

NATIONAL LOTTERY ETC. ACT 1993

**Account**, of the Arts Council of England Lottery Distribution for the period ended 31 March 1996, together with the Certificate and Report of the Comptroller and Auditor General thereon. (In continuation of House of Commons Paper No. 670 of 1994-95.)

Presented pursuant to Act 1993, c.39, section 35(5)

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# **Arts Council of England Lottery Distribution Account 1995-96**

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 17 JULY 1996

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# Foreword

## Introduction

The Arts Council of England was established by Royal Charter and is a registered charity. On 1 April 1994, it took over those responsibilities in England previously discharged by the Arts Council of Great Britain.

The Council receives grant-in-aid from the Department of National Heritage and is one of the bodies designated to distribute funds from the National Lottery by the National Lottery etc. Act 1993.

Grant-in-Aid is distributed by the Council in support of the arts in accordance with the objectives set out in the Royal Charter. Funds from the National Lottery are distributed in accordance with directions issued under the Act by the Secretary of State for National Heritage.

The Council works at arm's length from Government and has the status of a non-departmental public body. As such it is regulated in accordance with Financial Memoranda issued by the Secretary of State and accounts, for grant-in-aid and lottery funded activities, are prepared separately in accordance with accounts directions.

## Review of the year

The Council's principal activity is the support of the arts. To this end it makes lottery grants to arts organisations. The Secretary-General's report and the National Lottery departmental report in the Annual Report provide further details of its policies and activities.

The accounts for activities funded from the National Lottery Distribution Fund (set out on page 5) show an increase in Funds of £18,578,000.

## Membership of Council

The Members of the Arts Council during the year were as follows: Lord Gowrie (Chairman), Sir Richard Rogers, Professor Christopher Frayling, Maggie Guillebaud, Peter Gummer, Sir Ernest Hall, OBE, DL, Gavin Henderson, Michael Holroyd, CBE, Thelma Holt, CBE, Trevor Nunn, CBE, Stephen Phillips, Usha Prashar, CBE, Clive Priestley, CB, Stella Robinson, Prudence Skene, and Robert Southgate.

## Membership of the Lottery Advisory Panel

The Members of the Council's National Lottery Advisory Panel during the year were as follows: Peter Gummer (Chairman), Jon Foulds, Lady Hopkins, Cleo Laine, OBE, Ruth Mackenzie, OBE, Paddy Masefield, Tony Pender, CBE, Nima Poovaya-Smith and Sir David Puttnam, CBE. The members of the Panel were not remunerated for their services.

**Statement of Council's  
and Secretary-  
General's  
responsibilities in  
relation to financial  
statements**

Under section 35 (2) and (3) of the National Lottery etc. Act 1993, the Council is required to prepare a statement of accounts for the financial period in the form and on the basis directed by the Secretary of State for National Heritage, with the consent of the Treasury. The accounts are to be prepared on an accruals basis and to show 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. The Council is required to:

- observe the Accounts Direction issued by the Secretary of State, which sets out 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 have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Council will continue in operation.

The Accounting Officer for the Department of National Heritage has designated the Secretary-General as Accounting Officer for the Council. The relevant responsibilities as Accounting Officer, including the responsibility for the propriety and regularity of the finances for which the Secretary-General is answerable and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum, issued by H.M. Treasury.

**Other matters**

The Comptroller and Auditor General acts as auditor to the Arts Council, and his report is presented on page 4.

The Council maintains a register of interests of its Members, which is available for public inspection by appointment at the Council's Great Peter Street address.

It is the Council's policy to abide by the CBI's "Prompt Payers Code" and in particular to pay bills in accordance with contract.

The Arts 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 race, colour, ethnic or national origin, marital status, age, gender, sexual orientation, disability or religious beliefs .

During the year, arrangements have been made to promote effective consultation and communications with all staff. All departments have regular staff meetings at which matters relating to the Council's activities are discussed and staff are regularly briefed on the matters discussed at senior management and Council meetings. Meetings of all staff are held periodically. The Council recognises the trade union MSF, with which it has established a procedural agreement; representatives of management and union meet regularly.

**Statement on  
Corporate Governance**

Although the Arts Council of England is not required to comply with the Code of Best Practice published in December 1992 by the Cadbury Committee on the Financial Aspects of Corporate Governance, nevertheless the Council believes it should meet the highest standards of corporate governance and accordingly complies voluntarily with key aspects of the code.

Members of the Arts Council are appointed by the Secretary of State for National Heritage for specified terms of office, and are unpaid. Council Members work within a Code of Practice (based on a Treasury model for non-departmental public bodies) which has been agreed with the Secretary of State. The Council meets in formal session about ten times each year, and it monitors the work of the Secretary General and her staff. Overall policy is determined by the Council itself, and the Council has a schedule of matters reserved for its own decision, including key points of strategy, policy, resourcing, and staffing. All Council Members have access to the Secretary-General and senior staff as they require. The Head of Secretariat ensures that the Council follows its established procedures.

The Annual Report provides information about the Council's overall financial position. Objective and professional relations are maintained with the National Audit Office which acts as auditor of both the Arts Council's grant-in-aid accounts and its lottery distribution accounts.

The Council has established an Audit Committee; its terms of reference are in accordance with the "Code of Best Practice for Board Members of Public Bodies" issued by H.M. Treasury.

*Mary Allen*  
Secretary-General

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

I certify that I have audited the financial statements on pages 5 to 13 under the National Lottery etc. Act 1993. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

## Respective responsibilities of Council, Secretary-General and Auditors

As described on page 2 the Council and the Secretary-General as the Accounting Officer are responsible for the preparation of financial statements and for ensuring the regularity of financial transactions. It is my responsibility to form an independent opinion, based on my audit, on those statements and on the regularity of the financial transactions included in them and to report my opinion to you.

## Basis of opinion

I conducted my audit in accordance with Auditing Standards issued by the Auditing Practices Board. An 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 judgements made by the Council and the Secretary-General in the preparation of the financial statements, and of whether the accounting policies are 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 error, or by fraud or other irregularity 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 have also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Arts Council of England Lottery distribution activities at 31 March 1996 and of the increase in funds available, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the National Lottery etc. Act 1993 and directions made thereunder by the Secretary of State for National Heritage;
- 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

28 June 1996

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

## Income and Expenditure Account for the period 1 April 1995-31 March 1996

	Notes	1996		1995	
		£000	£000	£000	£000
Share of proceeds from the National Lottery	2	244,194		48,397	
Investment returns on the Distribution Fund		10,910		497	
Investment income on bank accounts		248		3	
Other income	3	<u>8</u>		<u>3</u>	
			<u>255,360</u>		<u>48,900</u>
Grants		<u>229,918</u>		-	
Total Grants	9		229,918		-
General Expenditure					
Staff costs	4	568		188	
Other operating costs	5	3,215		692	
Depreciation	6	29		16	
Costs apportioned by the Arts Council of England	1	<u>3,052</u>		<u>515</u>	
Total operating costs			6,864		1,411
Total expenditure			<u>236,782</u>		<u>1,411</u>
Increase/(Decrease) in Lottery Funds	10		<u>18,578</u>		<u>47,489</u>
Accumulated funds brought forward			47,489		-
Accumulated funds carried forward			<u>66,067</u>		<u>47,489</u>

The Council has no recognised gains or losses other than those shown on the income and expenditure statement for the period. There are no discontinued activities.

## Balance Sheet as at 31 March 1996

	Notes	1996		1995	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible assets	6		<u>71</u>		<u>47</u>
			71		47
<b>Current assets</b>					
Debtors and prepayments		155		3	
Investments: Balance in Distribution Fund	7	263,304		48,028	
Cash at bank and in hand		<u>4,602</u>		<u>82</u>	
		268,061		48,113	
<b>Current liabilities</b>					
Hard commitments falling due within one year	9	104,726		-	
Creditors: amounts falling due within one year	8	<u>3,728</u>		<u>671</u>	
		108,454		671	
<b>Net current assets</b>			<u>159,607</u>		<u>47,442</u>
<b>Total assets less liabilities</b>			<u>159,678</u>		<u>47,489</u>
<b>Represented by:</b>					
Provisions for liabilities and changes:					
Grant Commitments			93,611		-
Reserves			<u>66,067</u>		<u>47,489</u>
			<u>159,678</u>		<u>47,489</u>

*Mary Allen*  
Secretary-General

*Lord Gowrie*  
Chairman of the Arts Council of England

26 June 1996



## Cash Flow Statement for the year ended 31 March 1996

	1996		1995	
	£000	£000	£000	£000
<b>Operating activities</b>				
Funds received from the National Lottery Distribution Fund	39,828		866	
Other cash receipts	137		3	
Grants paid	(31,614)		—	
Cash paid to and on behalf of employees	(568)		(188)	
Other cash payments	<u>(3,210)</u>		<u>(536)</u>	
<b>Net cash inflow from operating activities</b>		<b>4,573</b>		<b>145</b>
<b>Investing activities:</b>				
Purchase of tangible fixed assets	<u>(53)</u>		<u>(63)</u>	
<b>Net cash outflow from investing activities</b>		<b><u>(53)</u></b>		<b><u>(63)</u></b>
<b>Net cash inflow</b>		<b><u>4,520</u></b>		<b><u>82</u></b>
<b>Increase in cash and cash equivalents</b>		<b><u>4,520</u></b>		<b><u>82</u></b>
<b>Movements in cash and cash equivalents:</b>				
Cash at beginning of period		82		—
Cash at end of period		<u>4,602</u>		<u>82</u>

## Notes to the Accounts

### Accounting Policies 1(a) Basis of Accounts

These financial statements are prepared under the historical cost convention. The Charity Commissioners issued a Statement of Standard Accounting Practice (SORP) for Charities in October 1995. The Council proposes to adopt the SORP for the 1996-97 accounts. The accounts have been prepared in accordance with the Accounts Direction issued by the Secretary of State for National Heritage, and they meet the requirements of the Companies Acts, and of the Statements of Standard Accounting Practice/ Financial Reporting Standards issued and adopted by the Accounting Standards Board, so far as those requirements are appropriate.

Separate accounts have been prepared for the activities funded from the Grant-in-Aid, in accordance with the Directions issued by the Secretary of State. Consolidated accounts have not been prepared.

### (b) Accruals convention

All income and expenditure is taken into account in the financial year to which it relates.

As required by the Secretary of State, a distinction is made in respect of lottery grants between "hard commitments", where the Council has made a firm offer of grant which (together with appropriate conditions) has been accepted by the recipient, and "soft commitments" where the Council has agreed in principle to fund a scheme and made an offer, but the offer and associated conditions have not been accepted.

Hard commitments are recognised in the income and expenditure account, whereas soft commitments are recognised by way of note.

Hard commitments payable within one year of the balance sheet date are recognised in the balance sheet as current liabilities. Those payable more than one year from the balance sheet date are shown as Grant Commitments under Provisions for Liabilities and Charges.

Grant Commitments for future years have been entered into taking account of income forecasts provided by the Department of National Heritage. These forecasts have been discounted aggressively and the Council believes that it has taken a very conservative view of future income. Nevertheless, it assumes, as matters of public policy, the continued operation of the National Lottery and the maintenance of the Arts Council's percentage of the National Lottery Distribution Fund as set out in sections 22 and 23 of the Act.

**(c) Depreciation and fixed assets**

Depreciation is provided on all tangible fixed assets financed by lottery funds at rates calculated to write off the cost less estimated residual value of each asset systematically over its expected useful life as follows:

Equipment, fixtures and fittings – Over 4 years

A full year's depreciation is provided in the year of an asset's acquisition, and none in the year of its disposal.

**(d) Stocks**

Stocks are stated at the lower of cost and net realisable value. No value is ascribed to stocks of application packs, as the cost is written off in the year in which it is incurred.

**(e) National Lottery Distribution Fund**

Balances held in the National Lottery Distribution Fund remain under the stewardship of the Secretary of State for National Heritage. However, the share of these balances attributable to the Arts Council of England is as shown in the accounts and, at the balance sheet date, has been certified by the Secretary of State for National Heritage as being available for distribution by the Arts Council of England in respect of current and future commitments (note 7). The amount attributable to the Arts Council has been treated as income within these accounts.

**(f) Leases**

Costs in respect of operating leases are charged to the Income and Expenditure Account on a straight line basis over the life of the lease.

**(g) Taxation**

The Arts Council of England is a Registered Charity (No 1036733) and is eligible under Income and Corporation Taxes Act 1980 to seek from the Inland Revenue exemption from taxes on income arising from its charitable objectives. The Inland Revenue has granted this exemption. Accordingly, no taxation has been provided for in these accounts.

**(h) Pensions**

The Arts Council provides a defined benefit pension scheme for its employees, the costs of which are charged to the income and expenditure account.

**(i) Apportioned costs**

The Arts Council incurs indirect costs which are shared between activities funded from Grant-in-Aid and activities funded from the National Lottery. The Council is required to apportion indirect costs properly between the two activity areas in accordance with good accounting practice.

<b>Share from the National Lottery</b>	<b>2</b>		<b>1996</b>
			<b>£000</b>
		Share of proceeds from the National Lottery	<b>244,382</b>
		Adjustment	<b>(188)</b>
			<b><u>244,194</u></b>

The Act provided that the start up costs of the Millennium Commission and the National Lottery Charities Board should be paid by the appropriate Secretaries of State and they should be reimbursed from the National Lottery Distribution Fund. The accounts of the distributing bodies for 1994-95 were prepared on the basis that the reimbursement would be met from the two bodies' shares of the fund. Legal advice given subsequently is that reimbursement should be a charge against the fund before apportionment between the distributing bodies. In consequence the Arts Council's share of the fund was reduced and this is reflected above.

<b>Other income</b>	<b>3</b>		<b>1996</b>	<b>1995</b>
			<b>£000</b>	<b>£000</b>
		Contributions received	<b>2</b>	<b>-</b>
		Sales of publications	<b>6</b>	<b>3</b>
			<b><u>8</u></b>	<b><u>3</u></b>

<b>Staff costs</b>	<b>4</b>		<b>1996</b>	<b>1995</b>
			<b>£000</b>	<b>£000</b>
		Salaries and wages	<b>463</b>	<b>158</b>
		Employer's National Insurance	<b>36</b>	<b>11</b>
		Arts Council Retirement Plan (1994)	<b>69</b>	<b>19</b>
			<b><u>568</u></b>	<b><u>188</u></b>

These costs relate to the lottery function and its operation for the year.

The Chairman, Council and Lottery Advisory Panel Members are not paid for their services.

An Actuarial Valuation of the Pension Fund takes place every three years. The last valuation was in 1993-94. On advice of the actuary, the employer's contribution was set at 13.2%.

The Scheme is financed by payments by the Council and employees into a trustee-administered fund independent of the Council's finances. These contributions are invested by a leading fund management company. The net market value of Scheme assets at 31 March 1995 was £16,605,250.

The average weekly number of employees engaged directly on lottery activities during the year was made up as follows:

	1996	1995
Lottery Operations Management	3	1
Operational	9	4
Administrative	6	3.5
	<u>18</u>	<u>8.5</u>

Other operating costs	5	1996	1995
		£000	£000
Travelling, subsistence and entertainment		30	8
Publicity and promotions		123	166
Postage and telephone		47	38
Agency staff costs		61	15
Professional fees		557	96
Value Added Tax		533	79
Office and sundry		191	201
External assessment costs		1,673	89
		<u>3,215</u>	<u>692</u>

These costs relate to the lottery function and its operation during the year.

Tangible fixed assets	6	Equipment Fixtures and Fittings £000		Equipment Fixtures and Fittings £000	
		1996 Total £000	1995 Total £000	1996 Total £000	1995 Total £000
Cost at 1 April 1995		63	63	-	-
Additions		53	53	63	63
Cost at 31 March 1996		<u>116</u>	<u>116</u>	<u>63</u>	<u>63</u>
Depreciation at 1 April 1995		16	16	-	-
Provided for 1995-96		29	29	16	16
Depreciation at 31 March 1996		<u>45</u>	<u>45</u>	<u>16</u>	<u>16</u>
Net book value at 1 April 1995		<u>47</u>	<u>47</u>	-	-
Net book value at 31 March 1996		<u>71</u>	<u>71</u>	<u>47</u>	<u>47</u>

<b>Investments</b>	7	Balances held in the National Lottery Distribution Fund remain under the stewardship of the Secretary of State for National Heritage. However, the share of these balances attributable to the Arts Council of England is as shown in the accounts and, at the balance sheet date, has been certified by the Secretary of State for National Heritage as being available for distribution by the Arts Council of England in respect of current and future commitments.		
		The funds are invested on behalf of the National Lottery Distribution Fund by the National Debt Commissioners. The Arts Council's distribution is in accordance with Sections 22 and 23 of the National Lottery etc. Act 1993.		
<hr/>				
<b>Creditors</b>	8		1996	1995
			£000	£000
		Accruals	1,244	96
		Due to the Arts Council of England	1,990	575
		Sundry creditors	494	-
		Total due at 31 March 1996	<u>3,728</u>	<u>671</u>
<hr/>				
<b>Soft and hard commitments</b>	9		1996	1995
			£000	£000
		Soft commitments brought forward	-	-
		Soft commitments transferred to hard commitments	(229,918)	-
		Soft de-commitments	(60)	-
		Soft commitments made	<u>340,050</u>	-
		Balance of soft commitments outstanding carried forward	<u>110,072</u>	<u>-</u>
		Hard commitments brought forward	-	-
		Hard commitments met in the last year	(31,581)	-
		Hard de-commitments	-	-
		Hard commitments made	<u>229,918</u>	-
		Balance of hard commitments outstanding carried forward	<u>198,337</u>	<u>-</u>
		Ageing of hard commitments		
		1996-97	104,726	
		1997-98	77,812	
		1998-99	7,521	
		1999-2000	1,200	
		Over 5 years	<u>7,078</u>	
			<u>198,337</u>	



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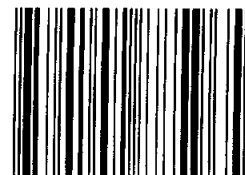
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