitigating the impact of **Covid-19** for the Sector and Arts Council officers.

Council met 6 times during 2019/20 to discharge its responsibilities. During the year, members in total attended meetings on 78 out of a possible 94 occasions. Council meetings are normally held approximately every 6 weeks. Copies of agendas and minutes of our Council meetings can be found on our [website](#).



## Our governance response to Covid-19

Protecting the well-being of our staff has been paramount. As concern grew about the spread of the virus we took an early decision to ban international travel and to restrict movement in the UK. And, as soon as it became clear that a strict policy of social distancing would be needed, we closed our offices and asked all staff to work from home.

Fortuitously, we were well-prepared for this shift in working practices. As part of the development of a more 'fleet of foot' organisation, we had been in the process of introducing an Agile Working policy. At the point at which 'lockdown' was enforced, all staff had already been equipped to work remotely. Due to locking down as early as possible, we have not experienced any severe sickness in staff and there have been no absences of key management personnel.

The majority of our internal processes are electronic and have worked well remotely. Physical signatures have been replaced with electronic signatures and email audit trails. The majority of the work programme for internal audit was completed before lockdown and smaller performance audits have been completed successfully remotely.

We were able to set up a number of virtual meeting rooms to host all our committee and Council meetings. Duties of each committee have remained the same and Council's ability to make decisions has not been compromised during the Coronavirus period. We have updated our Corporate Assurance Framework and Risk Register accordingly.

In terms of our risk appetite, we have had to react quickly to the demands of the sector to create emergency funding. In doing so, we had to adjust our processes in order to efficiently get the funds to where they were most needed. Ordinarily, grants are given after some development discussion with an Arts Council officer. Here, the officer would get to know the artist and help develop the project for funding. With the Urgent Response funds, individuals applied without any background involvement from officers. This meant an increased risk of people applying who were unknown to the Arts Council and a potentially heightened risk of fraud. To mitigate this risk, we used for the first time the National Fraud Initiative (NFI) 'AppCheck' tool which allowed us to background check applicants, agreeing applicants to the electoral register, checking their addresses and ensuring residency in Wales. All other background checks done pre-Covid were performed as well.

In terms of strategic planning and our equalities duties, we are committed still to our corporate priorities and this has formed part of the assessment process of the Urgent Response funds.

It is our view that the effectiveness of governance has not been compromised by the pandemic.



Top: LLAWN - Llandudno Arts Weekend, MOSTYN (image: Mark McNulty)  
Big Splash, The Riverfront (image: Kirsten McTernan)

## Audit & Risk Assurance Committee



“The Committee provides robust oversight of our governance arrangements. It scrutinises the adequacy and effectiveness of our systems of internal control, and tests our risk management arrangements. Our role is to support the organisation to be as efficient as it can, ensuring that Council’s delivery of activity is effective and represents value for money.”

Kate Eden  
Chair, Audit & Risk Assurance Committee



As stewards of public funds we must operate in an efficient and accountable manner. Our priorities and funding decisions are agreed by Council in accordance with the policies and procedures that apply to our use of public funds. The Audit & Risk Assurance Committee's role is to ensure that we deliver on these commitments, doing so in ways that are transparent, accountable and resilient.

An extensive programme of internal audit assists us in this work, assessing the quality of our delivery against the standards that we have set.

### Committee activities undertaken during 2019/20 include:

- ① Strengthening the robustness and suitability of the management of Council's work by reviewing and updating our **Corporate Assurance Framework** and **Corporate Risk Register**. Improvements initiated by the Committee have given us a clearer view of the potential vulnerabilities in our operations.
- ② Reviewing our defences against **Fraud** and **Cyber-crime**. We're better able to withstand the increased number and sophistication of external attempts to breach our security.
- ③ Scrutinising the organisational and financial health of Council's **Arts Portfolio Wales**, ensuring that appropriate remedial action is being taken to resolve any issues.
- ④ Reporting to Council on the outcome of **internal audit reviews** commissioned by the Committee and monitoring the progress of recommendations for action.
- ⑤ Understanding key aspects of Council's operations, such as **Pensions, grant giving** and our response to **Covid-19**, ensuring that the Committee is well-informed about Council's wider activities.

The Committee met 5 times during 2019/20 to discharge its responsibilities. During the year, members in total attended meetings on 26 out of a possible 32 occasions. Committee meetings are normally held quarterly, with an additional meeting in early Summer.

## Capital Committee



“The Committee has been busy overseeing and monitoring the progress of building and refurbishment projects at different stages of development. This is challenging and detailed work. The Committee also welcomed the successful completion of the innovative *Ideas: People: Places* programme.”

Andy Eagle  
Chair, Capital Committee

For more than two decades Council has been investing funds from the National Lottery into capital projects. Across Wales we're helping organisations to enhance and extend their activities by funding the creation of exemplary buildings, transforming the places in Wales where people enjoy and take part in the arts.

Council ring-fenced approximately £22m for its most recent Capital programme, originally due to end on 31 March 2017. However, there were a number of key projects that were still in development and not in the position to apply for construction funding before this date. Capital Committee and Council agreed that the remainder of the budget could be rolled into 2017/18 and subsequently through to 2020/21.

#### Committee activities undertaken during 2019/20 include:

- ① Scrutinising **10 applications** with a total request for funding of £6.4m. Nine applications were successful with a total awarded of £1.4m.
- ② Assisting the development of ambitious plans for the refurbishment of **Theatr Clwyd**.
- ③ Overseeing the completion of ***Ideas: People: Places***, our innovative programme of community-led regeneration. An evaluation of the programme has been commissioned and this will be completed in early 2020/21.
- ④ Helping to reduce organisations' dependency on public subsidy through their participation in our ***Resilience*** programme.
- ⑤ Ensuring that all capital projects in which Council invests meet **Building Research Establishment Environmental Assessment Method (BREEAM)** sustainability standards.

The Committee met 3 times during 2019/20 to discharge its responsibilities. During the year, members in total attended meetings on 17 out of a possible 21 occasions. Committee meetings are held approximately every 2 months, but with fewer meetings during the summer.



## HR & Remuneration Committee



“Advising on the health and well-being of the Council’s staff is the Committee’s principal function. We encourage the development of progressive, forward-looking policies and practice and provide a positive and supportive challenge to the delivery by our staff of HR activities.”

**Mike Griffiths**  
Chair, HR & Remuneration Committee

Committee activities undertaken during 2019/20 include:

- ① Publication of a **Pay Policy Statement**. This includes a detailed breakdown of the make up of our staff. It also addresses Gender Equality and Equal Pay reporting.
- ② Monitoring the progress of the comprehensive **job evaluation review** and development of proposals for a **restructuring of pay and salary scales**.
- ③ Reviewing **HR management information** data to monitor the performance and well-being of Council staff.
- ④ Setting levels of **remuneration** and monitoring the performance of the **Chief Executive**.
- ⑤ Promoting staff well-being with the delivery of a two-day **Mental Health First Aid** course led by Disability Arts Cymru.

The Committee met 4 times during 2019/20 to discharge its responsibilities. Members in total attended on 16 out of a possible 21 occasions.



Top: Criw Celf Illustration Masterclass with Jon Williams, Mission Gallery  
Ned and the Whale presented by Flossy and Boo, RCT Theatres (image: Abigail Lewis Photography)



## Audit outcomes

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

Our internal auditor, Deloitte LLP, gave the following opinion in their annual report:

“Based on the conclusions of our work, we can provide the Arts Council with **substantial assurance** in relation to the organisation's arrangements for risk management, governance and internal control. Our opinion has not been limited by any shortfall in resources, absence of skills, or any significant limitation of scope of internal audit activity which would adversely affect our ability to form an opinion.”

## Overall assessment of governance and internal control

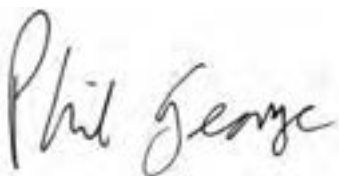
In my opinion, the Arts Council of Wales' systems of governance and internal control are sufficient to enable me to discharge my responsibilities as Accounting Officer.



Nick Capaldi, Accounting Officer

4 September 2020

Endorsed on behalf of Council:



Phil George, Chairman

4 September 2020

## Future generations



“The vision for Wales is that it should be a fair, prosperous and sustainable country, improving the quality of life of people in all its communities. If we’re to achieve this goal, we need to behave and do things differently. The Welsh Government’s well-being legislation challenges us to make better, more sustainable decisions and to plan carefully for the needs of future generations. It’s a challenge that we’re pleased to accept.”

Lhosa Daly  
Chair, Future Generations Monitoring Group



Elder Trees (July 2019) Oriol Myrddin Gallery © Heather Birnie



The **Well-being of Future Generation (Wales) Act 2015** is landmark legislation that aims to improve the economic, social, environmental and cultural well-being of Wales. The Arts Council of Wales is one of those public bodies named in the legislation that must comply with the legislation. However, we also see the legislation as an opportunity to promote the potential of the arts in helping to animate all the well-being goals.

We strive to undertake our work in a sustainable way, considering the impact that our work has for people living, experiencing and participating in the arts in Wales – now and in the future. In spite of being funded on an annual basis, we’re trying to avoid being trapped into a short-term view of delivery.

#### Activities undertaken by the Future Generations Monitoring Group during 2019/20 include:

- ① Embedding the Future Generations **five ways of working** (Involve, Collaborate, Prevent, Integrate, Long-term), in our policies, strategies and in the delivery of our work, piloting the definition and delivery of our work in **workshops** with **Audit Wales** and the **Future Generations Commissioner’s Office**.
- ② Applying the lessons learned through our ***Ideas: People: Places*** programme, recognising how the careful and respectful recognition of the assets that communities themselves possess is key to meaningful and sustained development.
- ③ Retaining our **Green Dragon Level 5 Accreditation** for environmental sustainability.
- ④ Extending the use of our **information technology infrastructure** to provide business and environmental benefits. All our staff are equipped with laptops and smartphones, enabling them to operate on a mobile basis. We’ve invested in high quality video conferencing capacity and promote its use as an alternative to travel.
- ⑤ Taking specific action to **mitigate the environmental impact** of our international activity.

# Environmental performance

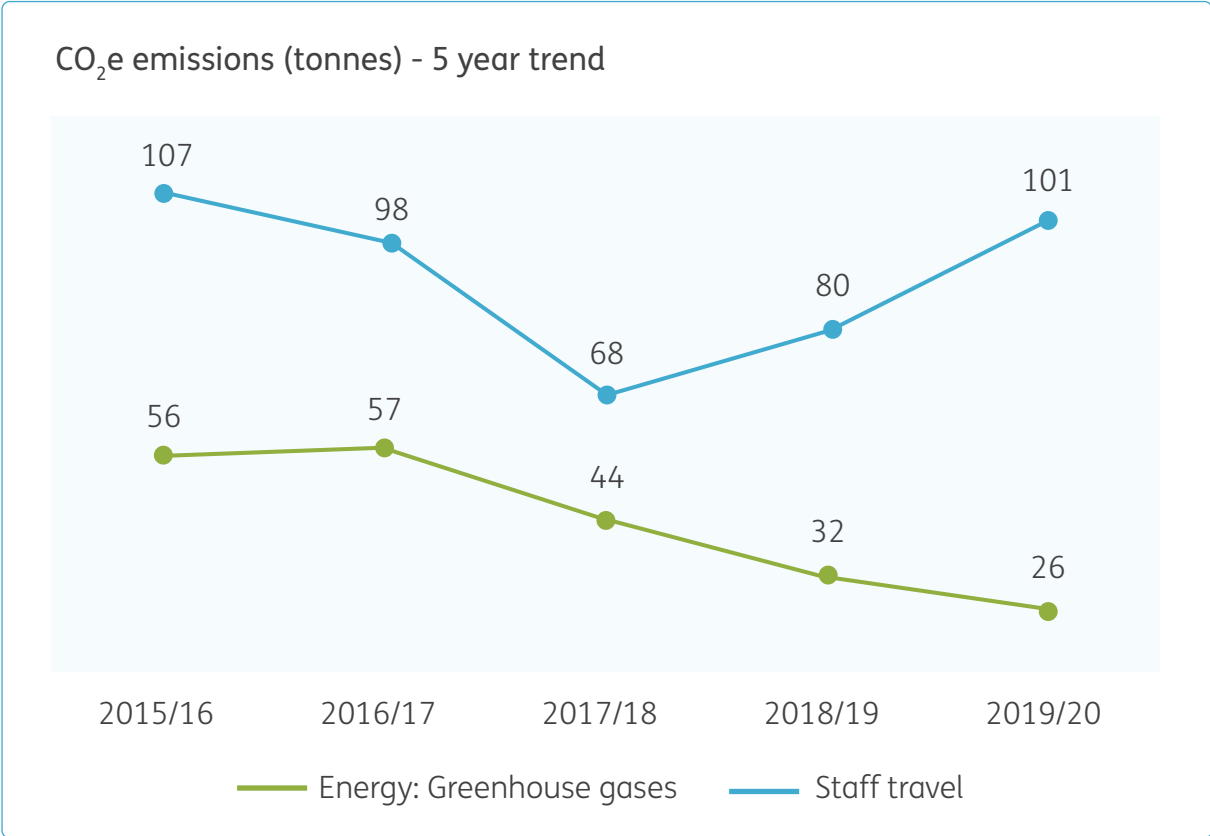
We promote the minimisation of waste amongst our staff by encouraging reduction, reuse and recycling and waste separation, reducing the amount sent to landfill.

Waste	2019/20	2018/19
<b>Non-financial (tonnes)</b>		
Landfill	0.08	0.14
Reused/recycled	3.02	3.81

We reuse or recycle our surplus and redundant IT and office equipment. We use licensed and appropriate organisations to dispose of our waste.

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

Managers and staff are provided with monthly reports analysing printing and copying activity, to encourage lower overall usage. Our internal reporting systems enable us to capture and measure details of our use of consumables, waste, energy, and staff travel, and thus our carbon dioxide equivalent (CO<sub>2</sub>e) emissions so that staff can manage their consumption of resources.



Energy	2019/20	2018/19
<b>Greenhouse gas emissions (CO<sub>2</sub>e tonnes)</b>		
Gross emissions, scope 2&3 (indirect)	26	32
<b>Energy consumption (kWh)</b>		
Electricity (renewable)	91,332	100,212
Gas	5,846	9,827
<b>Financial indicators (£)</b>		
Expenditure – energy	15,364	14,936
Water supply costs (office estate) – currently unable to assess, included in service charge	N/A	N/A

All three of our offices are leased on a shared occupancy basis, with certain costs included within our service charges. This restricts our ability to accurately assess our total environmental impact from energy usage. Our major use of electricity is in our Cardiff office and the landlord has confirmed that 100% of the supply is from verifiable Natural Renewable sources (wind, water and hydro).

We promote the use of environmentally friendly means of transport and encourage staff to make journeys by the most efficient means possible, taking account of both environmental and financial considerations. We have to balance this against the delivery of our strategic priorities to develop the arts in Wales, and to promote Welsh arts and artists internationally. This remains a significant practical challenge. As a result, there are inevitable fluctuations in the level of CO<sub>2</sub>e emissions attributable to travel, especially when we are actively involved in international projects.

In a post-Brexit world, the international marketplace will be increasingly important. During this year, we undertook considerable programmes of international work, much of it supporting Welsh Government priorities in China and Japan. We work actively to lessen the environmental impact, for example by the maximisation of legacy activity in our Wales in Venice project or the development of an offsetting mechanism in partnership with the “Size of Wales” for our “Wales in Edinburgh” project.



Staff Travel	2019/20	2018/19
<b>Travel emissions (CO<sub>2</sub>e tonnes)</b>		
Rail	9	10
Air <sup>1</sup>	72	47
Car/vans	20	23
<b>Travel cost (£)</b>		
Rail	37,883	39,344
Air	39,221	19,500
Car/vans	28,585	34,382
<b>Travel (miles)</b>		
Rail	128,827	135,984
Air	283,808	175,620
Car/vans	63,522	73,944

<sup>1</sup> 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.



Top: Louder is not always clearer, Jonny Cotsen, Edinburgh Festival (image: Kirsten McTernan)  
Composer Teifi Emerald working with Hijinx Theatre actors as part of Tŷ Cerdd's CoDI Move project (image: Matthew Thistlewood)

## Equalities



**15,166\***  
participatory  
sessions run by our  
portfolio of funded  
organisations were  
targeted at people  
in the protected  
characteristics  
group

“An inclusive, fair-minded and generous society is instinctively inclusive and strives for a whole society’s right to share and participate in the fruits of its cultural riches, especially when they are largely funded by the taxpayer. Delivering against the equality objectives of our corporate plan “For the benefit of all” continues to be our priority as we try to increase the pace of change.”

**Andrew Miller**  
Chair, Equalities Monitoring Group

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\* This data summarises the findings of the 2019/20 Arts Portfolio Wales (APW) Survey. APW organisations are required to complete a biannual survey as a condition of their funding agreements. There are currently 67 APW organisations but, as a result of the Covid-19 outbreak, only 50 organisations have been able to complete the survey by the extended deadline of 5 June. This data covers those 50 organisations only.

Achieving change remains challenging – we need to make faster progress towards achieving our goals. Nevertheless, we’ve started to see some progress towards diversifying audiences, participants and artists. Data received from our Arts Portfolio organisations in the first six months of the year showed increases in the number of exhibitions and film screenings that target disabled people and people from BAME backgrounds. There was also an increase in the number of events for disabled audiences by our presenting venues, but a decrease in the number of performances created by our touring companies. The opposite trend was appearing in relation to targeting people from BAME backgrounds, with an increase by our touring companies and a decrease amongst our presenting venues.

Participation figures from our Portfolio were showing significant increases in activity for disabled people and a very slight decrease in activity targeting people from BAME backgrounds. There were significantly increased sessions targeting LGB/transgender people.

#### Activities undertaken by the Equalities Monitoring Group during 2019/20 include:

- 1 Monitoring **progress against Council’s equalities priorities**, identifying for Council where more progress is required.
- 2 Signing up to a **Memorandum of Understanding** with ten other public bodies to agree a set of Strategic Equality Objectives that we would drive forward in partnership as part of our new Strategic Equality Plans 2020-2024.
- 3 Exploring the UK-wide ‘roll out’ of our national ticketing access scheme, **Hynt** (now with over 18,000 members).
- 4 Supporting 6 organisations on their business development journey, through our **Creative Steps** scheme. These organisations have been a mixture of disability-led and BAME-led.
- 5 Supporting 4 Wales-based disabled artists to achieve **commissions** through **Unlimited Presents**, and promoting more opportunities through our **Night Out** community touring scheme to programme shows that specifically target BAME communities.





Y Cylch Sialc, Theatr Genedlaethol Cymru (image: Kirsten McTernan)

## Welsh language



**10,786\***  
participatory  
sessions were run  
by our portfolio  
of funded  
organisations in  
Welsh, resulting in  
attendances of  
**66,042\***

“Nothing makes Wales more distinctive than the Welsh Language. It is part of what defines us as a nation and the Arts Council has a crucial role towards achieving the Welsh Government’s target of one million speakers by 2050.

We must find new and innovative ways of producing and promoting creativity through the medium of Welsh so that the language becomes an integral part of a thriving contemporary culture. We have committed to increase investment to help make it happen as a Council priority, but there’s more to do.”

Marian Wyn Jones,  
Chair, Welsh Language Monitoring Group

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\* This data summarises the findings of the 2019/20 Arts Portfolio Wales (APW) Survey. APW organisations are required to complete a biannual survey as a condition of their funding agreements. There are currently 67 APW organisations but, as a result of the Covid-19 outbreak, only 50 organisations have been able to complete the survey by the extended deadline of 5 June. This data covers those 50 organisations only.

As a bilingual organisation, our commitment to the Welsh language is integral to our work. We promote vigorously the right of people to explore their own culture, their own creativity through the language of their choice, whether as consumer, participant or artist.

In its strategy, Cymraeg 2050, the Welsh Government notes its long term target is to achieve 1 million Welsh Language speakers by 2050. We believe that in working through the arts, we can support Welsh Government to deliver on its strategic themes within this, particularly around:

- ①

An increase in the number of Welsh speakers
- ②

An increase in the use of Welsh
- ③

Creating favourable conditions within the arts sector for the language to thrive.

Activities undertaken by the Welsh Language Monitoring Group during 2019/20 include:

- ① Monitoring progress against Council’s Welsh Language priorities, identifying for Council where more progress is required.
- ② Ensuring successful implementation of the Welsh Language Standards.
- ③ Investing in Welsh Language Theatre by investing in 4 new productions, increasing Night Out presentations for families and young people through a co-production partnership between Theatr Genedlaethol Cymru and Theatr Iolo and supporting Pontio and Theatr Clwyd to continue their partnership for the delivery of Welsh Language work.
- ④ Working with the office of the Welsh Language Commissioner to develop a new online Bilingualism Promotion Pack for the arts sector.
- ⑤ Partnering with the National Centre for Learning Welsh to improve or refine the language skills of staff within the arts sector.





Top: Canfod y Gân project, Canolfan Gerdd William Mathias (image: Iolo Penri)  
Tŷ Gwerin, Eisteddfod Genedlaethol 2019, trac



# Principal risks and uncertainties

## Managing our affairs effectively

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

## Protecting the public's money

An important part of the Committee's work has been reviewing our defences against **Fraud** and **Cyber-crime**. Attempts to illegally gain access to our funds and ICT systems occur regularly. Council takes these issues very seriously and the Committee has been looking carefully at our policies and processes to ensure that they're robust and secure. There were no successful attacks during the year.

## Taking risks: a balanced approach

Unauthorised access to our systems is just one of a range of potential risks that could compromise our performance and reputation. We expect the organisations that we fund to be well-managed and to represent good value for money. Our monitoring through the year assesses the extent to which this is the case. But we mustn't become so risk averse that we ignore important opportunities for innovation and growth. We aim to take appropriate but informed risks, as circumstances dictate. However, we wouldn't behave recklessly; neither would we wilfully squander public money nor endanger our reputation for prudent and effective delivery.

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

The Committee continued to review the robustness and suitability of this aspect of Council's work. As a result of feedback by the Committee, the **Corporate Assurance Framework** (CAF) was re-formatted and the integrated risks transferred to form a separate **Corporate Risk Register**. This provided members with greater clarity on the

levels of assurance in operation across all of the Arts Council’s business activity and any corresponding risks identified. The Committee reviews the Corporate Risk Register and Horizon Scanning section of the CAF at each of its quarterly meetings. The CAF is presented to Committee every 6 months.

**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.



One Man, Two Guvnors, Torch Theatre Production (image: Drew Buckley Photography)

**Fraud risk**

The Arts Council, in common with most other organisations, is exposed to fraud risk on an increasing and ever more sophisticated scale. We note a potential for increased fraud risk given current circumstances with Covid-19.

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 2019/20, to meet all current contracted commitments. The Council does not consider that its activities are exposed to any significant liquidity risk.

*Interest rate risk* – cash and cash equivalent balances are held in instant access variable rate bank accounts which on average carried an interest rate of 0.5% (2018/19: 0.5%) in the year.

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

*Foreign currency risk* – changes to exchange rates following the 2016 EU Referendum have resulted in a reduction in the buying power of the pound overseas. Council is not currently exposed, to any significant degree, to foreign exchange risks and continues to monitor Brexit developments.

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

59,269\*  
arts events  
were run by our  
portfolio of funded  
organisations,  
generating  
attendances of  
763,064\*

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\* This data summarises the findings of the 2019/20 Arts Portfolio Wales (APW) Survey. APW organisations are required to complete a biannual survey as a condition of their funding agreements. There are currently 67 APW organisations but, as a result of the Covid-19 outbreak, only 50 organisations have been able to complete the survey by the extended deadline of 5 June. This data covers those 50 organisations only.

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

Principal risks	Key mitigating actions
<p><b>Coronavirus</b></p> <p>Staff contracting virus results in organisation/ teams/services becoming inoperable</p> <p>Covid-19 has significant and long term detrimental impact on Sector including:</p> <ul style="list-style-type: none"> <li>- individual artists and freelancers</li> <li>- organisations/Arts Portfolio Wales</li> </ul>	<p>All staff redeployed to work from home since 17 March 2020 and office closed. UK and Welsh Governments’ direction on preventative measures observed. Daily Health Survey circulated to record current health and self-isolating status across all staff, monitored by HR, with results reported to Senior Leadership Team.</p> <p>Future 2020/21 provision of lottery programmes suspended to allow funds to be diverted to help protect Sector from impact of Covid-19 and subsequent longer-term repercussions.</p> <p>Additional funding secured from external partners, stakeholders and other sources.</p> <p>Resilience Fund designed to accommodate immediate and longer-term needs, including considerations other than those based on artistic activity and outputs (e.g. financial).</p> <p>Additional, regular guidance published on alternative sources of funding that may be available to individuals and organisations (e.g. Government emergency schemes).</p> <p>Arts Portfolio Wales (APW) organisations offered rescheduled revenue funded payments to ease cashflow considerations.</p>
<p><b>Governance</b></p> <p>Poor management results in a significant failure to deliver the key objectives in corporate and operational plans</p>	<p>Anticipated outcomes are clearly defined. We use project management disciplines to assist Council officers in the delivery of their work. A formal progress report is presented to Council each quarter. This report also forms the basis for Quarterly Monitoring Meetings between Council’s senior leadership team and officials of the Welsh Government.</p>



Principal risks	Key mitigating actions
<p><b>Funding</b></p> <p>Cuts in public sector funding could damage the arts across Wales</p>	<p>National Lottery income continues to be unpredictable. We manage the underlying trend of reducing levels of income for the Lottery good causes. We have also had to achieve further savings in our own running costs. This helps us to ensure that as much funding as possible is available for direct arts expenditure.</p> <p>A key area of risk is the continuing reduction in local authority arts funding. We're working with local authority partners to explore alternative strategies for protecting support for creative activity.</p>
<p>Key arts organisations fail as a consequence of funding cuts or Covid-19</p>	<p>Our APW accounts for the majority of our grant-in-aid funding. The Portfolio's artistic, financial and operational effectiveness is closely monitored by officers. Regular reports showing the risk assessment of each of our annually funded organisations are provided to our Audit &amp; Risk Assurance Committee and to Council. When necessary, we take a pro-active approach to working directly with organisations that experience difficulties, investing time and expertise to help them to resolve matters of concern.</p>
<p><b>Grants management</b></p> <p>Poor or fraudulent funding applications mean that public funds are not used for the purposes intended</p>	<p>We take a risk-based approach to our assessment of applications and the monitoring of grants awarded. We use information collected from grant recipients as part of our monitoring procedures to ensure that the stated outcomes for which we provided funding were, in the end, actually achieved.</p> <p>Council takes fraud, corruption and maladministration very seriously and has policies to prevent, and deal with, both, including "Whistle-blowing" and Anti-fraud policies. These were reviewed during the year.</p>
<p><b>Brexit</b></p> <p>Continuing uncertainty over the next phase of Brexit has a detrimental impact on the operation of our funded organisations</p>	<p>We continue to monitor developments closely. We have convened a Task Group including representatives from the Welsh Government and UK Arts Councils. Between us we identify potential risks, lobby the UK Government and provide advice to the sector.</p>

Principal risks	Key mitigating actions
<p><b>Capital projects</b></p> <p>Poor management of key Lottery Capital projects causes delays that place additional funding burdens on the Arts Council</p>	<p>We operate rigorous processes for project monitoring and the release of payments. Contractual agreements are in place protecting the Arts Council's investment and funding is paid out against certificated claims for work completed. Expert independent assessors provide technical reports that are used to brief Capital Committee (and ultimately Council).</p>
<p><b>IT</b></p> <p>Unforeseen or unexpected outages compromise business continuity</p>	<p>A full Disaster Recovery plan is in place and tested annually. Should an incident arise, alternative offsite IT facilities are available. Our staff are equipped to work remotely and have been doing so since 17 March with no significant IT issues.</p>
<p>There is a breach in our IT security.</p>	<p>Cyber security and IT penetration tests are conducted annually. We comply with IASME security standards.</p>
<p><b>Personal Data</b></p> <p>Personal data is lost, compromised or stolen</p>	<p>The Council has controls and policies in place to ensure data integrity. Encrypted IT systems ensure that the physical security of data is tightly controlled.</p>
<p><b>Staffing</b></p> <p>Recurrent pressure to cut costs reduces staff capacity to an unacceptable level</p>	<p>Delivering an expanding programme of activity with fewer staff is a continuing concern for Council. Progress against plans is carefully monitored and reviewed on a quarterly basis, and every effort is made to implement efficient business practices.</p>

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 grant-in-aid and lottery distribution activities.

## Grant making policies

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

Recurrent, or annual revenue, grants are made to a portfolio of organisations to deliver high quality artistic services – our **Arts Portfolio Wales**. 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.

Lottery capital grants, to organisations only, support the purchase, improvement, restoration, building or creation of an asset that will be used for the benefit of the public to develop the organisation’s work.

**Council delegates Lottery grant-making** in a number of strategic areas to Ffilm Cymru Wales, Nesta, BBC Cymru Wales, Literature Wales, and Tŷ Cerdd. The terms of the external delegation are set out in formal agreements and satisfy the conditions of the Council’s Statement of Financial Requirements.



1,417  
funding  
applications  
processed

2017/18: 1,356





Chwarae, Theatr Iolo (image: Kirsten McTernan)

The obligations of the Council's Accounting Officer are unchanged by the delegation. But he has satisfied himself that the organisations and their systems are suitable to undertake the delegated functions, including: the assessment of applications for funding; holding, accounting for and distributing Lottery money allocated to them by the Council for that purpose; and monitoring funded projects.

The delegation agreements allow for appropriate access to the delegates by the Council's internal auditors and by the Comptroller and Auditor General for the review of the operation of the delegated functions.

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.

## Cash reserves – General Activities

The Council's policy on restricted funds is to record separately 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 2020.

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

At 31 March 2020 the unrestricted cash funds were £1.796m (2019: £1.766m).

The accounts have been prepared on a going concern basis and there are no material uncertainties about our ability to continue in operation.

## Investment

Investment powers are governed by the Trustee Act 2000, the Framework Document issued by Welsh Ministers and the Financial Directions issued by the Secretary of State for Digital, Culture, Media and Sport. The Council's policy is to achieve the maximum return within these terms. Interest at a negotiated rate linked to bank base rate is received on all credit balances in the Council's current accounts. From time to time, higher rates may be available for restricted funds on long term deposit.

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

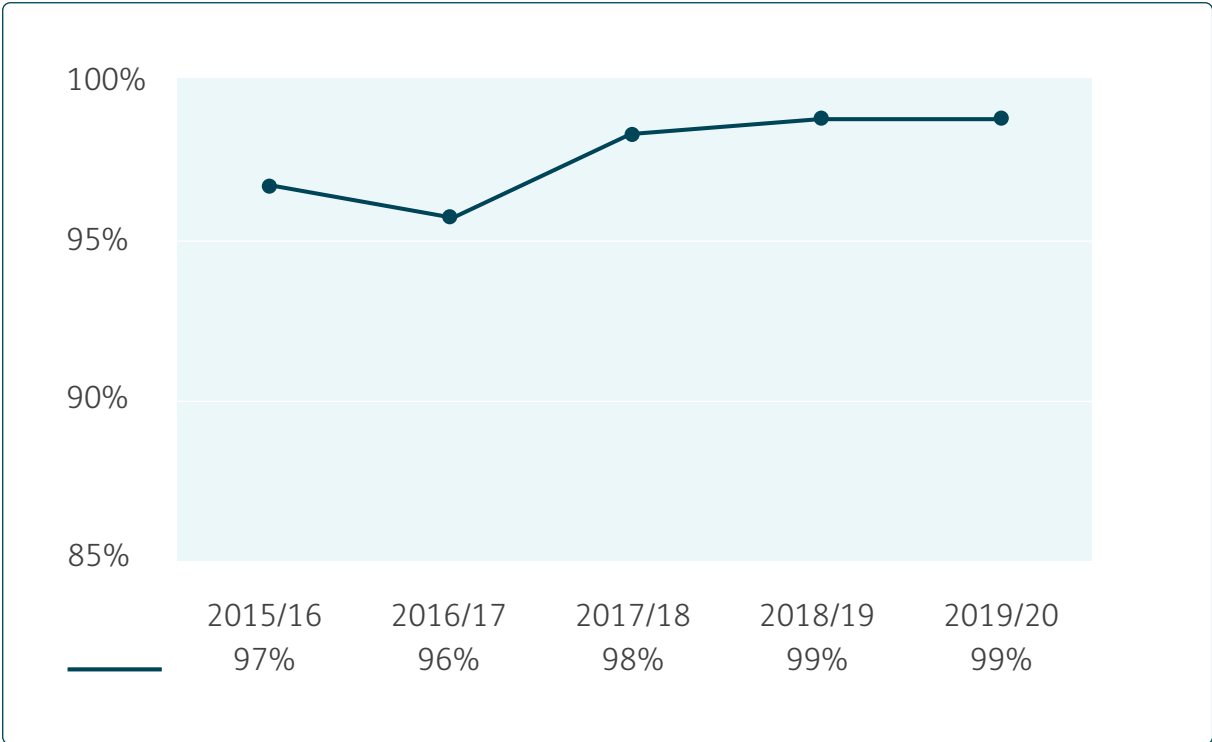
All interest and other investment income earned on cash and bank balances which arise as a result of funding from the Welsh Government is surrendered to HM Treasury via the Welsh Consolidated Fund.

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

### Payment of creditors

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

We aim to pay all invoices, including disputed invoices once the dispute has been settled, in line with these terms. During the year ended 31 March 2020, the Council paid 99% (2018/19: 99%) of all invoices within the terms of its payment policy.



In line with Welsh Government policy, the Council has a further aim to pay invoices within 10 days. For 2019/20, 95% (2018/19: 92%) of invoices have been paid within 10 days.

It is not anticipated that our policy will alter in future years and we will continue to adopt challenging performance targets.

## Financial results – General Activities

	2019/20 £'000	2018/19 £'000
<b>Headlines from the General Activities accounts:</b>		
• Total income for the year	35,787	35,386
• Excess of expenditure over income	(6)	(636)
• Net current assets	2,747	2,741
• Total fund balances at 31 March	2,840	2,846
• Forward commitments of grants for the following year	27,082	26,790
<b>The separate Lottery Distribution accounts show:</b>		
• The Council's share of the proceeds from the National Lottery	17,761	16,000
<b>The combined:</b> Total income for both general and Lottery activities was	53,687	51,524
<b>and</b> Total charitable arts expenditure for both general and Lottery activities was	48,433	47,886

The Council's income for 2019/20 was £0.401m (1.1%) more than the previous year. The main reason was the increase in restricted income from Welsh Government towards international activities.

There was a net reduction in funds of £6,000: unrestricted funds reduced by £387,000 while restricted funds increased by £381,000.

The reduction in unrestricted funds reflects our use of reserves, brought forward from the previous year, for delayed activity. This had been approved by Welsh Government and was monitored throughout the year.

At year-end we had ongoing commitments for restricted activity, in particular our Creative learning through the arts and international programmes. The outbreak of the Covid-19 pandemic impacted our plans and, as a result, we were still holding a relatively high level of restricted income compared with the previous year.



At 31 March 2020 we had unrestricted reserves of £2m (2019: £2.4m) and restricted reserves of £0.8m (2019: £0.4m). The level of our unrestricted reserves is directly affected by the Welsh Government's policy on year-end cash balances, as outlined in the *Cash reserves* section above. The Council is permitted to carry over from one financial year to the next no more than 2% of its total non-Lottery income. Any proposal to carry over sums in excess of this amount, as this year, must be agreed by our sponsoring department of the Welsh Government.

In order to address committed costs and to provide the necessary flexibility for future cost pressures an application was made to Welsh Government to carry forward an additional £1.166m to repurpose to an emergency response fund for the impact of Covid-19.

The approval of this application was welcomed and, along with an interim funding announcement for 2020/21, has provided us planning and resource requirements over the next year.



Denis & Katya by Philip Venables and Ted Huffman, Music Theatre Wales 2020 (image: Clive Barda)

## Financial results – Lottery Distribution

	2019/20 £'000	2018/19 £'000
<b>Headlines from the Lottery Distribution accounts:</b>		
• Share of proceeds from the National Lottery	17,761	16,000
• Net grants made	10,388	9,571
• Excess of income over expenditure	3,268	2,376
• Balance held in the National Lottery Distribution Fund at 31 March	18,036	14,894
• Reserves at 31 March	7,963	4,695

### Grants processed

	2019/20	2018/19
Number of applications received:		
Capital schemes	11	16
Revenue schemes	654	705
	<b>666</b>	721
<b>Number of grants made:</b>	<b>411</b>	436
<b>Value of grants made:</b>	£'000	£'000
Capital schemes	1,406	1,098
Revenue schemes	9,305	8,629
	<b>10,711</b>	9,727
<b>Grants payable at 31 March:</b>		
Capital schemes	4,024	4,445
Revenue schemes	6,546	6,744
	<b>10,570</b>	11,189

Our National Lottery proceeds were higher than originally budgeted, largely due to spikes in income towards the end of the year. However, Council continues to monitor closely the trend in the share of proceeds received by the good causes and the potential impact on future Lottery-funded programmes.

The ring-fencing of funds for our ongoing Capital programme and the progress of development of those key projects continues to impact our annual cash flows. Council allocated a total of £22m for the programme in 2012/13 for a period of five years. However, a number of projects remain in development so the remaining budget allocation of approximately £5m has been rolled through to 2020/21.

Grant-making this year was also affected by our major public consultation and the migration to revised grant programmes from Autumn 2019. Then the final month of the year saw the first repercussions of the Covid-19 pandemic, when so many of our funded projects were adversely affected. We have worked to repurpose our funding since the end of the financial year, to provide support to the sector.

At year-end grants payable totalled £10.570m (2018/19: £11.189m). Undrawn funds in the National Lottery Distribution Fund plus cash and cash equivalents totalled £19.160m (2018/19: £16.267m). Our share of balances held in the National Lottery Distribution Fund increased by approximately 21% from last year.

# 960

Collectorplan loans  
to support the  
purchase of  
contemporary art

2017/18: 998

# Remuneration and Staff Report

## 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.

Each year Council publishes a **Pay Policy Statement**. This includes a detailed breakdown of the make up of our staff. It also addresses Gender Equality and Equal Pay reporting.

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

## Our HR policies

Council's aim is to be a progressive, family-friendly employer. We operate a number of HR policies that reflect our legal obligations as an employer. Policies are reviewed on a regular basis and updated to reflect any relevant changes in legislation. The management of Council's HR policies is monitored by the HR & Remuneration Committee.

## Employee communication, consultation and negotiation

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

We undertake regular surveys of staff to identify any issues or areas for improvement.

## Job Evaluation

During 2019/20 we worked with our union colleagues to undertake a comprehensive process of **job review and evaluation**. The process of reviewing, moderating and evaluating all job descriptions took the best part of the year, but has been completed. A joint proposal by the Senior Leadership Team and the Union Executive is ready to be put forward to Council and Welsh Government, but this step of the process is on hold until business as usual is resumed.



## Remuneration

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

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

Each year, in consultation with the recognised trade union, a **Pay Remit** is produced and submitted to the Welsh Government for approval. The resultant pay and conditions package is binding on the whole of the Council until the next round of negotiation. Increases under the Pay Remit are dependent on performance established by the Council's system of personal development reviews. The 2019/20 Pay Remit was agreed by Welsh Government at the end of March 2020.

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

The Chief Executive's remuneration consists of a basic salary plus eligibility for an annual bonus. Annual bonuses are recommended to Council by the HR & Remuneration Committee in consideration of the performance of the Chief Executive against a set of predetermined objectives. The Committee's recommendation that the Chief Executive be offered a full bonus was endorsed by Council. However, the Chief Executive waived his entitlement to a non-consolidated bonus for 2019/20 and has accepted the same level of consolidated increase as other eligible members of staff.

Council members are appointed by the Welsh Ministers for a period of three years and may be re-appointed for a further period. The current Chair, Phil George, took up the position on 1 April 2016 and is in his second term which expires on 31 March 2022.

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

The dates of commencement and termination of employment are:



**Phil George**  
Chairman

1 April 2016



**Nicholas Capaldi**  
Chief Executive

15 September 2008



**Dr Katherine Davies**

Director of Arts  
Funding Services  
from 1 February 2012

24 August 1998 to 31  
December 2019



**Diane Hebb**

Director of Arts  
Engagement  
from 1 February 2012

13 January 1992



**Rebecca Nelson**

Director of Finance  
and Business Services

17 June 2019



**Siân Tomos**

Director of Arts  
Development  
from 1 February 2012

3 May 1994

Sickness absence

Across the whole Council:

	2019/20	2018/19
Days lost as a result of sickness	556	579
Average number of employees (full time equivalent)	80.48	77.30
Average number of days lost per employee	6.91	7.49

This represented an absence rate of 2.74% (2018/19: 2.98%) based on 252 (2018/19: 251) working days.

Consultancy

During 2019/20 the Council paid consultancy costs of less than £1,000 (2018/19: £3,000) in relation to expert advice and opinion obtained to assist in strategic decision-making. Amounts of less than £1,000 are charged to General Activities (2018/19: £1,000) and to Lottery Distribution (2018/19: £2,000).

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.

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

The value of pension benefits is calculated as follows:

$$(\text{real increase in pension} * 20) + (\text{real increase in any lump sum}) - (\text{contributions made by member})$$

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

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

The single total remuneration figures of the Senior Leadership Team (subject to audit):

Name Position	2019/20			2018/19		
	Emoluments band	Pension benefits	Single total remuneration	Emoluments band	Pension benefits	Single total remuneration
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Nicholas Capaldi</b> Chief Executive	95-100	24	120-125	95-100	16	110-115
<b>David Alston</b> Director of Arts to 31 January 2019 Full year equivalent	-	-	-	65-70  70-75	9	75-80
<b>Katherine Davies</b> Director of Arts Funding Services to 31 December 2019 Full year equivalent	55-60  70-75	16	70-75	70-75	2	70-75
<b>Diane Hebb</b> Director of Arts Engagement	70-75	19	90-95	70-75	9	80-85
<b>Rebecca Nelson</b> Director of Finance and Business Services from 17 June 2019 Full year equivalent	55-60  70-75	13	65-70	-	-	-
<b>Siân Tomos</b> Director of Arts Development	70-75	22	95-100	70-75	6	75-80
<b>Gwyn Williams</b> (0.6 FTE) Director of Finance and Business Services to 31 March 2019	-	-	-	40-45	10	50-55



The pension benefits of the Senior Leadership Team (subject to audit):

Name Position	2019/20		2019/20		2019/20	2018/19	2019/20
	Real increase in pension and related lump sum at age 65		Total accrued pension at age 65 as at 31/03/20 and related lump sum		Cash Equivalent <sup>1</sup> Transfer Value at 31/03/20 or date of leaving if earlier	Cash Equivalent Transfer Value at 31/03/19	Real increase <sup>2</sup> in Cash Equivalent Transfer Value
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Nicholas Capaldi</b> Chief Executive	Pension 0-2.5 Lump sum 2.5-5	Pension 10-15 Lump sum 40-45	309	264	22		
<b>Katherine Davies</b> Director of Arts Funding Services to 31 December 2019	Pension 0-2.5 Lump sum 0-2.5	Pension 25-30 Lump sum 85-90	630	574	14		
<b>Diane Hebb</b> Director of Arts Engagement	Pension 0-2.5 Lump sum 2.5-5	Pension 15-20 Lump sum 50-55	400	355	18		
<b>Rebecca Nelson</b> Director of Finance and Buisness Services from 17 June 2019	Pension 0-2.5 Lump sum 0-2.5	Pension 0-5 Lump sum 0-5	12	N/A	9		
<b>Siân Tomos</b> Director of Arts Development	Pension 0-2.5 Lump sum 5-7.5	Pension 25-30 Lump sum 80-85	600	527	20		

<sup>1</sup> **Cash Equivalent Transfer Values** - A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Arts Council Retirement Plan 1994. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

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

The Chairman is remunerated for his services but receives no bonus payments and is not a member of the pension scheme. Other Council and Committee Members receive no payment for their services. An aggregate amount of £15,216 (2018/19: £10,136) was reimbursed to 14 (2018/19: 10) Council members for travel and subsistence costs incurred on Council business. The aggregate amount allocated to general activities was £8,223 (2018/19: £5,402) and £6,993 (2018/19: £4,734) to lottery distribution.

The total actual emoluments of the Chairman and Chief Executive were made up of (subject to audit):

	2019/20	2018/19
	£	£
<b>Chairman</b>		
Salary	<u>43,810</u>	<u>43,810</u>
<b>Chief Executive</b>		
Salary	99,346	99,341
Employer's pension contribution	21,260	21,259
	<u>120,606</u>	<u>120,600</u>

68% (2018/19: 68%) of the Chairman's and 70% (2018/19: 70%) of the Chief Executive's emoluments are charged to general activities and 32% of the Chairman's (2018/19: 32%) and 30% (2018/19: 30%) of the Chief Executive's to lottery distribution.

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

Chairman	£4,631	£3,628
Chief Executive	£5,963	£9,188

53% (2018/19: 54%) of the Chairman's and Chief Executive's expenses are charged to general activities and 47% (2018/19: 46%) to lottery distribution.

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

£33,063	£33,062
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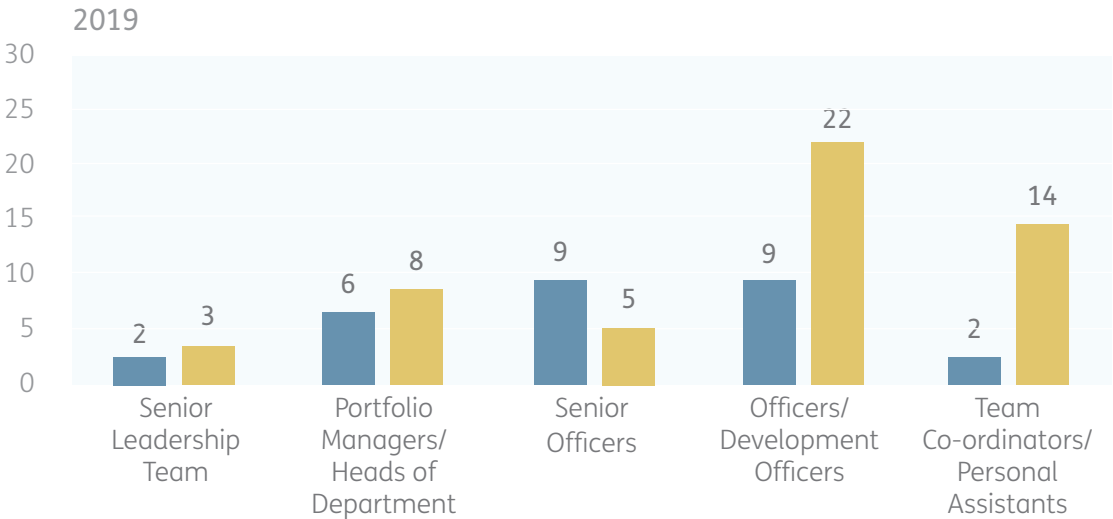
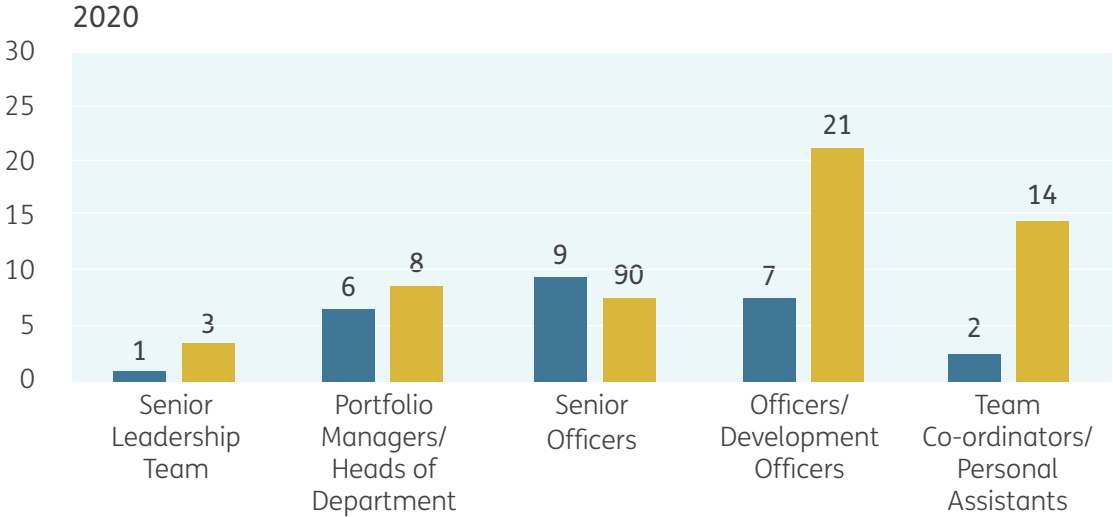
The range of annual remuneration (full time equivalents) at 31 March was (whole Council) (subject to audit):

£21,013 to £99,346	£21,012 to £99,341
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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) (subject to audit):

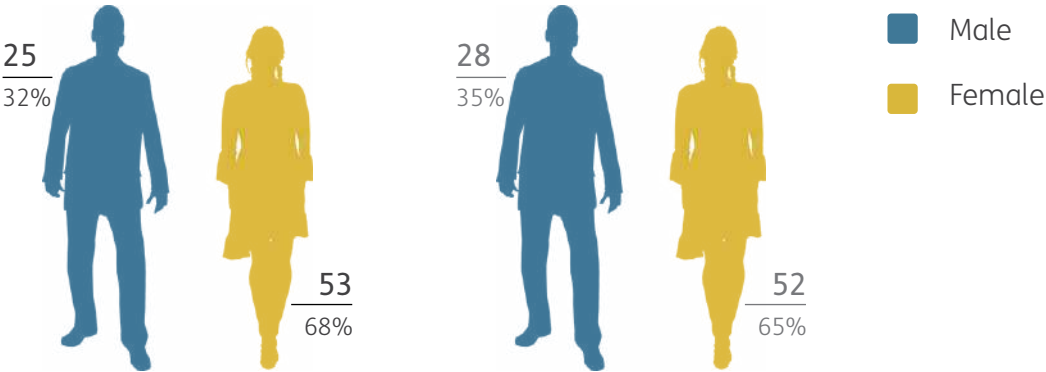
1:3	1:3
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Staff composition at 31 March (full time equivalents – whole Council)



Total 2020 (78)

Total 2019 (80)





Compensation schemes - exit packages (whole Council) (subject to audit):

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
Up to £10,000	4	-	-	-	4	-
£10,001 to £25,000	1	-	-	-	1	-
<b>Total number of exit packages</b>	5	-	-	-	5	-
<b>Total cost (£'000)</b>	32	-	-	-	32	-

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

All of the costs are charged to general activities.

# Parliamentary Accountability and Audit Report

## Remote contingent liabilities

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

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

It is not practical to estimate the financial impact.

## Losses, special payments and gifts

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

## Fees and charges income

The Council has no material income of this kind.



Nick Capaldi, Accounting Officer  
4 September 2020

Endorsed on behalf of Council:



Phil George, Chairman  
4 September 2020



Top: Then and Now, 80 Years Of CASW, Glynn Vivian Swansea, (image: Polly Thomas)  
UNITE 2019, g39. Tessa Waite, Dan Clark and Natasha MacVoy (image: Tess Emily Seymour)

The year ahead: 2020/21

We are operating in the most severe of times for our sector. The Covid-19 emergency means that our immediate aim for the future is to sustain and support our key organisations and artists in Wales whilst still focusing on the need to provide arts ‘For the benefit of all...’



## Impact on the arts

The current situation of a global pandemic is self-evidently very serious. Apart from the health and well-being of those working in the arts, the financial health of the organisations that they work for is also a significant concern. The suspension of live performance and public cultural activity is one of the most comprehensive shocks to society's sense of well-being, as well as to the economy.

2020/21 will be challenging for everyone, but especially venues. It will be particularly difficult for those commercially driven venues who achieve a high proportion of their income from ticket sales, retail income and other secondary spend. But it's not just about organisations. The arts in Wales are sustained by innumerable individual practitioners and creative professionals. Many of these are at risk of real hardship as bookings and contracts are cancelled.



Lexicon, Nofit State (image: Sigrid Spinnox)

With all this in mind, our objectives for 2020/21 are as follows:

### Supporting the sector in 2020/21

2020/21 will see the Arts Council repurpose the majority of its lottery fund to respond to the initial threat to our sector and to help it find its way through the Coronavirus/ Covid-19 crisis.

Together with the Welsh Government, money from existing grant-in-aid and Lottery budgets has been reallocated to create an urgent response fund of £7.0 million – our Resilience Fund for the Arts in Wales. A £500,000 donation from the Freelands Foundation was also agreed in the early part of 2020/21.

In early 2020/21, the funding requirements for those individuals and organisations have been adjusted to help alleviate pressure for those who have already received Lottery funding. Many of these projects can no longer be delivered in their original form. We have written to all grant awardees to establish the precise status of their awards. We're being flexible and sensitive, our basic presumption being that if costs have been incurred these should be covered. For each project that can still be delivered we'll expect a satisfactory completion report before releasing the full amount awarded. However, if it's clear that funds awarded cannot be legitimately used, we're asking for the funds to be returned. Funds returned will go into the Resilience Fund.

The Resilience Fund has three 'strands':

①

**Urgent  
Response  
Fund for  
Individuals**

②

**Stabilisation  
Fund for  
Individuals**

③

**Stabilisation  
Fund for  
Organisations**

In creating these funds we continue to adopt our strict checking processes and will include additional anti-fraud checks on applicants, utilising the National Fraud Initiative (NFI) 'AppCheck' tool.

The next steps for the Arts Council is to strategically develop a new path for the sector. This will need to be flexible to the ever-changing landscape, Governmental advice and the unpredictability of the virus.

As part of a national package to save the Arts announced by the UK Government, the Arts Council of Wales can draw down an additional £27.5m to fund further support in the sector, now known as the Cultural Recovery Fund. Applicants can apply from 17 August and we look to release the majority of the funding before Christmas 2020.

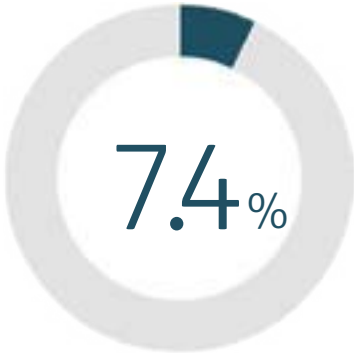
Whether attending, taking part or working in the arts as artist, employee or board member, we need to see Wales’ wider population better represented in the activity that we fund. We’ve set specific targets, and these are set out in our Strategic Equality Action Plan.

**Our approach will continue to reflect the Welsh Government’s Well-being of Future Generations Act**

The arts self-evidently contribute to our well-being and quality of life and we know that the arts can bring substance and imagination to the delivery of a wide range of civic strategies. Ensuring that we make a positive contribution to the well-being agenda remains a priority that informs all aspects of our work in 2020/21.

Sustainable development will be one of our central organising principles and we will put the well-being of the people of Wales, now and in the future, at the centre of our decision-making processes.

We will engage in the 5 ways of working to provide a holistic response to the future of the sector, engaging with a wide variety of stakeholders to lead the debate. Our achievements will also be underpinned by the Future Generations Monitoring Group which will look at how our activity will operate during and after the Coronavirus crisis.



**Arts Council running costs as a proportion of total income (whole Council)**

2018/19: 6.9%

## Widening engagement

*We need to change how we view public funding for the arts. This means doing more to recognise the self-expression and cultural interests of individuals and communities – everyday creativity.*

Traditional definitions of culture, creativity and the arts can sometimes themselves be barriers to people taking part. We need to make sure our funding supports different kinds of arts and reaches a greater range of artists and communities.

We want more people in Wales to be able to choose to make the arts a part of their lives. Opportunity to engage and participate in the arts should not be determined by where you live. Yet evidence clearly shows that the benefits of public investment in the arts remain stubbornly limited to a small proportion of the population (usually the wealthiest, better-educated and least ethnically diverse, located in the more densely populated areas). We aspire to a society that embraces equality and celebrates difference, wherever it's found in race, gender, sexuality, age, language, disability, affluence or community.

A generous, fair-minded and tolerant society is instinctively inclusive and values and respects the creativity of all its citizens. And we know that the arts in Wales will be stronger, more exciting and more relevant if they embrace more people. The arts still tend to be seen as for the most privileged in society. We need to change this, especially as a post-Covid-19 society starts to re-engage with itself and with cultural activity.

### Our top 3 actions:

- 1** Ensure all of our Lottery Funding programmes target supporting those organisations who reach wider communities and more diverse audiences especially amongst BAME and disabled and Welsh-speaking people. We will run a public campaign that promotes this.
- 2** Develop and implement new widening engagement programmes with the arts in Wales through the medium of Welsh and English languages, taking account of the feedback we receive from communities.
- 3** Extend the reach of the Night Out scheme through a pilot project with five Library services across Wales.



## Build on our resilience and sustainability work

*Resilience has a new meaning for 2020/21 with the sector in a precarious situation. In addition to the Stabilisation funds, Council will look at how we sustain the sector and protect the Arts in Wales, particularly as it is our sector which will be most affected by social distancing.*

We continue to do all we can to persuade funding partners to keep faith with the arts and will continue to develop our relationship with local authorities and other funders.

Serious though the impact has been on organisations, we need also to recognise that public health crises aren't equal opportunities events: the poorest, most marginalised and disabled are generally the worst affected, while the wealthy, connected and healthy are usually better able to weather the storm. We therefore shouldn't forget Council's overall priority to pay particular attention to the needs of the least well off, urgent though the need for quick solutions will be.

### Our top 3 actions:

- ① Helping to protect the viability and financial stability of artists and arts organisations, especially those that are BAME and disability-led. A particular focus in 2020 will be trying to mitigate the impact of Coronavirus/Covid-19.
- ② Provide support for artists and arts organisations to develop the skills that enable them to work online and to collaborate successfully on a local, national and international basis for the duration of Coronavirus /Covid-19.
- ③ Support the outcome of the Welsh language visioning and mapping activity to develop audiences in Wales and internationally for Welsh language work.



Bedwellty Park Arty Parky, Head4 Arts (image: Kate Strudwick)

## Creative pathways

*The quality of the work that we're supporting will continue to be something that we care deeply about. Through the public funding entrusted to us, we want to enable artists to use their best imagination, their most inquisitive curiosity, to create exciting and engaging work. It's about Art that's conceived with passion and imagination – Art that's well-crafted and produced, and which reaches out and touches us.*

Creativity, integrity, imagination, innovation, commitment – these remain the important yardsticks by which we judge quality. However, Council has acknowledged that we must expand our field of vision to see the different contexts within which these qualities might exist.

But fish are only as healthy as the water they swim in. Artists and arts organisations need a supportive environment to prosper. We'll play a clearer and more entrepreneurial role in identifying, nurturing and promoting our country's best creative talent across all kinds of art, and at all stages in their professional development.

We know we can provide support at key moments in an artist's career. Whether working singly or together, locally or globally, our goal is to create the circumstances in which our artists are equipped with the skills and the opportunities to pursue viable, sustainable careers from a Welsh base.

#### Our top 3 actions:

- 1** Research, develop and promote an inclusive menu of workforce developments and opportunities for individual artists and creative professionals, particularly for BAME and disabled people, to make work and develop their professional skills and find employment in the arts in Wales. This includes our work with Creative Steps, Creative and Cultural Skills, the BBC, and our plans to develop Apprenticeship opportunities.
- 2** Establish partnerships, nationally and/or internationally, with at least two foundations or specialist providers to increase training, professional development and employability opportunities in the arts and creative sector.
- 3** Develop ways of monitoring and reporting on the impact of the commitment in our funding programmes for artists to be paid appropriately.

## Promoting the benefits of Arts and Health

*The importance of the Arts for Health and Well-being is becoming increasingly accepted. Through project activity that we've previously supported we've been able to demonstrate that Arts and Health work is having a beneficial impact across the full ranges of age, class and geography in Wales.*

Our resources are small in relation to Health and before the crisis we had big plans to expand this programme.

However, the health sector is under immense pressure like it has never seen. This is why we're being clear about where our interventions will have most impact and work in 2020/21 will be about re-focusing on how arts can maximise health and well-being.

Key to this is aligning our work with the priorities of Government and the Health Boards and to respond to the challenge of making scalable interventions in key areas of well-being and health in the Welsh population. We are aiming to deliver a partnership approach which will be essential if our strategy is to succeed.

### Our top 3 actions:

- 1 Explore ways in which we may continue to support the Health Boards across Wales through a nation-wide network of jointly funded Co-ordinator posts.
- 2 Support Y Lab (Nesta and Cardiff University) to work together to understand how arts interventions can play a more prominent role in the health and well-being of the people of Wales.
- 3 Work with partners, nationally and internationally, to research effective ways of embedding the arts within strategies for Social Prescribing.



## Investing in young people and Creative Learning

*An active engagement with the arts can transform the way children and young people learn and explore the world around them. It can change the way they see themselves – even what they dream of for the future – as well as helping them to develop the self-respect and worth that will be such an important part of their life skills for the future.*

From the youngest age literacy and numeracy are seen to underpin academic success. Success in life depends on more – the integration of Creativity. Our strategy continues to be to pioneer ways in which more schools can draw on practical ways of bringing the excitement and inspiration of the arts into the classroom as embodied in our Creative Learning programme. Our new Creative Learning programme is launched in 2020/21 and will be working with Creative Agents, Creative Practitioners and schools on how we can make the most impact during and after lockdown.

### Our top 3 actions:

- 1 Implement the first year of phase 2 of the Creative Learning programme, taking forward key elements from the initial programme and supporting the roll out of the new schools' curriculum that places Creativity and the Expressive Arts at its heart.
- 2 Through our Children and Young People Lottery programme, support 5 innovative projects that have young people as co-producers, who are from the most deprived communities and specifically those from BAME backgrounds and who are disabled.
- 3 Further support the establishment of Anthem. Music Fund Wales and its work with young people through exploring options for protecting the organisation against the immediate impact of Coronavirus considerations and futureproofing mechanisms.



Kizzy Crawford, St Davids Day Reception, Dublin (image: Aaron Daly Photography)

## Expanding our international activities

*Working internationally is key to developing a dynamic and exciting, open and welcoming country with creativity at its heart. However, it was one of the first areas of our work to be affected by Coronavirus/Covid-19.*

Because of the unpredictable nature of this world-wide pandemic, it is difficult to anticipate how quickly we will be able to resume our full programme of activity. However, after an extended period of inward-looking preoccupation, we believe it will be all the more important to re-appraise (and re-invigorate) international partnerships and ways of working.

Our arts, our culture and our languages give Wales its unique global personality. And this unique cultural context resonates with many other minority languages and cultures and our story is relatable around the world.

Creating a new cultural context that nurtures international understanding and tolerance through engaging with the diverse international communities in Wales, ensuring equalities of opportunities for all and sharing good practice in terms of inclusive work underpins our new international strategy. This becomes all the more important in a post-Brexit context, significantly delayed by Coronavirus/Covid-19, where we have to re-define our relationship with Europe.

Council’s commitment to international working has never been more important. Arts Council of Wales’ international strategy reflects the priorities of our Corporate Plan and is designed to support delivery of the Welsh Government’s strategy. We’re seeing an increasing number of organisations developing important programmes of international activity.

International activity can build cultural capital, raise profile and open up new markets. Whilst we recognise that international success is an important artistic ‘kite mark’, international work is not the preserve of the few. International artists and diverse cultures inspire and connect people in community halls all over Wales. Children and young people engage on a daily basis with music and art from all over the world through digital platforms.

**Our top 3 actions:**

- 1 Implement the actions in the Arts Council’s International Strategy as part of a more formal partnership with the Welsh Government on international working reflecting the Government’s recently published post international strategy.
- 2 Build cultural bridges with international communities living and working in Wales, capitalising on the potential of the UNESCO Decade of Indigenous Languages.
- 3 Maintain existing dialogue with the Welsh Government, partners and international networks to develop post-Brexit opportunities for the arts in Wales.

## Understanding the impact of our investment

*Research and evaluation is an essential part of our work. It informs our implementation and monitoring of policy, giving us a better understanding of the impact of our funding and developmental work.*

We have a small research team, so it will be important that we develop partnerships to extend and enhance our research capability. We currently collect and hold a large amount of data, and we must integrate and share the use of our data to maximise organisational intelligence, reporting and efficiencies.

### Our top 3 actions:

- 1 Publish research that demonstrates the impact of Arts Council investment.
- 2 Publish research which describes the extent and range to which the public in Wales is attending and taking part in the arts.
- 3 Monitor the impact of our Lottery funding and report annually.



## Investment Review – postponed

We need to protect our flexibility and organisational capability to respond to the unexpected. We postponed the Investment Review due in 2020/21 for a year to free up officer time and to spare the Portfolio additional work in such difficult circumstances.

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

Current events have dissuaded the Welsh Government from issuing our usual annual Remit Letter for 2020/21. As well as confirming funding for the year, the Government usually sets out its expectations of us in this Letter. Instead, we have received a brief Interim Letter. We are mindful of the fact that our current level of funding is by no means guaranteed, and it may be reduced during the year to allow Welsh Government to reallocate to other areas of expenditure. Whilst understandable given the pressures resulting from the Coronavirus pandemic, any reductions now would have very significant (negative) implications for the sector. We regularly monitor our cash flow position and attend regular monitoring meetings with Welsh Government officers.

Another potential concern is the level of funding that will be provided by the National Lottery. It's impossible to predict what's likely to happen, although we've chosen for the time being to plan for reduced income.

2020/21 will prove to be a challenging year. However, we are convinced that we can make a real difference to the sector and to the people of Wales.

**7,690\***  
arts events  
were run by our  
portfolio of funded  
organisations,  
generating  
attendances of  
**2.89m\***

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\* This data summarises the findings of the 2019/20 Arts Portfolio Wales (APW) Survey. APW organisations are required to complete a biannual survey as a condition of their funding agreements. There are currently 67 APW organisations but, as a result of the Covid-19 outbreak, only 50 organisations have been able to complete the survey by the extended deadline of 5 June. This data covers those 50 organisations only.

# Financial Statements

## General Activities

## Statement of the Accounting Officer's responsibilities

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

In preparing the accounts, the Accounting Officer is required to comply with the accounting principles and disclosure requirements of the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 ("the SORP") and, to the extent that it clarifies or builds on the requirements of the SORP, the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction issued by Welsh Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the SORP and the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on a going concern basis; and
- confirm that the Report and Financial Statements as a whole is fair, balanced and understandable and take personal responsibility for the Report and Financial Statements and the judgements required for determining that it is fair, balanced and understandable.

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

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Council's auditor is aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

Endorsed on behalf of Council:



Nick Capaldi, Accounting Officer  
4 September 2020



Phil George, Chairman  
4 September 2020

# The Certificate and independent auditor's report of the Auditor General for Wales to the Trustees of the Arts Council of Wales

## Report on the audit of the financial statements

### Opinion

I certify that I have audited the financial statements of the Arts Council of Wales General Activities Account for the year ended 31 March 2020 under Article 11 of the Arts Council of Wales' Royal Charter. These comprise the Consolidated Statement of Financial Activities, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and related notes, including a summary of significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 2020 and of its net expenditure for the year then ended; and
- have been properly prepared in accordance with Welsh Ministers' directions issued under Article 11 of the Arts Council of Wales' Royal Charter.

### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Accounting Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



## Other information

The Accounting Officer is responsible for the other information in the annual report and financial statements. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

## Opinion on regularity

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

## Report on other requirements

### Opinion on other matters

Although there are no legislative requirements for a Remuneration and Staff Report, the Arts Council of Wales has prepared such a report and, in my opinion, that part ordinarily required to be audited has been properly prepared in accordance with Welsh Ministers' directions made under Article 11 of the Arts Council of Wales' Royal Charter.

In my opinion, based on the work undertaken in the course of my audit:

- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with Welsh Ministers' guidance;
- the information given in the Performance Report, Operational Review and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Performance Report, Operational Review and Accountability Report have been prepared in accordance with the Charities SORP (FRS102).

### Matters on which I report by exception

In the light of the knowledge and understanding of the body and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance Report, Operational Review and Accountability Report or the Governance Statement.

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

- sufficient accounting records have not been kept;
- the financial statements and the part of the Remuneration and Staff Report to be audited are not in agreement with the accounting records and returns;
- information specified by Welsh Ministers regarding the remuneration and other transactions is not disclosed; or
- I have not received all of the information and explanations I require for my audit.

## Report

I have no observations to make on these financial statements.

## Responsibilities

### Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for preparing the financial statements in accordance with Article 11 of the Arts Council of Wales' Royal Charter and Welsh Ministers' directions made thereunder, for being satisfied that they give a true and fair view and for such internal control as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accounting Officer is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

### Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## Responsibilities for regularity

The Accounting Officer is responsible for ensuring the regularity of financial transactions.

I obtain sufficient evidence to give reasonable assurance that the expenditure and income have been applied to the purposes intended by the Senedd and the financial transactions conform to the authorities which govern them.

**Adrian Crompton**  
Auditor General for Wales

24 Cathedral Road  
Cardiff, CF11 9LJ

10 September 2020

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

# Consolidated Statement of Financial Activities

for the year ended 31 March 2020

	Note	Unrestricted funds £'000	Restricted funds £'000	2019/20 Total £'000	2018/19 Total £'000
<b>INCOME</b>					
Donations:					
Grant-in-aid from the Welsh Government		31,282	300	31,582	31,627
Other grants and donations	3	-	3,984	3,984	3,194
		<u>31,282</u>	<u>4,284</u>	<u>35,566</u>	<u>34,821</u>
Income from charitable activities:					
Services and sponsorship	4	180	-	180	186
Investment income:					
Bank interest		11	3	14	23
Other income	5	27	-	27	356
<b>Total income</b>		<u>31,500</u>	<u>4,287</u>	<u>35,787</u>	<u>35,386</u>
<b>EXPENDITURE</b>					
Charitable activities	6	31,703	4,003	35,706	35,933
Governance costs	8	76	-	76	75
Bank interest surrendered to Welsh Consolidated Fund		11	-	11	14
<b>Total expenditure</b>		<u>31,790</u>	<u>4,003</u>	<u>35,793</u>	<u>36,022</u>
<b>Net income/(expenditure)</b>		<b>(290)</b>	<b>284</b>	<b>(6)</b>	<b>(636)</b>
Gross transfers between funds	15	(97)	97	-	-
<b>Net movement in funds</b>		<u><b>(387)</b></u>	<u><b>381</b></u>	<u><b>(6)</b></u>	<u><b>(636)</b></u>
<b>Reconciliation of funds</b>					
Fund balances brought forward	15	2,383	463	2,846	3,482
<b>Total funds carried forward</b>		<u><b>1,996</b></u>	<u><b>844</b></u>	<u><b>2,840</b></u>	<u><b>2,846</b></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 130 to 157 form part of these financial statements.



# Consolidated Balance Sheet

as at 31 March 2020

		31 March 2020		31 March 2019	
	Note	£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Intangible fixed assets	9a		2		-
Tangible fixed assets	9b		91		106
<b>Total fixed assets</b>			<u>93</u>		<u>106</u>
<b>Current assets</b>					
Grants paid in advance	10	140		302	
Debtors	11	2,079		1,701	
Cash and cash equivalents		2,301		2,448	
<b>Total current assets</b>		<u>4,520</u>		<u>4,451</u>	
<b>Liabilities: falling due within one year</b>					
Creditors	12a	(1,744)		(1,710)	
Provisions for liabilities	13	-		-	
		<u>(1,744)</u>		<u>(1,710)</u>	
<b>Net current assets</b>			<u>2,776</u>		<u>2,741</u>
<b>Total assets less current liabilities</b>			<u>2,869</u>		<u>2,847</u>
<b>Creditors: falling due after more than one year</b>					
Creditors	12b	(29)		(1)	
Provisions for liabilities	13	-		-	
			<u>(29)</u>		<u>(1)</u>
<b>Net assets</b>			<u>2,840</u>		<u>2,846</u>
<b>The funds of the charity</b>					
Unrestricted funds	15		1,996		2,383
Restricted funds	15		844		463
			<u>2,840</u>		<u>2,846</u>

The notes on pages 130 to 157 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  
4 September 2020



Phil George, Chairman  
4 September 2020

## Consolidated Statement of Cash Flows

for the year ended 31 March 2020

	Note	2019/20 £'000	2018/19 £'000
Net cash inflow/outflow from operating activities	17a	(105)	(837)
Net cash inflow from investing activities	17b	3	9
Net cash outflow associated with capital assets	17c	<u>(45)</u>	<u>(91)</u>
<b>Change in cash and cash equivalents in the year</b>		<b>(147)</b>	<b>(919)</b>
Cash and cash equivalents brought forward		2,448	3,367
<b>Cash and cash equivalents carried forward</b>		<b><u>2,301</u></b>	<b><u>2,448</u></b>

The notes on pages 130 to 157 form part of these financial statements.

# Notes forming part of the Financial Statements

for the year ended 31 March 2020

## 1. Accounting policies

### a. Basis of preparation

These financial statements are prepared on a going concern basis and under the historical cost convention modified to include certain fixed assets at their value to the Council on a current cost basis. They have been prepared in accordance with the Accounts Direction issued by Welsh Ministers and meet the requirements of the Charities Acts 2006, 2011 and 2016, of the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their account in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) issued on 16 July 2014 (“the SORP”) and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102). In addition to compliance with the SORP regard is given to the requirements of the Government Financial Reporting Manual (FRoM) 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.

#### Impact of standards not yet effective

The application of any new or amended accounting standards is governed by their adoption by the Charity Commission and FRoM. The Council applies changes to standards when they become effective. There are no known material impacts from accounting standard changes that have been issued and are not yet effective on the financial statements in the period of initial application.

### b. Subsidiary undertakings – Cerdd Cymru:Music Wales Limited

Cerdd Cymru:Music Wales is a private, trading company, limited by guarantee and registered in Wales (number 7759122). It was incorporated on 1 September 2011 as a 50% joint arrangement with the Welsh Music Foundation to develop and improve, both nationally and internationally, the knowledge, understanding, practice and sustainability of the arts and creative industries, and particularly of music in Wales.

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

The transactions of the subsidiary have been included within the consolidated financial statements on the ‘line by line’ method (see note 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 income.

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

**d. Lottery distribution**

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

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

The apportionments are usually reviewed every two years and whenever there is a significant change to the staff structure or the programmes of activity.

**e. Expenditure**

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

**f. Grants awarded**

Subsidy expenditure is incurred in the form of grants which are formally offered to organisations funded by the Council. Grants are offered in support of a programme of activities planned for, or to commence in, a particular financial year and in most circumstances 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. The grant-in-aid to meet these commitments cannot be recognised until it is received so, in this respect, we have been unable to apply all principles of paragraph 7 of the SORP. The Trustees do not believe the inclusion of the forward commitments would provide a true and fair view of the application of the Council's resources.

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

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

**g. Services and sponsorship**

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



**h. Allocation of operating costs**

Operating costs have been allocated first between charitable activities and governance. Operating costs relating to charitable activities have been apportioned to reflect the time spent by staff in delivering direct activities and in support of their delivery. The allocation and analysis of these costs is in notes 6 and 7.

**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 8.

**j. Foreign currency**

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

**k. Recognition of liabilities**

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

**l. Fund accounting**

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

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

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

**m. Fixed assets**

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

Website development costs, in accordance with FRS 102, are treated as tangible fixed assets.

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

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

**n. Amortisation and depreciation**

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

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

**o. Leases**

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

**p. Pensions**

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

The Plan is a funded, defined benefit, multi-employer scheme where the participating employers are unable to identify their shares of the underlying assets and liabilities. The scheme has therefore been accounted for as if it were a defined contribution scheme, in accordance with FRS 102. The Council has made payments to fund a deficit relating to past service. If further deficit payments are needed, following future revaluations, the Council will recognise a provision for the present value of contributions payable in accordance with the terms of any relevant funding agreement. All contributions towards the deficit are charged to the Statement of Financial Activities.

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

q. **Taxation**

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

r. **Financial instruments**

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

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

2. **General activities and Lottery distribution: combined income and charitable arts expenditure**

The separate Lottery distribution account shows the Council's 2019/20 share of the proceeds from the National Lottery of £17,761,000 (2018/19: £16,000,000). The combined total income for both general and Lottery activities for 2019/20 was £53,687,000 (2018/19: £51,524,000). The combined total direct charitable arts expenditure for 2019/20 was £48,433,000 (2018/19: £47,886,000).

### 3. Income

#### Donations: Other grants and donations

	Unrestricted funds £'000	Restricted funds £'000	2019/20 Total £'000	2018/19 Total £'000
<i>Creative Learning through the Arts</i> Programme (note 21):				
Welsh Government grant	-	2,000	2,000	1,997
Arts Council of Wales Lottery grant	-	1,299	1,299	1,081
Prior year grants repaid	-	7	7	12
Welsh Government contribution for Wales international	-	425	425	60
Welsh Government contribution for other activities	-	179	179	33
Welsh Government contribution (Young Promoter)	-	10	10	-
Private donations	-	64	64	8
The Eirian Llwyd Trust	-	-	-	3
	-	<b>3,984</b>	<b>3,984</b>	<b>3,194</b>

### 4. Income from charitable activities - Services and sponsorship

	Unrestricted funds £'000	Restricted funds £'000	2019/20 Total £'000	2018/19 Total £'000
<i>Night Out</i> scheme:				
- contributions from venues/promoters	136	-	136	141
Wales Arts International:				
- contributions from the Welsh Government	2	-	2	9
<i>Collectorplan</i> - gallery fees	33	-	33	34
Other income	9	-	9	2
	<b>180</b>	<b>-</b>	<b>180</b>	<b>186</b>

### 5. Other income

	Unrestricted funds £'000	Restricted funds £'000	2019/20 Total £'000	2018/19 Total £'000
Contribution from the Lottery Distribution account:				
for use of fixed assets	27	-	27	12
for annual payment towards pension deficit	-	-	-	193
Cerdd Cymru: Music Wales income (note 20)	-	-	-	150
Proceeds from disposal of tangible assets	-	-	-	1
	<b>27</b>	<b>-</b>	<b>27</b>	<b>356</b>



6. Expenditure - Charitable activities

	Direct activities £'000	Grant <sup>1</sup> £'000	Support <sup>2</sup> costs £'000	2019/20 Total £'000	2018/19 Total £'000
Grant making and arts development <i>Creative Learning through the Arts</i> Programme (note 21)	730	27,864	1,872	30,466	29,850
Arts strategy	1,368	1,612	36	3,016	3,301
International	412	-	27	439	1,313
Services: <i>Night Out &amp; Collectorplan</i>	820	-	54	874	511
Advocacy and research	595	-	39	634	584
Cerdd Cymru: Music Wales expenditure (note 20)	260	-	17	277	211
	-	-	-	-	163
	<b>4,185</b>	<b>29,476</b>	<b>2,045</b>	<b>35,706</b>	<b>35,933</b>
From unrestricted funds				31,703	31,290
From restricted funds				4,003	4,643
				<b>35,706</b>	<b>35,933</b>

<sup>1</sup>Grant funding:

	To institutions £'000	To individuals £'000	2019/20 Total £'000	2018/19 Total £'000
From unrestricted funds				
Arts Portfolio Wales	26,490	-	26,490	26,490
Strategic awards	862	62	924	820
From restricted funds				
Arts Portfolio Wales	300	-	300	300
<i>Creative Learning through the Arts</i> Programme	1,612	-	1,612	1,560
Strategic awards	150	-	150	-
Memorial awards	-	-	-	6
	<b>29,414</b>	<b>62</b>	<b>29,476</b>	<b>29,176</b>

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

<sup>2</sup> Support costs:

	Gross costs £'000	Deduct Recharges to Lottery Distribution £'000	2019/20 Net charge to General Activities £'000	2018/19 Net charge to General Activities £'000
Staff and related costs	2,417	1,123	1,294	1,291
Pensions	400	188	212	-
Infrastructure	698	327	371	350
Office running costs	11	5	6	18
Professional fees and promotion	138	98	40	37
Provisions	-	-	-	(49)
Irrecoverable VAT	145	81	64	73
Amortisation and depreciation	58	-	58	27
	<b>3,867</b>	<b>1,822</b>	<b>2,045</b>	<b>1,747</b>

7. Staff costs

a. Total staff costs consist of:

	Permanently employed £'000	Other £'000	Gross costs £'000	Deduct Recharges to Lottery Distribution £'000	2019/20 Net charge to General Activities £'000	2018/19 Net charge to General Activities £'000
Wages and salaries	2,665	526	3,191	808	2,383	2,231
Social security costs	253	53	306	79	227	226
Other pension costs	513	81	594	164	430	465
Apprenticeship Levy	1	-	1	-	1	-
Redundancy costs	32	-	32	-	32	-
Agency costs	-	3	3	1	2	5
	<b>3,464</b>	<b>663</b>	<b>4,127</b>	<b>1,052</b>	<b>3,075</b>	<b>2,927</b>

Staff costs are incorporated in the financial statements as follows:

Charged to Direct activities (note 6)	1,852	-	1,852	1,681
Charged to Support costs (note 6)	2,226	1,036	1,190	1,213
Charged to Governance (note 8)	49	16	33	33
	<b>4,127</b>	<b>1,052</b>	<b>3,075</b>	<b>2,927</b>

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

	Permanently employed	Other	Across the whole Council	On Lottery Distribution activities	2019/20 On General activities	2018/19 On General activities
On charitable activities:						
directly charged	7	13	20	-	20	19
recharged	28	-	28	-	28	25
In support of our charitable activities	31	2	33	24	9	10
Agency staff	-	-	-	-	-	0
	<b>66</b>	<b>15</b>	<b>81</b>	<b>24</b>	<b>57</b>	<b>54</b>

#### Staff composition at 31 March

(full time equivalents – whole Council)

	2020			2019		
	Male	Female	Total	Male	Female	Total
Senior Leadership Team	1	3	4	2	3	5
Portfolio Managers/Heads of Department	6	8	14	6	8	14
Senior Officers	9	7	16	9	5	14
Officers/Development Officers	7	21	28	9	22	31
Team Co-ordinators/Personal Assistants	2	14	16	2	14	16
	<b>25</b>	<b>53</b>	<b>78</b>	<b>28</b>	<b>52</b>	<b>80</b>
	32%	68%		35%	65%	

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

	2020	2019
	£33,063	£33,062

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

	2020	2019
	£21,013 to £99,346	£21,012 to £99,341

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

	2020	2019
	1:3	1:3

Compensation schemes - exit packages (whole Council):

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
Up to £10,000	4	-	-	-	4	-
£10,001 to £25,000	1	-	-	-	1	-
<b>Total number of exit packages</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>-</b>
<b>Total cost (£'000)</b>	<b>32</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32</b>	<b>-</b>

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

100% of the costs are charged in these financial statements.

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

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

The value of pension benefits is calculated as follows:

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

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

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



The single total remuneration figures of the Senior Leadership Team:

Name Position	2019/20			2018/19		
	Emoluments band £'000	Pension benefits £'000	Single total remuneration £'000	Emoluments band £'000	Pension benefits £'000	Single total remuneration £'000
<b>Nicholas Capaldi</b> Chief Executive	95-100	24	120-125	95-100	16	110-115
<b>David Alston</b> Director of Arts to 31 January 2019 Full year equivalent	-	-	-	65-70 70-75	9	75-80
<b>Katherine Davies</b> Director of Arts Funding Services 31 December 2019 Full year equivalent	55-60 70-75	16	70-75	70-75	2	70-75
<b>Diane Hebb</b> Director of Arts Engagement	70-75	19	90-95	70-75	9	80-85
<b>Rebecca Nelson</b> Director of Finance and Business Services from 17 June 2019 Full year equivalent	55-60 70-75	13	65-70	-	-	-
<b>Siân Tomos</b> Director of Arts Development	70-75	22	95-100	70-75	6	75-80
<b>Gwyn Williams (0.6 FTE)</b> Director of Finance and Business Services to 31 March 2019	-	-	-	40-45	10	50-55

The pension benefits of the Senior Leadership Team:

	2019/20		2019/20		2019/20	2018/19	2019/20
Name Position	Real increase in pension and related lump sum at age 65 £'000		Total accrued pension at age 65 as at 31/03/20 and related lump sum £'000		Cash Equivalent <sup>1</sup> Transfer Value at 31/03/20 or date of leaving if earlier £'000	Cash Equivalent Transfer Value at 31/03/19 £'000	Real increase <sup>2</sup> in Cash Equivalent Transfer Value £'000
<b>Nicholas Capaldi</b> <i>Chief Executive</i>	Pension Lump sum	0-2.5 2.5-5	Pension Lump sum	10-15 40-45	309	264	22
<b>Katherine Davies</b> <i>Director of Arts Funding Services to 31 December 2019</i>	Pension Lump sum	0-2.5 0-2.5	Pension Lump sum	25-30 85-90	630	574	14
<b>Diane Hebb</b> <i>Director of Arts Engagement</i>	Pension Lump sum	0-2.5 2.5-5	Pension Lump sum	15-20 50-55	400	355	18
<b>Rebecca Nelson</b> <i>Director of Finance and Business Services from 17 June 2019</i>	Pension Lump sum	0-2.5 0-2.5	Pension Lump sum	0-5 0-5	12	N/A	9
<b>Siân Tomos</b> <i>Director of Arts Development</i>	Pension Lump sum	0-2.5 5-7.5	Pension Lump sum	25-30 80-85	600	527	20

<sup>1</sup> **Cash Equivalent Transfer Values** - A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Arts Council Retirement Plan 1994. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

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

The Chairman, with the approval of the Charity Commission, is remunerated for his services but receives no bonus payments and is not a member of the pension scheme. Other Council and Committee Members receive no payment for their services. Council meeting costs for 2019/20 include an aggregate amount of £15,216 (2018/19: £10,136) reimbursed to 14 (2018/19: 10) Council members.

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

	2019/20 £	2018/19 £
<b>Chairman</b>		
Salary	<u>43,810</u>	<u>43,810</u>
<b>Chief Executive</b>		
Salary	99,346	99,341
Employer's pension contribution	21,260	21,259
	<u>120,606</u>	<u>120,600</u>

68% (2018/19: 68%) of the Chairman's and 70% (2018/19: 70%) of the Chief Executive's emoluments are charged in these financial statements and the remainder to lottery distribution activities.

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

	2019/20 £	2018/19 £
Chairman	4,631	3,628
Chief Executive	5,963	9,188

53% (2018/19: 54%) of the Chairman's and Chief Executive's expenses are charged in these financial statements and the remainder to lottery distribution activities.

- c. Most employees are members of the Arts Council Retirement Plan 1994 (ACRP). The fund is a defined benefit scheme. It is also a multi-employer scheme so the Council is unable to identify its share of the underlying assets and liabilities. The scheme has therefore been accounted for as if it were a defined contribution scheme, in accordance with FRS 102.

An independent actuarial valuation of the ACRP normally takes place every three years. The most recent valuation, as at 31 March 2019, came into effect on 1 April 2020. The valuation introduced new contribution rates for the Council in respect of accruing benefits. It assumes a continuing requirement that a minimum level of payment be made each year towards the past service deficit, at a rate advised by the scheme actuary, until 31 March 2029.

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 key financial assumptions used were:

- Retail Prices Index (RPI) increases - Market Implied RPI Inflation curve with allowance for 0.3% per annum (p.a.) inflation risk premium
- Consumer Prices Index (CPI) increases - RPI curve less 1.0% p.a.
- Pension increases - equal to the relevant inflation assumption
- Salary increases - in line with CPI inflation
- Discount rate (past service) - market implied gilt yield curve plus 1.25% per annum
- Discount rate (future service) - market implied gilt yield curve plus 1.60% per annum

Contributions by the Council and its employees were:

For staff joining the Plan	Council		Employees	
	2019/20	2018/19	2019/20	2018/19
up to 31 August 2006	21.4%	21.4%	6.0%	4.5%
on or after 1 September 2006	21.4%	21.4%	6.0%	6.0%

In addition, the Council made a lump sum payment of £400,000 during the year (2018/19: £372,000) and it was agreed with the actuaries that no further deficit payments would be needed until the next revaluation. The Council's Lottery Distribution account contributed £188,000 (2018/19: £193,000) towards the deficit payments.

From 1 April 2020 contributions changed to:

	Council	Employees
For all staff	20.9%	6.0%

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 have a defined contribution scheme, The People's Pension, as an alternative option for employees who are not members of the ACRP. The Council contributed 5% and the employee 3% during the year. These rates may change in the future, in line with the requirements of the legislation.

## 8. Resources expended

### Governance costs

	Gross costs £'000	Deduct Recharges to Lottery Distribution £'000	2019/20 Net charge to General Activities £'000	2018/19 Net charge to General Activities £'000
Chairman's remuneration	49	16	33	33
Auditor's remuneration - Audit	44	21	23	22
Internal audit	17	8	9	12
Consultancy fees	1	-	1	1
Council meetings, including travel and subsistence	16	8	8	5
Committee meetings, including travel and subsistence	5	3	2	2
	<u>132</u>	<u>56</u>	<u>76</u>	<u>75</u>

## 9. Fixed assets

### a. Intangible fixed assets

	Computer software licences £'000
Cost at 1 April 2019	550
Additions	3
Disposals	(256)
Cost at 31 March 2020	<u>297</u>
Amortisation at 1 April 2019	550
Charge for the year	1
Disposals	(256)
Amortisation at 31 March 2020	<u>295</u>
Net book value at 31 March 2020	<u>2</u>
Net book value at 1 April 2019	<u>-</u>



b. Tangible fixed assets

	Alterations to leasehold properties £'000	Computer system, furniture, etc £'000	Website £'000	Total £'000
Cost at 1 April 2019	107	649	95	851
Additions		42		42
Disposals		(19)		(19)
Cost at 31 March 2020	<u>107</u>	<u>672</u>	<u>95</u>	<u>874</u>
Depreciation at 1 April 2019	107	543	95	745
Charge for the year	-	57	-	57
Disposals		(19)	-	(19)
Depreciation at 31 March 2020	<u>107</u>	<u>581</u>	<u>95</u>	<u>783</u>
<b>Net book value at 31 March 2020</b>	<u>-</u>	<u>91</u>	<u>-</u>	<u>91</u>
Net book value at 1 April 2019	<u>-</u>	<u>106</u>	<u>-</u>	<u>106</u>

Amortisation and depreciation charged has been allocated to charitable activities within support costs (note 6).

c. Net book value at 31 March 2020 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.

## 10. 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.

	2019/20	2018/19
	£'000	£'000
Payments in respect of the following year's grants	<u>140</u>	<u>302</u>

## 11. Debtors (falling due within one year)

	2019/20	2018/19
	£'000	£'000
<i>Collectorplan</i> loans <sup>1</sup>	422	453
Trade debtors	140	68
Other debtors	<u>1,050</u>	<u>800</u>
	1,612	1,321
<i>Deduct</i> Specific provision for doubtful debts	<u>-</u>	<u>-</u>
<i>Sub-total: Debtors</i>	1,612	1,321
Prepayments	<u>267</u>	<u>234</u>
	<b>1,879</b>	<b>1,555</b>
Due from Lottery distribution fund for recharged costs:		
Cost apportionments	<u>200</u>	<u>146</u>
	<u><b>2,079</b></u>	<u><b>1,701</b></u>

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

## 12. Creditors

	2019/20	2018/19
	£'000	£'000
<b>a. Creditors: falling due within one year</b>		
Grants payable	932	1,142
Taxation and social security	111	82
Trade creditors	238	53
Other creditors	118	116
Accruals and deferred income	320	292
Current liabilities of Cerdd Cymru:Music Wales (note 20)	25	25
	<u><b>1,744</b></u>	<u><b>1,710</b></u>
<b>b. Creditors: falling due after more than one year</b>		
Grants payable	<u><b>29</b></u>	<u><b>1</b></u>

13. Provisions for liabilities	2019/20	2018/19
	£'000	£'000
Provision for pension deficit at 1 April	-	471
Amount charged against the provision during the year	-	(422)
Unused provision released	-	(49)
<b>Provision at 31 March</b>	<u>-</u>	<u>-</u>

The Council entered into an agreement to fund a deficit in the Arts Council Retirement Plan relative to the Plan's statutory funding objective and recognised a provision for the present value of contributions payable. In 2018/19 the Council made an additional lump sum payment to the Plan and it was agreed with the actuaries that no further deficit payments would be needed until the next revaluation. That valuation occurred as at 31 March 2019 and the Council made a further lump sum payment in 2019/20 to eliminate the attributable deficit.

#### 14. Contingent liability

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

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

## 15. Statement of funds

	At 1 April 2019 £'000	Incoming resources £'000	Resources expended £'000	Transfers £'000	At 31 March 2020 £'000
<b>Unrestricted income funds</b>					
General fund	2,383	31,500	(31,790)	(97)	1,996
<b>Total unrestricted funds</b>	<b>2,383</b>	<b>31,500</b>	<b>(31,790)</b>	<b>(97)</b>	<b>1,996</b>
<b>Restricted funds</b>					
<b>Income</b>					
Welsh Government for Wales in China programme	12	-	(5)	0	7
Welsh Government for other specific arts activity	24	914	(956)	60	42
CLTA Programme	314	3,322	(3,016)	36	656
National Centre for Learning Welsh	-	40	(6)	-	34
Wales Arts International: other restricted funds	-	10	-	-	10
Wales Arts International: contributions from the British Council	21	-	(20)	1	2
	371	4,286	(4,003)	97	751
<b>Capital</b>					
Alun Llywelyn Williams Memorial Fund (income to provide bursary for young artist)	13	0	-	-	13
Brian Ross Memorial Fund (income to provide bursary for young visual artist)	79	1	-	-	80
	92	1	-	-	93
<b>Total restricted funds</b>	<b>463</b>	<b>4,287</b>	<b>(4,003)</b>	<b>97</b>	<b>844</b>
<b>Total funds</b>	<b>2,846</b>	<b>35,787</b>	<b>(35,793)</b>	<b>-</b>	<b>2,840</b>

The Alun Llywelyn Williams and Brian Ross Memorial Funds are represented by cash at bank and are within the total of £2,301,000 shown on the Balance Sheet.

## 16. Analysis of net assets between funds

	Unrestricted funds £'000	Restricted funds £'000	Total £'000
Fund balances at 31 March 2020 are represented by:			
Fixed assets	93	-	93
Current assets	3,008	1,512	4,520
Creditors: falling due within one year	(1,076)	(668)	(1,744)
Creditors: falling due after more than one year	(29)	-	(29)
<b>Total net assets</b>	<b>1,996</b>	<b>844</b>	<b>2,840</b>

## 17. Cash flow information

	2019/20 £'000	2018/19 £'000
<b>a. Cash flows from operating activities</b>		
Net incoming/(outgoing) resources	(6)	(636)
Bank interest received (net of surrender)	(3)	(9)
Amortisation and depreciation (note 9)	58	27
Loss/(Surplus) from sale of tangible assets	-	(1)
(Increase)/Decrease in grants paid in advance	162	(34)
(Increase)/Decrease in debtors	(378)	1,511
Increase/(Decrease) in creditors falling due within one year	34	(1,028)
Increase/(Decrease) in creditors falling due after more than one year	28	(667)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(105)</b>	<b>(837)</b>
<b>b. Cash flows from investing activities</b>		
Bank interest received	14	23
Bank interest surrendered to Welsh Consolidated Fund	(11)	(14)
<b>Net cash inflow from operating activities</b>	<b>3</b>	<b>9</b>
<b>c. Cash flows associated with capital assets</b>		
Payments to acquire intangible fixed assets (note 9a)	(3)	-
Payments to acquire tangible fixed assets (note 9b)	(42)	(92)
Proceeds from disposal of tangible assets	-	1
<b>Net cash outflow associated with capital assets</b>	<b>(45)</b>	<b>(91)</b>



## 18. Commitments on operating leases

At 31 March 2020 the Council had the following commitments for future payments under non-cancellable operating leases:

	Land and buildings		Equipment	
	2019/20	2018/19	2019/20	2018/19
	£'000	£'000	£'000	£'000
Total due				
within one year	132	145	2	2
later than one year and not later than five years	499	504	2	4
later than five years	488	615	-	-
	<u>1,119</u>	<u>1,264</u>	<u>4</u>	<u>6</u>

Lease payments of £215,000 have been recognised as an expense during the year (2018/19: £214,000). 53% (2018/19: 54%) of the costs are charged in these financial statements and the remainder to lottery distribution activities.

## 19. Forward commitments

	2019/20	2018/19
	£'000	£'000
Grants		
Forward funding - grants formally offered	<b>27,082</b>	26,790

Forward funding at 31 March 2020 represents allocations to Arts Portfolio Wales organisations for 2020/21.

## 20. Cerdd Cymru:Music Wales Limited

Cerdd Cymru:Music Wales is a private, trading company, limited by guarantee and registered in Wales (number 7759122). It was incorporated on 1 September 2011 as a vehicle to collaborate with the Welsh Music Foundation on projects which will develop and improve, both nationally and internationally, the knowledge, understanding, practice and sustainability of the arts and creative industries, and particularly of music in Wales.

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

	2019/20	2018/19
	£'000	£'000
<b>Profit &amp; Loss Account</b>		
Income (note 5)	-	150
Expenditure (note 6)	-	(154)
Net incoming/(outgoing) resources	<u>-</u>	<u>(4)</u>
<b>Statement of Financial Position</b>		
Current assets:		
Cash at bank and in hand	2	2
Current liabilities (note 12)	(25)	(25)
Net assets/(liabilities)	<u>(23)</u>	<u>(23)</u>
Reserves	<u>(23)</u>	<u>(23)</u>

## 21. *Creative Learning through the Arts Programme*

The Creative Learning through the Arts Programme is designed to:

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

The first phase, from 2015 to 2020, has been funded by a joint investment of £20 million pounds from the Welsh Government in partnership with the Arts Council of Wales, working with the regional education consortia, schools, local authorities and the wider arts and cultural sector. The Programme requires the active involvement of artists, creative professionals and arts, culture and heritage organisations working in partnership with teachers and schools.

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

	2019/20	2018/19
	£'000	£'000
<b>Income</b>		
Welsh Government grant	2,000	1,997
Arts Council of Wales Lottery grant	1,299	1,081
Prior year grants repaid	7	12
Partnership income	14	-
Bank interest	2	4
	<u>3,322</u>	<u>3,094</u>
<b>Expenditure</b>		
Lead Creative Schools	911	1,030
Arts and education programme	600	800
Arts and creative learning cross-programme	562	652
Central management costs	907	78
Support costs (from unrestricted funds)	36	35
	<u>3,016</u>	<u>3,301</u>

## 22. Financial instruments

Financial Reporting Standard 102 requires disclosure of the role which financial instruments have had during the period in creating or changing the risks the Council faces in undertaking its functions.

*Liquidity risks* – In 2019/20 £34,196,000 or 95% of the Council's income was derived from the Welsh Government (2018/19: £33,717,000 or 95%). Of the remaining income £1,299,000 or 4% was derived from the Arts Council of Wales' Lottery Distribution account for the Creative Learning through the Arts Programme (2018/19: £1,081,000 or 3%) and £292,000 or 1% was derived from investment income and sundry income (2018/19: £588,000 or 2%). 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 0.5% in the year (2018/19: 0.50%). The effective unrestricted cash balance at the year end was £1,796,000 (2019: £1,766,000). The Council does not consider that its general activities are exposed to significant interest rate risks.

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

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

## 23. Corporation Tax

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

## 24. Events after the reporting period

### Authorisation of these financial statements for issue

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

## 25. Related party transactions

### Public bodies

The Council is a Welsh Government sponsored body.

The Welsh Parliament/Welsh Government is regarded as a related party. During the year the Council had no material transactions with the Welsh Parliament/Welsh Government apart from the grant-in-aid disclosed in the Statement of Financial Activities and the restricted grants disclosed in note 3.

### Subsidiary

Cerdd Cymru:Music Wales Limited is a wholly-owned subsidiary of the Council and the transactions of the company are reported in note 20. There were no balances outstanding at year end.

### Individuals

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

Where the individuals and/or their close family were members of the Boards of Management (or equivalent) or were senior employees of organisations offered grants or other payments by the Council in 2019/20 in all such cases, in accordance with the Council's Code of Best Practice, the individual concerned withdrew from any meeting where there was a discussion or decision regarding funding.

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

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

Member Role	Organisation	Transaction 2019/20 (number)	Total Value 2019/20 £	Total balance outstanding at 31 March 2020 £
<b>Council Members</b>				
<b>Iwan Bala</b> Doctor of Research	University of South Wales	Invoice (1)	1,127	Nil
<b>Lhosa Daly</b> Employment	The National Trust	Invoice (2)	686	Nil
<b>Devinda De Silva</b> Employment	National Theatre Wales	Grant (1) Invoice (1)	1,606,405 1,020	Nil Nil
Board member	Dirty Protest	Grant (3) Invoice (1)	26,475 750	8,475
Board member	Cardiff and Vale Collage	Invoice (3)	2,074	Nil
<b>Andy Eagle</b> Employment	Chapter	Grant (1) Invoice (3)	675,391 1,071	Nil Nil
<b>Kate Eden</b> Non-Executive Director	Public Health Wales	Invoice (1)	2,000	Nil
<b>Michael Griffiths</b> Member of project board	University of South Wales	Invoice (1)	1,127	Nil



Member Role	Organisation	Transaction 2019/20 (number)	Total Value 2019/20 £	Total balance outstanding at 31 March 2020 £
<b>Professor Tudur Hallam</b> Employment	Swansea University	Invoice(1)	9,225	Nil
Governor	Ysgol Maes-y Gwendraeth	Grant (1)	720	Nil
<b>Marian Wyn Jones</b> Board member	Canolfan Gerdd William Mathias	Grant (2)	80,551	300
Non-Executive Director	Betsi Cadwaladr Health Board	Grant (1)	Nil	2,500
Council member	Bangor University	Grant (2) Invoice (4)	311,882 6,152	31,764 5,000
<b>Gwennan Mair</b> Employment	Theatr Clwyd	Grant (2)	1,810,969	800
Drama board member	Eisteddfod Genedlaethol	Grant (1)	48,000	Nil
<b>Andrew Miller</b> Board member	Welsh National Opera	Grant (1)	4,533,977	Nil
<b>Victoria Provis</b> Council member	University of Wales Trinity Saint David	Grant (1) Invoice (5)	151,740 4,325	134,078 2,075
Board member	National Museum Wales	Grant (1) Invoice (2)	13,950 1,680	1,395

Member	Organisation	Transaction 2019/20 (number)	Total Value 2019/20 £	Total balance outstanding at 31 March 2020 £
Dafydd Rhys Employment	Aberystwyth Arts Centre	Grant (5)	564,89	2,695
Dr Sarah Younan Employment	National Museum Wales	Grant (1) Invoice (2)	13,950 1,680	1,395 Nil
<b>Committee Members</b>				
Andrew Butler Employment (Family member)	Audit Wales	Invoice (1)	22,421	Nil
Roland Evans Employment	Gwynedd County Council	Invoice (5)	10,992	4,512
Ruth Cayford Employment	Cardiff Council (including St David's Hall)	Invoice (5)	2,109	Nil
<b>Members of the Senior Leadership Team</b>				
Katherine Davies Employment (Family member)	Cardiff Council (including St David's Hall)	Invoice (5)	2,109	Nil

Member Role	Organisation	Transaction 2019/20 (number)	Total Value 2019/20 £	Total balance outstanding at 31 March 2020 £
<b>Diane Hebb</b> Governing Body Member	Gwernyfed High School	Grant (1) Invoice (3)	5,000 546	500 Nil
<b>Other members of staff</b>				
<b>Ann Wright</b> Employment (Family member)	KK Solutions	Invoice (10)	6,768	Nil
<b>Eluned Hâf Williams</b> Board member (Family member)	Canolfan Gerdd William Mathias	Grant (2)	80,551	300
<b>Judith Musker Turner</b> Employment (Family member)	Canolfan Gerdd William Mathias	Invoice (1)	756	Nil
<b>Osian Gwynn</b> Employment (Family member)	Cwmni Pluen	Grant (1)	4,650	Nil

# Financial Statements

## Lottery Distribution

## Statement of Accounting Officer's responsibilities

Under Section 35 of the National Lottery etc. Act 1993 (as amended) the Council is required to prepare for each financial year a statement of accounts for its Lottery distribution activities in the form and on the basis determined by the Secretary of State for Digital, Culture, Media & Sport. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Council and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

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

- observe the Accounts Direction issued by the Secretary of State for Digital, Culture, Media & Sport, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on a going concern basis; and
- confirm that the Report and Financial Statements as a whole is fair, balanced and understandable and take personal responsibility for the Report and Financial Statements and the judgements required for determining that it is fair, balanced and understandable.

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

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Council's auditor is aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

Endorsed on behalf of Council:



Nick Capaldi, Accounting Officer  
4 September 2020



Phil George, Chairman  
4 September 2020



# The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament and the Members of the Senedd

## Opinion on financial statements

I certify that I have audited the financial statements of the Arts Council of Wales Lottery Distribution Account for the year ended 31 March 2020 under the National Lottery etc. Act 1993. The financial statements comprise: the Statements of Comprehensive Net Income, Financial Position, Cash Flows and Changes in Equity, and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Arts Council of Wales Lottery Distribution Account's affairs as at 31 March 2020 and of the net income for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Lottery etc. Act 1993 and Secretary of State directions issued thereunder.

## Opinion on regularity

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

## Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Arts Council of Wales Lottery Distribution Account in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Arts Council of Wales Lottery Distribution Account's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the Arts Council of Wales has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Arts Council of Wales Lottery Distribution Account's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Responsibilities of the Council and Accounting Officer for the financial statements**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Arts Council of Wales and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

### **Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit, certify and report on the financial statements in accordance with the National Lottery etc. Act 1993.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Arts Council of Wales Lottery Distribution Account's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- conclude on the appropriateness of the Arts Council of Wales Lottery Distribution Account's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Arts Council of Wales Lottery Distribution Account's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Arts Council of Wales Lottery Distribution Account to cease to continue as a going concern.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

### **Other Information**

The Council and the Accounting Officer are responsible for the other information. The other information comprises information included in the Report accompanying the financial statements, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### **Opinion on other matters**

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the National Lottery etc. Act 1993;

- in the light of the knowledge and understanding of the Arts Council of Wales Lottery Distribution Account and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

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

### **Report**

I have no observations to make on these financial statements.

**Gareth Davies**  
Comptroller and Auditor General

10 September 2020

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

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

# Statement of Comprehensive Net Income

for the year ended 31 March 2020

		2019/20		2018/19	
	Notes	£'000	£'000	£'000	£'000
<b>Expenditure</b>					
Management and administration:					
Staff costs	2a	1,240		1,191	
Other operating costs	2b	665		618	
			<u>1,905</u>		<u>1,809</u>
Expenditure on the arts:					
Grants made		10,711		9,727	
Less: Lapsed and revoked grants		(323)		(156)	
Net grants made	7		10,388		9,571
Delegated distributors	9		2,038		1,686
Other arts awards	3		45		275
Direct costs of grant making	2c		256		421
			<u>12,727</u>		<u>11,953</u>
<b>Total expenditure</b>			<u><b>14,632</b></u>		<u><b>13,762</b></u>
<b>Income</b>					
Share of proceeds from the National Lottery	4		17,761		16,000
Investment income on balances in the National Lottery Distribution Fund	4		86		82
Interest receivable			10		14
Grants recoverable			43		42
<b>Total income</b>			<u><b>17,900</b></u>		<u><b>16,138</b></u>
<b>Comprehensive net income for the year</b>			<u><b>3,268</b></u>		<u><b>2,376</b></u>

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

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

The notes on pages 167 to 178 form part of these financial statements.



# Statement of Financial Position

as at 31 March 2020

	Notes	31 March 2020		31 March 2019	
		£'000	£'000	£'000	£'000
<b>Non-current assets:</b>					
Trade and other receivables	5a		150		150
<b>Current assets:</b>					
Financial assets:					
Investments - balance held in the National Lottery Distribution Fund	4	18,036		14,894	
Trade and other receivables	5b	-		-	
Cash and cash equivalents	8	1,124		1,373	
<b>Total current assets</b>			<b>19,160</b>		<b>16,267</b>
<b>Total assets</b>			<b>19,310</b>		<b>16,417</b>
<b>Trade payables and other non-current liabilities – amounts due after more than one year:</b>					
Trade and other payables	6	(298)		(217)	
Other liabilities:					
Delegated distributors	6	(479)		(316)	
Grants	6	(8,104)		(9,725)	
<b>Total payables and other current liabilities</b>			<b>(8,881)</b>		<b>(10,258)</b>
<b>Non-current assets plus net current assets</b>			<b>10,429</b>		<b>6,159</b>
<b>Trade payables and other non-current liabilities – amounts due after more than one year</b>					
Grants	7		(2,466)		(1,464)
<b>Assets less liabilities</b>			<b>7,963</b>		<b>4,695</b>
<b>Equity/Reserves:</b>					
Net Expenditure account			<b>7,963</b>		<b>4,695</b>

The notes on pages 167 to 178 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  
4 September 2020



Phil George, Chairman  
4 September 2020

## Statement of Cash Flows

for the year ended 31 March 2020

	2019/20	2018/19
	£'000	£'000
<b>Cash flows from operating activities</b>		
Net income	3,268	2,376
Bank interest	(10)	(14)
(Increase)/Decrease in the balance held in the National Lottery Distribution Fund	(3,142)	725
(Increase)/Decrease in trade and other receivables	-	1
Increase/(Decrease) in trade and other payables and other liabilities	244	(586)
Decrease in grants payable	(619)	(3,761)
<b>Net cash outflow from operating activities</b>	<u>(259)</u>	<u>(1,259)</u>
<b>Cash flows from investing activities</b>		
Bank interest	10	14
<b>Net cash inflow from investing activities</b>	<u>10</u>	<u>14</u>
<b>Cash and cash equivalents</b>		
Net decrease in cash and cash equivalent balances	(249)	(1,245)
Balance at 1 April	1,373	2,618
<b>Balance at 31 March</b>	<u>1,124</u>	<u>1,373</u>

## Statement of changes in equity

for the year ended 31 March 2020

	2019/20	2018/19
	£'000	£'000
Balance at beginning of year	4,695	2,319
Net income for the year	3,268	2,376
<b>Balance at end of year</b>	<u>7,963</u>	<u>4,695</u>

The notes on pages 167 to 178 form part of these financial statements.

# Notes forming part of the financial statements

for the year ended 31 March 2020

## 1. Accounting policies

### a. Basis of preparation

These financial statements are prepared on a going concern basis and under the historical cost convention. They have been prepared in a form directed by the Secretary of State for Digital, Culture, Media & Sport with the consent of HM Treasury, in accordance with Section 35(3) of the National Lottery etc. Act 1993, and with the consent of Welsh Ministers.

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as interpreted for the public sector context within the Government Financial Reporting Manual issued by HM Treasury.

IFRS 16 is a new accounting standard that sets out the principles for the recognition, measurement, presentation and disclosure of leases. It is generally effective from 1 January 2019 but for UK public sector bodies has been deferred until 1 April 2021.

#### Impact of standards not yet effective

The application of any new or amended IFRS is governed by their adoption by the Government Financial Reporting Manual. The Council applies changes to standards when they become effective. There are no known material impacts from IFRS changes that have been issued and are not yet effective on the financial statements in the period of initial application.

### b. Recognition of income and expenditure

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

### c. General activities

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

### d. Grants

Grants are accounted for as expenditure in the Statement of Comprehensive Net Income/ Expenditure and, until paid, as liabilities in the Statement of Financial Position if:

Grants are accounted for as expenditure in the Statement of Comprehensive Net Income/ Expenditure and, until paid, as liabilities in the Statement of Financial Position if:

i. they have been formally approved by Council, or under delegated authority; and

ii formal written notification (including email or other electronic communication) has been issued to the intended recipients; and

iii the offers are free from any conditions under the Council's control.

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

Grants which have been formally approved by Council, or under delegated authority, which do not meet the definition of liabilities are not included in expenditure in the Statement of Comprehensive Net Income/Expenditure or as liabilities in the Statement of Financial Position but are disclosed in note 7.

**e. National Lottery Distribution Fund**

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

**f. Pensions**

The Council is an admitted employer of the Arts Council Retirement Plan 1994. The pension scheme provides defined benefits to Council employees. The costs of the Council's contributions are charged to the Statement of Comprehensive Net Income/Expenditure so as to spread the cost of pensions over employees' working lives.

The Plan is a funded, defined benefit, multi-employer scheme where the participating employers are unable to identify their shares of the underlying assets and liabilities. The scheme has therefore been accounted for as if it were a defined contribution scheme, in accordance with IAS 19. The Council has made payments to fund a deficit relating to past service. If further deficit payments are needed, following future revaluations, the Council will recognise a provision for the present value of contributions payable in accordance with the terms of any relevant funding agreement. A share of all contributions towards the deficit is charged to the Statement of Comprehensive Net Income/Expenditure.

The Council also has a defined contribution scheme, The People's Pension, as an alternative option to meet the needs of Auto Enrolment legislation. The scheme is accounted for in accordance with IAS 19.

**g. Taxation**

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

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

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

The apportionments are usually reviewed every two years and whenever there is a significant change to the staff structure or the programmes of activity.

## i. Financial Instruments

Financial assets: Trade receivables and other current assets do not carry any interest and are stated at their nominal value as reduced by any appropriate loss allowance. Cash and cash equivalents comprises cash in hand and cash at bank and on short term deposit on instant access terms.

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

## 2. Costs in support of our operations

a. Management and administration: Staff costs	2019/20			2018/19
	Permanently employed £'000	Other £'000	Total £'000	Total £'000
Wages and salaries charged to Lottery distribution activity	771	37	808	750
Social security costs	76	3	79	80
Other pension costs <sup>1</sup>	347	5	352	357
Redundancy payments	-	-	-	-
Agency costs	-	1	1	4
	<b>1,194</b>	<b>46</b>	<b>1,240</b>	<b>1,191</b>

<sup>1</sup> Including payments totalling £188,000 towards the pension deficit in 2019/20 (2018/19: £193,000).



b. Management and administration: Other operating costs	2019/20 £'000	2018/19 £'000
Staff related costs	87	62
Infrastructure	327	298
Office running costs	5	16
Professional and consultancy fees	82	100
Lottery promotion	16	17
Irrecoverable VAT	81	73
Charge for use of fixed assets	27	12
Auditor's remuneration – Audit <sup>1</sup>	21	21
Internal audit	8	10
Council and committee meetings, including travel and subsistence	11	9
	<u>665</u>	<u>618</u>

<sup>1</sup> The audit fee is for audit services and no non-audit services were provided.

Management and administration costs are apportioned between the Council's general activities and Lottery distribution accounts with reference to the time spent on, or the consumption of, the relevant resources by the respective functions. The rates applied differ according to the expenditure heading and geographical region but the average charge to Lottery activities was 47% (2018/19: 46%).

c. Expenditure on the arts: Direct costs of grant making	2019/20 £'000	2018/19 £'000
Assessors' fees	18	33
Resilience Fund support	195	333
Creative Conversations	-	5
<i>Criw Celf</i>	-	2
Creative Steps	-	2
Creative Wales Awards – scheme expenses	-	1
NLDF Central administration	6	-
Irrecoverable VAT	37	45
	<u>256</u>	<u>421</u>

3. Other arts awards	2019/20 £'000	2018/19 £'000
Cross Border Touring	-	115
<i>Beyond Borders</i> awards in association with PRS Foundation	45	40
<i>Unlimited</i> awards in association with Arts Council England	-	120
	<u>45</u>	<u>275</u>

<b>4. National Lottery Distribution Fund</b>	<b>2019/20</b>	<b>2018/19</b>
	£'000	£'000
Balance held in the National Lottery Distribution Fund (NLDF) at 1 April	14,894	15,619
Allocation of Lottery proceeds	17,761	16,000
Investment income receivable	86	82
Drawn down in the year	(14,705)	(16,807)
Balance held in the National Lottery Distribution Fund at 31 March	<b>18,036</b>	<b>14,894</b>

The balance in the National Lottery Distribution Fund at 31 March 2020 is in accordance with the Interim Certificate issued by the Department for Digital, Culture, Media & Sport.

<b>5. Trade and other receivables</b>	<b>2019/20</b>	<b>2018/19</b>
	£'000	£'000
<b>a. Non-current assets</b>		
Other receivables	<b>150</b>	150
<b>b. Current assets</b>		
Grants recoverable	-	-

<b>6. Trade payables and other current liabilities</b>	<b>2019/20</b>	<b>2018/19</b>
- amounts falling due within one year	£'000	£'000
Trade and other payables:		
Trade payables	64	11
Due to the Arts Council of Wales General Activities account: for apportioned costs <sup>1</sup>	200	146
Accruals and deferred income	34	60
<i>Sub-total: Trade and other payables</i>	<b>298</b>	217
Other liabilities:		
Delegated distributors <sup>2</sup>	479	316
Grants (note 7)	8,104	9,725
<i>Sub-total: Other liabilities</i>	<b>8,583</b>	10,041
Total current liabilities	<b>8,881</b>	10,258

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

Recharges of apportioned costs		
- Staff	114	98
- Overheads	59	36
- Charge for use of assets	27	12
	<b>200</b>	146

	2019/20	2018/19
	£'000	£'000
<sup>2</sup> The Council has delegated Lottery funds (note 9) to the following distributors:		
Undrawn funds at 31 March		
- Ffilm Cymru Wales (for film)	405	243
- Literature Wales (for writers' bursaries)	74	73
	<u>479</u>	<u>316</u>

## 7. Grants

	£'000	£'000	2019/20	2018/19
	Capital	Revenue schemes	£'000	£'000
			Total	Total
Payable at 1 April	4,445	6,744	11,189	14,950
Grants made in the year	1,406	9,305	10,711	9,727
Amounts not taken up	(39)	(284)	(323)	(156)
Charged to Statement of Comprehensive				
Net Income/Expenditure	1,367	9,021	<b>10,388</b>	9,571
Grants paid in the year	(1,788)	(9,219)	(11,007)	(13,332)
Payable at 31 March <sup>1</sup>	<u>4,024</u>	<u>6,546</u>	<u><b>10,570</b></u>	<u>11,189</u>
Falling due within one year	1,988	6,116	8,104	9,725
Falling due after more than one year	2,036	430	2,466	1,464
	<u>4,024</u>	<u>6,546</u>	<u><b>10,570</b></u>	<u>11,189</u>

<sup>1</sup> Ageing of grants payable:

2019/20	-	-	-	9,725
2020/21	1,988	6,116	8,104	1,413
2021/22	1,736	401	2,137	51
2022/23	300	29	329	-
	<u>4,024</u>	<u>6,546</u>	<u><b>10,570</b></u>	<u>11,189</u>

Grants approved but not formally offered at 31 March which are not recognised in the Statement of Comprehensive Net Income/Expenditure and Statement of Financial Position

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## 8. Cash and cash equivalents

	2019/20	2018/19
	£'000	£'000
The following balances at 31 March were held at:		
Commercial banks and cash in hand	<u><b>1,124</b></u>	<u>1,373</u>

## 9. Delegated Lottery distributors

The Council has fully operational delegation agreements in place with the following bodies for the distribution of Lottery funds:

	Ffilm Cymru Wales for film £'000	Nesta for digital R&D projects £'000	BBC Cymru Wales for the <i>Horizons</i> scheme £'000	Literature Wales for writers' bursaries £'000	Tŷ Cerdd for community & Welsh music £'000	2019/20 Total £'000	2018/19 Total £'000
Undrawn funds at 1 April	243	-	-	73	-	316	861
Delegated for the year	1,480	267	115	96	80	2,038	1,686
Drawn down in the year	1,723 (1,318)	267 (267)	115 (115)	169 (95)	80 (80)	2,354 (1,875)	2,547 (2,231)
Undrawn funds at 31 March	405	-	-	74	-	479	316
Grants recorded as payable by the delegated distributors at 31 March	695	-	-	84	-	779	1,497

Full lists of the grants administered by the delegated distributors during 2019/20 are included in the annexes to this Annual Report.

## 10. Contingent asset

### Sale of Olympic Park

The National Lottery Distributors are entitled to receive a share of receipts from the sale of land on Queen Elizabeth Olympic Park in return for their contribution of an additional £675m to the funding of the London 2012 Olympic and Paralympic Games. This was announced in 2007. The arrangements are set out in a legal agreement between the Secretary of State for Digital, Culture, Media & Sport and the Greater London Authority (GLA) dated 29th March 2012 which sets out the distribution of funds between the GLA and the Lottery Distributors via the Department for Digital, Culture, Media & Sport (DCMS). Land sales are likely to take place over a lengthy period, estimated to be from 2019/20 to 2036/37. DCMS estimates the first payments to the Lottery Distributors will be in the early to mid-2020s.

## 11. Events after the reporting period

### Authorisation of these financial statements for issue

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

## 12. Financial instruments

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

*Liquidity risks* – In 2019/20 £17,761,000 or 99.2% of the Council's Lottery distribution income was derived from the National Lottery (2018/19: £16,000,000 or 99.2%). Of the remaining income £86,000 or 0.5% was derived from investment returns from the balance held with the National Lottery Distribution Fund (2018/19: £82,000 or 0.5%) and £53,000 or 0.3% from other investment income and sundry income (2018/19: £56,000 or 0.3%). The Council does not consider that its Lottery Distribution function is exposed to any significant liquidity risk, and is satisfied that the balance within the National Lottery Distribution Fund and projected future Lottery proceeds are sufficient to meet its hard commitments.

*Interest rate risks* – The financial assets of the Lottery are invested in the National Lottery Distribution Fund, which invests in a narrow band of low risk assets such as government bonds and cash. The Council has no control over the investment of funds in the National Lottery Distribution Fund. Cash and cash equivalents which are drawn down from the Fund to pay grant commitments and operating costs are held in an instant access, variable rate bank account which on average carried an interest rate of 0.5% in the year (2018/19: 0.5%). The cash and cash equivalents balance at the year end was £1,124,000 (2019: £1,373,000). The Council does not consider that its Lottery Distribution function is exposed to significant interest rate risks.

*Foreign currency risk* – The lottery distribution function of the Council is not exposed to any significant foreign exchange risks.

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



## 13. Related party transactions

### Public bodies

The Council is a Welsh Government sponsored body.

The Welsh Parliament/Welsh Government is regarded as a related party and details of transactions with the Welsh Parliament/Welsh Government are given in the separate accounts covering the Council's general activities.

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

### Delegated Lottery distributors

As disclosed in note 9, Ffilm Cymru Wales, Nesta, BBC Cymru Wales, Literature Wales and Tŷ Cerdd are delegated distributors of the Council's Lottery funding. During the year the Council had no material transactions with them other than those shown in the Statement of Comprehensive Net Income/Expenditure.

### Individuals

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

Where the individuals and/or their close family were members of the Boards of Management (or equivalent) or were senior employees of organisations offered Lottery grants or other Lottery payments by the Council in 2019/20 in all such cases, in accordance with the Council's Code of Best Practice, the individual concerned withdrew from any meeting where there was a discussion or decision regarding funding.

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

Financial transactions with the Council in respect of its general activities are recorded in the separate accounts covering those activities.

Member Role	Organisation	Transaction 2019/20 (number)	Total Value 2019/20 £	Total balance outstanding at 31 March 2020 £
<b>Council Members</b>				
<b>Iwan Bala</b> Member	Butetown Artists Group – Bay Art	Grant (1)	49,110	40,761
<b>Devinda De Silva</b> Employment	National Theatre Wales	Grant (1)	6,064	3,659
Board member	August 012	Grant (2)	76,900	19,795
Board member	Dirty Protest	Grant (1)	10,000	1,000
<b>Andy Eagle</b> Employment	Chapter	Grant (3)	275,947	260,645
<b>Marian Wyn Jones</b> Non-Executive Director	Betsi Cadwaladr Health Board	Grant (0)	Nil	3,000
Board member	Canolfan Gerdd William Mathias	Grant (1)	5,000	Nil
Council member	Bangor University	Grant (2)	80,000	78,469
<b>Gwennan Mair</b> Employment	Theatr Clwyd	Grant (1)	11,486	133,562
Drama board member	Eisteddfod Genedlaethol	Grant (1)	75,000	75,000

Member Role	Organisation	Transaction 2019/20 (number)	Total Value 2019/20 £	Total balance outstanding at 31 March 2020 £
Victoria Provis Council member	University of Wales Trinity Saint David	Grant (1)	198,100	108,950
Dafydd Rhys Employment	Aberystwyth Arts Centre	Grant (3)	38,280	31,089
<b>Committee Members</b>				
Ruth Cayford Employment	Cardiff Council (St David's Hall)	Grant (1) Invoice (3)	99,738 697	154,307 Nil
Roland Evans Employment	Gwynedd County Council	Grant (0)	Nil	34,142
<b>Members of the Senior Leadership Team</b>				
Katherine Davies Employment (Family member)	Cardiff Council (St David's Hall)	Grant (1) Invoice (3)	99,738 697	154,307 Nil

Member Role	Organisation	Transaction 2019/20 (number)	Total Value 2019/20 £	Total balance outstanding at 31 March 2020 £
<b>Other members of staff</b>				
<b>Rachel England</b> Member	Cardiff Deaf Centre	Grant (1)	6,570	Nil
<b>Eluned Hâf</b> Director (Family member)	Canolfan Gerdd William Mathias	Grant (1)	5,000	Nil
<b>Gillian Hughes</b> Employment (Family member)	Awen Cultural Trust	Grant (3)	85,000	58,902
<b>Ian McAndrew</b> Board member	Sound Progression	Grant (2)	47,750	3,000
<b>Judith Musker Turner</b> Band member (Family member)	Calan	Grant (1)	17,260	1,726



Cyngor Celfyddydau Cymru  
Arts Council of Wales

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