



Department
for Culture
Media & Sport

Tailored Review of Arts Council England

April 2017

Contents

<u>Introduction from Minister of State for Digital and Culture</u>	5
<u>Executive Summary</u>	7
<u>List of Recommendations</u>	10
<u>Chapter One: Background and Introduction</u>	14
<u>Chapter Two: Form and Functions</u>	19
<u>Chapter Three: Effectiveness</u>	24
<u>Chapter Four: Efficiency</u>	52
<u>Chapter Five: Corporate Governance</u>	55

Annexes in a separate document:

Annex A: Terms of Reference

Annex B: Background Information on the Challenge Panel and Review Team

Annex C: List of stakeholders consulted

Annex D: Results of Public Consultation

Annex E: Arts Council England Royal Charter

Annex F: Arts Council England Lottery Policy Directions

Annex G: Arts Council England Spending Review Letter

Annex H: Arts Council England Organisational Structures

Annex I: Arts Council England Good Governance Self-Assessment

Foreword by Minister of State for Digital and Culture



Matt Hancock, MP
Minister of State for
Digital and Culture

This tailored review provides an important opportunity to examine the efficiency and effectiveness of Arts Council England, an organisation which will invest £1.1 billion of government funding and a further £700 million of Lottery funding between 2015 and 2018.

I was pleased to see that the evidence gathered by the review confirms my belief in the Arts Council as a well performing organisation which provides real value to the sectors it supports, to our local communities, and to England's reputation overseas.

The Arts Council is a trusted partner of the Department for Culture Media and Sport (DCMS) and over the next few years we will look to it to deliver a large number of Culture White Paper priorities on behalf of government. The Arts Council also has a significant role to play in delivering the Prime Minister's priority of making arts and culture more widely accessible to everyone and not just the privileged few.

I fully support the recommendations the review makes about how the Arts Council can develop and strengthen its effectiveness. In particular, supporting the development of the sectors through an increased focus on financial resilience, building skills capability, promoting digital, and strengthening the importance of

cultural investment in place making will be key for the Arts Council in the coming years.

I was delighted to see the review's praise for the efficiency and good governance of the Arts Council. I look forward to seeing the delivery of projected efficiency savings, and to seeing steps taken to ensure that the Arts Council remains fully accountable and transparent to the public.

The Arts Council will provide a response to this review, accompanied by its plan for implementing the recommendations. DCMS officials will monitor the delivery of the Arts Council's agreed actions and will ensure that the recommendations made for DCMS are implemented.

I would like to thank all those who contributed evidence to this review through the public consultation, written responses and engagement with the review team. I would also like to thank the review's Challenge Panel who generously gave up their time to provide assurance of the robustness and impartiality of this review.

Finally, I would like to thank the Arts Council Chair, Chief Executive and all staff who contributed to the review. This report should read as a testament to the excellent work done by Sir Peter Bazalgette over the last four years and I hope it will prove useful to Sir Nicholas Serota as he takes up the role of Chair.

A handwritten signature in blue ink that reads "Matt Hancock". The signature is fluid and cursive.

Executive Summary

1. The tailored review of Arts Council England was first announced in the Culture White Paper in March 2016, and was launched on 9 August 2016 by way of a public consultation made available on the gov.uk website. The Minister of State for Digital and Culture, Matt Hancock MP, also wrote to the Chairman of the Culture Media and Sport Select Committee to inform him of the launch.

2. Tailored reviews are part of the government's public bodies reform programme. They seek to provide a robust challenge to and assurance of the continuing need for government-sponsored organisations, and to review their functions, form, performance, and governance arrangements. This is the first review that Arts Council England has undergone since the launch of the public bodies reform programme in 2010.

3. Arts Council England (in this report referred to as 'the Arts Council') was established by Royal Charter in 1946 and is classified as a Non-Departmental Public Body. It receives government ('Grant-in-Aid') funding from the Department for Culture, Media and Sport (DCMS) and distributes funds raised by the National Lottery under the provisions of the National Lottery Act 1993. The Arts Council also receives dedicated funding from the Department for Education for a portfolio of music and cultural education programmes.

4. The Arts Council describes its role as to "champion, develop and invest in artistic and cultural experiences that enrich people's lives", and has identified has five key goals to guide what it does: excellence; for everyone; resilience and sustainability; diversity and skills; and children and young people.

5. The Arts Council has three distinct functions: investing government and Lottery funding; acting as a development agency for the arts, museums and libraries; and promoting arts and culture. The Arts Council also has statutory and administrative responsibilities for cultural property. These functions are explained in more detail in Chapter One.

Main Findings

6. As is the case with all tailored reviews, the first stage of the review challenged the continuing need for the functions delivered by the Arts Council, and examined whether they should continue to be delivered by a Non-Departmental Public Body (NDPB). The review team received a clear and consistent message that the functions of the Arts Council were still required and were being delivered. The review also concluded that the NDPB model, funded by but operating at arm's length from government, remained the most appropriate model to deliver these functions.

7. Having reached those conclusions at stage one, the second stage of the review considered the effectiveness, efficiency and good governance of the Arts Council.

8. Overall, the review team heard a positive message about the Arts Council from interviews with key stakeholders and from the public survey consultation. 82% of survey respondents thought the Arts Council provided good value for money, 89% thought that the Arts Council added some or considerable value to the sectors it supports, and 75% thought the Arts Council added some or considerable value to local communities. For many, to be in receipt of Arts Council funding was seen as an indicator of great arts and culture, with 69% of survey respondents

thinking the Arts Council delivered its goal of “excellence” either well or very well. Having built up its reputation over 70 years, many stakeholders felt the Arts Council was currently at a ‘high point’ in its history.

9. Stakeholders were particularly complimentary about the “committed core” of Arts Council staff, from the Chair and Chief Executive who were praised for their visibility and engagement, to the Relationship Managers who were consistently described as open, helpful and collaborative points of contact whose role and expertise the Arts Council should continue to support and strengthen.

10. The review found the Arts Council to be a lean and efficient organisation. After being asked to make 50% Grant-in-Aid administration savings in 2010, the Arts Council reduced staff numbers, decreased the size of its estate and revised its system of grant administration. The Arts Council has plans for further savings over the coming years which will need to be monitored to ensure that projected savings are delivered. Stakeholders to whom the review team spoke were aware of and sympathetic towards the constraints that the Arts Council is facing.

11. As in any highly regarded and efficiently run organisation there are still ways to improve. The Arts Council strives to be a learning organisation and needs to continue adapting and responding flexibly to the changing priorities and needs of the sectors it supports. The review makes recommendations for how the Arts Council can strengthen the effectiveness of its performance in four broad areas:

Development Agency

As a priority, the review recommends that DCMS works with the Arts Council to develop a clearer definition of the Arts Council’s ‘development agency’ role, in order to provide a framework for its priority setting and decision making that will

complement and strengthen its ten year strategic framework.

In considering the Arts Council’s development agency role, stakeholders saw opportunity for the organisation to further incorporate libraries and museums; to bring financial sustainability more to the forefront of its work; to create more local partnerships across the country; to further promote learning and sharing between the sectors; and to collaborate with experts in diverse fields in order to increase capability in skills such as digital, financial resilience and leadership.

Grant Making and Investment

The review recommends that the Arts Council clarifies to the sectors how it makes funding decisions and how its investments feed into its wider strategy. The Arts Council should focus on learning lessons from its own investments and those made by other grant givers, and should strengthen the assessment of its investments by moving beyond measuring outputs towards understanding the *outcomes* of its grants and their impact on audiences and practitioners. In line with government priorities, the Arts Council should focus on understanding the accessibility of its grants in terms of both who is applying for and who is benefitting from Arts Council investment, to ensure that arts and culture is for the benefit of everyone and not just the privileged few.

Performance

The review concluded that there was scope for the Arts Council to better monitor and assess its performance as an organisation by developing a more systematic and challenging strategic performance framework.

Governance

The review found evidence of a well governed organisation, properly accountable with appropriate management structures in place. The key area for improvement here was the Arts Council’s risk appetite, which the review

concluded would benefit from more robust assessment and formal articulation. There are also some further steps the Arts Council should take towards transparent governance.

12. Furthermore, the review makes recommendations for some changes in the relationship between the Arts Council and DCMS, its sponsoring department. DCMS has a positive and collaborative relationship with the Arts Council, and it is right that the Arts Council should retain the independence of its decision making at arms length from government. However, the Arts Council receives £1.1 billion of government funding (2015-2018), and the system of holding it to account for spending that public money should be as robust as possible. DCMS should take a more structured approach to monitoring the Arts Council's performance and should work with the Arts Council to ensure it is delivering the government's priorities for arts and culture as set out in the Culture White Paper and explained in detail in Chapter One.

13. The Arts Council will publish a response to this review which will include its agreed plan for implementing the recommendations during June.

List of Recommendations

Conclusions: Form and Functions of Arts Council England

1. The Arts Council's functions remain necessary, are being delivered, and should stay within the Arts Council's remit.
2. The Arts Council's functions should continue to be delivered at arm's length from government in its current form as a Non-Departmental Public Body.

RECOMMENDATIONS FOR THE ARTS COUNCIL

Development Agency

1. The Arts Council should work with DCMS to define its role and functions as a "development agency" for the arts, museums and libraries, to provide a framework within which it will operate and have regard to when determining its priorities.
2. The Arts Council needs to ensure that museums and public libraries, and the particular development needs of both sectors, are fully integrated in the organisation's culture and strategic priorities. This would build on the positive step the Arts Council has already taken towards integrating funding for these sectors.
3. The Arts Council should promote a greater understanding of its work, on behalf of government, in securing cultural items of importance for public collections, supporting public access to collections through exhibition and display, and delivering controls to prevent the export of national treasures abroad where possible.

4. The Arts Council should work with DCMS on a wider examination of the Arts Council's cultural property functions including the Reviewing Committee and the export licensing system.

5. To strengthen its valuable support for our international standing, the Arts Council should further develop its relationship with the GREAT Britain campaign in the UK and overseas, and work in partnership with the British Council, VisitBritain, the Department for International Trade and the Foreign and Commonwealth Office, encouraging its NPOs to do likewise where appropriate.

6. The Arts Council should increase its efforts to encourage and support the financial resilience of the sectors through further integrating financial sustainability into its grant applications and exploring alternatives to pure grants.

7. The Arts Council should build the financial skills capability of the sectors, supporting them to diversify further their revenue streams, embed commercial skills and commercial leadership, and become 'investment ready'. Small and medium sized organisations and those in the regions will particularly benefit from this focus.

8. Building on its successful record of partnerships to date, the Arts Council should be creative in identifying more diverse partners with whom to collaborate, and should set an ambitious focus on finding expertise beyond the arts and culture sectors to build skills capability within the arts, public libraries and museums' sectors.

9. To strengthen its increasingly place-based approach, the Arts Council should create more broad-based local partnerships across England to identify specific cultural, economic, and social needs and priorities and to fund projects of value that will contribute to local growth and development.

10. The Arts Council should further promote learning, sharing and partnership working between arts organisations, museums and libraries of different sizes across the regions.

11. To strengthen its commitment to diversity, the Arts Council should hold all NPOs to account against their contribution to the Creative Case for Diversity as well as requiring a commitment to reaching diverse audiences, ensuring accessibility, and improving board and workforce diversity.

12. The Arts Council should set much more stretching targets for NPOs to increase their digital content and encourage their audiences to access that content. Progress should be robustly monitored, and reporting from NPOs should be compulsory.

13. The Arts Council should work closely with DCMS and partners across the cultural sectors on the Digital Culture Project on issues such as:

- collaborations and partnerships around cultural content – both digitisation of collections and aggregation of online cultural content and new ‘born digital’
- developing the sector’s digital capabilities including in intellectual property, data usage, digital leadership and sharing best practice
- driving wider participation through digital engagement, distribution and content
- research and evidence

14. The Relationship Manager role is critical to the Arts Council’s frontline delivery. The Arts Council should strengthen and support this role and provide an integrated training programme to ensure consistency of approach.

Grant Making and Investment

15. The Arts Council should set stretching, measurable and strategic objectives for its overall portfolio as well as for each funding stream in order to assess the totality of its investments against its strategic priorities.

16. The Arts Council should improve the clarity of:

- a. how its goals, its individual funding streams and its overall funding portfolio contribute to its strategy
- b. how decisions are made and how decision-makers balance various criteria including their own judgement when deciding what to fund
- c. after the fact, how the projects the Arts Council funded contributed towards the Arts Council’s investment strategy and in turn, contributed towards the government’s strategic priorities

17. The Arts Council should collaborate with other relevant grant givers – for example other Lottery distributors who receive similar numbers of applicants – to identify whether any lessons can be learned about how to provide satisfying feedback to grant applicants within capacity constraints.

18. The Arts Council should be a leader for the sector in developing a rigorous methodology to assess the outcomes and impact (i.e. beyond inputs/outputs) of its funding portfolio. This should include developing an understanding of the impact projects have on diverse audiences. As there is work ongoing to develop these methodologies in other sectors, the Arts Council should look creatively for partners

beyond arts and culture – e.g. in academia, outside the UK – and create an ecosystem to share learning and develop this methodology.

19. The Arts Council should build the sectors' awareness of and skills in assessing the social value of their work, including through promoting the benefits of monitoring social impact and sharing best practice across the sectors and regions.

20. The Arts Council should increase its use of 'lessons learned'/evaluation exercises in order to learn *across* its grant-making, to spot trends and to target future funding where it has most impact. The Arts Council could work with other relevant grant giving bodies to share expertise and best practice here.

21. The Arts Council should refine *Grants for Arts and Culture* application and assessment forms to ensure they are as light touch and accessible as possible; particularly for under-£15,000 grants. This should include reviewing the language used to ensure it is accessible to new applicants and those not from a usual "arts" sector or background e.g. museums, libraries, new digital. In particular, the Arts Council should monitor *GfAC* recipients in 2018-22 to assess how streamlining and refinement of the application process has increased the diversity of organisations submitting applications and receiving grants beyond the existing arts community.

22. The Arts Council should review its system of solely recording the allocation of grants according to headquartered postcode and, as it does with National Activity Touring grants, report on the area of audience and participant *benefit* wherever possible, to create a fuller picture of the reach and accessibility of its investment.

23. The Arts Council should set clear and ambitious audience engagement targets for its NPOs to provide assurance that Grant-in-Aid funding is supporting the Arts Council's objective of reaching as wide an audience as possible. This would complement the Arts Council's focus on widely distributing Lottery funding.

Performance and Governance

24. The Arts Council should redevelop its performance framework to ensure it defines what success looks like and provides a systematic, strategic, and measurable way for the organisation to monitor the progress it is making towards its five goals and the delivery of its "development agency" role.

25. The Arts Council should review its reporting infrastructure to ensure its internal performance assessment framework for 2016-20 reflects the recommendations of this review, the outcomes of the museums review and the work of the Libraries Taskforce, and provides assurance that it is delivering those and wider government priorities.

26. As a priority, the Arts Council should ensure that grants administration processes are compliant with the minimum standards for government general grants published in December 2016, including ensuring that details of current grant schemes and awards are available on the Government Grants Information System.

27. National Council members' performance should be appraised annually.

28. The Arts Council needs to define and articulate its appetite for taking risk. The Arts Council should consider its risks (strategic, financial, artistic, operational, etc) and develop systematic mitigation measures which will strengthen its accountability to DCMS as well as the

public rationale for the funding decisions it makes.

29. The Arts Council should work with the Cabinet Office Fraud and Error Centre of Expertise to meet the government's Functional Standards on fraud, including developing a robust fraud risk assessment and formally articulating its fraud risk strategy. The Cabinet Office can offer advice, share best practice, and recommend how to shape ACE's counter-fraud resource.

30. In order to show its commitment to openness and transparency, the Arts Council should:

- a. publish a summary agenda in advance of its National Council meetings as well as the minutes
- b. hold an open annual general meeting in a digital forum
- c. adopt the government transparency threshold of £500
- d. proactively publish and update the register of Executive Board staff interests in so much as they relate to arts and culture and wider role of the Arts Council

RECOMMENDATIONS FOR THE DEPARTMENT FOR CULTURE, MEDIA AND SPORT (DCMS)

1. Working with the Arts Council, DCMS should define its expectations of what the Arts Council's role and functions are as a "development agency" for the arts, museums and libraries to provide a framework within which the Arts Council will operate and have regard to when determining its priorities.

2. DCMS should work with the Arts Council to undertake a wider examination of the Arts Council's cultural property functions including the Reviewing Committee and the export licensing system.

3. DCMS should work with the Arts Council to review the Arts Council's internal performance assessment framework, ensuring it provides robust assurance that the organisation is delivering government priorities.

4. DCMS should review the current set of three Key Performance Indicators in the Arts Council's Management Agreement to ensure they are relevant and useful, and should take a more structured approach to monitoring the Arts Council's performance against these Key Performance Indicators.

5. DCMS should attend at least one Arts Council Executive Board meeting per year, in an observer capacity.

Chapter One: Background and Introduction

Background to the Tailored Review Programme

1.1 Tailored reviews have the following aims:

- to provide robust challenge to and assurance of the continuing need for individual organisations – both their functions and form, and
- where it is agreed that an organisation should be retained, to review:
 - its capacity for delivering more effectively and efficiently
 - the control and governance arrangements in place

1.2 All tailored reviews are carried out in line with the Cabinet Office “Guidance on Reviews of Non-Departmental Public Bodies”.¹

1.3 The Terms of Reference for the review can be found at Annex A.

Process

1.4 The review team was drawn from existing DCMS resource, independent of the relationship between the policy sponsor team and the Arts Council. In accordance with Cabinet Office guidance, the size of the organisation warranted the establishment of a Challenge Panel to review and challenge both the content and the process of the review, to ensure that it was sufficiently robust and evidence-based. The Challenge Panel comprised of members with experience from across the arts, cultural, business, academic and charity sectors. Further details of the Challenge Panel can be found in Annex B.

¹Tailored Reviews: Guidance on Review of Public Bodies https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/570290/Tailored_Review_Guidance_v1.1_Nov_2016.pdf

Evidence and Stakeholder Engagement

1.5 The review team identified relevant stakeholders in consultation with the Arts Council and the DCMS policy sponsor team. Members of the review team spoke individually to 65 of the most prominent stakeholders across the sectors and regions. The review team hosted three regional roundtables in Manchester, Newcastle and Bristol with approximately 25 further stakeholders. The review team also interviewed the Arts Council of Wales and Creative Scotland as comparative bodies and would like to express thanks to both for their input. A full list of stakeholders is available at Annex C.

1.6 To reflect public interest in the work of the Arts Council, the review published an online consultation on the gov.uk website from 9 August to 20 September 2016. The consultation received 634 responses in total and the results are available at Annex D. The review team also took into account a number of written submissions that were received.

1.7 The review team used the evidence gathered to inform conversations and discussions throughout the review process. All the conclusions and recommendations made by the review are based on an assessment of this evidence base. Specific evidence is highlighted in the relevant sections of the report.

Approach

1.8 The review team took the decision to work alongside and liaise closely with the Arts Council throughout the review to ensure that they were kept informed and had sufficient opportunity to comment on the terms of reference, the emerging conclusions and the final recommendations. The review team would

like to put on record their thanks to the Arts Council Chair, Chief Executive and senior management team for their engagement with the review, and to the staff who facilitated meetings and responded to requests for information.

Overview of Arts Council England

Overview

1.9 The Arts Council was established by Royal Charter in 1946 to champion and develop art and culture across the country. The Arts Council is the lead body charged with developing the arts in England; its wide remit for 'the arts' includes visual and performing art forms, music, dance, theatre and literature.

1.10 In 2011, following the abolition of the Museums, Libraries and Archives Council, the Arts Council assumed new responsibilities for the support and development of museums and libraries. It was also tasked with various administrative and statutory responsibilities for maintaining and protecting items and collections of significant national cultural interest.

1.11 The Arts Council is a Non-Departmental Public Body, accountable to the Department for Culture, Media and Sport (DCMS). This means that it makes independent funding decisions within a remit set by ministers, who are ultimately accountable to Parliament and to the public. The Arts Council's remit is formalised in a management agreement,² which is set by Ministers in agreement with the Arts Council. It lays out the amount of government ('Grant-in-Aid') funding the Arts Council will receive, the government's priorities and expectations

² Arts Council England Management Agreement 2012-2015; http://www.artscouncil.org.uk/sites/default/files/download-file/DCMS_funding_agreement.pdf

for how this public money should be spent, and the performance indicators by which the Arts Council will be assessed by DCMS.

Structure

1.12 The Arts Council is governed by an Executive Board and National and Area Councils. Its current governance structure was established in 2012 following an independent review.³

1.13 The National Council is the Arts Council's Non-Executive Board, and holds responsibility for the long-term strategy of the Arts Council.⁴ The Executive Board is responsible for developing, recommending and implementing the strategy approved by the National Council, and for ensuring delivery of the corporate plan. It is also accountable for the operational and day to day management of the organisation.⁵

1.14 The National Council currently comprises 14 members, appointed by the DCMS Secretary of State.⁶ The National Council was chaired by Sir Peter Bazalgette until January 2017; the process of recruiting a new Chair was underway during the drafting of this report and Sir Nicholas Serota took up the role in February 2017, shortly before the publication of the report.

1.15 The National Council meets ten times per year and holds overall responsibility for the governance as well as the strategy of the organisation. It makes strategic national funding decisions on larger grants, for example on National Portfolio Organisation applications above £800,000

³Review of the governance of Arts Council England; http://webarchive.nationalarchives.gov.uk/20160204101926/http://www.artscouncil.org.uk/media/uploads/pdf/Norgrove_governance_review_2013.pdf

⁴http://www.artscouncil.org.uk/sites/default/files/download-file/National_Council_terms_reference.pdf

⁵http://www.artscouncil.org.uk/sites/default/files/download-file/Executive_Board_terms_reference.pdf

⁶ The Mayor of London has the power to appoint the Chair of the London Area Council, subject to the Secretary of State's approval.

and Capital Grant applications above £1 million. It also has a responsibility to consider and make decisions on those recommendations put forward by the executive team and/or the Arts Council's various sub-committees, which are detailed in Annex H.

1.16 As a result of the 2012 governance review, the Arts Council reduced nine Regional Councils to five Area Councils.⁷ The Arts Council's five 'areas' are: London, Midlands, North, South East and South West. The Chair of each Area Council also sits on the National Council to provide regional knowledge and expertise. Each Area Council works to ensure that the Arts Council develops creative talent and the arts and culture ecology in the area; they are collectively responsible for making decisions on applications to the National Portfolio; promoting arts and culture, and ensuring that the Arts Council invests public money effectively.

1.17 An organogram setting out the senior management of Arts Council England can be found at Annex H.

1.18 Within the Arts Council's five areas, it has nine regional offices across England: Birmingham, Brighton, Bristol, Cambridge, Leeds, London, Manchester, Newcastle and Nottingham. As of 2015/16, the Arts Council employs 499 people across these nine offices, with the majority of staff based in its Manchester office.

Funding and Investment

1.19 Between 2015 and 2018, the Arts Council will invest £1.1 billion of government (Grant-in-Aid) funding and an estimated £700 million from the National Lottery.

⁷http://www.artscouncil.org.uk/sites/default/files/download-file/area_council_terms_reference.pdf

1.20 The Arts Council currently invests primarily through three main revenue funding streams:

- National Portfolio Organisations (NPOs) and Major Partner Museums (MPMs): 684 organisations of strategic importance with which the Arts Council has long term, multi-year funding agreements
- Grants for the Arts: awards from £1,000 to £100,000 offered to individuals, art organisations and other people who use the arts in their work
- Strategic Funding: specific projects and activities which target gaps, challenges and opportunities in the sector, such as areas of low arts engagement, skills and diversity. Capital projects are part of strategic funding, and support organisations to become more resilient by having the right buildings and equipment to deliver their work.

1.21 The large majority of the Arts Council's government funding comes from DCMS, although the Arts Council also receives £75 million of ring-fenced funding annually from the Department of Education for a programme of music and cultural education. As part of this, the Arts Council invests in 121 Music Education Hubs across England. These are groups of organisations – such as local authorities, schools, other hubs, art organisations, community or voluntary organisations – working together to create joined-up music education provision, responding to local needs.

New Investment Strategy

1.22 Following a consultation with the sector, the Arts Council will make a number of changes to its 2018-2022

investment strategy. These changes include: the integration of museums and libraries funding across the Arts Council's investment programmes; the recasting of the Grants for the Arts programme as 'Grants for Arts and Culture' to reflect the breadth of activity eligible for funding; the introduction of a new category of funding for Sector Support Organisations that offer support services to the sectors; the lengthening of funding agreements from three to four years to allow organisations to plan for the future; and the introduction of NPO funding bands so that those in receipt of the highest levels of public funding are required to do more to meet the Arts Council's strategic goals.⁸

Strategy

1.23 The Arts Council's mission is "great art and culture for everyone". The Arts Council is part way through its 2010-2020 strategy, which sets out its vision for the future of the arts and culture sector.⁹ This strategy was updated in 2013 to reflect the Arts Council's new responsibilities for museums and libraries. The Arts Council identifies its five key goals as:

1. Excellence: excellence is thriving and celebrated in the arts, museums and libraries

2. For Everyone: everyone has the opportunity to experience and to be inspired by the arts, museums and libraries

3. Resilience and Sustainability: the arts, museums and libraries are resilient and environmentally sustainable

4. Diversity and Skills: the leadership and workforce in the arts, museums and

⁸<http://www.artscouncil.org.uk/how-well-invest-2018-22/about-national-portfolio-2018-22>

⁹ *Great Art and Culture for Everyone: 10 Year Strategic Framework*;

<http://www.artscouncil.org.uk/sites/default/files/download-file/Great%20art%20and%20culture%20for%20everyone.pdf>

libraries are diverse and appropriately skilled

5. Children and Young People: every child and young person has the opportunity to experience the richness of the arts, museums and libraries

1.24 Sitting below the Arts Council's ten year strategy is its three year Corporate Plan (2015-2018), which sets out the activity it expects to deliver in order to meet its five goals.¹⁰

Overview of Arts and Culture

1.25 Arts and culture provide an enormous amount of value to people, communities and society. There is the intrinsic value that arts and culture bring, creating inspiration and enriching lives. There is also considerable evidence of the social value of arts and culture, with positive associations being drawn between participation in arts and improved physical and mental health, increased civic engagement, reduced crime and improved education outcomes.¹¹ And there is the economic impact of arts and culture, with museums, galleries, arts and libraries contributing over £5.4 billion to the UK economy in 2014.¹²

1.26 In March 2016, DCMS published the Culture White Paper, laying out the government's priorities for arts and culture.¹³ The White Paper focused on four key issues:

- everyone should enjoy the opportunities culture offers, no matter where they start in life

¹⁰ *Arts Council England Corporate Plan 2015-18*; <http://www.artscouncil.org.uk/sites/default/files/download-file/Arts%20Council%20England%20Corporate%20Plan%202015-18.pdf>

¹¹ *A Review of the Social Impacts of Culture and Sport*; https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/416279/A_review_of_the_Social_Impacts_of_Culture_and_Sport.pdf

¹² *Creative Industries Economic Estimates - January 2016*; <https://www.gov.uk/government/statistics/creative-industries-economic-estimates-january-2016>

¹³ *The Culture White Paper*; https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/510798/DCMS_The_Culture_White_Paper_3_.pdf

- the riches of our culture should benefit communities across the country
- the power of culture can increase our international standing
- cultural investment, resilience and reform are needed for a thriving arts and culture sector

1.27 The White Paper reflected the government's ambition to make arts and culture accessible to everyone and not just the privileged few. Recent reporting shows that from 2005/6 to 2015/16, engagement in the arts remained stable, from 76.3% to 76.1%, whilst engagement in museums increased from 42.3% to 52.5%.

1.28 DCMS sees the Arts Council as a key partner in delivering the government's priorities for arts and culture, for example:

- to support the ambition that everyone should enjoy the opportunities culture offers, a new Cultural Citizens Programme led by the Arts Council aims to create new cultural opportunities for young people from disadvantaged backgrounds
- to support the ambition that the riches of our culture benefit communities across the country, DCMS is looking to the Arts Council to work with partners to develop and promote the benefits of culture for good health and safer communities, and to capitalise on the opportunities offered by technology to bring culture to people in new and different ways
- and to support and strengthen our international standing, DCMS is looking to the Arts Council to continue working with the British Council on joint initiatives that provide opportunities for NPOs to increase their international export and exchange activity

Chapter Two: Form and Functions

2.1 This chapter examines whether all the functions fulfilled by the Arts Council are still necessary, and if they are, whether the current form of the organisation as a Non-Departmental Public Body (NDPB) is the most appropriate delivery model.

Background

Legal Framework

2.2. The Arts Council's Royal Charter (the full text of which is at Annex E) gives the organisation legal existence. It specifies the Arts Council's objectives as:

For the public benefit, to:

- (1) develop and improve the knowledge, understanding and practice of the arts
- (2) increase accessibility of the arts to the public in England
- (3) advance the education of the public and to further any other charitable purpose which relates to the establishment, maintenance and operation of museums and libraries (which are either public or from which the public may benefit) and to the protection of cultural property
- (4) advise and co-operate, where it is appropriate to do so, with the Departments of Our Government, Our Scottish Administration, the Northern Ireland Executive and the Welsh Ministers, local authorities, the Arts Councils and equivalent organisations in the museums and libraries sector for Scotland, Wales, and Northern Ireland (or their successors) and other bodies on any matter related to the objects

2.3 The Arts Council is a registered charity subject to the provisions of the Charities Act 2011 and regulation by the Charity Commission.¹⁴

National Lottery Legislation and Directions

2.4 The Arts Council distributes funds raised by the National Lottery under the provisions of the National Lottery Act 1993.¹⁵ Lottery distributors comply with three sets of directions given by the DCMS Secretary of State covering finance, accounting and policy. This system of separate distributors operating within a framework of direction from the Secretary of State enshrines the arm's length principle on which the National Lottery is founded.

2.5 The Arts Council must take into account government-set Policy Directions for its Lottery funding. These Policy Directions include: increasing access and participation; ensuring equality of opportunity; inspiring children and young people; fostering local community initiatives; furthering the objectives of sustainable development; encouraging new talent, innovation, and excellence; and helping people to develop new skills. The full Policy Directions can be found at Annex F.

Statutory Responsibilities

2.6 The Arts Council has both administrative and statutory responsibilities for cultural property. Its statutory responsibilities are in relation to the acceptance of property in satisfaction

¹⁴ *Charities Act 2011*;

<http://www.legislation.gov.uk/ukpga/2011/25/contents>

¹⁵ *National Lottery Act 1993*;

<http://legislation.data.gov.uk/cy/ukpga/1993/39/1998-09-02/data.htm?wrap=true>

or part satisfaction of tax,¹⁶ the Government Indemnity Scheme,¹⁷ and the grant of export licences for objects of cultural interest.¹⁸ These are the only statutory functions the Arts Council undertakes on behalf of DCMS.

Government Priorities

2.7 The Arts Council operates independently, setting its own strategy and making its own investment decisions. However, the Arts Council is publicly funded and is held to account as such. The Arts Council must comply with the priorities, targets and performance measures set out in its management agreement with DCMS,¹⁹ and work towards achieving the priorities and requirements set out at each spending review.²⁰

Functions

What are the Arts Council's functions?

2.8 The majority of the Arts Council's work is discretionary, and the framework within which it operates is relatively flexible compared with other NDPBs that have more specific statutory duties such as economic regulators. The Arts Council has three core functions:

- to **invest** money from government and the National Lottery to support arts and culture across England
- to **develop** the the arts, museum and libraries sectors in order to develop a thriving arts ecology that offers everybody the chance to enjoy, participate and create

- to **champion** the role art and culture play in our lives and support new ways of thinking about the arts and their potential²¹

Are the functions still needed?

What the evidence told us

2.9 The stakeholders to whom the review team spoke were virtually unanimous about the continuing need for the Arts Council. In the public consultation, the words "vital", "crucial" and "integral" came up repeatedly and the Arts Council was described as "part of the essential foundation of support for the arts infrastructure" and "absolutely vital to the success and promotion of arts and culture". Whilst there was recognition that creating an arts council that pleased everyone was impossible, stakeholders were certain about the need for the organisation to exist.

2.10 There was broad agreement that the functions undertaken by the Arts Council were correct. 82% of survey respondents thought that none of the functions should be stopped and 65% of respondents thought that none of functions should be removed from the Arts Council's remit and undertaken by another organisation. The two most common suggestions for moving functions out of the Arts Council's remit were for DCMS to absorb the functions, and for Local Authorities to take over the funding of arts and culture. The review team concluded that neither of these options would be appropriate, as addressed in the later section on 'form'.

2.11 There was also broad agreement (67%) that the Arts Council should not be given any additional functions. Of the 33% who thought the Arts Council could do more, there was no consistent call for what those additional responsibilities

¹⁶under the Inheritance Tax Act 1984

¹⁷under the National Heritage Act 1980

¹⁸under the Export of Objects of Cultural Interest (Control) Order 2003

¹⁹*Arts Council England Management Agreement 2012-2015*;

http://www.artscouncil.org.uk/sites/default/files/download-file/DCMS_funding_agreement.pdf

²⁰See Annex G for Spending Review Letter 2015

²¹<http://www.artscouncil.org.uk/about-us/how-and-where-we-invest-public-money>; <http://www.artscouncil.org.uk/about-us/supporting-arts-and-culture>

should be. Suggestions were made that the Arts Council should build partnerships with the business sector, should encourage and support smaller organisations and individuals, should bring schools and libraries together and should support new art forms. These ideas will be explored in Chapter Three on the Arts Council's effectiveness.

Are the functions being delivered?

What the evidence told us

2.12 Overall, stakeholders gave a broadly positive picture of how well the Arts Council is delivering its core functions and its statutory responsibility:

- 77% of respondents to the survey felt ACE was either Good, Very Good or OK at delivering its function of **investing** money from government and National Lottery to support arts and culture across England
- 74% of respondents to the survey felt ACE was either Good, Very Good or OK at delivering its function of **developing** the arts, museum and library sectors across England
- 84% of respondents to the survey felt ACE was Good, Very Good or OK at **promoting** arts and culture
- 55% of respondents to the survey felt ACE was Good, Very Good or OK at bringing **cultural collections** into public ownership, protecting them and sharing them, although the majority of survey respondents did not have a view on this area

2.13 In summary, the review team concluded the Arts Council's functions were still needed, were being delivered, and should remain the same. Chapter Three looks into these findings in more detail, drilling down into where the Arts

Council is particularly effective and where it should develop and improve.

Form

2.14 Having concluded that the Arts Council's functions remained necessary and appropriate, the review team then considered how best these functions would be delivered, examining the organisation's current model and considering a range of alternative delivery models.

Current Model

2.15 The Arts Council is an Executive Non-Departmental Public Body (NDPB). An NDPB is broadly defined as a "*body which has a role in the processes of national government, but is not a government department or part of one, and which accordingly operates to a greater or lesser extent at arm's length from ministers*".²²

Three tests for being an NDPB

2.16 The government's presumption is that if a public function is needed then it should be undertaken by a body that is democratically accountable at either national or local level. A body should only exist at arm's length from government if it meets one of three tests:

1. it performs a technical function which needs external expertise to deliver
2. its activities require political impartiality
3. it needs to act independently to establish facts²³

2.17 The review team considered the Arts Council's functions against these three tests.

²²<https://www.gov.uk/guidance/public-bodies-reform>

²³Tailored Reviews: Guidance on Review of Public Bodies; https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/570290/Tailored_Review_Guidance_v1.1_Nov_2016.pdf

Test 1 – Technical Function (met)

2.18 The Arts Council has a varied remit requiring different levels of skill. Although the Arts Council’s functions of investment, development and promotion do not require ‘*technical*’ skills in the usual sense, it is critical for the benefit of the sectors it serves that these functions be undertaken by an organisation with artistic and cultural expertise, including expertise in how arts and cultural organisations operate. The Arts Council’s cultural property responsibilities do require technical expertise specific to cultural property issues and processes such as export licensing and the administration of tax relief schemes.

Test 2 – Political impartiality (met)

2.19 The government sets policy for arts and culture. However, the decisions on how this policy is delivered should be taken impartially based on expertise, knowledge of and engagement with the sectors. The government should have no role to play in sanctioning what constitutes “great art and culture” and there should be no political interference in determining exactly what arts and culture are funded for the public benefit. Therefore it is essential the Arts Council is politically impartial in carrying out its functions.

Test 3 – Establishing facts and/or figures (met)

2.20 The Arts Council collects data about its work and about the arts and culture sectors more widely. The review team considered that while much of this data did not need to be collected independently of government, it was integral to the successful delivery of the Arts Council’s functions and it was therefore sensible for it to be collected by the body responsible for those functions. Additionally, as part of the Arts Council’s cultural property responsibilities it provides support to the Reviewing Committee on the Export of

Works of Art, a body which must provide independently established, expert advice to government.

2.21 In summary, the review team concluded that the functions of the Arts Council met all of the tests for being classified a NDPB.

International Comparisons

2.22 The review team spoke to the Arts Council of Wales and Creative Scotland to analyse the models of comparable bodies across the UK. Both organisations have a similar ‘Non-Departmental Public Body’ model and deliver the priorities of their respective governments. The review team also saw a similar ‘arms length’ approach when researching international bodies such as the Australia Council for the Arts and the Hong Kong Arts Development Council.

Alternative Delivery Models

2.23 The Review considered a range of alternative delivery models:

1. Bringing into Central Government

As detailed above, bringing the Arts Council’s functions into central government would not be appropriate. It would risk the loss of specialist knowledge and expertise, the loss of impartiality in grant making decisions, and would jeopardise the independent expert advice given to Ministers by the Reviewing Committee.

2. Delivery by a new Executive Agency

This would essentially be the same as bringing the functions back into government, only to operationalise them again at arm’s length. Given the high cost of establishing a new Executive Agency and the lack of appetite from stakeholders for the functions to be undertaken by another body, the review did not consider this a viable option.

3. Merging with a similar body

The review concluded that there were no other Arm's Length Bodies (ALBs) or other government bodies that had a natural alignment of functions with the Arts Council given the breadth of its role. In regard to its responsibility for Lottery funds, the Arts Council meets quarterly with other Lottery distributors; there are opportunities to strengthen those partnerships, but there are no realistic options for a merger.

4. Devolving to Local Government

As noted, some survey respondents argued that devolving arts funding to local government could have benefits for supporting grassroots art and culture and targeting investments according to local needs and priorities. However, it is clear that there would be significant disadvantages of moving to such a model, including loss of the strategic national oversight of both investment and development needs, loss of economies of scale and potentially increased political pressure at local level to use Lottery income to fill budget and service shortfalls. The review has therefore concluded this model would not be a viable option.

5. Establishing a commercial model

The review concluded that it would not be suitable to transfer the Arts Council's functions to the private sector or deliver them on a commercial basis. Investing exchequer money in arts and culture is a public service; handing this service over to a private sector provider could mean projects with the greatest likelihood of return would be the most attractive to fund. This could negatively impact the development of smaller, more innovative and/or more diverse projects and go against the government's priorities of making art and culture accessible to everyone and not just the privileged few. One survey respondent summed up this option by stating that "investment for creative culture ... is too important to be profit-led".

2.24 The review concluded that none of the alternative delivery models considered would result in significantly greater benefits than the current NDPB status, and the costs of implementing a different delivery model would likely outweigh the benefits of doing so.

2.25 In summary, the review concluded that the Arts Council should remain an NDPB. This is the most appropriate model for the organisation, is the norm in international comparisons, the Arts Council meets the 'three tests', and there are no viable alternative delivery models.

Conclusions on the Form and Functions of Arts Council England

- 1. The Arts Council's functions remain necessary, are being delivered, and should stay within the Arts Council's remit.**
- 2. The Arts Council's functions should continue to be delivered at arm's length from government in its current form as a Non-Departmental Public Body.**

Chapter Three: Effectiveness

3.1 Having concluded that the Arts Council should continue to deliver its current functions, this chapter examines the opportunities for it to do so more effectively. The chapter is divided into three broad areas: the Arts Council's role as a development agency; the Arts Council's role as an investor; and how the Arts Council assesses its own effectiveness and performance as an organisation.

3.2 The Arts Council's investment and development functions are reviewed separately in this chapter for ease and clarity. However, these two functions are intertwined, with the Arts Council's investments being used alongside its expertise to support the development of the sectors it funds. As detailed in Chapter Two, there was a strong call for the Arts Council to retain both of these functions, and stakeholders saw them as complementary.

Development Agency

3.3 The Arts Council is the development agency for the arts, museums and libraries across England. Although there is no official definition of this broad role, the importance of a development agency lies in thinking strategically about the future of the sectors; identifying the problems the sectors are facing and how it can invest in and support them to survive and thrive. The review team considered the Arts Council's success in embedding libraries and museums into its remit, and its role in: providing leadership; supporting and increasing financial resilience; building skills and talent capability; promoting environmental sustainability; championing diversity; engaging with and building partnerships across the regions; and promoting innovation.

3.4 However, the review team found that, without a clear definition of exactly what

the attributes of a 'development agency' for the arts and culture sector should entail, it was difficult to ascertain exactly what the Arts Council *should* be doing and, therefore, to assess how well it was performing in this role. The review recommends that the Arts Council works with DCMS to develop this definition.

Recommendation

1. The Arts Council should work with DCMS to define its role and functions as a "development agency" for the arts, museums and libraries, to provide a framework within which it will operate and have regard to when determining its priorities.

Recommendation for DCMS

1. Working with the Arts Council, DCMS should define its expectations of what the Arts Council's role and functions are as a "development agency" for arts, museums and libraries to provide a framework within which the Arts Council will operate and have regard to when determining its priorities.

Museums and Libraries

Background

3.5 The Arts Council assumed its current responsibilities for museums and libraries in 2011, following the abolition of the Museums, Libraries and Archives Council (MLA). The MLA's role had been to "provide strategic leadership that sought to promote best practice ... to inspire integrated, innovative and sustainable services for all".²⁴ The Arts Council has

²⁴The Museums Libraries and Archives Council Annual Report and Financial Statements 2011

reviewed its ten year strategy to incorporate this new function, reworking its five goals to include the two new sectors and initially providing dedicated ring-fenced funding for both.

3.6 The extent of the Arts Council's development role for museums and libraries is less defined than for the arts sector, for which the Arts Council is the main development body. Both the museums and libraries sectors have a complex landscape of partners and various sources of funding, and feedback suggested that the Arts Council's role and relationship with them is less well developed than with the arts sector.

Museums

3.7 The museums sector is extremely diverse. There are approximately 1,300 Accredited museums in England, which accounts for around half of the museums currently operating. Central government directly funds 16 National Museums through DCMS and 44 Regimental and Service museums through the Ministry of Defence. Local Authorities run or fund a further 630 museums across England. Beyond that, roughly one third of museums are completely independent. There are numerous sources of income for museums other than Arts Council funding, including central government, local authorities, the Heritage Lottery Fund, Historic England, private giving and commercial income.

3.8 The Arts Council's role is to invest in non-national museums and in specifically arts-related projects in national museums, to develop and champion the wider museums sector, and to run national schemes to support the sector e.g. Accreditation and Designation.²⁵ ²⁶ The

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/229214/1401.pdf

²⁵ Accreditation allows museums to receive official 'accredited' status if they meet a set of standards covering collection management to visitor experience

Arts Council has typically invested approximately £40 million per year in museums, in both the 21 Major Partner Museums that sit alongside its National Portfolio and the wider sector through the Museum Development support network and strategic funds such as the Museum Resilience Fund.

3.9 DCMS is currently conducting a review of the museums sector in England. That review will consider the Arts Council's role in the sector within a broader context of how the sector operates, the challenges it faces and the opportunities for it to thrive. The evidence gathered for this tailored review has broadly aligned with that of the wider museums review.

Libraries

3.10 Core funding for the statutory services delivered by local libraries is provided by local authorities. The Arts Council's role is to act as a development agency for the sector, including by offering funding for specific arts and cultural activities that libraries undertake. The Arts Council has provided a dedicated £6 million Grant for the Arts Libraries programme and has also developed specific strategic funds such as the Libraries Development Initiative and Enterprising Libraries – a £450,000 fund which encouraged libraries to improve social mobility and spark local economic growth.

3.11 The Arts Council has also delivered a successful project on behalf of DCMS to provide free Wi-Fi access in public libraries, and by March 2016 over 99% of English libraries were providing this service. The Arts Council is doing other work to capitalise on digital opportunities in the libraries sector, including through its work with partners such as the Society of Chief Librarians on the Library Universal Offers, working towards the development

²⁶ Designation recognises collections of national or international importance in regional museums

of digitised content and digitally trained library staff. DCMS is keen to see the Arts Council set the pace in this area.

3.12 The Arts Council is also a member of the Leadership for Libraries Taskforce, working with other organisations with a stake in the sector such as the Society of Chief Librarians and the The library and information association (CILIP) to support and reinvigorate the public library service in England.²⁷ As part of the Taskforce, the Arts Council has been a key partner in producing a new vision document for libraries, *Libraries Deliver: Ambition for Public Libraries in England 2016-2021*, published on 1 December 2016.²⁸ Accompanying this document is an Action Plan, and the Arts Council has committed to continuing to work collaboratively with other Taskforce members to deliver on these actions.²⁹

New Funding Strategy

3.13 In 2016, the Arts Council began a full integration of libraries and museums funding into its wider investment portfolio. The National Portfolio will be integrated to include arts, museums, and library services where the application relates to delivering arts or museum activity. Strategic Funding will no longer be ring-fenced, and Grants for the Arts will become 'Grants for Arts and Culture' to broaden the pool of applicants from across the sectors. The review team received very positive feedback on this integration of funding from stakeholders, supporting the feedback received in the consultation on the issue commissioned by Arts Council in 2016.³⁰

²⁷<https://www.gov.uk/government/groups/libraries-taskforce>

²⁸*Libraries Deliver: Ambition for Public Libraries in England 2016 to 2021*;

<https://www.gov.uk/government/publications/libraries-deliver-ambition-for-public-libraries-in-england-2016-to-2021>

²⁹*Libraries Deliver: Action Plan*;

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/573908/Ambition_Action_plan_December_2016.pdf

³⁰<http://www.artscouncil.org.uk/our-investment-plans-2018-22/report-and-our-response>

What the evidence told us

3.14 Feedback from stakeholders to whom the review team spoke suggested that the Arts Council was still seen as a primarily "arts focused" organisation. 64% of survey respondents felt the Arts Council performed very or fairly well at supporting the development of the arts whilst the equivalent results for libraries and museums were 20% and 47% respectively. Similarly, 64% of respondents felt the Arts Council performed very or fairly well at providing leadership for the arts whilst the equivalent results for libraries and museums were 21% and 43% respectively.

Museums

3.15 There was nuance within the survey results for the museums sector. Although only 47% thought the Arts Council was doing very or fairly well at supporting museum development, only a small minority (9%) thought it was doing very or fairly badly. 32% did not know, and another 13% did not feel strongly either way. So although the picture is not overwhelmingly positive, there is little stated criticism of the Arts Council's work here.

3.16 Stakeholders to whom the review team spoke talked very positively about the Arts Council's museums team, whom they saw as engaged, knowledgeable and committed. However, stakeholders noted concerns that beyond this dedicated team, awareness of museums and their specific issues was not widely ingrained in the culture of the Arts Council; issues such as managing collections and property rather than producing art. The review team also heard concerns about a perceived lack of senior visibility on museums within the Arts Council; stakeholders were not confident that those at the top of the organisation had the sector experience and expertise necessary to fully

understand museums. That said, the review team saw the enthusiasm of the Arts Council senior team for its museums work, the dedication of its staff, and heard from museums about the success of programmes such as the Museums Resilience Fund. The review team was confident that these perceptions about the wider integration and understanding of museums could successfully be addressed by the Arts Council; the appointment of Sir Nicholas Serota as Chair, given his background in museums, is likely to help with this.

Libraries

3.17 The consultation feedback on the libraries sector was more mixed. There was much less awareness that libraries were part of the Arts Council's remit, and of those respondents who did have a view: 20% thought ACE supported the development of libraries very or fairly well, 22% very or fairly badly, 13% neither well or badly and 45% didn't know; and 21% thought ACE provided leadership for libraries very or fairly well, 21% very or fairly badly, 15% neither well or badly and 44% didn't know.

3.18 The stakeholders to whom the review team spoke were of similarly mixed opinion. The Arts Council's research into understanding the potential for the library sector ("*Envisioning the Library of the Future*")³¹ was well received, and the priority areas the Arts Council has identified – making libraries community hubs, championing digital, promoting resilience and developing skills – were broadly seen as correct. However, stakeholders thought the Arts Council had further to go to deliver those priorities.

3.19 As with museums, stakeholders were concerned that the Arts Council did not yet

appear to have fully incorporated libraries into its core functions. Whilst they saw expert, enthusiastic and dedicated officers with library responsibilities, they also wanted to see a voice for the library sector at a more senior level in the Arts Council, and to see that the existing knowledge and expertise on libraries was disseminated widely across the organisation.

Conclusion

3.20 The feedback on libraries and museums should be seen in the context of the complex landscape of partners and various sources of funding described above. Generally, stakeholders saw it as a positive move for museums and libraries to have joined the Arts Council remit in 2011, and there was no call for either to be moved elsewhere. The review team heard positive feedback about the work that was being done, but stakeholders suggested that there was further to go to integrate the sectors and make libraries and museums as natural a part of the Arts Council as the arts.

3.21 Although the Arts Council's role is different for these two sectors, many of the overarching themes for improvement were the same and the recommendation below applies to both sectors. The review will expect the Arts Council to show consideration of the following issues when producing its detailed proposal for implementing this recommendation:

- a. clarifying and strengthening the visibility of its senior level representation of the libraries and museums sectors
- b. ensuring its expertise on libraries and museums is disseminated throughout the organisation – particularly important now funding is integrated to ensure that those making funding decisions

³¹*Envisioning the library of the future*; http://www.artscouncil.org.uk/sites/default/files/download-file/Envisioning_the_library_of_the_future_phases_1_and_2_full_report.pdf

understand the particular nature and offer of libraries and museums

- c. actively ensuring that libraries and museums of all sizes are aware of all funding streams available to them and are supported to apply for grants
- d. ensuring that strategic funds and programmes are developed integrating museums and libraries wherever possible. If necessary the Arts Council should seek external expertise in how to best incorporate those sectors

enable cultural objects to enter public collections

- processes thousands of export licenses a year and supports the Reviewing Committee on the Export of Works of Art in establishing whether cultural objects intended for export are national treasures and should be placed under temporary export deferral

Recommendation

2. The Arts Council needs to ensure that museums and public libraries, and the particular development needs of both sectors, are fully integrated in the organisation's culture and strategic priorities. This would build on the positive step the Arts Council has already taken towards integrating funding for these sectors.

Cultural Property

3.22 Since 2011, the Arts Council has delivered certain responsibilities on behalf of the government that help to bring objects and collections of special interest into public ownership, protect them and share them for the long-term public benefit. The Arts Council:

- runs the Government Indemnity Scheme, which enables organisations to display cultural objects to the public that might not otherwise have been shown due to the high cost of insurance
- runs tax incentive schemes such as the Acceptance in Lieu and Cultural Gifts Scheme which

What the evidence told us

3.23 There was little public awareness of the Arts Council's cultural property responsibilities, which is perhaps unsurprising given their specialised nature. The small amount of public feedback the review team did receive was broadly positive: 55% of respondents thought the Arts Council was very good, good or OK at bringing collections into public ownership, protecting them and sharing them, 9% thought it was poor or very poor, 37% did not know and a large number of respondents skipped this set of questions entirely. As this is a role that the Arts Council ultimately carries out for the public benefit, it could do more to raise awareness of how it collects, preserves and displays cultural items across the UK.

3.24 Stakeholders who did have an awareness of cultural property issues spoke positively about the Arts Council's cultural property team, praising their specialist expertise in this area. There was some concern about the Arts Council's capacity to continue its good work given the increasing demand on its resources, and the Arts Council is aware of the need to ensure robust succession planning in this specialist area.

3.25 A small number of stakeholders raised concerns about the current system of export licensing, noting some recent high profile losses to private ownership of culturally significant works of art. It is not within the scope of this tailored review to

examine the cultural export regime, but the review concluded that this area warranted further consideration and recommends that DCMS and the Arts Council work together to undertake a wider examination of this important area.

Recommendations

3. The Arts Council should promote a greater understanding of its work, on behalf of government, in securing cultural items of importance for public collections, supporting public access to collections through exhibition and display, and delivering controls to prevent the export of national treasures abroad where possible.

4. The Arts Council should work with DCMS on a wider examination of the Arts Council's cultural property functions including the Reviewing Committee and the export licensing system.

Recommendation for DCMS

2. DCMS should work with the Arts Council to undertake a wider examination of the Arts Council's cultural property functions including the Reviewing Committee and the export licensing system.

Cultural Diplomacy

3.26 In its 2015 spending review settlement letter, DCMS asked the Arts Council to continue engaging internationally, including by contributing to the GREAT Britain campaign, thereby helping to boost tourism, education and business in tandem with cultural exchanges. The Arts Council currently invests in specific programmes such as the 2017 bilateral seasons of culture with

India and Korea, and around two thirds of its NPOs are active internationally.

3.27 79% of survey respondents felt that the Arts Council added some or considerable value to England's reputation and influence overseas. To strengthen its valuable support for our international standing, the Arts Council should engage with the GREAT Britain campaign in the UK and overseas and work in partnership with the British Council, VisitBritain, the Department for International Trade and the Foreign and Commonwealth Office. This will in turn create opportunities for enhanced international partnerships, financial resilience and greater access by UK audiences to cultural excellence from around the world. The Arts Council should also encourage its NPOs to build international partnerships, including through the GREAT Britain campaign.



Recommendation

5. To strengthen its valuable support for our international standing, the Arts Council should further develop its relationship with the GREAT Britain campaign in the UK and overseas, and work in partnership with the British Council, VisitBritain, the Department for International Trade and the Foreign and Commonwealth Office, encouraging its NPOs to do likewise where appropriate.

Financial Resilience

3.28 One of the Arts Council's five goals includes a focus on financial resilience, where its ambition is for "arts organisations and museums [to increase] the share of their income that comes from a wider range of contributed or earned income sources".³² The Arts Council is also committed to match funding, requiring at least 10% of all of its open application grants to be match funded.

3.29 This focus on financial resilience is strongly supported by DCMS. One of the three Key Performance Indicators (KPIs) set out in the Arts Council's Management Agreement is an increase the contributed income in National Portfolio Organisations in 2012-15.³³ Contributed income includes sponsorship, donations, private giving and trusts and foundations. The Arts Council has met this KPI, with NPO contributed income rising from £174,825,607 in 2012/13 to £184,859,942 in 2014/15.

3.30 The Arts Council has developed various successful strategic funding streams dedicated to resilience work. The Catalyst programme, for example, was a £100 million sector-wide private giving investment scheme; an independent evaluation found that it "gave the organisations the confidence ... experiment with new tools and strategies" and "has left a sustainable legacy for most organisations, which is likely to last into the medium if not long term".³⁴ The Arts Council has also funded programmes such as the Arts Fundraising and Philanthropy Programme, which has been extended until 2018 in order to continue its progress building fundraising knowledge

³²<http://www.artscouncil.org.uk/our-mission-and-strategy/goal-3-resilience-and-sustainability>

³³Arts Council England Management Agreement 2012-2015; http://www.artscouncil.org.uk/sites/default/files/download-file/DCMS_funding_agreement.pdf

³⁴Evaluation of Catalyst Year 3; http://www.artscouncil.org.uk/sites/default/files/download-file/170117%20ACE%20Catalyst%20Evaluation%20BOP%20Year%203%20full%20report%20v3_0.pdf

and skills, and the Digital Arts and Culture Accelerator which helped 9 organisations learn how to attract new forms of finance.

3.31 The recent Private Investment in Culture survey showed that the sector received over £480 million worth of private investment in 2014/15, with around half of this (£245 million) generated via individual giving. This accounted for 18% of arts and culture organisations' total income in 2014/15, and for those with a total income of less than £100,000, it was even more important, accounting for 29% of total income.³⁵ This was an illuminating piece of data collection, and DCMS will look to the Arts Council to continue collecting this kind of data as part of its development agency role.

3.32 But beyond the successes of programmes like Catalyst, the Arts Council is fully aware that the issue of financial resilience is bigger than just contributed income. For example, although the total income of its National Portfolio Organisations grew by nearly £25 million in 2015/16, 43% of NPOs saw their earned income decrease. The Arts Council has launched a £400,000 Business Support Fund to support organisations to increase their earned income; uses its capital grants to build the sustainability of the sectors; and has funded some great success stories such as the B&B run by Islington Mill arts hub in Salford.

What the evidence told us

3.33 The stakeholders to whom the review team spoke were broadly positive about the Arts Council's effort to encourage diversification of income, and the Catalyst programme in particular was lauded as something of which the sectors wanted to see more. The public consultation saw mixed feedback, with 37% saying the Arts

³⁵ Private Investment in Culture Survey; <http://www.artscouncil.org.uk/publication/private-investment-culture-survey>

Council was doing well or very well at delivering this goal, 24% poorly or very poorly and 29% neither well nor poorly. It's important to note that these scores refer to the Arts Council's 'Goal 3', which also includes Environmental Sustainability, and scores could have been affected by this. 41% of respondents thought the Arts Council was very or fairly effective in supporting organisations to consider/develop alternative funding, 23% very or fairly ineffective and 23% neither effective nor ineffective.

3.34 Some stakeholders and survey respondents called for the Arts Council to "adopt more innovative forms of funding" building, for example, on the work done through its Arts Impact Fund on social investment loans.³⁶ Many noted that they would benefit from financial skills building, from support on how to make their organisations 'investment ready', to improved commercial skills, for example commercial leadership at Board level, to improve their knowledge and resilience.

3.35 There was clearly appetite for more to be done in this area and the sectors will increasingly look to the Arts Council, as their development agency, for support. The review will expect the Arts Council to show consideration of the following issues when producing its detailed proposal for implementing this recommendation:

- a. exploring alternatives to traditional grants such as guarantees against loss and social investment loans, working with partners such as the Access Foundation to develop these programmes
- b. further integrating financial sustainability into its grant applications wherever reasonable and appropriate whilst recognising that smaller organisations and

individuals, especially outside London, face a difficult outlook

- c. setting more stretching targets for National Portfolio Organisations who can further diversify their revenue to do so in order to receive repeat funding

Recommendations

6. The Arts Council should increase its efforts to encourage and support the financial resilience of the sectors through further integrating financial sustainability into its grant applications and exploring alternatives to pure grants.

7. The Arts Council should build the financial skills capability of the sectors, supporting them to diversify further their revenue streams, embed commercial skills and commercial leadership, and become 'investment ready'. Small and medium sized organisations and those in the regions will particularly benefit from this focus.

Environmental Sustainability

3.36 As noted above, the Arts Council's 'Goal 3' includes both financial resilience and environmental sustainability. Between 2015 and 2018 the Arts Council will invest almost £1 million in Julie's Bicycle to deliver its environmental agenda, helping NPOs to meet their environmental reporting requirements (using the carbon calculator and developing a sustainability Policy and Action Plan), and more widely supporting the sectors with advice and resources. In *'Sustaining Great Art'* the Arts Council reported that in the first three years of its partnership with Julie's Bicycle, there was an increase in NPO engagement on environmental issues from 14% to 98%, a 5% annual reduction in

³⁶The Arts Council funded the Arts Impact Fund in collaboration with NESTA, Esmée Fairbairn Foundation, Calouste Gulbenkian Foundation and Bank of America Merrill Lynch.

carbon emissions, and cumulative savings of £8.7 million for reporting organisations by the end of 2015/16.³⁷

3.37 The review team did not receive a great deal of evidence regarding the Arts Council's environmental sustainability work, and the Arts Council may find it valuable to increase the awareness of its role here. It has seen some impressive results from its funding, and is acting as a leader in its field as the first major arts funding body in the world to introduce environmental requirements into funding agreements.

Partnerships

3.38 This section of the report has two strands: the partnerships that the Arts Council itself builds; and the relationships that the Arts Council fosters amongst the sectors it supports.

3.39 In terms of the partnerships that the Arts Council builds, there are two main areas where stakeholders would value an increased focus: supporting skills capability and creating local partnerships. There are many success stories of work the Arts Council is already doing to meet both of these needs, but there is appetite from the sectors for more of both in order to increase the Arts Council's effectiveness as a development agency.

Skills Capability

3.40 One of the Arts Council's government-set Policy Directions for Lottery funding is to "encourage new talent, ... and help people develop new skills".³⁸ The Arts Council delivers this directly through various strategic funds designed to support and develop the skillsets needed to maintain a flourishing and contemporary arts and culture sector,

for example through Catalyst Evolve which supports financial resilience capability.

The Arts Council has made talent development a requirement of NPO funding, and delivers skills building indirectly through the organisations it funds, for example the Museums and Resilient Leadership programme run by the Black Country Living Museum, an Arts Council Major Partner Museum. Skills development funds have traditionally been less targeted towards libraries, where the professional bodies have traditionally taken the leading role, although the new integration of funding should allow for all sectors to benefit from skills-building programmes. Much of the Arts Council's work in developing skills is based on successful partnerships, such as the digital skills platforms developed with Google and leadership programmes such as Developing Sector Leaders, a £1.5 million fund delivered by the Clore Leadership Programme.

What the evidence told us

3.41 Survey responses were mixed on how well the Arts Council was delivering its fourth goal: 'Diversity and Skills'. 31% thought the Arts Council was doing well or very well at delivering this goal, 31% poorly or very poorly, and 30% neither well nor poorly. Given that this goal covers two areas it was difficult to determine whether the results referred to one area specifically, although when given the opportunity to provide open comments, there was no mention either positive or negative of how the Arts Council addresses skills development.

3.42 Stakeholders to whom the review team spoke, were more likely to speak about the need to attract and train the "talent pipeline" in order to develop the "workforce of tomorrow". The Arts Council recently funded the Creative Employment Programme in partnership with Creative and Cultural Skills, creating 4,380 apprenticeships and internships across

³⁷ *Sustaining Great Art Environmental Report*; http://www.artscouncil.org.uk/sites/default/files/download-file/Sustaining_Great_Art_Report_2012_15.pdf

³⁸ See Annex F for full Policy Directions

the arts and culture sectors, including 50 paid internships in libraries. There was appetite from stakeholders for more of this kind of entry level development. Higher Education was mentioned several times as an increasingly key player with whom the Arts Council should engage further, in addition to its existing collaborations with higher education bodies such as the University of the West of England.³⁹

3.43 More widely, stakeholders to whom the review team spoke were keen for more skills development, particularly in those skills that were not necessarily a traditional part of arts and culture:

- building digital skills has already been identified by the Arts Council as a priority, with 37% of its sectors' organisations saying that a lack of capability and knowledge was a major barrier to achieving their digital aspirations.⁴⁰ More partnerships with the tech sector will ensure that the Arts Council is providing its sectors with innovative ideas and viewpoints; and partnerships with other government sponsored bodies such as the Heritage Lottery Fund and the British Film Institute will be valuable for sharing best practice
- more corporate and private sector partnerships could be used to encourage skills support, staff exchanges and mentoring opportunities for the arts and culture sector in business, marketing and, importantly, leadership and governance skills
- as noted above, financial resilience is becoming increasingly important. Encouraging entrepreneurship and facilitating training in, for example,

commercial leadership, digital marketing and crowdfunding, and generally becoming "investment ready" will be welcomed by stakeholders

3.44 The Arts Council's new investment strategy creates a new category of funding for 'Sector Support Organisations' (SSOs), which are funded to support and develop its sectors rather than deliver arts and culture. The establishment of this new SSO funding category will provide a great opportunity for the Arts Council to meet this demand for skills support and development.

Local Partnerships

3.45 DCMS set 'engaging with local cultural strategies' as a priority in the Arts Council's 2015 spending review letter,⁴¹ and the March 2016 Culture White Paper emphasised the need for "greater local and national partnerships ... to develop the role of culture in place-making", with the Arts Council named as an example of a national institution expected to "back local vision".⁴² The White Paper called the North East Culture Partnership a "template of what could be achieved".⁴³

What the evidence told us

3.46 The review team heard praise for where the Arts Council was already building successful local partnerships. The Arts Council is working with around 260 Local Authorities (LAs), and feedback was particularly positive about its visible leadership – particularly at the Chair and Chief Executive level – in advocating for the value of arts and culture, whilst being clear that it cannot and will not plug the gap caused by the reduction of LA funding. The Arts Council has also established a partnership with the Local

³⁹<http://www.artscouncil.org.uk/news/university-west-england-and-arts-council-england-sign-memorandum-understanding>

⁴⁰ Arts Council England Annual Report and Accounts 15/16;

http://www.artscouncil.org.uk/sites/default/files/download-file/ACE166_Annual_Report_201516.pdf

⁴¹ See Annex G for Spending Review Letter 2015

⁴² *The Culture White Paper*;

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/510798/DCMS_The_Culture_White_Paper_3.pdf

⁴³ Ibid

Government Association, with whom it has signed a shared statement of purpose,⁴⁴ and has made links with Local Enterprise Partnerships (LEPs) through its Creative Local Growth Fund. In places such as Plymouth, Torbay and Southampton, the Arts Council is already successfully engaging with and supporting the local cultural infrastructure.

3.47 Stakeholders wanted to see this approach applied as consistently as possible across England, linking arts, museums and libraries into wider cultural consortia to support local cultural infrastructure and develop local growth. The Arts Council's success will naturally depend on finding local partners both willing and able to engage, which will be easier in some places than others. The Arts Council should develop a strategy for engaging in areas without an existing cultural infrastructure, to build the link between the arts and culture sector, LAs, LEPs, education, and healthcare providers. The review supports the Arts Council's increasing engagement with Higher Education bodies, for example through the Culture Forum North, which it funds to build relationships across the cultural and academic spectrum in the North.

3.48 The Arts Council is developing an increasingly place-based approach, funding well-received programmes such as Creative People and Places which use Arts Council funding to support cultural place-making. By engaging in and establishing more local partnerships, the Arts Council will be more effective in this place-making ambition, as well as in meeting stakeholders' calls for a more tailored approach to regional needs and priorities and its Policy Direction to use Lottery funding to "involve the public and

local communities in making policies, setting priorities and distributing money".⁴⁵

3.49 The review will expect the Arts Council to show consideration of the following issues when producing its detailed proposal for implementing this recommendation:

- a. skills capability
looking actively at partners outside the arts and culture world, and outside the UK, to capitalise on specialist expertise in areas such as digital, business and leadership. These partnerships should be used to build the sectors' skills from Board level down, and provide opportunities for them to benefit from innovative viewpoints and new ways of working
- b. local partnerships
creating and facilitating opportunities for new partnerships in more areas across England linking in arts, museums and libraries with Local Authorities, LEPs, schools and Higher Education. Using these partnerships to identify local needs and where it can add value in line with regional priorities
- c. cultural leadership
by creating new 'partnership action plans' to encourage these relationships in areas currently without a well established cultural infrastructure, the Arts Council would be in a position of developing the links between organisations who might share a common interest in strengthening cultural provision in a particular area and use its strategic and funding levers to support those partnerships

⁴⁴ Arts Council England and LGA: Shared Statement of Purpose;
<http://www.artscouncil.org.uk/sites/default/files/download-file/Arts%20Council%20England%20and%20LGA%20MOU.PDF>

⁴⁵See Annex F for full Policy Directions

Recommendations

8. Building on its successful record of partnerships to date, the Arts Council should be creative in identifying more diverse partners with whom to collaborate, and should set an ambitious focus on finding expertise beyond the arts and culture sectors to build skills capability within the arts, public libraries and museums' sectors.

9. To strengthen its increasingly place-based approach, the Arts Council should create more broad-based local partnerships across England to identify specific cultural, economic, and social needs and priorities and to fund projects of value that will contribute to local growth and development.

Sector Partnerships

3.50 The second strand of this section relates to how effectively the Arts Council encourages and supports relationships amongst the sectors it funds.

What the evidence told us

3.51 51% of survey respondents thought the the Arts Council promoted partnerships very or fairly well, 15% very or fairly badly, 22% neither well nor badly and 12% didn't know. Survey respondents and stakeholders to whom the review team spoke were complimentary about the Arts Council's Relationship Managers, whom they felt worked hard to suggest good potential partnerships, and spoke positively about funding initiatives that promoted partnership working such as the Creative People and Places scheme.

3.52 Some stakeholders to whom the review team spoke believed that the Arts Council could go even further to create more innovative partnerships that

delivered real impact. Some mentioned the opportunity for organisations to share services or office space, helping organisations to reduce costs as well as to share best practice. The Arts Council has awarded some capital grants in this vein, for example to the Lyric Hammersmith which acts as a hub for smaller organisations. Stakeholders would value the Arts Council capitalising on its overview of and insight into its funded organisations to deliver more of this kind of innovative work.

3.53 The review team also found an enormous appetite amongst stakeholders for sharing expertise and best practice, from large scale issues like how to reach new audiences or increase earned income, to, on a more operational level, how to crowdfund successfully or establish an effective touring model. In its 2015 spending review letter, DCMS asked the Arts Council to "encourage Major Partner Museums to take a strategic approach to partnership working with other museums".⁴⁶ Survey respondents noted that there were successful partnerships being delivered through the Museum Development network, but that there was untapped potential for many more.

3.54 The Arts Council is committed to sharing best practice; it publishes case studies on its website and funds events and conferences such as Continue, which intends to showcase best practice and explore the crossover between arts, culture and video games. Stakeholders would value more in this area, particularly in sharing best practice *across* the arts, museums and libraries sectors. The Arts Council's new investment strategy will provide funding for 'Sector Support Organisations', which should provide an opportunity to explore partnerships between organisations.

3.55 The Arts Council is unique in its oversight of the arts, museum and library

⁴⁶ See Annex G for Spending Review Letter 2015

sectors and is well placed to build connections within and between the sectors it supports. The review will expect the Arts Council to show consideration of the following issues when producing its detailed proposal for implementing this recommendation:

- a. further facilitating the sharing of best practice to ensure organisations can benefit from each others' expertise and experiences, to strengthen their respective financial resilience models; increase accessibility and diversity; and innovate around business delivery, such as touring models, fundraising or digital skills
- b. encouraging creative partnerships between organisations to reduce costs, for example by providing capital grants for organisations to share space, storage and/or services. As well as reducing costs, this would provide an opportunity for sharing skills and best practice
- c. supporting partnership and consortium grant applications by providing the longest application windows possible for grants and by publishing its strategic funding opportunities for the 12 months ahead wherever possible

Recommendation

10. The Arts Council should further promote learning, sharing and partnership working between arts organisations, museums and libraries of different sizes across the regions.

Diversity

3.56 As this report mentions above, the Arts Council's fourth goal encompasses both skills and diversity. The Arts Council has made diversity a priority, and is the first to acknowledge that there is still a long way to go to achieve a fully diverse arts and culture sector workforce and to reach more diverse audiences. DCMS will look to the Arts Council to continue its work in this important area, monitor its successes and adapt its approach where necessary to ensure it is making valuable and effective contributions towards improving diversity in the sectors it supports.

3.57 The Arts Council has launched four strategic funds, collectively worth £11.8 million, to support its Creative Case for Diversity. Sustained Theatre supports Black and Minority Ethnic (BME) theatre makers, Elevate assists diverse-led organisations to potentially become NPOs, Unlimited supports work by deaf and disabled artists, and Change Makers helps address the lack of diversity in arts leadership, with 20 Change Makers funded since 2015. The Arts Council is also working with two Major Partner Museums (MPMs) to lead on implementing the recommendations of a consultation it commissioned on MPM Workforce and Board Diversity.⁴⁷ Additionally, the Arts Council publishes data on diversity and equality across the arts and culture sector to which all its funded organisations are required to contribute.

What the evidence told us

3.58 When asked how well the Arts Council was delivering its 'Diversity and

⁴⁷*Diversity in the workforce and governance of Arts Council England's Major partner museums: Research project;*
http://www.artscouncil.org.uk/sites/default/files/download-file/Diversity_in_the_workforce_and_governance_of_Arts_Council_Englands_Major_partner_museums_Research_project.pdf

Skills' goal, 31% responded well or very well, 31% poorly or very poorly and 30% neither well nor poorly. As noted above, it is difficult to determine whether these results refer to one area specifically as this goal encompasses two distinct themes. However, open comments on this survey question suggested that respondents recognised that the Arts Council had shown “strong leadership” and “good focus” on diversity, but that “the sector is slow to change” and that “diversity in arts leadership is still extremely poor”. The Arts Council recognises there is more work to do here, and its diversity-focused strategic funds intend to target these problems.

3.59 The Arts Council needs to maintain its focus on diversity, and ensure that its definition of diversity is communicated clearly. Stakeholders to whom the review team spoke noted that they thought the Arts Council focused to BME and disability, giving much less attention to other types of diversity such as age, gender, LGBT or socio-economic diversity. The Arts Council’s definition of diversity does encompass all protected characteristics as defined by the Equality Act 2010 and the Equality Duty 2011 in addition to class and socio-economic status.⁴⁸ Programmes such as Celebrating Age, a £3 million fund to support and celebrate the arts and creativity of older people, will help to combat the impression that the definition of diversity is narrow.

3.60 The Arts Council is committed to improving the diversity of the arts and culture sector’s workforce, and to transparently publishing the diversity data of its NPOs. Its annual report of NPOs has extended the definition of “diverse-led” organisations to include “female led” and “LGBT led”, and the most recent annual report data shows that the number of diverse-led funded organisations, although still low, is increasing.

Proportion of NPOs who are at least 51%:	2014/15	2015/16
BME led	46	48
Disability led	5	19
Female led	325	315
LGBT led	N/A	3

3.61 Diversity is embedded into the Arts Council’s Corporate Plan and its Equality Action Plan 2015-18, and it also transparently reports its own diversity data. Its diversity stats (as at 31 March 2016) are good although there is further to go to fully reflect the national demographic profile, and it has committed to improving the diversity of its workforce.⁴⁹

Proportion of staff who classify themselves as:	2014/15	2015/16
BME	12.4%	11.6%
Disabled	3.3%	3.8%
LGBT	9.5%	11.4%

3.62 Stakeholders to whom the review team spoke also raised questions about how the Arts Council assesses the diversity of the work it funds. The Arts Council measures and publishes audience diversity data, and requires its NPOs to use Audience Finder to track and report the diversity of their audiences.⁵⁰ Beyond this quantifiable data, stakeholders noted that it was harder to measure the impact of projects on diverse audiences; for example, a theatre production with 10,000 spectators may have a very different impact on its audience than an art class for 15 young people with learning

⁴⁸age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion and belief, sex, and sexual orientation.

⁴⁹ Arts Council England Corporate Plan 2015-18; <http://www.artscouncil.org.uk/sites/default/files/download-file/Arts%20Council%20England%20Corporate%20Plan%202015-18.pdf>

⁵⁰ <https://audiencefinder.org/>

difficulties. Despite the complexities of measuring impact, stakeholders felt this was an important area that deserved further attention. This area is covered in more detail later in this chapter.

3.63 The Arts Council should further strengthen its commitment to diversity by ensuring it effectively holds NPOs to account both in relation to their contribution to the Creative Case for Diversity and to diversifying the arts and cultural workforce, leadership and audiences. The Arts Council has made a good start by requiring organisations receiving NPO funding of over £250,000 per annum for the period 2018-22 to be rated at least ‘Strong’ against their contribution to the Creative Case for Diversity. In addition, these organisations will also be required by December 2021 to have boards that reflect the diversity of the communities and audiences they serve and want to reach. Future NPO funding should be made contingent on NPOs meeting these requirements.

Recommendation

11. To strengthen its commitment to diversity, the Arts Council should hold all NPOs to account against their contribution to the Creative Case for Diversity as well as requiring a commitment to reaching diverse audiences, ensuring accessibility, and improving board and workforce diversity.

Digital

3.64 The Arts Council has identified the digital agenda as an important focus, emphasising the “dizzying potential of digital technology in transforming the way we make, distribute, receive and exchange art”.⁵¹ The Arts Council

⁵¹ *Great Art and Culture for Everyone: 10 Year Strategic Framework*; <http://www.artscouncil.org.uk/sites/default/files/download-f>

promotes this agenda in various ways, from supporting the digitisation of existing (or ‘made’) content and the creation of new (or ‘born’) digital content, to supporting digital skills development across the sectors.

3.65 Between 2015 and 2018, the Arts Council allocated around £26 million of strategic funds to creative media activities. These funds have included projects such as the Digital Research and Development Fund for the Arts alongside Nesta and the Arts and Humanities Research Council; Canvas, the multichannel network for the arts launched in 2015; and skills support funds such as Building Digital Capacity in the Arts. The Arts Council has also entered into some exciting partnerships with international partners such as Sky on Sky Arts Amplify and Google on platforms for skills sharing, and with national partners such as the BBC and Channel 4. As noted previously in this report, establishing more of these kinds of creative, innovative partnerships will be essential to the Arts Council’s continued effectiveness.

3.66 The Arts Council aims to build digital into all aspects of its work and is increasingly requiring its funded organisations to become more strategic in their use of digital, supported by better use of data. The Arts Council requires all NPOs to use Audience Finder, a national audience data and development tool developed by the Audience Agency. And from March 2018, it will be mandatory for NPOs receiving £250,000 or more to submit a digital policy and plan; which the Arts Council has developed guidance to support.⁵²

3.67 The digital agenda is a priority for DCMS. It is a fast-moving and innovative area that has huge implications for the

<http://www.artscouncil.org.uk/sites/default/files/download-f>

⁵² *Digital Policy and Plan Guidelines*; <http://www.artscouncil.org.uk/sites/default/files/download-f>

accessibility of arts and culture. For this reason, one of the three Key Performance Indicators (KPIs) set in the Arts Council's Management Agreement is 'an increase in the amount of activity made available to audiences digitally through NPOs and MPMs'. The amount of NPO activity made available digitally increased from 39.3% in 2012/13 to 54.4% in 2014/15. The number of NPOs offering digital content rose slightly from 37.2% in 2012/13 to 41.7% 2014/15.⁵³

3.68 To improve these results, the Arts Council needs both to require more from its funded organisations and to support those organisations to deliver more in today's increasingly digital-driven landscape. NPOs should be expected to increase their multi-platform digital content and to reach out to wider audiences with that content. The Arts Council should examine where digital platforms are blurring the distinctions between traditional sectors, and enable partnerships with the tech sector and creative industries where appropriate.

3.69 Digital behaviours are changing the nature of audience participation. Consumers of culture are no longer passive receivers of information. We all want to interact, create and personalise cultural content, and give instant feedback on our experiences. The Arts Council must provide leadership in this area and ensure that its funded organisations recognise and provide for the transforming nature of the audience relationship.

3.70 The Arts Council's push to build digital skills capability should support organisations and individuals to improve their online presence; to market themselves and raise brand awareness; to improve digital leadership at executive and non executive levels; to improve the

quality of data usage and understanding of Intellectual Property Rights; to digitise arts and culture and widen participation; and to adopt internal efficiencies in their business models.

3.71 Further work is being done by DCMS in the Digital Culture Project⁵⁴ and the review team recommends that the Arts Council engages fully as a key partner in developing and delivering that project.

Recommendations

12. The Arts Council should set much more stretching targets for NPOs to increase their digital content and encourage their audiences to access that content. Progress should be robustly monitored, and reporting from NPOs should be compulsory.

13. The Arts Council should work closely with DCMS and partners across the cultural sectors on the Digital Culture Project on issues such as:

- **collaborations and partnerships around cultural content – both digitisation of collections and aggregation of online cultural content and new 'born digital'**
- **developing the sector's digital capabilities including in intellectual property, data usage, digital leadership and sharing best practice**
- **driving wider participation through digital engagement, distribution and content**
- **research and evidence**

⁵³ Arts Council England Annual Report and Accounts 15/16; http://www.artscouncil.org.uk/sites/default/files/download-file/ACE166_Annual_Report_201516.pdf

⁵⁴ Ministerial blog; <http://dcmsblog.uk/2017/04/cultureisdigital/>

Relationship Managers

3.72 Relationship Managers (RMs) are the principal point of contact between the Arts Council and its funded organisations. As such, they are key to the Arts Council's ability to support and develop the arts and culture sector. The review team received very positive feedback from stakeholders who saw RMs as approachable, responsive and personable. Consultation feedback mirrored this positive impression, with respondents saying that RMs "perform brilliantly" and "give invaluable advice and support". The Arts Council has been commended for its support and development of staff, receiving the *Investors in People* "Gold" rating in its 2015 assessment.⁵⁵ The Arts Council conducts an annual staff survey, the results of which show a high level of staff satisfaction with 76% rating it as a good or very good place to work and 83% prepared to speak highly of it outside work.⁵⁶ Voluntary staff turnover was low at 11% in 2015/16, contributing to the positive overall picture of the Arts Council as an employer.⁵⁷

3.73 Stakeholders to whom the review team spoke did, however, note some concerns about an inconsistent spread of expertise in Arts Council staff. Not all members of staff will be experts in all fields, nor would it be reasonable to expect them to be. This is particularly true given capacity constraints caused by the reduction in staff numbers the Arts Council has undergone in recent years. As one survey respondent noted, the Arts Council "is full of great people doing great things in difficult circumstances". This feedback may indicate a disconnect between the expectations of the sector and the reality of what RMs are able to provide, which the Arts Council should take steps to align.

⁵⁵ Arts Council England Annual Report and Accounts 15/16;

http://www.artscouncil.org.uk/sites/default/files/download-file/ACE166_Annual_Report_201516.pdf

⁵⁶ Ibid

⁵⁷ Ibid

3.74 There is also scope for further strengthening the RM role through a more integrated training programme, to ensure that all staff have an agreed and consistent level of knowledge of the Arts Council's full remit of work. The Arts Council already provides some external training and the opportunity for staff to attend conferences on cross-cutting issues such as diversity and equality. Several additional areas have been identified where integrated training on cross-cutting issues would be particularly relevant, for example: digital and financial resilience, which are both essential for the growth of the sector; museums and libraries, which need to be fully integrated into the culture of the organisation; and cultural property, where staff resilience will be strengthened by training a broader base of staff.

3.75 The review will expect the Arts Council to show consideration of the following issues when producing its detailed proposal for implementing this recommendation:

- a. providing integrated training in cross-cutting areas
- b. implementing a structured programme of internal job shadowing and other appropriate forms of learning and development to broaden the RM base of knowledge in cross-cutting areas
- c. establishing a structured support network and opportunity for 'lessons learned' exercises across the regions and specialisms
- d. ensuring that the sectors' expectations of Relationship Managers are aligned with their responsibilities

Recommendation

14. The Relationship Manager role is critical to the Arts Council's frontline delivery. The Arts Council should strengthen and support this role and provide an integrated training programme to ensure consistency of approach.

3.76 The Arts Council's development and investment roles are linked and, as previously mentioned, there is a strong call for the Arts Council to retain both functions. The 'development agency' section above explains how the Arts Council uses targeted investments to develop the sectors it supports. The following section focuses more specifically on the strategy, process and assessment of the Arts Council's grants.

Grant Making and Investment

3.77 This section of the report focuses on two broad areas relating to the Arts Council's investment function. The first is the investment *process*: from the clarity of the investment strategy and the transparency behind decision making, to the assessment of the impact made by Arts Council funding. The second is the *accessibility* of the Arts Council's grants in terms of both who is applying for and who is benefitting from Arts Council investment.

Investment Process

What the evidence told us

3.78 The review team received broadly positive feedback about the clarity of the Arts Council's funding streams and the application process, but more mixed feedback about the transparency of the Arts Council's funding decisions.

3.79 Stakeholders to whom the review team spoke were all aware of the various Arts Council funding opportunities; National Portfolio and Grants for the Arts were seen as particularly clear and well communicated programmes and stakeholders were aware of the Arts Council's strategic funding. However, some respondents noted that the large number of strategic programmes (currently 40) and their application windows could be confusing and at times appeared unstructured.

3.80 Stakeholders to whom the review team spoke were also broadly aware of the criteria they needed to meet in their grant applications. For each fund, the Arts Council publishes the relevant eligibility criteria and details which of its five goals applicants need to meet (which varies according to size and type of bid). The Arts Council often also provides examples of previously successful bids and/or

projects to illustrate the types of applications it would welcome; it should continue to provide this level of clarity to applicants wherever possible.

3.81 Feedback was more mixed about the Arts Council's decision making. 50% of survey respondents thought the Arts Council made decisions very or fairly transparently with 40% saying decision making was not very or not at all transparent. 56% of survey respondents felt the Arts Council made decisions very or fairly effectively whilst 19% felt decisions were made very or fairly ineffectively. Feedback from stakeholders to whom the review team spoke reflected this mixed picture. Although grant applicants were aware of what criteria they needed to meet, they were less clear about how they were then assessed.

3.82 The Arts Council makes investment decisions at different levels of the organisation either nationally or within its five geographical areas depending on the size and type of the bid. This system allows small grants to be turned around quickly in area offices, whilst a more strategic, national overview of funding allocation is taken for larger grants. In determining whether to allocate funds, the Arts Council takes into account how well an application contributes to its goals, as well as factors such as diversity, geographical spread, and the range of art forms and disciplines. The Arts Council must also use its professional judgement of the artistic and/or cultural quality of bids in deciding which should receive funding.

3.83 It will always be challenging for a grant giver to explain exactly how its funding decisions are made and how criteria are balanced, particularly when an element of artistic interpretation and judgement is involved. However, feedback showed that this was an area that warranted further attention from the Arts Council, and it should do as much as possible to be transparent about the

thinking and rationale behind how it apports public money. Feedback from survey respondents and stakeholders did note that the "transparency about the process [had] improved greatly in recent years" but there was still an impression that the process was "opaque" and that the Arts Council should do more to "make the rationale behind decisions known".

3.84 In order to strengthen the clarity of the Arts Council's decision making, there is a wider question about the Arts Council's funding strategy. Awareness of the Arts Council's five goals was high (ranging from 69% to 82% per goal) and stakeholders to whom the review team spoke broadly considered the five goals to be sensible and in line with their own priorities. However, stakeholders expressed less clarity about the Arts Council's "strategy" as a whole – the overarching vision behind its five goals – and how its work contributed to that strategy. The Arts Council does have a ten year strategic framework which explains its ambition of "great art and culture for everyone", and articulates its strategy to realise that ambition.⁵⁸ However feedback suggested a need for better communication and clarity about how the totality of the Arts Council's activity and priorities – namely its five goals, its funding streams, and its overall funding portfolio – fed into its wider strategy. In order to fully explain the latter, the Arts Council should set clear objectives for its overall portfolio, in order to assess the totality of its investments against its strategy.

3.85 Many of the survey respondents and stakeholders to whom the review team spoke noted concern about a lack of feedback on grant applications, particularly on Grants for the Arts bids. The Arts Council has carefully considered

⁵⁸ *Great Art and Culture for Everyone: 10 Year Strategic Framework*; <http://www.artscouncil.org.uk/sites/default/files/download-file/Great%20art%20and%20culture%20for%20everyone.pdf>

resource and cost implications and has concluded that – particularly given its current resource constraints – it is unable to provide more in depth or verbal feedback for all bids, although it *does* give written feedback on every bid received. The review agreed with this analysis; the Arts Council receives over 10,000 Grants for the Arts applications per year, a figure which has increased 20% per year since 2013. Stakeholders spoke very positively about this open programme of small grants, and the Arts Council has had to make a decision about where to direct its resource in order to keep that programme running. However, the Arts Council should explore with other grant givers and Lottery distributors whether there are different approaches that would allow it to offer more satisfying feedback to applicants within its resource constraints. The Arts Council should also explore other ways to communicate more widely to the sectors how the decisions it has made about which projects to fund have contributed to its goals and strategy and in turn to the government’s priorities for arts and culture.

Recommendations

15. The Arts Council should set stretching, measurable and strategic objectives for its overall portfolio as well as for each funding stream in order to assess the totality of its investments against its strategic priorities.

16. The Arts Council should improve the clarity of:

- a. how its goals, its individual funding streams and its overall funding portfolio contribute to its strategy**
- b. how decisions are made and how decision-makers balance various criteria including their**

own judgement when deciding what to fund

- c. after the fact, how the projects the Arts Council funded contributed towards the Arts Council’s investment strategy and in turn, contributed towards the government’s strategic priorities**

17. The Arts Council should collaborate with other relevant grant givers – for example other Lottery distributors who receive similar numbers of applicants – to identify whether any lessons can be learned about how to provide satisfying feedback to grant applicants within capacity constraints.

3.86 The Arts Council monitors and evaluates its individual investments according to the size and type of grant. It seeks assurance on how appropriately its money has been spent and whether the deliverables agreed between the Arts Council and the fundee when the grant was awarded have been met. The Arts Council gathers proportionate amounts of data according to grant size, for example requiring more data from NPOs than from Grants for the Arts; and tailors the data it needs according to grant type, for example requiring receipts for just capital grants. More widely, the Arts Council assesses its overall funding streams at various levels of detail and by differing criteria. The Grants for the Arts programme is assessed in terms of where and to whom funding is given; most strategic programmes are evaluated, some through external assessors; and there is no formal assessment of the NPO programme as a whole, although a large amount of data is gathered about NPOs through an annual survey.

What the evidence told us

3.87 Stakeholders to whom the review team spoke were content with the amount and type of data the Arts Council collected to monitor and evaluate their grants, finding the process both effective and proportional. Survey respondents were also broadly positive, with 63% of respondents feeling their grants had been evaluated very or fairly well, 17% neither well nor badly and 12% fairly or very badly.⁵⁹ A number of stakeholders to whom the review team spoke did, however, note that they did not have a clear idea of what happened to this data once collected; particularly how final reports were checked and evaluated by the Arts Council. There may be more the Arts Council can do to clarify its processes here, for example by publishing how the evaluations are used.

3.88 Feedback suggested that the Arts Council should focus on two things to strengthen its assessments: quality and outcome.

3.89 Assessing the quality of artistic or cultural content is challenging. Judgement is naturally subjective, and stakeholders raised particular concerns about the Arts Council's ability to assess diverse approaches, art forms and content if their assessors did not come from the same background as, or have empathy with, the intended audience. The notion of defining 'quality' in the arts is hugely complex, although the Arts Council is taking steps towards understanding what 'quality' means to audiences, for both its own and the sector's benefit. Quality Metrics is the Arts Council's new framework; it uses self, peer and public assessment to capture the quality and impact of artistic and cultural experiences, and is currently being rolled out with NPOs. Although this metric framework has not been universally

⁵⁹ This question was only asked of survey respondents who had received an Arts Council grant in the past three years.

embraced by the sectors, it shows the Arts Council's desire to learn, to test new approaches and to explore what impact its investment is having on its audiences. The Arts Council also uses external Artistic and Quality Assessments (AQAs) to review individual pieces of funded organisations' work; these external assessors are recruited by open application and the Arts Council is continuing to grow and diversify its pool of assessors. This quality assessment work shows the Arts Council in a leadership role and it should maintain its focus here, working in collaboration with the sector to drive further developments.

3.90 The Arts Council predominantly focuses on measuring the deliverables, or outputs, of its investments e.g. ticket sales and audience numbers. It is beginning to move towards measuring the outcomes and wider impact of its investments, for example through its co-funding of The Arts Impact Fund, and through its funding of the Centre for Economics and Business Research's study into the economic contribution of arts and culture, which found that "for every £1 of salary paid by the arts and culture industry, an additional £2.01 is generated in the wider economy".⁶⁰ The Arts Council has also developed 14 research grants to measure social impact, for example Not So Grim Up North which has been awarded a grant to evaluate how museums and galleries contribute to health & wellbeing in Manchester and Tyne & Wear – focusing on dementia, mental health and addiction recovery.⁶¹

3.91 Survey respondents noted the value that the Arts Council provides: 75% thought it added some or considerable value to local communities; 71% to wider society e.g health and wellbeing and

⁶⁰ *The contribution of the arts and culture to the national economy*;
[http://www.artscouncil.org.uk/sites/default/files/download-file/The contribution of the arts and culture to the national economy.pdf](http://www.artscouncil.org.uk/sites/default/files/download-file/The%20contribution%20of%20the%20arts%20and%20culture%20to%20the%20national%20economy.pdf)

⁶¹ <http://www.healthandculture.org.uk/not-so-grim-up-north/project-updates/welcome/>

education; and 79% to England's reputation and influence overseas. The Arts Council should work towards a better understanding and articulation of how its investments deliver this value and further, assure itself and the government that public funds are having a broad and tangible social and economic impact for audiences, practitioners and organisations across England. The difficulties of trying to measure the impact of arts and culture are notoriously complex and remain methodologically unresolved. Partnership working will be essential for success, and the Arts Council should work with partners beyond the arts and culture sector, for example in Higher Education, to tap into existing frameworks for measuring impact in other sectors.

3.92 Although some stakeholders expressed an appetite for impact monitoring methodologies to be developed, there was a clear steer that providing data on impact should not become a mandatory requirement for funded organisations in the immediate future, but that this should be a medium term aspiration. It was felt that the capacity and capability to meet a mandatory standard now was likely to be low, particularly in smaller organisations. The Arts Council should instead focus on building awareness of the benefits for organisations of impact monitoring and considering how best to work with its larger organisations to begin gathering data.

3.93 The Arts Council should also place a more consistent emphasis on learning lessons from *across* the totality of its investment activity, and strengthening the system for feeding those lessons into future funding decisions. It would be mutually beneficial for the Arts Council to collaborate with other grant givers and Lottery distributors to share learning and experience here. This focus on learning lessons, coupled with developing outcomes-based assessments, will

support the Arts Council's ability to see the impact it is making and take fully informed decisions about where to target its future investments to deliver the most value to the sectors and to local communities.

Recommendations

18. The Arts Council should be a leader for the sector in developing a rigorous methodology to assess the outcomes and impact (i.e. beyond inputs/outputs) of its funding portfolio. This should include developing an understanding of the impact projects have on diverse audiences. As there is work ongoing to develop these methodologies in other sectors, the Arts Council should look creatively for partners beyond arts and culture – e.g. in academia, outside the UK – and create an ecosystem to share learning and develop this methodology.

19. The Arts Council should build the sectors' awareness of and skills in assessing the social value of their work, including through promoting the benefits of monitoring social impact and sharing best practice across the sectors and regions.

20. The Arts Council should increase its use of 'lessons learned'/evaluation exercises in order to learn across its grant-making, to spot trends and to target future funding where it has most impact. The Arts Council could work with other relevant grant giving bodies to share expertise and best practice here

Accessibility

3.94 The Arts Council is a key partner in delivering the government's priority of ensuring arts and culture are made more widely accessible, and this is an integral part of its Royal Charter and its Policy Directions for Lottery funding. The review considered the accessibility of Arts Council investment in terms of both who receives and who benefits from Arts Council funding.

3.95 The Arts Council makes efforts to encourage individual artists and new or smaller organisations to apply for funding, and is currently exploring ways to do this more effectively. Many stakeholders and survey respondents noted that these applicants were often put at a disadvantage compared to larger or repeat bidders, as they had less capacity and often less experience with the application process.

3.96 The Grants for the Arts programme of lower value grants is prized by the sectors, and is seen as a key way to reach new or smaller organisations and individuals. The Arts Council's new investment strategy will encourage a wider pool of bidders from across the sectors by extending this programme to 'Grants for Arts *and Culture*'. It also intends to introduce an artists development fund to make provision for individual artists to develop their creative practice, and will require large NPOs to do more to support the sectors.

What the evidence told us

3.97 Stakeholders to whom the review team spoke were enthusiastic about the Arts Council's new investment strategy, and many agreed that it was right for the Arts Council to be making these kinds of changes to encourage new and more diverse bids. 40% of survey respondents thought the Arts Council already

encouraged these bids very or fairly effectively although 32% thought it did this very or fairly ineffectively.

3.98 The Arts Council should focus on further streamlining its application process by, for example, ensuring that application forms are as straightforward and accessible as possible. The Arts Council streamlined its Grants for the Arts application process in 2013, making its questions clearer and more directive and reducing requests for additional information. Stakeholders to whom the review team spoke were keen to see further steps taken to build on this improvement. This will be particularly important when the programme is opened to museums and libraries, who may have less experience of applying for small grants from the Arts Council. Although the Grants for the Arts programme emerged as the focus in this area, the Arts Council should also consider how to streamline the application process for those strategic funds that are geared towards small or emerging organisations such as Elevate, which assists diverse-led organisations to potentially become NPOs.

3.99 One area stakeholders and survey respondents commented on in particular was the type of language used in application forms. Stakeholders from non-arts backgrounds, such as museums, felt that the 'arts-specific' language used was not relevant to them and sometimes proved to be an unintended barrier to their applications. The Arts Council will address this use of language when its small grants programme becomes Grant for Arts *and Culture*, and it should examine whether other funds need similar attention to ensure they are as accessible to non-traditional arts sectors, such as digital and creative media, museums and libraries as they are to arts organisations. More widely, stakeholders suggested that clearer and more straightforward forms would benefit those with little or no experience of the application process,

who perceive it to be “daunting” and “exclusive”, including those who may be uncomfortable and/or unfamiliar with online applications.

Recommendation

21. The Arts Council should refine *Grants for Arts and Culture* application and assessment forms to ensure they are as light touch and accessible as possible; particularly for under-£15,000 grants. This should include reviewing the language used to ensure it is accessible to new applicants and those not from a usual “arts” sector or background e.g. museums, libraries, new digital. In particular, the Arts Council should monitor *GfAC* recipients in 2018-22 to assess how streamlining and refinement of the application process has increased the diversity of organisations submitting applications and receiving grants beyond the existing arts community.

3.100 As noted, making arts and culture widely accessible to the public features heavily in the Arts Council’s history, from its Royal Charter, Policy Directions and Management Agreement to the various responsibilities given to the Arts Council in the 2016 Culture White Paper, such as identifying the barriers to cultural engagement.

3.101 The second of the Arts Council’s five goals, ‘For Everyone’, emphasises this alignment to the government’s priorities; its vision being that “everyone has the opportunity to experience and to be inspired by the arts, museums and libraries”.⁶² The Arts Council has invested in Audience Finder to collect and share audience data with the aim of producing an evidence base by which to measure the accessibility of its funding. All NPOs

⁶²<http://www.artscouncil.org.uk/our-mission-and-strategy/oal-2-everyone>

are required to use Audience Finder and many non-NPOs also contribute data.

3.102 The Arts Council has also developed various strategic funds specifically targeted at widening the accessibility of its investments. The Creative People and Places programme is targeted towards areas where the population’s engagement with arts is in the lowest 20% and has funded 21 places to the amount of £42 million to date.⁶³ In just three years since launching Creative People and Places, there have been 1.2 million ‘engagements’, the majority of which are from the traditionally least engaged groups.⁶⁴ The Arts Council’s Strategic Touring fund also targets areas of low engagement; 91% of its funding goes to touring outside London with 55% going to the least engaged areas. The Arts Council has also recognised that digital projects are vital to increasing accessibility, and its funding of projects like Canvas, its new multichannel network to display digital content, and the live streaming of performances and event cinema are central to this new digital engagement.

3.103 Strongly linked to the ‘For Everyone’ goal is the Arts Council’s fifth goal, that “every child and young person has the opportunity to experience the richness of the arts, museums and libraries”.⁶⁵ With funding from the Department for Education, the Arts Council supports Music Education Hubs – consortia of local organisations such as schools and local authorities creating local music education provision – and a network of 10 Bridge organisations connecting the cultural sector with the education sector to develop cultural provision. The Arts Council also funds programmes such as

⁶³ According to the ‘Active People Survey’ developed by Sport England: <http://activepeople.sportengland.org/>

⁶⁴ *Ecorys CPP Year 2 Report*; <http://www.creativepeopleplaces.org.uk/our-learning/year-2-ecorys-report-progress-and-outcomes>

⁶⁵<http://www.artscouncil.org.uk/our-mission-and-strategy/oal-5-children-and-young-people>

Artsmark, an award for schools who champion arts and culture provision, which in 2015/16 saw 12.8% of new registrations come from schools in areas amongst the 10% most deprived in England, and Arts Award, a suite of qualifications to support 5-25 year olds develop arts and leadership skills.

3.104 In line with the government priorities set out in its spending letter and in the Culture White Paper, the Arts Council is committed to balancing the distribution of its funding across the regions: its 2018-22 investment round aims to see a 4% increase in funding to the regions; 75% of its National Lottery funding will be directed outside London by 2018; the amount of funding invested in NPOs outside London – currently 55% – is steadily increasing; and its funding to rural areas is also increasing. As this is a tailored, organisational review, its scope does not extend to arts policy or to determining where Arts Council funding should be allocated, although this issue will remain an important focus for the government more widely.

What the evidence told us

3.105 Survey respondents showed a high level of awareness (82%) of the Arts Council's 'For Everyone' goal, although there was mixed feedback about how effectively the Arts Council was delivering this goal. 49% thought the Arts Council was delivering well or very well, 20% neither well nor poorly, and 27% poorly or very poorly. Comments were particularly positive about the Creative People and Places programme, which stakeholders felt was having a real impact. Survey respondents felt that the Arts Council was adding a high level of value of local communities (75% said some or considerable value) and comments from the survey noted the "transformative" investments the Arts Council had made "especially to vulnerable and marginalised communities". To build on this work, many

survey respondents called for much more funding to be specifically targeted towards areas of low arts provision. In particular, many stakeholders saw NPOs as especially "London-focused", and the Arts Council should strengthen its requirements of NPOs to ensure that its funding reaches as wide an audience as possible.

3.106 Similarly, although awareness of the Arts Council's 'Children and Young People' goal was high at 77%, feedback was relatively mixed about its effectiveness in delivering this goal. 53% of people thought the Arts Council was delivering well or very well, 21% neither well nor poorly, and 18% poorly or very poorly. Comments from stakeholders suggested that accessibility was the biggest issue here, with concerns that children in regional and rural areas were less able to access arts and culture provision than children in metropolitan centres. Some stakeholders noted coordination in local areas as a concern, particularly beyond areas covered by the Bridge networks. The review recommends an increased focus on creating more local partnerships – which should include the education sector – to strengthen the cultural infrastructure in more places across England.

3.107 Much of the more negative feedback received by the review team related to the regional distribution of Arts Council funding which, as noted, is beyond the scope of this particular review. However, the review does recommend that the Arts Council reconsiders its current system of recording the allocation of grants according to the headquartered postcode of the applicant. By recording the area of *benefit* of its grants, the Arts Council will be able to see more clearly where its funds are spent and not just where they are allocated.

Recommendations

22. The Arts Council should review its system of solely recording the allocation of grants according to headquartered postcode and, as it does with National Activity Touring grants, report on the area of audience and participant *benefit* wherever possible, to create a fuller picture of the reach and accessibility of its investment.

23. The Arts Council should set clear and ambitious audience engagement targets for its NPOs to provide assurance that Grant-in-Aid funding is supporting the Arts Council's objective of reaching as wide an audience as possible. This would complement the Arts Council's focus on widely distributing Lottery funding.

Performance Assessment

3.108 Stakeholder and survey feedback suggested that the Arts Council was a broadly well performing organisation. 64% of survey respondents felt that, overall, the Arts Council was performing very or fairly well as an organisation, and 82% of respondents believed that the Arts Council was delivering good value for money. The review recommends strengthening the Arts Council's approach to performance assessment by creating a more systematic, overarching framework that measured how well the Arts Council was delivering across the organisation as a funder and development agency, and how well the Arts Council was contributing to government priorities.

Internal Performance Assessment

3.109 The Arts Council's performance is internally monitored by its Executive Board and Performance and Audit Committee. The Arts Council has various methods of recording and assessing its performance, including through individual strategic programme evaluations, narrative-based annual reports on goal progress, and regular feedback from stakeholder and public polling.

3.110 The Arts Council also reports against internal Key Performance Indicators (KPIs) which the review recommends should be reviewed to ensure they were suitably robust and challenging. For example, the Arts Council successfully processed 99% of Grants for the Arts and 100% of Strategic Funding applications within its published time frames in 2015/16; this is a good record, but to continue improving, the Arts Council should ensure that the time frames it sets itself are appropriately stretching. Given the importance the Arts Council places on delivering against its five goals, its internal KPIs should be set to deliver more

measurable outcomes against these goals in order to provide a meaningful evaluation of its performance.

3.111 The review found scope for the introduction of a more strategic approach that assesses the Arts Council's overall performance, and recommends that the Arts Council redesign its performance framework. The Arts Council should have an overarching reporting framework, through which it assesses how well it is performing as an organisation; how well it is delivering its goals, and more widely how well it is delivering its functions of investing in and developing the sectors it supports. This new performance framework should be designed in tandem with a new approach to assessing the quality and impact of its funding and investment.

DCMS Assessment

3.112 DCMS takes a proportionate and risk-based approach to managing relationships with its arm's length bodies. This approach was subject of a recent National Audit Office (NAO) review and was generally found to be appropriate. Given its overall confidence in the performance and governance of the Arts Council, DCMS has a relatively "arms length" approach to the formal monitoring of the Arts Council, although there is regular contact between them at both official and ministerial level. The review supported this approach and noted the positive and collaborative relationship between DCMS and the Arts Council.

3.113 However, this approach should be better balanced by the need for robust accountability for the £1.1 billion of public money that will be awarded to the Arts Council between 2015 and 2018. The review recommends that the reporting relationship between the Arts Council and DCMS should be strengthened in line with the Cabinet Office Code for Good Practice, which notes that 'an effective

partnership must be based on trust, clarity of accountability, and a shared understanding of purpose and outcomes."

⁶⁶ In particular, the review recommends that DCMS works with the Arts Council to develop a performance framework that illustrates how the Arts Council invests government funding in line with government priorities, the difference that that investment brings, and how the Arts Council is delivering its long term vision of 'great art and culture for everyone'.

3.114 The Arts Council reports on KPIs set by DCMS in its Management Agreements. In the 2012-2015 Management Agreement, the Arts Council was set three KPIs. Two of these have been mentioned previously in this report, in the sections on Financial Resilience and Digital. The third DCMS KPI is "sustained attendance/visitor numbers in NPOs/MPMs over the period 2012-15".⁶⁷ The Arts Council has met this KPI, with the combined figure for known and estimated attendances at performances, exhibitions and film screenings in England increasing from 91,842,784 in 2012/13 to 97,940,610 in 2014/15.⁶⁸

3.115 The review recommends that DCMS review these KPIs before finalising the Arts Council's 2016-2020 Management Agreement, to ensure they remain relevant and useful. For example, the KPI on increasing 'contributed' income may be more valuable if it referred instead to 'combined' income, and the KPI on digital activity could be updated to assess not

⁶⁶ Cabinet Office Code for Good Practice for Partnerships between Departments and Arm's Length Bodies https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/594345/Partnerships_between_departments_and_arm_s_length_bodies-code_of_good_practice.pdf

⁶⁷ Arts Council England Management Agreement 2012-2015; http://www.artscouncil.org.uk/sites/default/files/download-file/DCMS_funding_agreement.pdf

⁶⁸ Arts Council England Annual Report and Accounts 15/16; http://www.artscouncil.org.uk/sites/default/files/download-file/ACE166_Annual_Report_201516.pdf

only the amount, but the nature of funded organisations' online content.

3.116 More widely, the review recommends that DCMS works with the Arts Council to develop its new internal performance assessment framework. DCMS should help the Arts Council to ensure this new framework takes account of the delivery of its government-set KPIs but also its delivery of the wider government priorities as set in its management agreement and relevant spending letters. DCMS should then monitor the Arts Council's performance in a more structured and systematic manner in order to hold it fully accountable for investing public funds effectively.

organisation is delivering government priorities.
4. DCMS should review the current set of three Key Performance Indicators in the Arts Council's Management Agreement to ensure they are relevant and useful, and should take a more structured approach to monitoring the Arts Council's performance against these Key Performance Indicators.

Recommendations

24. The Arts Council should redevelop its performance framework to ensure it defines what success looks like and provides a systematic, strategic, and measurable way for the organisation to monitor the progress it is making towards its five goals and the delivery of its "development agency" role.

25. The Arts Council should review its reporting infrastructure to ensure its internal performance assessment framework for 2016-20 reflects the recommendations of this review, the outcomes of the museums review and the work of the Libraries Taskforce, and provides assurance that it is delivering those and wider government priorities.

Recommendations for DCMS

3. DCMS should work with the Arts Council to review the Arts Council's internal performance assessment framework, ensuring it provides robust assurance that the

Chapter Four: Efficiency

4.1 Having concluded that the Arts Council should continue to exercise its current functions and recommended ways in which those functions could be delivered more effectively, this chapter looks at the efficiency of the Arts Council.

Overview

4.2 As part of the 2010 Spending Review, the Arts Council was required to make savings of 50% on administration costs. In order to meet these savings, the Arts Council conducted a full organisational review in 2012/13 and since then has reduced its workforce, decreased the size of its estate, and made digital efficiency savings including in its grant administration.

4.3 The Arts Council is a lean organisation and the review makes no recommendations for increasing efficiencies at this stage, although DCMS will continue to monitor the Arts Council's overall efficiency as part of its routine sponsor relationship.

Operating and Grant Administration costs

4.4 Since 2011, the Arts Council has saved £10 million in administration costs per annum in real terms. The Arts Council operates within the restrictions on administration spending set by the government in 2010. Overall administration costs for 2015/16 were £30 million; within this figure, Grant-in-Aid administration totalled £12.7 million, which is 3.6% of income against the government cap of 5%; and Lottery administration totalled £17.3 million, which is 6.4% of income against the government cap of 8%.⁶⁹

4.5 In January 2016, the Arts Council started the roll-out of a new grant management package, Grantium, to which all funding programmes will be migrated as application rounds open. Grantium replaces a bespoke, integrated business management system which had become very expensive to support. The Arts Council estimates that Grantium will deliver savings of over £1 million per annum by 2018/19, and this should be monitored carefully to ensure that projected savings are delivered.

4.6 The review team received mixed feedback about Grantium. Many stakeholders and survey respondents felt that the new system was “arduous” and “un-user-friendly”, particularly for new and inexperienced applicants. It is not surprising that an ‘off the shelf’ product would be less user-friendly than a bespoke product, and the Arts Council anticipates substantial savings even when taking into consideration extra costs incurred from time spent developing guidance and helping users at the customer service centre. However, the Arts Council should continue to engage with the sector to identify ways to improve the Grantium application portal and guidance, particularly to combat the impression from a small number of stakeholders that the system was “designed to put people off applying”.

4.7 The Arts Council is a member of the Lottery Forum, which brings together National Lottery distributors to provide an opportunity for them to discuss joint working and share best practice. The Arts Council has committed in its Corporate Plan 2015-18 to working with the Lottery Forum and others to identify opportunities to benchmark costs and compare

⁶⁹ Both figures exclude one-off IT costs. Arts Council England Annual Report and Accounts 15/16;

http://www.artscouncil.org.uk/sites/default/files/download-file/ACE166_Annual_Report_201516.pdf

administrative processes, which this review strongly supports.

4.8 The Cabinet Office announced in December 2016 a new set of standards to ensure that taxpayers' money, awarded through government grants, is effectively managed and spent.⁷⁰ The Arts Council should ensure that it is meeting all of these standards for its Grant-in-Aid funding and should consider how to apply this best practice to its Lottery funding where appropriate.

Recommendation

26. As a priority, the Arts Council should ensure that grants administration processes are compliant with the minimum standards for government general grants published in December 2016, including ensuring that details of current grant schemes and awards are available on the Government Grants Information System.

Estate Management

4.9 The Arts Council has nine offices providing local support to arts and culture organisations across England. The Manchester office is the largest, and houses the key back office functions. Four offices – Manchester, Birmingham, Bristol and London – also comprise staff with strategic, national roles. It is important to the Arts Council, the government, and the sectors that the Arts Council maintains this meaningful regional presence.

4.10 The government's Industrial Strategy, announced in January 2017, commits to reviewing the location of government agencies and cultural institutions to ensure they support growth and local

communities.⁷¹ The Arts Council will be included in this review, which will be led by the Cabinet Office, to ensure that the distribution of its offices and staff delivers the right support for people and communities across England.

4.11 Between 2010 and 2016, the Arts Council reduced the size of its estate by 62%, from 12770m² to 4889m² and the cost of its estate by 56%, from £2,761,196 to £1,216,875 per annum. The most significant savings have come from the relocation of staff to the Manchester office and from the move of its London office into shared accommodation in 2013, which saved £1 million.

4.12 The Arts Council's overall estate currently provides 9.8m² per FTE, meeting the cap of 10m² per FTE required by the Cabinet Office. Within the overall estate, three individual offices (Birmingham, Cambridge and Brighton) are above the 10m² cap, and the Arts Council has plans in place to sublet or reduce the size of these offices. The Executive Board will monitor the organisation's progress in this area as well as the Arts Council's progress towards meeting the Cabinet Office target of 8m² per FTE by 2018.

4.13 The Arts Council should work with the Government Property Unit to identify any opportunities to be part of the government hub programme, which aims to reduce costs through sharing office space amongst government sponsored bodies. This work will require a sensible approach in order to ensure that the Arts Council meets its obligations as a charity to occupy property that provides the best value for money whilst colocating with others in the hub programme wherever possible.

⁷⁰<https://www.gov.uk/government/news/new-standards-announced-for-government-grants>

⁷¹*Building Our Industrial Strategy*; https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/586626/building-our-industrial-strategy-green-paper.pdf

Staffing

4.14 The average number of staff employed by the Arts Council during 2015/16 was 499 (full time equivalent (FTE)). This reflects a reduction of 21% since 2011, made by the Arts Council in order to meet the government requirement to reduce its overall administration costs. Arts Council staff are distributed across its nine offices depending on the focus of their roles, and the Arts Council's 2012 organisational review resulted in the relocation of a large number of Arts Council staff from the London office to the Manchester office.

4.15 The Arts Council's workforce costs are £20,005,000, or £40,090 per FTE staff member.⁷² The Arts Council complies with strict requirements around salary bill growth and worked within the 1% maximum increase in overall payroll permitted by the government pay remit for 2015/16.⁷³

Shared Services

4.16 In addition to the savings the Arts Council has made by sharing space in its London office, it has delivered efficiencies through delivering its legal activities through a service shared with the BIG Lottery Fund. Other services such as Finance, HR, and Payroll are not shared, although the Arts Council has plans to implement cost savings for all of these systems as outlined below. The Arts Council should explore with Lottery distributors and others whether there are any opportunities for the further sharing of services to reduce costs whilst maintaining quality.

⁷² Arts Council England Annual Report and Accounts 15/16;
http://www.artscouncil.org.uk/sites/default/files/download-file/ACE166_Annual_Report_201516.pdf

⁷³ Arts Council England Annual Report and Accounts 15/16;
http://www.artscouncil.org.uk/sites/default/files/download-file/ACE166_Annual_Report_201516.pdf

IT Efficiencies

4.17 In line with the requirement to cut administration costs, the Arts Council has also embarked on a policy of replacing a range of bespoke IT systems with commercial 'off-the-shelf' packages, using a mixture of open tenders and Crown Commercial Service agreements to reflect the need for specialist or generic products.

4.18 In addition to the the grant management system mentioned above, the Arts Council introduced SAP financial software in 2014, replacing its bespoke Oracle Financials system in order to reduce annual support costs. This system is expected to yield cost savings of approximately £206,427 per annum by 2017/18. In 2016/17 the Arts Council will also replace its existing HR and payroll systems with an integrated solution that it anticipates will yield cost savings of £124,271 per annum by 2021/22.

4.19 Overall, the Arts Council has made substantial efficiency savings so far, and should keep its new initiatives under review to ensure they deliver the ambitious projected savings over the coming years.

Chapter Five: Corporate Governance

Introduction

5.1 Strong corporate governance is central to the effective operation of all public bodies. The Arts Council completed a self-assessment of its own model against the Principles of Good Corporate Governance as set out in Cabinet Office Guidance,⁷⁴ which can be found at Annex I. The process required the Arts Council to identify any areas of non-compliance with the principles and explain why an alternative approach had been adopted and how this approach contributed to good corporate governance. This is known as the 'comply or explain' approach, the standard approach to governance in the UK. The Arts Council provided further information to the review team to clarify and supplement the information in the self-assessment and provide further explanation of their governance and accountability arrangements.

5.2 The Cabinet Office guidance identifies five broad areas of good corporate governance, each of which covers a number of principles with supporting provisions. There is a certain amount of overlap between areas, principles and provisions. The five areas are: accountability, roles and responsibilities, effective financial management, communications, conduct and behaviour.

5.3 The self-assessment indicated that the Arts Council was largely compliant with the principles of good corporate governance, with only a handful of points of non-compliance or partial compliance. The review team considered that the self-assessment presented an accurate picture of the Arts Council's corporate governance arrangements. The review

required the Arts Council to address three areas: risk, fraud and transparency.

The Principles of Good Corporate Governance

Accountability

5.4 The review found the Arts Council to be compliant in all of the required aspects of statutory accountability. The Arts Council complies with all statutory and administrative requirements, including HM Treasury Guidance and government spending controls, as well as legislation on freedom of information and data protection. An external audit tests the Arts Council's compliance annually. The Arts Council is not subject to the Public Records Acts, however it does deposit any information of historical significance with the National Archives.

5.5 The review also found the Arts Council to be compliant with all of the required governance arrangements for accountability for public money. The Chief Executive has been designated as the Accounting Officer and received full training on appointment. The organisation has guidance for staff on financial issues including expenses, gifts and hospitality and procurement, and a comprehensive induction programme for new staff which covers the basics of managing money to ensure the proper stewardship of public funds. The Arts Council's annual report and accounts are laid in Parliament and published on the Arts Council's website.

5.6 The Arts Council is also accountable to Ministers. The Minister of State for Digital and Culture meets the Chair and Chief Executive of the Arts Council at least quarterly. The review concluded that it would be beneficial for a DCMS representative to attend at least one Arts

⁷⁴Tailored Reviews: Guidance on Review of Public Bodies https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/570290/Tailored_Review_Guidance_v1.1_Nov_2016.pdf

Council Executive Board meeting annually, in an observer capacity. This is standard practice for arms length bodies and an important element of Arts Council accountability given its size, scope and budget.

Recommendation for DCMS

5. DCMS should attend at least one Arts Council Executive Board meeting per year, in an observer capacity.

Roles and Responsibilities

5.7 The review found the Arts Council to be compliant in all but one of the required aspects of this principle. The current governance structure of the Arts Council (at Annex H) was established in 2013 following an independent review. The National Council is the governing body of the organisation, and was established under Royal Charter. The National Council is comprised of the Chair, the Chairs of the five Area Councils, and eight other non-executive panel members. Appointments to National Council are made by the Secretary of State for Culture Media and Sport, in compliance with the Code of Practice issued by the Commissioner for Public Appointments.⁷⁵

5.8 Members of the National Council have a broad mix of skills and knowledge, from specific artforms, to experience of local government, to backgrounds in the Arts Council's priorities of digital, diversity and resilience. The female to male ratio on the board is 5:9. Two members of the board are of BME origin. One board member has declared a disability. The Arts Council has identified the need to improve black and ethnic minority, female and individual artist

⁷⁵ *Governance Code on Public Appointments*; https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/578498/governance_code_on_public_appointments_16_12_2016.pdf

representation on the Council, which it will aim to do in the next recruitment round.

5.9 The National Council has clear terms of reference set out in a framework of strategic control, and has established formal procedural and financial regulations. The National Council makes funding decisions according to a Scheme of Delegated Financial Authority. The National Council has established a Remuneration Committee, and publishes information about the remuneration of Executive Board members in its annual reports. Formal appraisal of Council members take place every two years, although the review recommends this takes place on an annual basis.

Recommendation

27. National Council members' performance should be appraised annually.

Effective Financial Management

5.10 The review found the Arts Council to be broadly compliant with this principle, but suggested some further steps to take on managing risk and fraud.

5.11 The Arts Council publishes an annual report that complies with HM Treasury guidance. The Arts Council has established an internal Performance and Audit Committee, and an internal audit programme delivered by an external professional body. The Arts Council has an appropriate Scheme of Financial Delegation in place, and has clear rules on claiming expenses.

5.12 The Arts Council has an effective process of risk management in place, which the review found to be adequate. However, the review found no evidence that the Arts Council had an articulated risk appetite, and recommends that it reviews, defines and articulates this risk

appetite to provide a more robust foundation for its risk assessments and mitigating actions. In doing this, the Arts Council should think broadly about what risks it is willing to take – for example strategically, financially and artistically – as well as how best to report these risks to DCMS to provide assurance that public money is being spent effectively.

5.13 As part of its approach to risk management, the review recommends that the Arts Council takes steps to improve its anti-fraud measures. The review found the Arts Council to be adequate in this area, but there is work to be done to strengthen the Arts Council's counter fraud activity. The Cabinet Office Fraud and Error Centre of Expertise can support the Arts Council to make improvements here.

5.14 The Arts Council has recently undergone a Cyber Security assessment carried out on behalf of the Cabinet Office by APMG International. The Arts Council should implement the recommendations of that assessment as soon as possible to ensure it improves its protection from cyber crime.

Recommendations

28. The Arts Council needs to define and articulate its appetite for taking risk. The Arts Council should consider its risks (strategic, financial, artistic, operational, etc) and develop systematic mitigation measures which will strengthen its accountability to DCMS as well as the public rationale for the funding decisions it makes.

29. The Arts Council should work with the Cabinet Office Fraud and Error Centre of Expertise to meet the government's Functional Standards on fraud, including developing a robust fraud risk assessment and

formally articulating its fraud risk strategy. The Cabinet Office can offer advice, share best practice, and recommend how to shape ACE's counter-fraud resource.

Communications

5.15 The review found the Arts Council to be partially compliant with this principle, and makes some recommendations for improved transparency in communicating with stakeholders and with the public.

5.16 The Arts Council has regular contact with a wide range of partners and stakeholders, including through meetings, events, forums, and through its presence on various social media. Its website carries a considerable amount of information about the organisation's activities, responsibilities and performance, and the Arts Council is proactively transparent in publishing data, for example on diversity statistics. The Arts Council has a comprehensive complaints procedure that is fully accessible to all. The Arts Council also complies with all marketing and PR rules and restrictions.

5.17 However, there areas for improvement and the review recommends that the Arts Council takes further steps to strengthen its approach to transparency and accountability. The Arts Council publishes the minutes of its National Council meetings, and should additionally publish a summary agenda in advance of these meetings. The Arts Council does not hold an open annual general meeting; it should explore how to do this in a digital forum to control costs, whilst improving transparency. The Arts Council publishes data of its spend over a threshold of £5,000; this does not currently meet the Cabinet Office's transparency requirement, which is to publish spend data over £500. The Arts Council should

take steps to adopt the official, lower threshold.

Recommendation

30. In order to show its commitment to openness and transparency, the Arts Council should:

- a. publish a summary agenda in advance of its National Council meetings as well as the minutes**
- b. hold an open annual general meeting in a digital forum**
- c. adopt the government transparency threshold of £500.**

Recommendation 30 (continued from 'Communications' section):

- d. proactively publish and update the register of Executive Board staff interests in so much as they relate to arts and culture and wider role of the Arts Council**

Conduct and Behaviour

5.18 The review found the Arts Council to be compliant in all but two of the required aspects of this principle. The Arts Council has in place a Code of Conduct and a Staff Code of Ethics which all staff are required to confirm they have read. The Arts Council publishes a register of interests of National Council members, which the review recommends be extended to cover Executive Board members.

5.19 There are no rules in place for senior staff or National Council members on the acceptance of appointments or employment after resignation or retirement from the Arts Council. The review does not recommend any changes to this; the movement between arts boards and other public and private sector organisations is generally considered to be beneficial and imposing restrictions may deter candidates from working for the Arts Council.

5.20 Overall, the review found that Arts Council adhered broadly to all of the principles of good corporate governance. Although the review makes recommendations for further proactive transparency, these will only build on the Arts Council's existing commitment to being an open and transparent organisation which publishes a large amount of information and data about itself and the organisations it funds. Similarly, the recommendations made by the review on effective financial management will build on a strong foundation given the Arts Council's clear commitment to ensuring public money is protected appropriately.