

Presented pursuant to National Lottery etc. Act 1993 (as amended by the National Lottery Act 1998)  
c 39, section 35(5)

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# Arts Council of Wales Lottery Distribution Accounts 2005-2006

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## Legal and Administrative information

### Trustees

Council Members who served since 1 April 2005 were

Professor Dai Smith, Chairman (from 1 April 2006)	(b - from 1 April 2006)
Geraint Talfan Davies, Chairman (to 31 March 2006)	(b) (iv) (v)
Rhiannon Wyn Hughes MBE, Vice-chairman (from 7 April 2006)	(a) (e) (i) (iii)
Janet Roberts, Vice-chairman (to 31 March 2006)	(b) (c) (e)
Simon Dancey	(a) (f)
Dai Davies (to 31 March 2006)	
Meg Elis (to 31 March 2006)	(e)
Harry James (to 31 March 2006)	(c) (d) (ii)
John Metcalf	(d)
Christopher O'Neil	(f) (h)
Huw Roberts	
Dr Francesca Rhydderch	(d)
Ruth Till MBE	(f)
David Vokes	(a) (b) (g)

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

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

- i Denbighshire County Council;
- ii National Library of Wales;
- ii National Museums and Galleries of Wales;
- iv The Radio Authority; and
- v University of Wales Institute, Cardiff.

*Peter Tyndall*  
Chief Executive

**Offices**

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

South Wales region and  
National Office  
9 Museum Place  
Cardiff  
CF10 3NX

North Wales region  
36 Prince's Drive  
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**Auditor**

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

**Internal auditors**

*To March 2006*

PricewaterhouseCoopers LLP  
One Kingsway  
Cardiff  
CF10 3PW

*From April 2006*

Bentley Jennison  
33-35 Cathedral Road  
Cardiff  
CF11 9HB

**Bankers**

*To April 2006*

National Westminster Bank plc  
South Wales Commercial Office  
3rd Floor  
One Kingsway  
Cardiff  
CF10 3AQ

*From May 2006*

Bank of Ireland  
South Wales Business Centre  
17 Cathedral Road  
Cardiff  
CF11 9HA

**Solicitors**

Edwards Geldard  
Dumfries House  
Dumfries Place  
Cardiff  
CF10 3ZF

# Trustees' Annual Report

## Structure, governance and management

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

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

The Council is an Assembly-sponsored public body. Under the terms of the Government of Wales Act 1998 responsibility for funding the Council transferred from the Secretary of State for Wales to the National Assembly for Wales on 1 July 1999. The Council amended its Royal Charter to reflect this change and to provide for its general activities account to be audited by the Auditor General for Wales. The Council's lottery distribution activities are not a devolved function so these financial statements are, therefore, laid before both Parliament and the Assembly, and are audited by the Comptroller and Auditor General under section 35 of the National Lottery etc. Act 1993 (as amended).

The National Assembly for Wales appoints the Members of the Arts Council who normally serve for a period of three years and may be re-appointed for a further three year period. During the period under review the Council met eleven times.

## Members induction and training

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

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

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

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

## Accountability

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

- the Charities Acts 1960 and 1993 and guidance issued by the Charity Commission;
- the Freedom of Information Act 2000 and Data Protection Act 1998 and guidance issued by the Information Commissioner;
- a Management Statement, Financial Memorandum and Accounts Direction issued by the National Assembly for Wales;
- Policy Directions, Finance Directions and an Accounts Direction issued by the National Assembly for Wales under the terms of S26 of the National Lottery etc. Act 1993 (as amended);
- the power of the Parliamentary Commissioner for Administration to investigate the Council's affairs;
- the power of the Public Services Ombudsman for Wales to investigate the Council's affairs;
- a Code of Best Practice, applying to Members and staff, which sets out standards of behaviour required of those involved in financial decisions and in dealing with the public; and
- the Consumer Credit Act 1974 and guidance issued by the Office of Fair Trading.

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

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

## Risk management

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

## Lottery distribution

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

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

As well as committing the full current year budget, the Council's policy up to 31 March 2005, actively encouraged by the Department for Culture, Media and Sport, was to commit as grants 50 per cent of the second year's anticipated budget and 30 per cent of the third year's anticipated budget. Given the uncertainty of the future of lottery funding beyond the end of the current operator's Licence in 2009 Council considered it prudent to modify this forward commitment policy. With effect from 1 April 2005 130 per cent of the current year's allocation for Scheme grants is available for commitment and 100 per cent of the current year's allocation for film grants. To maintain the Capital programme, the forecast allocation to the end of the Licence period is available for commitment.

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

The Capital Committee members who served since 1 April 2005 were

Harry James, Chairman (to 31 March 2006)	John Clifford Jones (to 24 June 2005)
Alun Bond	Richard Morgan
Gareth Davies	Janet Roberts (to 31 March 2006)
Isabel Hitchman (from 25 November 2005)	

Responsibility for assessment and recommendation on Film grants was delegated to Sgrîn Cymru Wales which had set up a Production Advisory Group for this purpose.

## Objectives, activities, achievements and performance

The Council's chartered objects are

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

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

### **Main objectives for the year**

The Council's main objectives for the year, as set out in the 2005-2006 Operational Plan, were to improve and strengthen the arts by honing our priorities and funding schemes still further; and to concentrate on reaping a greater return from our existing investments. These objectives, at the heart of our operations, were consistent with the key strands to the National Assembly's Making the Connections programme: "dynamism, efficiency and effectiveness".

The strategies employed to achieve the objectives, our main activities in 2005-2006 and our key achievements are set out in the following table

<b>Strategies</b>	<b>Main activities</b>	<b>Achievements and performance</b>
Offering opportunities for all the people of Wales to experience and participate in the arts	Extend our suite of strategies for arts development and implementation	It is a long-term aim that the Council should complete a set of artform and crosscutting strategies. This year we began to develop a Dance Strategy in response to the Assembly's dance review; to begin implementation of a strategy for the development of English Language Theatre in Wales; and to develop our response to the Assembly's new Cultural Strategy.
	Further invest in the Arts outside Cardiff	The Arts outside Cardiff scheme aims to complement the programme of the Wales Millennium Centre. This involves a regional network of performing arts centres; the production of work for touring; and Welsh membership of the cross-border touring scheme. We plan to integrate the work to date into a revised presentation strategy for venues.
	Improve our evidence base for developing future arts policies and strategies	We published <i>Arts in Wales</i> , the largest ever survey of attendances, participation and attitudes towards the arts (nearly 7,000 respondents). This revealed the vital role that the arts play in the lives of people in Wales and the degree of support for public investment in the arts.
Supporting artistic excellence	Plan and organise national artform seminars	The Council aims to be authoritative, to provide leadership, and to promote excellence. This year we raised the standard of artistic debate in Wales by hosting seminars for invited delegates to review current practice and define future development in the field.
	Deliver key elements of our English Language Theatre strategy	Work continued with the Sherman Theatre in Cardiff through the Sustainability programme. We held constructive dialogue with Sgript Cymru and the Drama Association for Wales about creating a dynamic base for English Language Theatre production at the redeveloped Sherman Theatre. Significant progress was made with the Torch Theatre in Milford Haven as a result of support through our Sustainability programme and with capital development, whilst an additional production was able to tour because of Arts outside Cardiff funding.
	Further improve our Quality Monitoring system	In 2004-2005 the Council developed a new framework for monitoring clients, benefiting from the closer involvement of expert advisers. This year we continued to improve the Quality Monitoring framework and extended its reach.
Working in partnership with others to achieve shared goals	Consult and meet regularly with local authorities and the Welsh Local Government Association	We published a Strategic Partnership Agreement between ourselves, the Welsh Local Government Association and the 22 local authorities. This sets out a shared vision for the arts and mechanisms for joint working to enable the arts to be mainstreamed in areas such as health, learning, inclusiveness, excellence, prosperity and cultural identity. It is a basis for future collaborative work.
	Implement a programme of public contact	We had a quality presence at the National Eisteddfod in Eryri and at the Urdd Eisteddfod in Cardiff. 81 per cent and 98 per cent of people surveyed rated our presence at each event respectively as either good or excellent. We also had a presence at the Hay Festival of Literature and the Arts and at the Llangollen International Musical Eisteddfod.

<b>Strategies</b>	<b>Main activities</b>	<b>Achievements and performance</b>
Making the best use of the resources entrusted to us and always offering a service of high quality	Refine our grant schemes to reflect key priorities	Following a review of our grant schemes in 2004-2005, this year we focused on those arts projects and clients that help deliver strategic priorities. The criteria for prioritising grant scheme applications were therefore streamlined: those for individuals, and those for organisations.
	Access arts funding from other sources	We secured Objective 3 funding from the European Structural Fund. Over £385,000 will be used over two years to increase access to a wide range of community arts activities, including dance, music, theatre, visual arts, film and media, photography and creative writing.
	Continue our policy of streamlining internal support services	We introduced a computerised purchase order system to improve budgetary control and the quality of our service to internal and external clients.

In addition to the above, detailed monitoring of performance against key performance indicators (KPIs) is carried out and reported on quarterly to the Senior Management Team and Council. There were 50 KPIs in 2005-2006, 68 per cent of which were achieved, 22 per cent partially achieved and 10 per cent not achieved. Of the five KPIs not achieved, one was caused by factors outside Council's control.

Some key successes within the field of 50 KPIs included

- turning round all grant applications within the specified times;
- responding to 100 per cent of Freedom of Information requests within the statutory 20 days of receipt;
- meeting targets for processing grant payments and paying suppliers within agreed timescales;
- maintaining absence levels well below the UK average of 4 per cent (the Welsh average is even higher at 4.7 per cent); and
- increasing the number of staff members who are learning Welsh (currently at over 20 per cent of non-Welsh speakers, compared with an average of 7 per cent in 2004-2005).

More detail about the Council's work and achievements in 2005-2006 is given in the Council's Operational Plan and Annual Report, published separately.

### **Grant making policies**

The Council invites applications for recurrent and one-off grants from organisations and individuals. 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, film and other projects under revenue schemes relating to the arts in Wales and monitors the proper and effective use of those grants.

Capital grants, to organisations only, support the purchase, improvement, restoration, building or creation of an asset that will be used continuously. The minimum grant is £2,000 and the maximum level of funding is 90 per cent of the eligible costs of a project. Requests for more than £50,000 go through a registration process and are considered by Capital Committee before a full application is allowed. Applications for £100,000 or more in support of building projects are not normally considered until plans are at Royal Institute of British Architects (RIBA) Stage D. 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, and standards of design and building must be of high quality. The Capital programme is open to applications at any time.

Film grants are available for script development, short film productions and feature film productions. Projects must qualify as British under the terms of Schedule 1 of the Films Act 1985 (Amended 1999) and encourage and support the development of the indigenous Welsh film industry. Awards vary in size from small amounts for short films to a current maximum of £250,000 for feature films. There are overall limits to the percentage of eligible costs which grants will cover: 75 per cent for script development, 90 per cent for short films, and 50 per cent for feature films.

Revenue scheme grants are available for time-limited artistic projects of high quality which best meet the Council's funding priorities. Small grants, from £250 to £5,000, support organisations or individuals for pilot projects or where there are significant levels of funding from other sources. There are ten application deadlines each year, one every month other than July and December. Mainline grants, from £5,001 to £50,000, support larger programmes of work for established individual artists and organisations. There are three application deadlines each year, in January, April and September. Successful applicants are allowed no more than one of each type of grant in any financial year. The Council considers applications from most organisations and individuals for up to 90 per cent of the eligible costs of a project; local authorities and school clusters may apply for up to 75 per cent of the eligible costs; and the Council will contribute no more than 50 per cent if the main aim of an application is to promote non-arts issues.

The Council currently has two overarching funding priorities when assessing grant applications to revenue schemes: activities taking place in, or involving people based in Communities First areas; and activities delivered in Welsh or bilingually.

The Council publishes general guides to funding for organisations and individuals which include full details of funding priorities and eligibility criteria. These are available from any of the Council's offices and from the website: [www.artswales.org.uk](http://www.artswales.org.uk). The Council is currently reviewing its portfolio of revenue-funded organisations.

### **Principal Lottery distribution activities**

The Council received 1,308 (2005: 1,038) lottery applications in the year of which 145 were for capital schemes, 68 for film production, and 1,095 for revenue schemes. In total 782 (2005: 590) offers of grant were made amounting to £16,235,000 (2005: £13,496,000) of which £6,812,000 were capital grants, £1,485,000 were film grants, and £7,938,000 were revenue scheme grants. Commitments (i.e. grants accepted but not yet paid over) at the end of the year amounted to £18,301,000, of which £13,573,000 were for capital grants, £1,021,000 were for film grants, and £3,707,000 were for revenue schemes grants.

### **Financial review**

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

### **Investment**

Investment powers are governed by the Trustee Act 2000 and the Management Statement and Financial Memorandum and Statement of Financial Requirements issued by the National Assembly for Wales. 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 on Treasury Reserve Overnight or Call terms, so the prevailing interest rates are established each working day for current account, Overnight and Call deposits to establish the optimum placement of funds.

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

## Financial results

The Lottery Distribution account shows the Council's 2005-2006 share of the proceeds from the National Lottery of £11,521,000 (2005: £11,304,000), and a decrease in funds for the year of £513,000 (2005: a decrease of £2,793,000) which was transferred from reserves.

Grant offers made in the year totalled £16,235,000 (2005: £13,496,000). £10,113,000 (2005: £12,738,000) is recorded as grant expenditure, which reflects offers made in this year and previous years which were formally accepted during this year. Soft commitments at 31 March 2006, not recorded as expenditure in the Income and Expenditure Account, totalled £4,151,000 (2005: £700,000).

The balance held in the National Lottery Distribution Fund at 31 March 2006 was £21,372,000 (2005: £20,008,000). The accounts show a cumulative surplus of funds of £2,179,000 (2005: £2,692,000).

## Post balance sheet event 2004-2005

For 2005-2006 the National Assembly for Wales included in its grant-in-aid allocation to the Council £1,160,000 capital investment for theatres and agreed that £1,135,000 of this amount would be applied towards projects originally identified for funding in 2004-2005 from the Lottery distribution account. The appropriate proportion of these awards has been written back in the financial statements for 2005-2006.

## Plans for future periods

The Secretary of State for Culture, Media and Sport made an announcement in June 2006 about Lottery funding post-2009. The Council will continue to be a lottery distributor until 2019 which amounts to an investment of some £11 million every year for the arts in Wales. The new ten year commitment will allow for long-term strategic planning.

The Council will continue to implement its Corporate Plan for 2005-2008. The ten corporate themes and planned activities are as follows

### Theme

Encourage organisations and individuals to work together across Wales to maximise opportunities for people to experience the arts.

Develop artistic work in and through the Welsh and English languages.

Continue to develop a network of financially secure and well-managed arts organisations, with access to a range of well-equipped spaces, helping them to exploit their artistic potential and build bigger and broader audiences.

Support and encourage greater participation in the arts for practitioners, artists and audiences, especially in areas of low take-up.

Promote opportunities for young people to experience the arts as participants, artists and audiences.

### Priorities 2006-2007

Implement the next stage of the Arts Outside Cardiff scheme.

Publish and launch a Dance Strategy as part of a new strategy for the arts in Wales.

Make significant progress on developing an English Language National Theatre for Wales.

Ensure Theatr Genedlaethol Cymru stages 50 performances across the country.

Continue to invest in the arts infrastructure in Wales through the Capital Strategy.

Actively work with client organisations to produce a sustainable, high quality core.

Continue to use both Lottery and grant-in-aid funding strategically for the arts to deliver maximum impact on key priorities.

Publish the Arts and Young People Strategy.

**Theme**

Tackle economic, social and physical barriers to accessing the arts, particularly in Communities First and other areas of multiple deprivation.

Develop the arts workforce through education, training and continuing professional enhancement and maximise their contribution to Wales's creative industries.

Develop more good quality and innovative work in all artforms by providing better support for artists.

Develop partnerships within all sectors to increase opportunities for taking forward the arts economy in Wales.

Ensure the Council provides economic, efficient and effective support for its internal and external clients by further improving internal systems and procedures.

**Priorities 2006-2007**

Actively promote access to, and participation in, the arts for people in disadvantaged communities.

Agree and begin a new three-year development programme for arts training in Wales.

Provide high quality support for individual artists through grant schemes such as Creative Wales, with support from Lottery funding, through art-form seminars and via developmental work with Council officers.

Work closely with the National Assembly on implementing any changes arising from the independent review of arts funding

Continue to review our portfolio of revenue-funded organisations to allow further re-direction of funding.

Continue to seek opportunities for further efficiency savings.

**Disabled employees**

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

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

**Employee communication**

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

**Payment of creditors**

It is the Council's policy to pay suppliers within the terms of trade agreed and generally to observe the principles of the Late Payment of Commercial Debts (Interest) Act 1998. 96 per cent of the invoices received from suppliers during 2005-2006 (2004-2005: 97 per cent) were paid within the agreed contractual terms.

**Remuneration report**

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

Each year management considers staff remuneration against external comparators and movements in the economy. In consultation with the recognised trade union a pay remit is produced and submitted to the National Assembly for approval. The resultant pay and conditions package is binding on the whole of the Council until the next round of negotiation. Increases under the pay remit are dependent upon performance established by the Council's system of personal development reviews.

With the approval of the Charity Commission the Chairman is remunerated at a rate determined by the National Assembly which reflects a minimum time commitment to Council business. Annual increases of the Chairman's salary are also advised by the National Assembly but he receives no bonus payments.

The Chief Executive's remuneration consists of a basic salary plus an annual bonus. Annual increases are recommended to Council by the Remuneration Committee in consideration of the performance of the Chief Executive against a set of predetermined objectives. A percentage of the increase, as advised by the National Assembly, is consolidated into the Chief Executive's salary and the remainder is paid as a non-consolidated award.

Further details of the remuneration and pension benefits of the Chairman, Chief Executive and other senior directors are provided in note 2 to the financial statements.

Council members are appointed by the National Assembly for a period of three years and may be re-appointed for a further three year period. The current Chairman, Professor Dai Smith, was appointed as a Council member on 1 April 2004 but took over the chairmanship on 1 April 2006. His current term of office ends on 31 March 2007. The Chief Executive and senior directors are all employed on permanent contracts on the Council's standard terms and conditions.

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

The dates of commencement of employment are: Geraint Talfan Davies (Chairman until 31 March 2006) 1 April 2003; Professor Dai Smith (Chairman) 1 April 2006; Peter Tyndall (Chief Executive) 1 October 2001; David Alston (Arts Director) 1 July 2005; Hywel Tudor (Finance and Central Services Director) 21 January 2002; Jane Clarke (Operations Director) 1 April 2004.

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

Under Section 35 of the National Lottery etc. Act 1993 (as amended) the Council is required to prepare a statement of accounts for the financial period for its Lottery distribution activities, in the form and on the basis determined by the National Assembly for Wales with the consent of the Treasury.

The accounts are prepared on an accruals basis and must give a true and fair view of the Council's state of affairs at the year end and of its income and expenditure and cash flows for the financial year.

In preparing the accounts the Council is required to

- observe the accounts direction issued by the National Assembly for Wales, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Council will continue in operation.

The Principal Accounting Officer for the National Assembly for Wales has designated the Chief Executive as the Accounting Officer for the Council. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the National Assembly for Wales' Accounting Officers' Memorandum issued by the Treasury.

*Peter Tyndall*  
Accounting Officer  
7 July 2006

*Dai Smith*  
Chairman  
7 July 2006

## Statement on Internal Control

### Scope of responsibility

As Accounting Officer, I have responsibility for ensuring that a sound system of internal control is maintained by the Arts Council of Wales, one that supports the achievement of Council policies, aims and objectives set by the National Assembly for Wales whilst safeguarding the public finances and resources for which I am personally responsible, in accordance with the responsibilities assigned to me in the Financial Memorandum, Lottery Finance Directions and Government Accounting.

### The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Council policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 March 2006 and up to the date of approval of the Trustees' annual report and accounts, and accords with Treasury guidance.

### Capacity to handle risk

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

### The risk and control framework

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

This includes an organisation-wide risk register containing details of all key risks and mitigating controls. Managers are responsible for drawing up and maintaining more detailed risk registers for any new activities. During the year ended 31 March 2006, for example, the tendering of the Council's banking and internal audit services were identified as a risk priority and managed accordingly.

Risk management has been embedded in the key operations of the Council by the introduction of a prioritisation methodology based on risk ranking. From the receipt and assessment of applications for funding through to the financial monitoring of scheme and annually recurring revenue awards, a risk category is assigned on the basis of key criteria. The level of qualitative and financial monitoring will be dependent upon the risk category assigned and mitigating controls identified, which are regularly reviewed.

Policies and procedures have been drafted to ensure that there is adequate detection and response to inefficiency, conflict of interest and, as far as possible, fraud and to minimise the loss of grant. These are reviewed regularly and updated as necessary.

The Council has established the following processes

- the Senior Management Team meets regularly to consider the plans and strategic direction of the Council;
- periodic reports from the chairman of the Audit Committee, to Council, concerning internal control;
- regular reports by the Council's appointed internal auditors, to standards defined in the Government Internal Audit Manual, to the Audit Committee which includes the auditors' independent opinion on the adequacy and effectiveness of the Council's system of internal control together with recommendations for improvement;
- regular reviews to identify and keep up to date the record of risks facing the Council;
- maintenance of an organisation-wide risk register; and
- introduced key performance indicators.

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

### Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, the Audit Committee which oversees the work of the internal auditors, the executive managers within the Council who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system by Council, the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

*Peter Tyndall*  
Accounting Officer  
7 July 2006

*Dai Smith*  
Chairman  
7 July 2006

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

I certify that I have audited the financial statements of the Arts Council of Wales Lottery Distribution Account for the year ended 31 March 2006 under the National Lottery etc. Act 1993 (as amended) These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

## Respective responsibilities of the Council, Accounting Officer and Auditor

The Council and Accounting Officer are responsible for the preparing the Trustees' Annual Report, the Remuneration Report and the financial statements in accordance with the National Lottery etc. Act 1993 (as amended) and National Assembly for Wales directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Council's and the Accounting Officer's responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements to be audited have been properly prepared in accordance with the National Lottery etc. Act 1993 (as amended) and National Assembly for Wales directions made thereunder. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Trustees' Annual Report is not consistent with the financial statements, if the Council has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 14 and 15 reflects the Council's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Trustees' Annual Report and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

## Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Council and the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements to be audited.

## Opinion

In my opinion

- the financial statements give a true and fair view, in accordance with the National Lottery etc. Act 1993 (as amended) and directions made thereunder by the National Assembly for Wales, of the state of the Arts Council of Wales Lottery Distribution Account's affairs as at 31 March 2006 and of its decrease in funds for the year then ended;
- the financial statements have been properly prepared in accordance with the National Lottery etc. Act 1993 (as amended) and National Assembly for Wales directions made thereunder; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

*John Bourn*  
Comptroller and Auditor General

14 July 2005

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

## Income and Expenditure Account for the year ended 31 March 2006

	Notes	2006 £000	2005 £000
<b>Income</b>			
Share of proceeds from the National Lottery	6	11,521	11,304
Investment income on balances in the National Lottery Distribution Fund	6	1,001	534
Grant services charges		0	4
Interest receivable		34	52
Grants recoverable		83	52
<b>Total income</b>		<b>12,639</b>	11,946
<b>Expenditure</b>			
<i>Expenditure on the arts</i>			
Net grant commitments made (hard)	9b	10,113	12,738
Direct costs of grant making	5	237	266
		<b>10,350</b>	13,004
<i>Management and administration</i>			
Staff costs	2	1,224	1,252
Operating costs	4	754	849
Provision for doubtful debt		154	7
		<b>2,132</b>	2,108
Exceptional item – Pension Fund	3	600	0
		<b>2,732</b>	2,108
<b>Total expenditure</b>		<b>13,082</b>	15,112
<b>Excess of expenditure over income for the year</b>		<b>(443)</b>	(3,166)
Unrealised (loss)/gain on investment in the National Lottery Distribution Fund	6	(70)	373
<b>Decrease in Lottery funds for the year</b>	9b,10	<b>(513)</b>	(2,793)

There are no discontinued activities.

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

*The notes on pages 21 to 28 form part of these accounts.*

## Balance Sheet at 31 March 2006

	Notes	2006		2005	
		£000	£000	£000	£000
<b>Current assets</b>					
Investments – balance held in the National Lottery Distribution Fund	6	<b>21,372</b>		20,008	
Debtors	7	<b>109</b>		413	
Cash		<b>12</b>		986	
			<b>21,493</b>		21,407
<b>Creditors: amounts falling due within one year</b>					
Other creditors	8	<b>(1,013)</b>		(66)	
Provision for grant commitments (hard)	9b	<b>(13,301)</b>		(13,554)	
			<b>(14,314)</b>		(13,620)
<b>Total assets less current liabilities</b>					
			<b>7,179</b>		7,787
<b>Financed by</b>					
Provision for grant commitments falling due after more than one year (hard)	9b		<b>5,000</b>		5,095
Income and Expenditure account	10		<b>2,179</b>		2,692
			<b>7,179</b>		7,787

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

*Peter Tyndall*  
Accounting Officer  
7 July 2006

*Dai Smith*  
Chairman  
7 July 2006

*The notes on pages 21 to 28 form part of these accounts.*

## Cash Flow Statement for the year ended 31 March 2006

	<b>2006</b>	2005
	<b>£000</b>	£000
<b>Reconciliation of decrease in Lottery funds</b>		
Decrease in Lottery funds	<b>(513)</b>	(2,793)
Decrease in debtors and prepayments	<b>304</b>	163
Decrease in provision for grant commitments	<b>(348)</b>	(208)
Increase/(decrease) in other creditors	<b>947</b>	(611)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>390</b>	(3,449)
	<b>2006</b>	2005
	<b>£000</b>	£000
<b>Cash Flow Statement</b>		
Net cash inflow/(outflow) from operating activities	<b>390</b>	(3,449)
Payments to acquire tangible fixed assets	<b>0</b>	0
Increase/(decrease) in cash and the balance held in the National Lottery Distribution Fund	<b>390</b>	(3,449)
	<b>Cashflow</b>	Cashflow
	<b>change in</b>	change in
	<b>year</b>	year
	<b>2006</b>	2005
<b>Reconciliation of net cash flow to movement in net funds</b>		
(Decrease)/increase in cash	<b>(974)</b>	516
Increase/(decrease) in the balance held in the National Lottery Distribution Fund	<b>1,364</b>	(3,965)
	<b>390</b>	(3,449)
Net funds at 1 April	<b>20,994</b>	24,443
<b>Net funds at 31 March</b>	<b>21,384</b>	20,994

Net funds at 31 March 2006 comprise cash held by the Council of £12,000 and the balance held in the National Lottery Distribution Fund of £21,372,000.

*The notes on pages 21 to 28 form part of these accounts.*

# Notes forming part of the Financial Statements

## 1 Accounting policies

### *a Basis of preparation*

These financial statements have been prepared under the historical cost convention. They have been prepared in accordance with the Accounts Direction issued by the National Assembly for Wales and meet the requirements of the Companies Act 1985 and of the Statements of Standard Accounting Practice and Financial Reporting Standards issued and adopted by the Accounting Standards Board so far as those requirements are appropriate. The Council is not required to report the historic cost surplus or loss. A summary of the principle accounting policies which have been applied consistently are set out below.

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

### *b Going concern*

These financial statements have been prepared on the going concern basis on the assumption that funds will continue to be made available from the National Lottery Distribution Fund. This assumption is itself dependent on future levels of lottery ticket sales, which cannot be guaranteed. The Council is however allowed to commit funds on the basis of anticipated future income as explained on page 6 of these financial statements.

### *c General activities*

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

### *d Grant commitments*

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

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

### *e National Lottery Distribution Fund*

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

### *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 Income and Expenditure Account so as to spread the cost of pensions over employees' working lives.

*g Taxation*

Non-recoverable Value Added Tax arising from expenditure is charged to the Income and Expenditure Account 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 the Financial Direction issued by the Secretary of State, 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.

**2 Staff costs**

	<b>2006</b>	2005
	<b>£000</b>	£000
Wages and salaries charged to lottery distribution activity	<b>992</b>	1,033
Social security costs	<b>78</b>	80
Other pension costs	<b>171</b>	176
Agency costs	<b>20</b>	11
	<b>1,261</b>	1,300

**Staff costs are incorporated in the accounts as follows***Management and administration*

Staff costs	<b>1,224</b>	1,252
Direct costs of grant making (note 5)	<b>37</b>	48
	<b>1,261</b>	1,300

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

	<b>No</b>	No
Services, direct promotions and direct costs of grant making	<b>12</b>	11
Management and administration	<b>81</b>	86
	<b>93</b>	97

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

	<b>No</b>	No
Direct costs of grant making	<b>1</b>	1
Management and administration	<b>39</b>	43
	<b>40</b>	44

The balance of 53 (2005: 53) staff were employed on general activities.

The Chief Executive, Arts Director (from 1 July 2005), Finance and Central Services Director, and Operations Director are responsible for directing the Council's activities. Their actual emoluments were as follows, 44 per cent of which is charged in these financial statements and the remainder to general activities

	2006	2006	2006	2006	2006	2006
	Emoluments	Real	Total	Cash	Cash	Real
	band	increase	accrued	equivalent	equivalent	increase
	£000	in	pension	transfer	transfer	in cash
		pension	at age 65	value at	value at	equivalent
		at age 65	as at	31 March	31 March	transfer
		£000	31 March	2005	2006	value
			2006	£000	£000	£000
<b>Peter Tyndall</b> <sup>1</sup>						
Chief Executive	65-70	15,244	17,930	26,443	215,164	187,981
<b>David Alston</b>						
Arts Director (from 1 July 2005)	30-35	n/a	n/a	n/a	n/a	n/a
<b>Hywel Tudor</b>						
Finance and Central Services Director	55-60	711	2,979	20,311	32,612	11,732
<b>Jane Clarke</b> <sup>1</sup>						
Operations Director	55-60	2,490	3,163	6,833	38,813	31,789

1 The member of staff transferred in pension benefits from a previous scheme during the year

Following an amendment to the Council's Royal Charter, and with the approval of the Charity Commission, with effect from 1 April 2004 the Chairman is paid for his services. Other Council and Committee members are not paid for their services.

The Chief Executive, who is an ordinary member of the Council's Pension Scheme, was appointed on 1 October 2001 for a five year period.

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

	2006	2005
	£000	£000
<b>Chairman</b>		
Salary	<b>39,399</b>	37,742
<b>Chief Executive</b>		
Salary	<b>62,459</b>	60,935
Non-consolidated award	<b>4,570</b>	4,779
Pension contribution	<b>11,742</b>	11,456
	<b>78,771</b>	77,170

44 per cent (2005: 47 per cent) of the Chairman's and Chief Executive's emoluments are charged in these financial statements and the remainder to general activities.

### 3 Pension costs

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

An independent actuarial valuation of the Arts Council Retirement Plan 1994 takes place every three years. The last valuation was carried out as at 1 April 2005 using the Projected Unit Method. The overall market value of the Plan's assets as at 31 March 2005 was £34.7m. The actuary concluded that whilst the Plan had a Minimum Funding Ratio of 110 per cent, taking into account past service liabilities, at the valuation date a funding deficit of £17.1m existed, corresponding to a funding ratio of 67 per cent. In order to eliminate the deficit, the actuary recommended increased employer contributions over the next 12 years. The reduction to 12 years compared to the 15 years used previously took account of the guidance issued by the Pensions Regulator.

On the assumption that the recommended amounts would be paid to the Plan, the actuary's opinion was that the resources of the scheme are likely in the normal course of events to meet in full the liabilities of the scheme as they fall due. The main actuarial assumptions used were that price inflation would be 2.9 per cent per annum, pay increases would be 4.4 per cent per annum, pension increases would be 2.8 per cent per annum on pensions in excess of Guaranteed Minimum Pensions (GMPs), pension increases of deferred pensions would be 2.9 per cent per annum on pensions subject to statutory revaluations, the post retirement discount rate would be 6 per cent per annum and the pre-retirement discount rate would be 6 per cent per annum.

Contributions by the Council and its employees during the year were 18.8 per cent (2004-2005: 18.8 per cent) and 0 per cent (2004-2005: 0 per cent) respectively of salaries payable. Employees contribute 1.5 per cent to secure pension benefits for dependants.

### Exceptional item

In addition, and in order to help reduce the level of deficit, with the agreement of the Trustees the Council made a one-off payment of £1,350,000 into the Plan, £600,000 of which was made from the lottery distribution account. The charge of approximately 44 per cent to lottery distribution is in line with the apportionment of other staff costs (see 2 above) with the balancing payment charged to general activities. As well as helping safeguard benefits to Council staff who are members of the Plan, the revised contribution rate of 20.4 per cent payable from April 2006 will be 5 per cent lower than would otherwise have been the case. This revised contribution rate also includes for the first time an element in respect of general administration costs associated with the Plan. Previously each employer had borne these directly.

## 4 Operating costs

	<b>2006</b>	2005
	<b>£000</b>	£000
Accommodation	<b>51</b>	33
Office running costs	<b>169</b>	155
<i>Operating leases</i>		
buildings	<b>68</b>	64
office equipment	<b>3</b>	3
Recruitment, training and other staff costs	<b>75</b>	119
<i>Travel and subsistence</i>		
Officers	<b>47</b>	53
Members	<b>16</b>	21
Communications	<b>14</b>	20
Lottery promotion and information	<b>10</b>	9
Grant monitors, advisers and legal fees	<b>75</b>	99
Audit	<b>15</b>	15
Other professional fees	<b>25</b>	31
Irrecoverable VAT	<b>99</b>	118
Charge for use of fixed assets	<b>87</b>	109
	<b>754</b>	849

Operating 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 44 per cent (2003-2004: 45 per cent).

**5 Direct costs of grant making**

	<b>2006</b>	2005
	<b>£000</b>	£000
Assessors' fees	<b>60</b>	83
Monitoring fees	<b>89</b>	69
Legal and professional fees	<b>51</b>	66
Staff costs	<b>37</b>	48
	<b>237</b>	266

**6 National Lottery Distribution Fund**

Balance held in the National Lottery Distribution Fund at 1 April	<b>20,008</b>	23,973
Allocation of Lottery proceeds	<b>11,521</b>	11,304
Interest receivable	<b>1,001</b>	534
Unrealised (loss)/surplus on investment in National Lottery Distribution Fund	<b>(70)</b>	373
Reversal of prior year unrealised loss	<b>373</b>	297
Drawn down in the year	<b>(11,461)</b>	(16,473)
Balance held in the National Lottery Distribution Fund at 31 March	<b>21,372</b>	20,008

The balance held at 31 March 2006 at the National Lottery Distribution Fund may be subject to change as the audit of the fund is incomplete. Any adjustments arising from that audit will be reflected in the Council's 2006-2007 accounts. The corresponding adjustment for 2004-2005 made in these accounts was an increase in investment income of £595,000.

**7 Debtors: falling due within one year**

	<b>2006</b>	2005
	<b>£000</b>	£000
<i>a Analysis by type</i>		
Due from the Arts Council of Wales General Activities account <sup>1</sup>	<b>0</b>	148
Grants recoverable	<b>90</b>	261
Other debtors	<b>19</b>	4
	<b>109</b>	413

1 The amount due from the Arts Council of Wales General Activities account relates to apportioned costs.

	<b>2006</b>	2005
	<b>£000</b>	£000
<i>b Intra-government balances</i>		
Balances with other central government bodies	<b>0</b>	148
Balances with bodies external to government	<b>109</b>	265
Total debtors	<b>109</b>	413

**8 Creditors: amounts falling due within one year**

	<b>2006</b>	2005
	<b>£000</b>	£000
<i>a Analysis by type</i>		
Trade creditors	<b>1</b>	15
Due to the Arts Council of Wales General Activities account <sup>1</sup>	<b>378</b>	0
Pension Fund	<b>600</b>	0
Accruals and deferred income	<b>34</b>	51
<i>Sub-total: Other creditors</i>	<b>1,013</b>	66
Provision for grant commitments (hard)	<b>13,301</b>	13,554
	<b>14,314</b>	13,620

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

<i>Recharges of apportioned costs</i>		
Staff	<b>151</b>	0
Overheads	<b>134</b>	0
Revenue costs	<b>6</b>	0
Charge for use of assets	<b>87</b>	0
Inter-account transfer	<b>0</b>	0
	<b>378</b>	0
<i>b Intra-government balances</i>		
Balances with other central government bodies	<b>378</b>	0
Balances with local authorities	<b>5,790</b>	4,415
Sub-total: Intra-government balances	<b>6,168</b>	4,415
Balances with bodies external to government	<b>8,146</b>	9,205
Total creditors	<b>14,314</b>	13,620

**9a Soft grant commitments**

	<b>Capital and film £000</b>	<b>Revenue schemes £000</b>	<b>2006 Total £000</b>	<b>2005 Total £000</b>
Soft commitments as at 1 April	512	188	700	1,296
Soft commitments made in the year	8,297	7,938	16,235	13,496
Total grant offers made	8,809	8,126	16,935	14,792
Offers not accepted	(12)	0	(12)	(39)
Soft commitments transferred to hard commitments	(6,270)	(6,502)	(12,772)	(14,053)
Soft commitments as at 31 March	2,527	1,624	4,151	700

**9b Hard grant commitments**

	<b>Capital and film £000</b>	<b>Revenue schemes £000</b>	<b>2006 Total £000</b>	<b>2005 Total £000</b>
Hard commitments as at 1 April	15,298	3,351	18,649	18,857
Hard commitments in the year	6,270	6,502	12,772	14,053
Amounts not taken up	(1,988)	(671)	(2,659)	(1,315)
Charged to Income and Expenditure account <sup>1</sup>	4,282	5,831	10,113	12,738
Grants paid in the year	(4,986)	(5,475)	(10,461)	(12,946)
Hard commitments at 31 March	<u>14,594</u>	<u>3,707</u>	<u>18,301</u>	<u>18,649</u>
<i>Hard commitments</i>				
payable within one year <sup>1</sup>	10,607	2,694	13,301	13,554
payable after one year	3,987	1,013	5,000	5,095
	<u>14,594</u>	<u>3,707</u>	<u>18,301</u>	<u>18,649</u>

- 1 For 2005-2006 the National Assembly for Wales included in its grant-in-aid allocation to the Council's general activities account £1,160,000 capital investment for theatres and agreed that £1,135,000 of this amount would be applied towards projects originally identified for funding in 2004-2005 from the Lottery distribution account. The appropriate proportion of these awards have been written back in the Lottery financial statements for 2005-2006. Had they been written back at 31 March 2005 the net grant commitments charged to the Income and Expenditure account would have reduced from £12,738,000 to £11,603,000, the decrease in Lottery funds for the year would have reduced from £2,793,000 to £1,658,000, and the provision for grant commitments included in the balance sheet under current liabilities would have reduced from £13,554,000 to £12,419,000.

**10 Movement in Lottery funds**

	<b>2006 £000</b>	2005 £000
Income and Expenditure account at 1 April	<b>2,692</b>	5,485
Decrease in Lottery funds for the year	<b>(513)</b>	(2,793)
Income and Expenditure account at 31 March	<u><b>2,179</b></u>	<u>2,692</u>

**11 Related party transactions***Public bodies*

The Council is an Assembly Sponsored Public Body.

The National Assembly for Wales is regarded as a related party and details of transactions with the National Assembly for Wales are given in the separate accounts covering the Council's general activities.

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

*Individuals*

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

*Council members*

A number of Council members and/or their close family were members of the Boards of Management (or equivalent) or were senior employees of organisations offered Lottery grants by the Council in 2005-2006. In all such cases, in accordance with the Council's Code of Best Practice, the member concerned withdrew from any meeting during discussion of the application

<b>Member</b>	<b>Organisation</b>	<b>Transaction (number)</b>	<b>Total Grants £</b>
<b>Geraint Talfan Davies</b>			
Governor	University of Wales Institute Cardiff	Grant (1)	5,000
<b>Janet Roberts</b>			
Employee	Cyngor Gwynedd	Grant (4)	82,770
Chairman	Theatr Gwynedd	Grant (2)	11,350
<b>Simon Dancey</b>			
Director	Community Music Wales	Grant (3)	114,352
<b>Dai Davies</b>			
(Family) – Director	Earthfall	Grant (1)	3,580
(Family) – Director	Sgript Cymru	Grant (2)	12,267
<b>Meg Elis</b>			
Employee	University of Wales, Bangor (including Traditional Music Archive)	Grant (1)	4,320
<b>Rhiannon Wyn Hughes MBE</b>			
Councillor	Denbighshire County Council	Grant (8)	3,223,362
<b>Harry James</b>			
Contracted architect	Arad Goch	Grant (2)	175,514
<b>John Metcalf</b>			
Employee	Swansea Festival of Music and the Arts Ltd	Grant (2)	22,500
<b>Christopher O'Neil</b>			
Trustee	CBAT: Arts & Regeneration Agency	Grant (4)	200,498
	University of Wales	Grant (4)	16,865
<b>Dr Francesca Rhydderch</b>			
Board member	The Taliesin Trust Ltd (Ty Newydd)	Grant (1)	3,000
Editorial Board Adviser	Llenyddiaeth Cymru Dramor (Mercator)	Grant (1)	1,900
<b>Ruth Till MBE</b>			
Committee member	Community Dance Wales	Grant (3)	46,170
Director	Rubicon Dance	Grant (1)	43,202

**Key managerial staff**

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

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