

Arts Council England  
Grant-in-Aid and Lottery  
distribution annual report  
and accounts 2014/15



**Arts Council England Grant-in-Aid and  
Lottery distribution annual report and  
accounts 2014/15**

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Neuti Gatwa (Mercutio) in *Romeo & Juliet* by William Shakespeare, produced by HOME at Victoria Baths Manchester, 10 September – 4 October 2014. Photo by Graeme Cooper.

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# 1. Chair's report

Welcome to the Arts Council's annual review in its new format, which will allow you to access it in ways appropriate to the digital age.

The fundamental work of the Arts Council is to develop our precious national cultural ecology – a process in which our considered and strategic investment of public funds is the most conspicuous and powerful means of influence. We also have a responsibility to advocate for the importance of the arts in all our lives, and this is an area in which the chair has to lead.

We've striven harder than ever at this advocacy role over the past year, recognising that the impact of all public investment is under scrutiny.

To get our message across, we talked about what I call the 'holistic case' – showing how the arts are integral to education, to our health and wellbeing, to strong communities and to our national status – as well as our economy.

We drew out the arts' vital contribution to place-making in towns and cities like Margate, Folkestone, Nottingham, Bristol and Manchester, and to the crucial way in which the arts incubate the talent for the creative industries, at a time when these are drivers of economic growth.

This thinking flowered with the launch of our journal Create. The contributors ranged from Howard Davies, former deputy governor of the Bank of England, through to educationalist Anthony Seldon and former prime minister John Major to bestselling author Neil Gaiman. Here was hard reason and strong narrative as well as creative passion.

In light of this, it was good to see the government increase its funding support for the Music education hubs, a fundamental element of cultural education, and to see the Treasury agree tax breaks for theatre and orchestras, putting the arts on the same footing as other elements of the creative industries. And it was encouraging to see the importance of the arts recognised in the election manifestos.

The necessity of the arts to place-making and economic regeneration should become ever

clearer as the new administration focuses ever more on the importance of growth across the country.

Throughout the past year, there was an important public debate about the geographic spread of our funding, leading to a Parliamentary Select Committee. We listened carefully. There's actually little difference in opinion about what the objective should be; we all agree that the arts are important to all our communities. It's a question of how quickly we progress, and by what criteria.

The Arts Council has been working on this for some time. In this last investment process we have directed more Grant-in-Aid outside London, so that, including the Music education hubs, the balance of funding is now 60/40 in favour of areas outside London.

Investment in National portfolio organisations is now 53/47 in favour of areas outside London; in 2008, this was by contrast 49/51 in favour of London. Lottery spend is now at 70/30 outside London, as opposed to 60/40 over the lifetime of the Lottery.

We will continue this trend, but with care, given the scarcity of resources and the need to ensure the sustainability of the whole cultural ecology, in which London and its national companies play such a central part.

Our future impact will also depend on how we respond to the digital opportunity. I'm pleased that we're picking up the pace. Many more of our organisations are streaming their work, and last year saw a significant step into the future with investment to develop a YouTube channel for digital arts. We still need to use data better; our new funding agreements have increased expectations for data gathering and sharing.

I wrote last year about how that 'grand partnership' I sought when I became Chair was mobilising. That has continued to take shape, through our relationships with the tourism and heritage sectors, with universities such as Derby and Teesside and with the Local Government Association, who have helped to keep arts and

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culture funding on the public agenda. We have been encouraged by new models of funding, whether through the creation of trusts that protect cultural assets and open up revenue streams, or the launch of social investment funds – a model that the Arts Council is trialling with its Arts Impact Fund, launched in partnership with Nesta, the Esmée Fairbairn Foundation and the Bank of America.

Alongside public funding and revenue, we want to see better fundraising for art and culture. We have made progress, with contributed income rising by some 3 per cent. We know the challenges faced by organisations outside our major centres. We need greater public awareness of the charitable nature of arts organisations and more professional fundraising skills – which we're investing in.

We have to ensure our relevance, build new audiences and develop new talent. This means embracing our nation's diversity. In November I announced the launch of the Creative Case for Diversity, an arts-driven approach that starts with thinking about the work that we do. We have put this at the heart of our funding agreements. We're excited by the positive way arts organisations have responded. We know that our hopes in this area are widely shared.

At Christmas, Alan Davey left us to run Radio 3. One of Alan's many enduring works is the 10-year strategic plan – the first in the Arts Council's history – that has been an invaluable guide through many changes. We're delighted to have secured a worthy successor to Alan in Darren Henley, who comes to us from managing Classic FM and is the author of two important national reports on music and cultural education. I look forward to working with Darren as we take the Arts Council forward into the second

half of the strategic plan. We'll be looking at our progress so far, and reviewing it later in the year.

In the interim between Alan's departure and Darren's arrival, the position of acting CEO was filled by Althea Efunshile. I'm grateful to her. I'd also like to thank all the members of National Council, who gave of their time so generously.

With a new government now in place, we will continue to advocate strongly for investment in art and culture. These days, as well as art for art's sake, we also hear art for our children's sake, for education's sake, and for our health's sake. This is never to diminish the fundamental, and fundamentally mysterious, intrinsic value of art; it's saying that we must never take it for granted. That its transformative effect can and must be shown in the ways it shapes our lives for the better.

Sir Peter Bazalgette

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## 2. Chief Executive's report

Between Alan Davey's departure for Radio 3 and Darren Henley's arrival, there was an interregnum of four months, during which I had the pleasure of taking on the role of Acting Chief Executive.

This was in the period when the annual review was assembled, and gives me the chance to share my perspective on a busy and productive year.

The big story in the arts often seems to be about how little money there is now, and how much less there may be in the future. It's a valid story; but it ignores what we do with the money – the exceptional artists and organisations; the remarkable museums that fascinate our young people and draw visitors from across the world; the work done by libraries to strengthen our communities; and our increasing contribution to education at all levels.

There is so much to look back on in the last year. We played a significant role in the national remembrance of the First World War, supporting the NOW programme that engaged some 19 million people: with 16 million taking part in the Lights Out project on 4 August.

We helped commission important new musical works, supported the exploration of our black culture in Britain through projects such as *Black Chronicles II*, presented by Autograph ABP, and worked with heritage partners to bring alive our industrial history. There was thrilling, interactive digital work with the Philharmonia Orchestra's City of Lights, and a bold international programme led by Re:Imagine India.

Once again the Family Arts Festival promoted thousands of family friendly events across the country, while we invested in 21 widespread Creative People and Places projects to bring the arts to more communities. In Sunderland, working with the BBC and The Cultural Spring, we delivered The Great North Passion, one of the BBC's largest outdoors events of the year.

Personally, I've seen many memorable things this year. Some that linger in my mind include the powerful and beautiful choreography of English National Ballet and Akram Khan,

performing *Lest we forget* – part of the First World War commemorations.

At the Tricycle I saw *The House that will not Stand*, an excellently directed and acted production that dealt with class, race, and gender in 1830s New Orleans. The Royal Opera's *Orfeo*, staged at the Roundhouse, was gorgeous to look at and listen to, and was more accessible by virtue of its casting and venue.

In Cambridge I was inspired by the Polar Museum collection that brings science, visual arts and poetry, while further north, I visited Tyne and Wear Archives and Museums, a delightful and impressive group of museums that make science, technology, archaeology, social history, and natural sciences relevant and accessible to local communities.

In July we announced the names of the 663 National portfolio organisations and 21 Major partner museums that we will core fund from 2015-18. This was a process in which we aspired to high standards of transparency: it's difficult to believe that there was no transparent application process until six years ago. We were very clear that all our investment must serve the goals of our 10-year strategy. As a result, while some people may have disagreed with some of our decisions, they could understand how we had reached them. Often these decisions were very hard, with local and national perspectives on reach and impact to balance. There were many wonderful organisations we simply couldn't fund, even with the decision to use more Lottery money in the portfolio.

Despite there being little room for manoeuvre, we continued to direct more funding towards areas of need and potential. We were able, for example, to look at how we could develop Birmingham as a centre for dance. We know the geographic debate is important; it has been and will continue to be integral to our thinking.

Funding agreements are now in place for all National portfolio organisations and Major partner museums. We've thought about resilience, and brought a new focus on business plans. We've also taken the opportunity to

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refresh our relationship framework, so that all parties know what the expectations are.

Our funding agreements contain only indicative amounts beyond 2016: much depends of course on the outcome of the 2016 spending review. And the pressure on local government spending remains a concern. We will continue to make the best possible case for the value of public investment in arts and culture.

In the autumn, our Chair launched our fresh impetus to put the focus on the Creative Case for Diversity – which reflects our determination to ensure that the programming of our funded organisations is representative of a diverse 21st century England. To thrive, we must be relevant to all our communities, engaging the talent and audiences of the future. Our work with children and young people is crucial to this. The vast majority of our funded organisations will contribute to this goal, and the Arts Council has been in the thick of the national debate about cultural education.

Last year saw some spectacular collaborations between funded organisations, Bridge organisations and Music education hubs. Some 2,000 primary school children from Luton were involved in a new composition with the City of London Sinfonia, while Trinity Laban worked with the South Riverside Music Partnership on Animate Orchestra, involving some 400 young people.

We were delighted at the announcement of increased funding for the Music education hubs that we manage on behalf of the Department for Education. Our knowledge of this educational agenda, and our work to bring the arts to all children and young people, will be strengthened by the appointment of Darren Henley.

I've much enjoyed my stint as Acting Chief Executive, and I look forward to working with Darren.

**Althea Efunshile**

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## 3. Achieving great art and culture

Arts Council England is the nation's publically funded investor in arts and culture. We bring to our role both local expertise and a national perspective, and operate within the clear guidance of our 10-year strategic framework, directing investment that will support and develop the arts, museums and libraries for everyone across England.

First published in 2010, our strategy was shaped after widespread consultation with the arts and cultural sector. We are now in year five of the strategy, and in 2013 we published a refreshed version, *Great art and culture for everyone*, to take account of our new responsibilities for museums and libraries.

The strategy has five goals, and we fund artists and organisations because of what they contribute to these shared goals, both locally and nationally. The goals support each other; success in one goal contributes to success in others. They are the yardsticks by which our success should be measured over the lifetime of the strategy.

The five goals that underpin our strategy are:

**Goal one:** excellence is thriving and celebrated in the arts, museums and libraries

**Goal two:** everyone has the opportunity to experience and to be inspired by the arts, museums and libraries

**Goal three:** the arts, museums and libraries are resilient and environmentally sustainable

**Goal four:** the leadership and workforce in the arts, museums and libraries are diverse and appropriately skilled

**Goal five:** every child and young person has the opportunity to experience the richness of the arts, museums and libraries

**Goal one: excellence is thriving and celebrated in the arts, museums and libraries**

This year has been characterised by increased government recognition for the strength of the

arts and culture sector, a strength that derives from the creativity, ambition and talent that we help to nurture and support through our investment.

This year we have seen a series of high profile artistic responses to the commemoration of the First World War. In partnership with the Heritage Lottery Fund, we made a major investment in the 14-18 NOW programme which commissioned 28 different projects across the United Kingdom in the summer of 2014, engaging some 19 million people. More than 16 million people took part in the Lights Out project on 4 August 2014, and 21,000 people, from this country and abroad, contributed to the Letter to an Unknown Soldier project.

Other notable artistic projects delivered by our National portfolio organisations included Huw Watkins' world première *Four Sonnets* at the Cheltenham Festival, a song cycle written for tenor Mark Padmore, with the composer at the piano. This was an unforgettable work which we are confident will enter the repertoire.

*Black Chronicles II*, presented by Autograph ABP, explored Black presences in 19th and early 20th-century Britain through the prism of studio portraiture. Last summer also saw the second year of Clayground Collective's Clay Cargo project, funded through Grants for the arts and developed in partnership with the Canal & River Trust. Inspired by ceramic industrialist Josiah Wedgwood, Clay Cargo connected London, Birmingham and Stoke-on-Trent, and renewed links between ceramics and the waterways with public events on boats and at canal-side locations. In East London Discover Children's Story Centre launched an exciting new interactive exhibition, *Once there was... The Wonderful World of Oliver Jeffers*. Children and families were able to walk into immersive environments inspired by *How to Catch a Star*, *Up and Down*, *Lost and Found* and *The Way Back Home*.

More organisations are experimenting with online content to enhance audience experience. Philharmonia Orchestra's City of Light: Paris 1900-50 complemented performances of



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French masterpieces by such composers as Ravel and Debussy with newly commissioned films and immersive, interactive digital resources.

We invested in more than 20 projects through the Exceptional awards fund, which supports organisations to deliver exceptional projects outside the normal scope of their programme. These included Broadway's Disaster Playground which brought together renowned composers, writers and scientists in a creative exploration of TheSpace programme; extraordinary tours by the Kinshasa Symphony Orchestra and Dmytry Krymov; and the Big Dance Weekend, a series of large-scale events that provided opportunities for people to enjoy great dance wherever they live.

We know that supporting and developing creative talent is fundamental to achieving excellence. The evaluation of the Momentum fund, which supports artists working in contemporary popular music, demonstrated the impact that even a modest investment can have in boosting confidence and creative potential, as well as supporting artistic collaboration and innovation.

Building on the demand for the Artists' international development fund we launched two new international funding programmes: Re:Imagine India which will support artistic and cultural exchange and collaboration between India and England, and International showcasing which will encourage organisations to show the best of their work to new markets and audiences abroad.

A 'fundamental shift' in our commitment to the Creative Case for Diversity was clarified in a momentous speech given by our Chair:

'Britain's got many, many talents. And our work should reflect and engage with all our talent and communities'. That's how we will ensure work of true ambition and enduring quality'.

This followed the announcement of £6 million of Strategic funds to support artistic excellence and talent development, promoting diverse leadership and diversifying audiences across the arts and cultural sector. In particular, we have committed a significant investment in Unlimited to build on the success of the 2014 showcase. We will also support a national network of 'agents for change' who will work with and across our National portfolio organisations. We will launch a Creative Case commissioning programme and share emerging best practice through a programme of conferences and critical debates.

In 2014/15 we have been developing the ways we – and those who work in the sector – might better understand the quality and impact of our work. We have expanded our Artistic and quality assessment scheme this year and now provide peer assessments on a broader range of work including participatory activity, programmed work and museum exhibitions. We have also continued to invest in the design of a quality metrics framework for the sector.

This year we announced continuation of the Grants for the arts library fund to support partnerships between libraries, artists and arts organisations. In the first round we invested in a range of projects across the country such as the Yardstick project, aimed to showcase African and African Caribbean writing, and to develop the skills of writers from diverse backgrounds based in Somerset.

We continue to support our country's museums so that they might display collections of

international significance. The new Staffordshire Hoard Gallery at Birmingham Museum and Art Gallery now provides a permanent home for the largest and most important discovery of Anglo-Saxon treasure ever found. Through the Cultural Gifts scheme, the Tate was allocated 40 rare prints by six major figures in 20th century Italian photography, and a major painting, *Willy Lott's House from the Stour (The Valley Farm)* by John Constable, has been accepted by the nation through the Acceptance in Lieu scheme, and allocated to the Ashmolean Museum in Oxford. Finally, Bristol's award-winning cultural landmark, Brunel's *ss Great Britain*, was added to our Designated collection – a mark of distinction awarded to cultural collections housed in non-national museums.

### Goal two: everyone has the opportunity to experience, and be inspired by, the arts, museums and libraries

This year we have explored new ways to promote wellbeing. The Arts Council and the Baring Foundation have jointly funded four projects across the country that enable older people in care settings to access the arts. In Cornwall this joint funding supports a number of projects, from theatre and textiles to dance and drama in care homes for the elderly.

Through our Creative people and places initiative, we have been targeting areas of the country where involvement in the arts and museums is below the national average. This investment fund focuses on long-term work bringing together local communities and arts organisations, museums, libraries, local authorities and the private sector. These 21 areas are experimenting with a range of different approaches. In Sunderland, The Great North Passion was developed and delivered in partnership between the BBC and The Cultural Spring. It was one of the BBC's largest outdoor broadcasts of the year and featured the work of over 20 artists and arts organisations across the North alongside a community choir of over 300 people.

The second Family Arts Festival took place in 2014. Over 4,500 events took place with 206 organisations signing up to the Family Arts Standards. The events included dads dancing in Battersea; a world premiere First World War themed concert; free dancing in high rise flats in Birmingham; and a giant family picnic in Bristol.

Our Strategic touring fund continued to support artists and arts organisations to more widely distribute their work. The Field Notes project allowed the Birmingham based Contemporary Music Group and Craftspace to allow a composer and artist to work with rural touring organisation Arts Alive in performing a new work in Shropshire and Herefordshire.

Our development support and investment for libraries is making a notable impact, reaching audiences less familiar with the arts, particularly where we have invested in projects through Grants for the arts. Bristol Libraries and Rusty Squid created the Book Hive, celebrating Bristol Libraries' 400th anniversary through creative book-based interactions with digital animatronics, music, theatre, film and poetry.

In Hampshire vulnerable and homeless adults had the chance to engage in free creative art projects that promote wellbeing and inclusion at The Vine Day Centre, while in Birmingham, DASH, a disability-led visual arts organisation, supported a one day symposium that posed difficult questions about disability and its place in the cultural mainstream.

London-based Cardboard Citizens received Strategic touring funding to bring its life-changing theatre to homeless people. Over the next three years, the theatre will perform in 30 venues in England and reach over 7,000 disengaged audiences.

We continue to make progress towards our creative media policy, which aims to increase the quality, volume and reach of digital content and experiences. Our digital culture survey showed that arts and culture organisations are doing more digitally and are achieving more impact. Recognising that more and more organisations are using video to promote and distribute their work, one of our major strategic

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investments this year was to Rightster, to set up a multi-channel network for the arts on YouTube, to help grow the audience for arts video online. Through the Digital R&D fund, in partnership with Nesta and the AHRC, we have invested in ground-breaking projects to create new digital experiences for audiences. Support for the National Holocaust Centre and Museum in Nottinghamshire enabled 3D filming and natural language processing techniques to be used to capture the stories of Holocaust survivors, allowing audiences of the future to interact virtually with these unique individuals.

### Goal three: the arts, museums and libraries are resilient and environmentally sustainable

We continue to see arts and cultural organisations focus resources on diversifying income. Contributed income for National portfolio organisations and Major partner museums rose by 3 per cent according to the 2013/14 annual submissions.

Our £70 million Catalyst investment continued this year, supporting over 400 organisations to establish an endowment and build capacity to fundraise for new money, and encouraging those new to fundraising to work together.

Whilst there are still fundraising challenges for organisations outside central London, there have been notable successes. The programme has provided organisations with £18 million in capacity building support and we have distributed £30.8 million in matched funding.

We continue to invest in fundraising skills development and training for the sector through the Arts fundraising and philanthropy programme, which brings together partners across the arts, educational and charitable sectors.

In the last year, as part of the programme, we have seen a great response from the sector to host 15 fundraising fellows, providing an opportunity for young talent to progress through a year of training, mentoring and work experience which sets them on an arts fundraising career path.

Following the portfolio investment decisions in July, for the first time we have worked with these organisations to think about resilience and develop three-year business plans as a condition of investment.

We continue to explore new sources of income through the National Council for Voluntary Organisation led cultural commissioning programme which has moved into phase two with pilots in Kent and Gloucestershire and the development of partnerships with Local Enterprise Partnerships in the west of England, amongst others.

Our strategic funds for museums for 2015-18 will be focused on resilience and the first round of successful applications were announced in February. We continue to invest small-scale capital funding to improve sustainability and resilience, particularly of building based organisations, with over £9.5 million of investment announced in January 2015.

Access to alternative sources of finance continues to be a priority. Creative United rolled out its successful Creative industry finance nationally in September, providing business support and access to a range of commercial investment partners to creative businesses looking for growth. In March we also launched the Arts Impact Fund, a joint initiative with Nesta, Esmée Fairbairn Foundation and Bank of America, supported by the Cabinet Office. This will provide loan funding to arts organisations to develop new ideas and to build their commercial

income to increase long-term resilience. The social investment tax relief announced in the autumn also presents opportunities for long-term development in this field.

March saw the publication of the second annual report from Julie's Bicycle, which showed 98 per cent of portfolio organisations are engaged with the programme, an increase from 89 per cent in year one, and potential collective savings from 'business as usual' are equivalent to 3 per cent of our investment in our portfolio.

### Goal four: the leadership and workforce in the arts, museums and libraries are diverse and appropriately skilled

The Arts Council supported Creative employment programme, managed by Creative & Cultural Skills, has continued to provide new opportunities for young people aged 16 to 24 to start careers and gain experience in the cultural sector. Over 2,300 jobs have been created to date through a mixture of apprenticeships and paid internships across the country. Successful partnerships included Suffolk County Council who brought together 32 employers into a consortium to create 80 Creative employment programme-funded apprenticeships and paid internships. They have been able to address youth unemployment and diversify the creative workforce in an area of high youth unemployment and low educational attainment.

Ongoing Arts Council support for the Developing resilient leadership programme, managed by the Clore Foundation, enabled seven fellowships in 2014/15 and an expanded programme including leadership development days in Bournemouth, Liverpool and Nottingham – an opportunity to encourage greater dialogue and stronger cultural leadership between professionals working in the UK regions.

Through the business planning work undertaken with portfolio organisations we also encouraged the sector to undertake succession planning and to strengthen the governance and make up of boards. This was supported by board and leadership development activities funded through Grants for the arts, including the DeVos and Cultivate partnership in the East Midlands which is working with a cohort of rural organisations to develop their fundraising and strategic leadership.

Through the museums resilience fund, the Arts Council continues to invest in the diversity of the workforce, supporting projects including Colchester and Ipswich Museum Service who will create The Training Museum: a three-year workforce transformation programme offering vocational learning experiences for new entrants to the sector from varied and diverse backgrounds. It will act as a model of how regional museums can make excellent use of their assets to become resilient and support future workforces.

In the creative industries, the Arts Council announced an investment of £3 million Lottery funding for five Random Acts network centres focused on 16- to 25-year-olds across the country. The aim of this investment is to broaden access to, and increase diversity in, the media industry by targeting effort and support right across the country, including in those areas where access to film and TV has been very limited.

As part of its strategic commitment to build digital skills in 2014 the Arts Council and DEFRA jointly commissioned research into rural libraries in England. The report highlighted how digital technology is helping to overcome some of the challenges of physical access to library services experienced by rural dwellers and noted that there is real value in exploring how a combination of alternative mobile and digital services can enhance the rural library service offer in future.

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## Goal five: every child and young person has the opportunity to experience the richness of the arts, museums and libraries

This year has seen significant progress in realising our ambition for more children and young people to have opportunities to experience the richness of the arts, museums and libraries.

Our Music education hubs continue to work to ensure that every child has the opportunity to sing and play instruments – solo and in groups – and to be able to take these skills further if they have the talent or inspiration. Following Ofsted's report *What hubs must do* in November 2013, school music education plans were created to encourage an increase in the quality of music teaching in schools. An *Ensuing quality* report was published in November 2014 which sets out what a good hub looks like, and we piloted a peer development programme.

We saw an increasing number of exciting collaborations and partnerships between hubs and with other cultural organisations. In July a project involving 2,000 pupils from Luton primary schools culminated with a performance of an original composition with the City of London Sinfonia. This project was brokered by The Mix (Luton hub), Royal Opera House Bridge and Orchestras Live.

The Reading Agency's Summer Reading Challenge encourages children aged 4 to 11 to read six books borrowed from the library over the summer holidays on a different theme each year. There were more than 18 million children's library issues in the UK over the summer and around 1,200 children across England used the Summer Reading Challenge to achieve Arts Award Discover.

As a direct result of our Creative employment programme, children and young people have been engaged in a broad range of cultural education experiences. Hard work to reach less engaged young people is at the heart of this project – in Great Yarmouth a circus skills project has worked with young people who are not in education, employment or training. A project led by the library service has provided local young people and children with a sense of local pride and helped them to develop a passion for reading, while the Museum and Schools project encouraged schools to visit the Time and Tide museum for the first time.

Last November, Firebird Theatre was funded through Grants for the arts to hold a series of 'relaxed performances' of *The Tempest* at Bristol Old Vic. These shows were devised for young people with learning difficulties.

Bridges were funded by the Department for Education to include the film and heritage sectors in their work and to support the cultural offer in teaching schools. CAPE UK worked with the Yorkshire Early Arts Hub, a new network connecting 100 teachers, established by a specialist leader in cultural education (SLICE) working at an academy in Calderdale.

Six In Harmony programmes worked to develop extracurricular music ensemble programmes open to children from other schools, and pupils continuing their instrumental playing when they move to secondary school. Children from In Harmony programmes performed at the Southbank Centre in June 2014 as part of a Nucleo weekend, alongside musicians from Venezuela, as well as taking part in other high profile performances with Nicola Benedetti at Bridgewater Hall, Manchester, and at the Association of British Orchestras conference at The Sage Gateshead.

On the electronic front, Sonic Pi: Live & Coding, an inspiring new project by Cambridge Junction, a National portfolio organisation, gave children the opportunity to develop digital music using the Raspberry Pi computer.

The quality of cultural provision in and out of school continues as a key focus. More than 50 arts and cultural organisations have engaged with our quality principles to plan and deliver work by, with and for children and young people. Trinity Laban Conservatoire of Music worked with South Riverside Music Partnership on a youth schools performance, *Animate Orchestra*, which involved over 400 young people as composers and performers. The quality principles shaped the planning and evaluation of the project, particularly around the notion of excellence and quality. Trinity reported that the principles helped them to think reflectively about aims and objectives when working in partnership, and that they will apply the principles in every project and programme run by the learning team in the future.

## Equality and diversity

This year marked a fundamental change in our approach to improving diversity, with the promotion of the Creative Case for Diversity.

During the 2014 National portfolio organisations investment process all applicants were asked for the first time to outline how their proposed programmes of work would contribute to the Creative Case for Diversity. In February 2015 successful applicants received a Creative Case rating based on the mandatory documents they submitted as part of their funding agreement. Organisations receiving a 'not met' rating will be required to provide additional details on how they intend to improve their contribution to the Creative Case for Diversity over the duration of their funding agreements with the Arts Council. Creative Case ratings will be reviewed on an annual basis, ensuring a commitment to holding organisations to account.

Organisations in our new portfolio were for the first time required to submit equality action plans *ahead* of signing funding agreements. This marked a significant shift in our approach

and will help ensure that equality and diversity is embedded in their practice and plans for their programmes, audiences, workforce and leadership over the next three years.

In July 2014 we announced an additional investment of £6 million to support our work around improving equality and diversity across the arts and cultural sector and to progress our work around the Creative Case for Diversity during 2015-18. The strategic fund investment will directly enable the Arts Council to address the challenges and issues that emerged from our equality analysis of the portfolio investment process. In September 2014 the Southbank Centre hosted Unlimited II to build on the success of the first Unlimited Festival, which was such an integral part of the 2012 Cultural Olympiad.

We refreshed our equality impact analysis and screening processes and made a commitment to undertake an equality analysis for all new strategic funding programmes. The new equality analysis process will ensure we regularly review and monitor progress against our equality and diversity objectives and take action to address any inequalities as and when required.

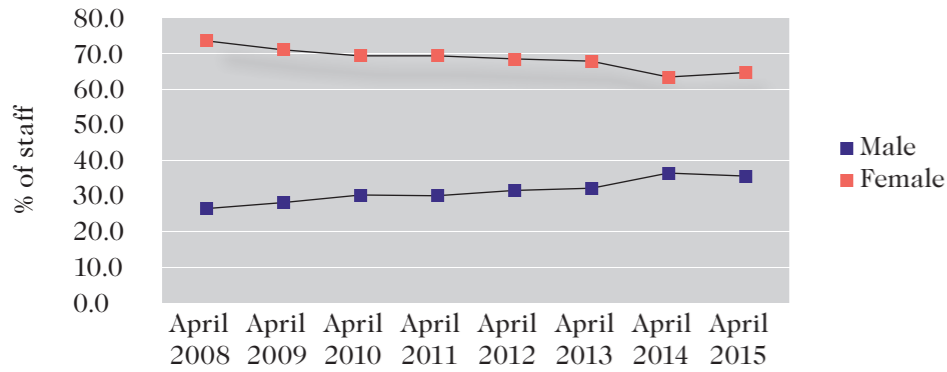
We commissioned the Museum Consultancy to undertake a piece of research exploring the diversity of the workforce and leadership in the museums sector. Their recommendations will inform our work with both our Major partner museum portfolio and museum development partners to ensure the sector better reflects the diversity of communities across England.

Internally, we will continue to promote diversity in both the make-up of our own workforce and our national and area council members – updating, monitoring and publishing data on the diversity of these on a regular basis. We have commissioned a review to provide new ways of ensuring our 'employer brand' is attractive to a wide range of new audiences. We will use new media sources for advertising roles and we will review job descriptions prior to external advertising to ensure that, where possible, these do not unnecessarily exclude a more diverse range of applicants. It is our policy to guarantee all disabled applicants an interview if they meet certain minimum criteria.

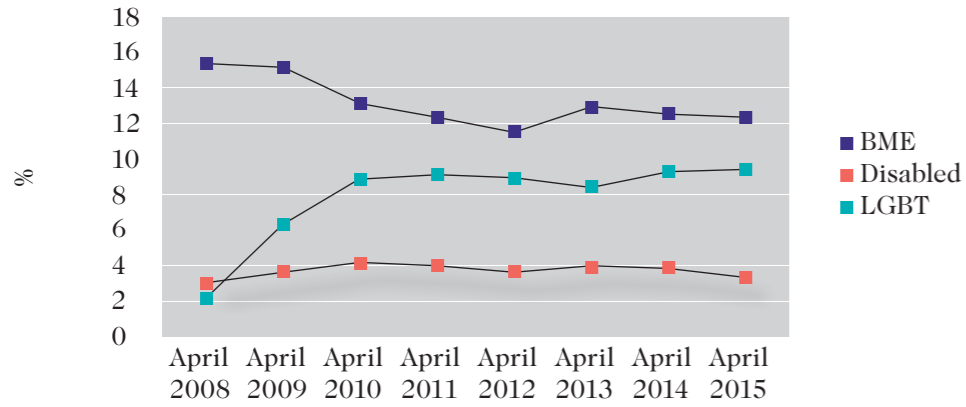
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## Diversity analysis as of April 2015

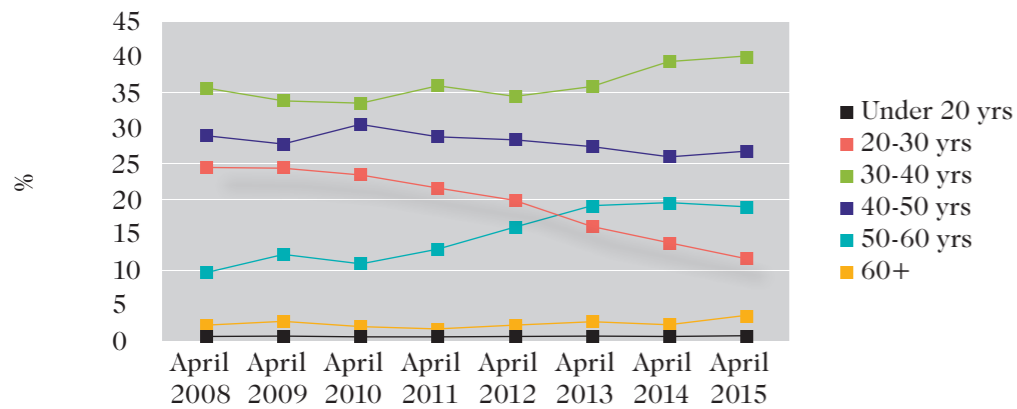
Gender of employees:  
Gender date comparison



Diversity profile of employees:  
Diversity date comparison

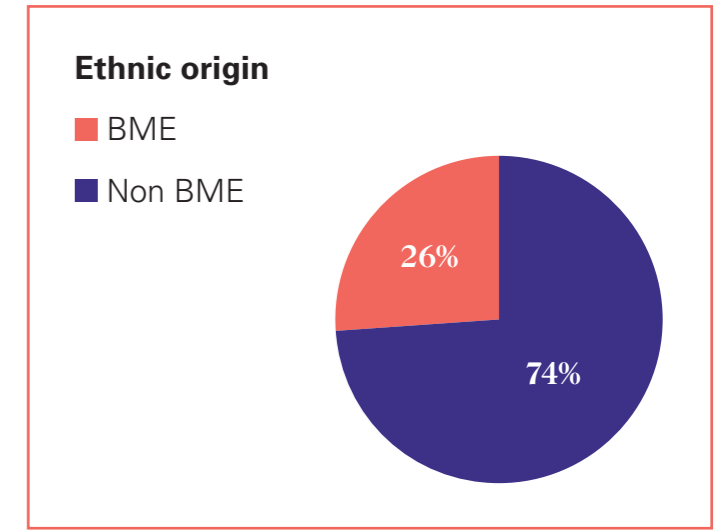
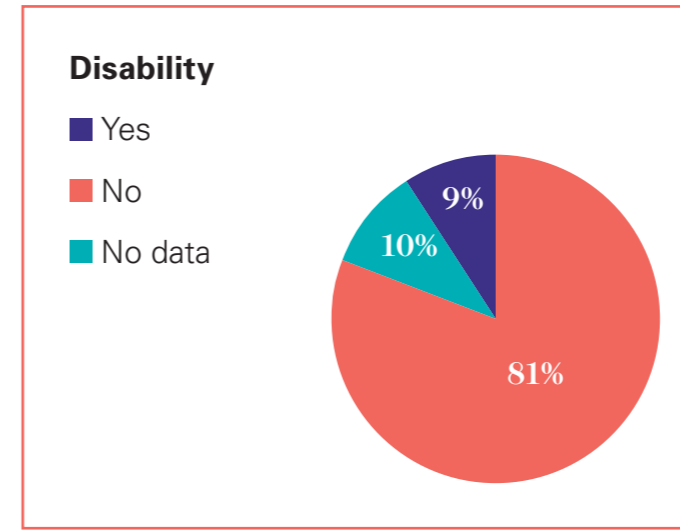


Age profile of employees:  
Age date comparison

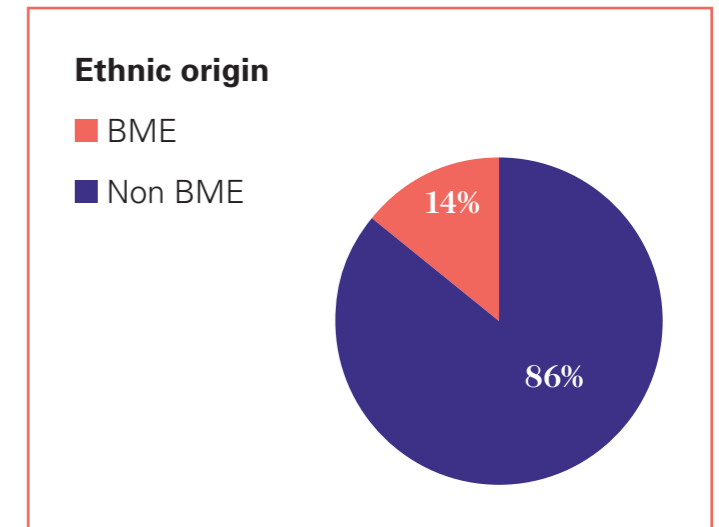
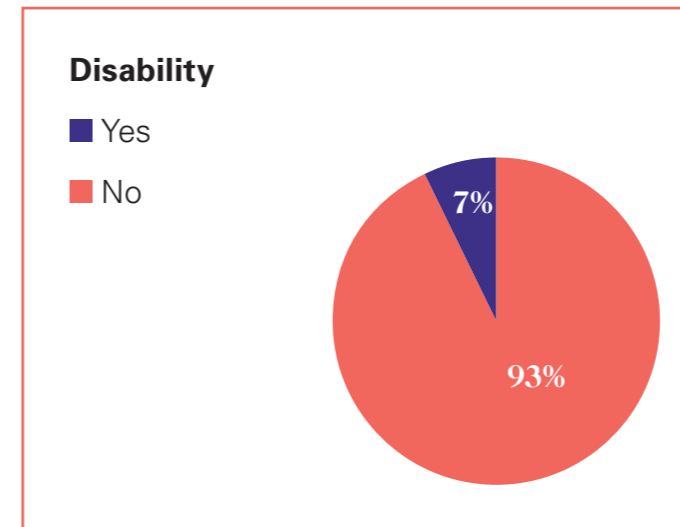


## Diversity statistics relating to members of area and National Council

Diversity data: 68 area council members (excluding chairs) February 2015  
(actual number and percentages)



Diversity data: 14 National council members  
(actual number and percentages)



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# 4. Remuneration report 1 April 2014 – 31 March 2015

The remuneration report covers the whole organisation and the costs have been apportioned to both Grant-in-Aid and Lottery distribution accounts.

## The Remuneration Committee

Arts Council England has a Remuneration Committee for specific matters relating to the remuneration and performance of the Chief Executive and members of Executive Board. The members of the committee during the year were Sir Peter Bazalgette, Peter Phillips (Chair), Sheila Healy, Matthew Bowcock, Alistair Spalding and Nazo Moosa. The committee operates within written terms of reference, and usually meets once a year.

## Council members' remuneration

Our supplemental charters issued in 2002 and 2006 provide us with the authority to remunerate our National Council members, who are also regional chairs, and our Chair. Remuneration amounts are set by the Department for Culture, Media and Sport (DCMS) and agreed by the Charity Commission.

We paid the five members of National Council, who were also chairs of regional councils, remuneration of £6,400 per annum each during 2014/15 (2013/14: £6,400). The Chair's remuneration was agreed by DCMS at £40,000 per annum, however since the date of his appointment he has chosen to be paid at a lower level of £30,000 per annum.

## Executive Board members' remuneration

Increases in salary and other performance related payments to Executive Board members are not under the control of Arts Council England management. Whilst the Chief Executive makes reward recommendations in respect of those staff on the Executive Board, any salary increases and bonus payments to Executive Board members must be approved by the Remuneration Committee.

All performance payments to Executive Board members are normally earned on the basis of exceeding performance objectives and overall contribution to the effective leadership of Arts Council England. This is assessed formally through an annual appraisal process.

In line with the constraints of the government's public sector pay cap, the Remuneration Committee agreed to award executive directors a consolidated cost of living salary increase of 1 per cent in 2014/15. This was the same as the award to all other Arts Council England staff.

Non-consolidated, one-off variable performance payments are normally awarded to some Executive Board members each year for outstanding performance.

In May 2015 the Remuneration Committee agreed that, for their performance for the year ended 31 March 2015, Executive Board members would receive a non-consolidated bonus payment of between £1,000 and £2,000 to be paid in June 2015. In addition to his annual salary, the Chief Executive, who left Arts Council England on 4 January 2015, was entitled to a performance related payment of up to 20 per cent of his annual salary each year, which will be pro-rata for the period of his employment in 2014/15. The Remuneration Committee awarded a bonus of 15 per cent as a reflection of his performance in the year, however, he did not take this bonus, but asked that half of the money be used to create a fund for Arts Council staff and the remaining half to be given as a grant to the Music Momentum Fund, managed by the Performing Rights Society.

The Remuneration Committee also awarded the Acting Chief Executive a bonus of 15 per cent for the period in which she occupied that role, as a reflection of her performance.

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The remuneration of our Executive Board for the year ended 31 March 2015 was:

Member	Salary £000s	Employers' pension contributions £000s	Variable performance payment £000s	Car allowance £000s	Total remuneration 2014/15 £000s	Total remuneration 2013/14 £000s
<b>Alan Davey</b>	<b>121</b>	<b>20</b>	<b>16</b>	<b>0</b>	<b>157</b>	186
Chief Executive (until 4 January 2015)						
<b>Althea Efunshile</b>	<b>138</b>	<b>23</b>	<b>7</b>	<b>0</b>	<b>168</b>	160
Deputy Chief Executive (Acting Chief Executive from 4 January 2015 to 19 April 2015)						
<b>Laura Dyer</b>	<b>101</b>	<b>17</b>	<b>2</b>	<b>2</b>	<b>122</b>	121
Executive Director						
<b>Simon Mellor</b>	<b>103</b>	<b>17</b>	<b>2</b>	<b>0</b>	<b>122</b>	122
Executive Director						
<b>Moira Sinclair</b>	<b>84</b>	<b>14</b>	<b>0</b>	<b>0</b>	<b>98</b>	120
Executive Director (until 30 January 2015)						
<b>Elizabeth Bushell</b>	<b>61</b>	<b>10</b>	<b>1</b>	<b>0</b>	<b>72</b>	96
Chief Finance Officer (on maternity leave from 28 April to 30 November 2014)						
<b>Maqs Patten</b>	<b>98</b>	<b>16</b>	<b>1</b>	<b>0</b>	<b>115</b>	111
National Director, Advocacy and Communications						
<b>Lesley de Courey</b>	<b>53</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>54</b>	16
Interim Director, Finance & Corporate Services (7 April 2014 to 30 November 2014)						

The incoming Chief Executive did not commence his employment until 20 April 2015. His salary on commencement was £142,499 per annum.

The Hutton review disclosure note is the median remuneration of Arts Council England's staff and the ratio between this and the remuneration of the highest paid director. The calculation is based on the full-time equivalent staff at the reporting period end date on an annualised basis.

	2014/15 £000s	2013/14 £000s
Highest paid director's remuneration	137,902	156,075
Median remuneration	30,129	31,450
Ratio	4.57	4.96

Details of the pension entitlements for our Executive Board for the year ended 31 March 2015 were:

Member	Accrued pension and lump sum at 31 March 2015 £000s	Increase in total in year (net of inflation) 2014/15 £000s	Transfer value at 31 March 2015 £000s	Increase in transfer value (net of inflation) 2014/15 £000s	Transfer value at 31 March £000s
<b>Alan Davey</b>	<b>55</b>	<b>6</b>	<b>245</b>	<b>72</b>	173
Chief Executive (until 4 January 2015)					
<b>Althea Efunshile</b>	<b>55</b>	<b>8</b>	<b>275</b>	<b>84</b>	191
Deputy Chief Executive (Acting Chief Executive from 4 January 2015 to 19 April 2015)					
<b>Laura Dyer</b>	<b>137</b>	<b>10</b>	<b>585</b>	<b>176</b>	409
Executive Director					
<b>Simon Mellor</b>	<b>16</b>	<b>5</b>	<b>74</b>	<b>34</b>	40
Executive Director					
<b>Moira Sinclair</b>	<b>50</b>	<b>4</b>	<b>216</b>	<b>70</b>	146
Executive Director (until 30 January)					
<b>Elizabeth Bushell</b>	<b>59</b>	<b>5</b>	<b>214</b>	<b>80</b>	134
Chief Finance Officer (on maternity leave from 28 April to 30 November 2014)					
<b>Maqs Patten</b>	<b>8</b>	<b>5</b>	<b>32</b>	<b>24</b>	8
National Director, Advocacy and Communications					
<b>Lesley de Courey</b>	<b>2</b>	<b>0</b>	<b>45</b>	<b>0</b>	43
Interim Director, Finance & Corporate Services (7 April 2014 to 30 November 2014)					

Lesley de Courey retired on 30 July 2014 and the pension shown above as at 31 March 2015 is the annual pension in payment at this date. A retirement lump sum of £10,387 was paid to her on her retirement date. Both her pension and lump sum benefits were actuarially reduced to reflect early retirement. She left the scheme in May 2013 and therefore accrued no benefits in the plan during the year to 31 March 2015. We have therefore shown no real increases in her benefits or CETV, as changes in her pension amount over the year to 31 March 2015 were not the result of accrual.

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## Transfer Values (TV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A TV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The calculation of the pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement, which the member has transferred to the Arts Council Retirement Plan. They also include any additional pension benefit accrued to the member as a result of buying additional pension benefits at their own cost. TVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction resulting from Lifetime Allowance Tax which may be due when the pension benefits are taken.

## Increase in transfer value (net of inflation) in TV

This reflects the increase in TV that is funded by the employer net of the increase in accrued pension due to inflation. This increase includes contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement or purchased via an Additional Voluntary Contribution contract) and uses common market valuation factors for the start and end of the period.

**Darren Henley OBE**  
Chief Executive  
18 June 2015

**Sir Peter Bazalgette**  
Chair  
18 June 2015

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# 5. Environmental sustainability

The sustainability report covers the whole organisation and the costs have been apportioned to both Grant-in-Aid and Lottery distribution accounts.

Arts Council England is committed to supporting the sector to reduce its impact on the environment. Arts Council England's managed Accreditation scheme requires museums to be environmentally conscious and produce an environmental policy statement that is realistic for the scale of the organisation, and Museum development funding provides support to smaller organisations to improve sustainability with environmental audits and tailored action plans. Detailed information on how Arts Council England is working towards building resilience in the arts and culture sector through environmental sustainability can be found on pages 14 to 15.

Arts Council England itself continues to make reductions in its impact on the environment. This is being achieved by reducing the size of its operational estate. At the beginning of 2014/15 this totalled 7,355m<sup>2</sup>. By the end of the financial year the size of the operational estate reduced to 4,802m<sup>2</sup> a reduction of 35 per cent.

Further reductions in the size of the operational estate are planned in 2015/16.

This report summarises the activities during 2014/15 and highlights changes implemented with a commentary that compares data for the financial years 2012/13, 2013/14 and 2014/15.

## Estate achievements in 2014/15

- Moving our head office to just one floor of the DCMS shared offices in Bloomsbury
- Reduction in the size of the Yorkshire office by selling the Arts Council owned property and moving to a smaller leased property in Leeds
- Continuing a sharing agreement with Big Lottery Fund at our East office in Cambridge
- Downsizing the occupied space in our Brighton office

## Operational estate

The table below sets out Arts Council England's operational estate locations and the size of each office. To ensure consistency with other reports to government, the operational estate is defined as the office space that Arts Council England actively uses in support of its operations. This excludes therefore shared communal spaces with other tenants (stairways, entrance halls, lifts etc).

Office location	2014/15 Size (m <sup>2</sup> )	2013/14 Size (m <sup>2</sup> )	Comment
South East	257	461	Reduction in occupied space
South West	258	258	No change
London	1,048	2,909	Relocated to Bloomsbury in August
East	335	335	No change
West Midlands	791	791	No change
East Midlands	101	101	No change
Yorkshire	212	700	Arts Council property sold and relocated to Leeds
North West	1,669	1,669	No change
North East	131	131	No change
<b>Totals</b>	<b>4,802</b>	<b>7,355</b>	



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## Performance commentary

Changes seen in this year's performance have largely been driven as a consequence of a reduction in the size of our operational estate. Greenhouse gas emissions fell, although this fall was not reflected at the same level in price terms due to increasing energy costs.

## Sustainability data

The following table includes all Art Council offices' recycling data and associated costs:

Waste		2012/13	2013/14	2014/15
Non-financial indicators (tonnes)	<b>Total</b>	279.76	206.84	<b>168.03</b>
	Landfill	113.54	68.17	<b>33.05</b>
	Reused/recycled	166.22	138.67	<b>134.97</b>
Financial indicators	<b>Total</b>	23,230	28,477	<b>23,837</b>
	Landfill	9,841	12,714	<b>6,552</b>
	Reused/recycled	13,389	15,763	<b>17,285</b>

There has been a reduction at the London office in landfill waste of 6.83 tonnes. At the new London office no non-recyclable waste is sent to landfill in line with the arrangement with the local business improvement district. The largest fall in waste came from the Bristol office as a move to new premises in July 2013 has resulted in a 22-tonne reduction in landfill waste.

Greenhouse Gas Emissions		2012/13	2013/14	2014/15
CO <sub>2</sub> (tonnes)	Total Gross Emissions CO <sub>2</sub>	934	635	<b>466</b>
	Gross Emissions Scope 1 (Direct)	310	214	<b>113</b>
	Gross Emissions Scope 2 (Indirect)	624	421	<b>352</b>
Energy Consumption (kWh)	Electricity	1,246,305	944,243	<b>712,597</b>
	Gas	1,675,386	1,164,554	<b>612,871</b>
Financial Indicators (£)	Expenditure Energy	167,851	130,812	<b>113,924</b>

Finite Resource Consumption		2012/13	2013/14	2014/15
Non-financial (m3)	Supplied	5,933.20	4,216.68	<b>2,620.68</b>
	Per Full Time Equivalent (FTE)	10.70	9.55	<b>5.98</b>
Financial Indicators (£)	Water Supply Costs (Office Water)	15,692	11,208	<b>7,880</b>

Travel		2012/13	2013/14	2014/15
CO <sub>2</sub>	Rail	192	130	<b>151</b>
	Air	33	21	<b>18</b>
	Car	121	109	<b>103</b>
	<b>Total</b>	<b>346</b>	<b>260</b>	<b>272</b>
Cost (£)	Rail	636,192	616,644	<b>633,170</b>
	Air	27,395	14,257	<b>17,700</b>
	Car	141,735	132,003	<b>128,336</b>
	<b>Total</b>	<b>805,322</b>	<b>762,904</b>	<b>779,206</b>
Miles	Rail	2,105,900	1,641,459	<b>1,990,295</b>
	Air	157,335	109,930	<b>100,832</b>
	Car	354,339	330,007	<b>320,840</b>
	<b>Total</b>	<b>2,617,574</b>	<b>2,081,397</b>	<b>2,411,966</b>

## Notes

The majority of the data used in the preparation of this report is based on that provided by our suppliers. However at the time of writing (June 2015) in some locations the data was not available. In line with HM Treasury guidance estimates have been made based on the previous quarter actual and in limited circumstances estimates have been based on 2013/14 data. Rail and air travel data relates to all travel booked through our travel management company.

As of October 2013 none of the waste at the Manchester office went to landfill and before this date only 10 per cent went to landfill. The 2012/13 and 2013/14 waste figures have been amended following this new information resulting in a reduction of 92.66 and 88.34 landfill waste tonnes respectively.

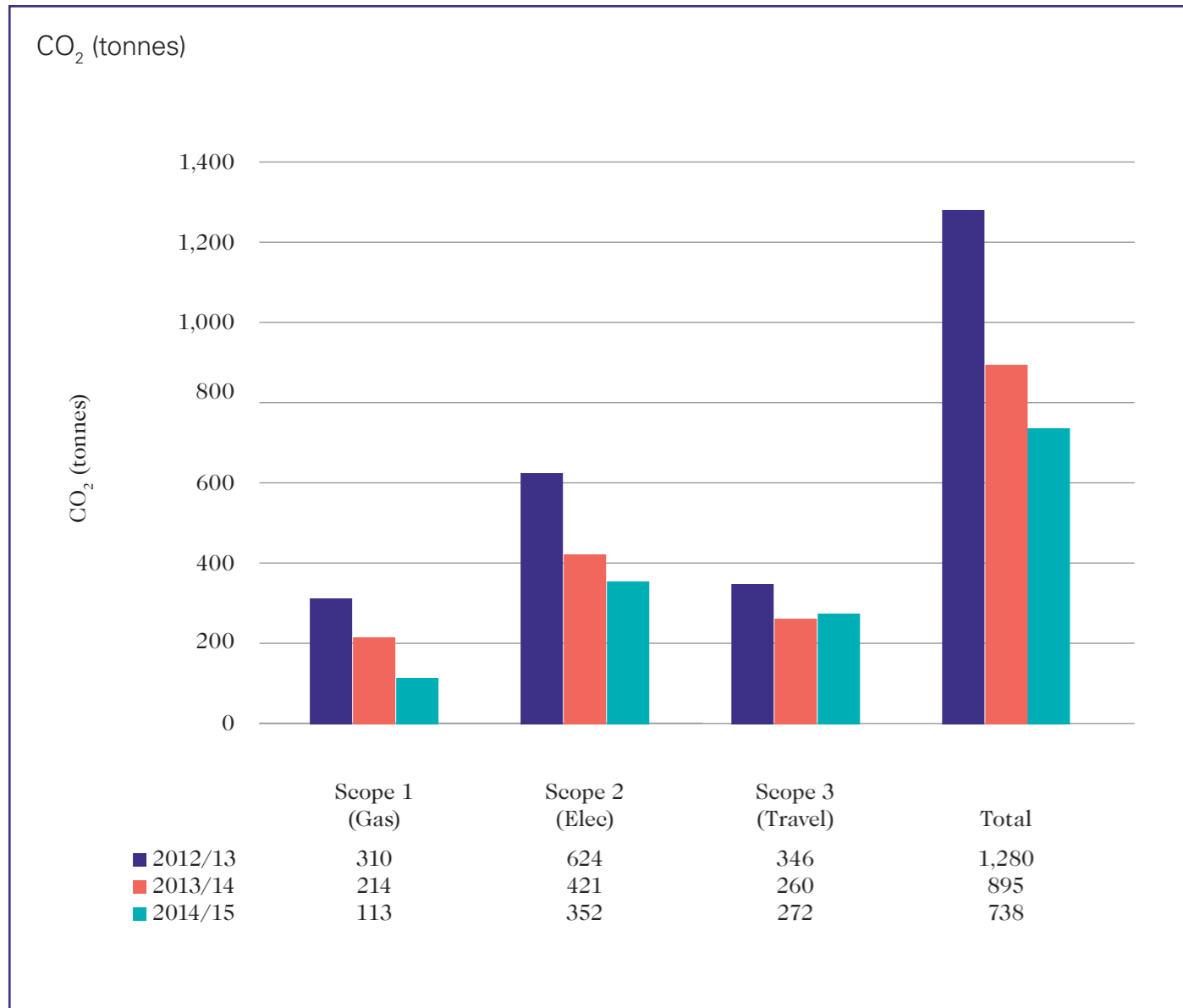
The 2013/14 rail travel data provided to Arts Council by our travel management company used a conversion rate of 0.05816 KgCO<sub>2</sub> per km, however the conversion rate provided by the Carbon Trust was 0.04904 KgCO<sub>2</sub> per km. The 2013/14 figures have been adjusted resulting in a reduction in CO<sub>2</sub> travel emissions from 283 tonnes to 260 tonnes.

2013/14 utility and waste data at the Newcastle office has been reduced to better reflect the percentage of total space occupied at the building during that period. From August 2013 onwards the percentage allocation was 2 per cent rather than 8.12 per cent. This resulted in a 20,794 kWh (£2,733) and 52,946 kWh (£2,167) reduction in electric and gas respectively. There was also a 1.53 (£191) and 3.31 (£406) tonne reduction in 2013/14 landfill and recycled waste.

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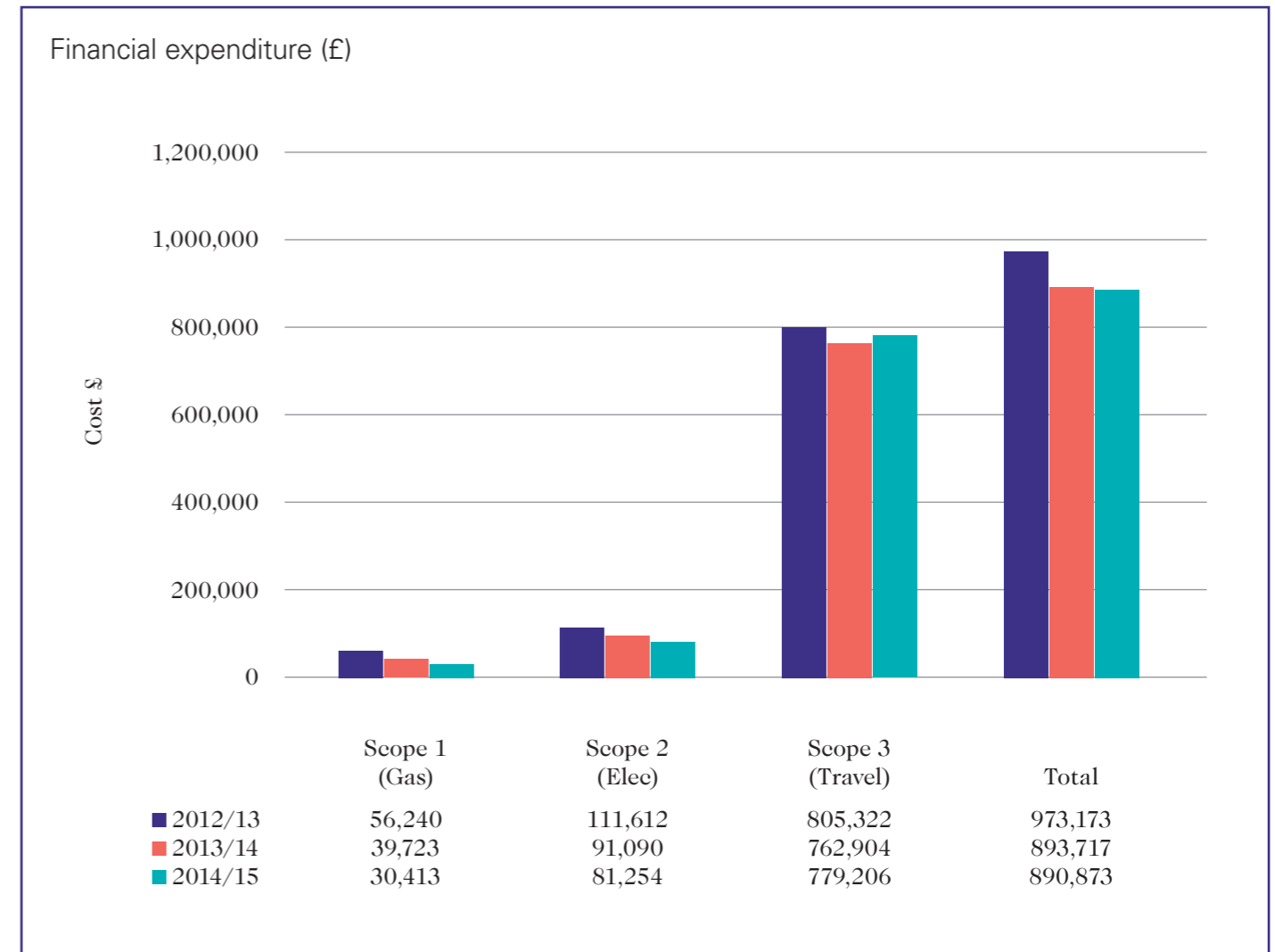
## Sustainability graphs

Graph 1: CO<sub>2</sub> whole estate



A fall in CO<sub>2</sub> emissions was expected in 2014/15 due to further reductions in the size of the operational estate. The move to the new London offices has resulted in a fall in gas and electricity CO<sub>2</sub> emissions of 76 and 26 tonnes respectively. The downsizing in Brighton and Nottingham resulted in a reduction of gas and electricity CO<sub>2</sub> emissions of 17 and 26 tonnes respectively.

Graph 2: Financial indicators, whole estate

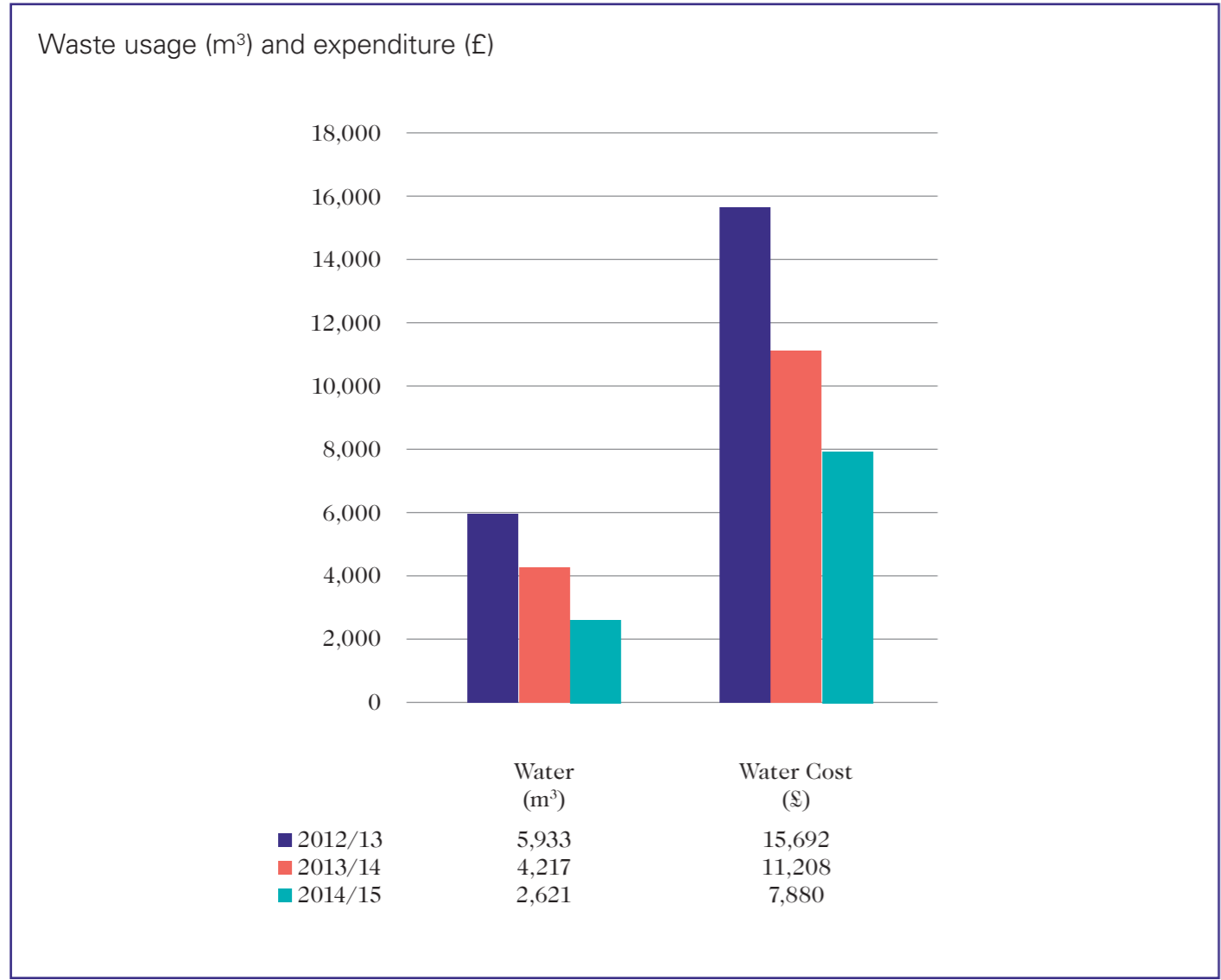


The Arts Council England has achieved a reduction in overall financial expenditure from 2012/13 of approximately 8.5 per cent.

There has been an increase in the use of train travel in 2014/15 when compared to 2013/14, however the mileage is still lower than in 2012/13. Due to the large organisational review during 2013/14 it was expected that travel might be abnormally low in 2013/14. The office moves across the Arts Council's property portfolio in 2014/15 was also expected to increase travel mileage and travel expenditure.

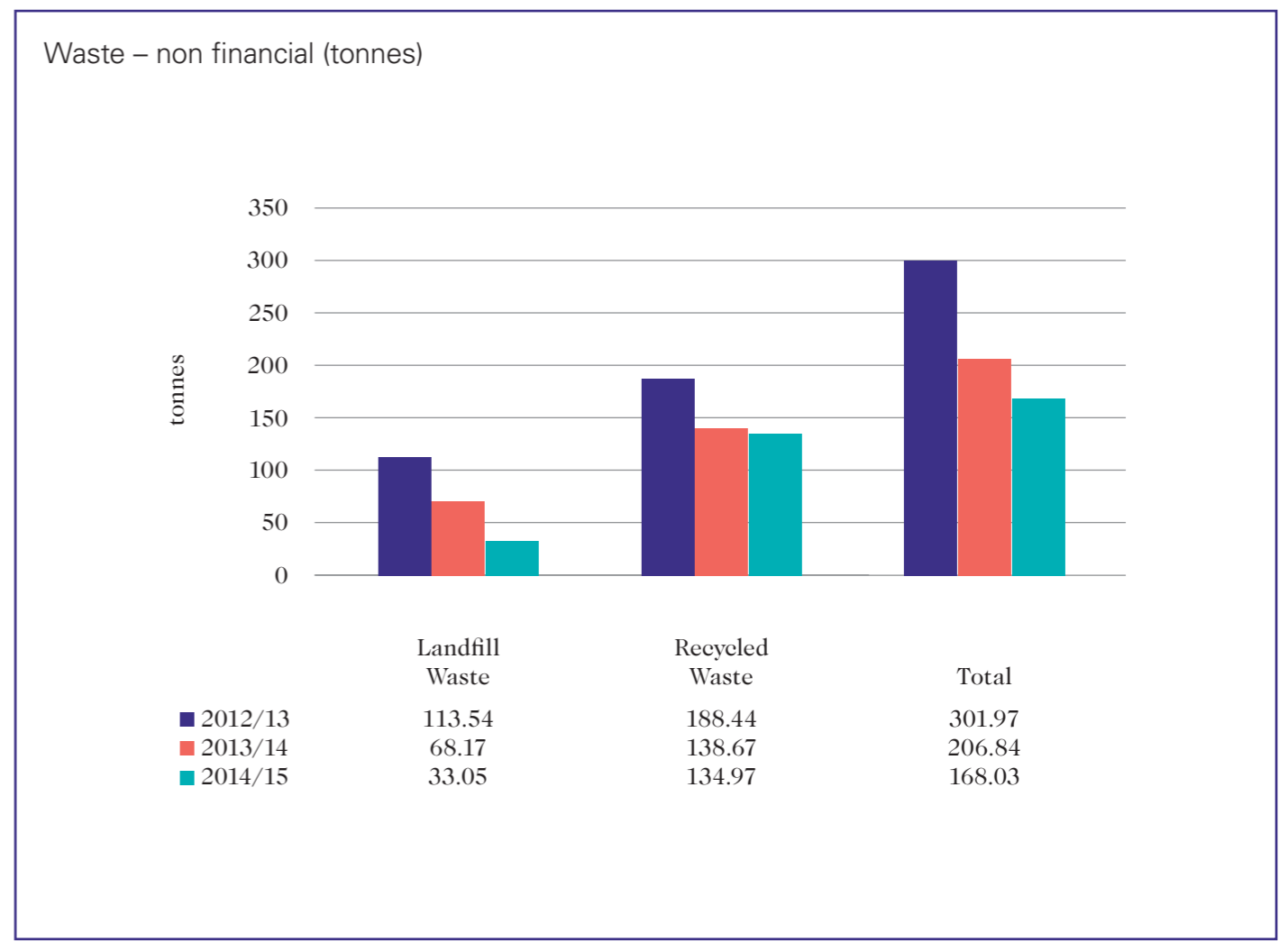
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Graph 3: Water usage and expenditure



The move to the new London office has resulted in a 55 per cent decrease in water usage and a 63 per cent reduction in cost.

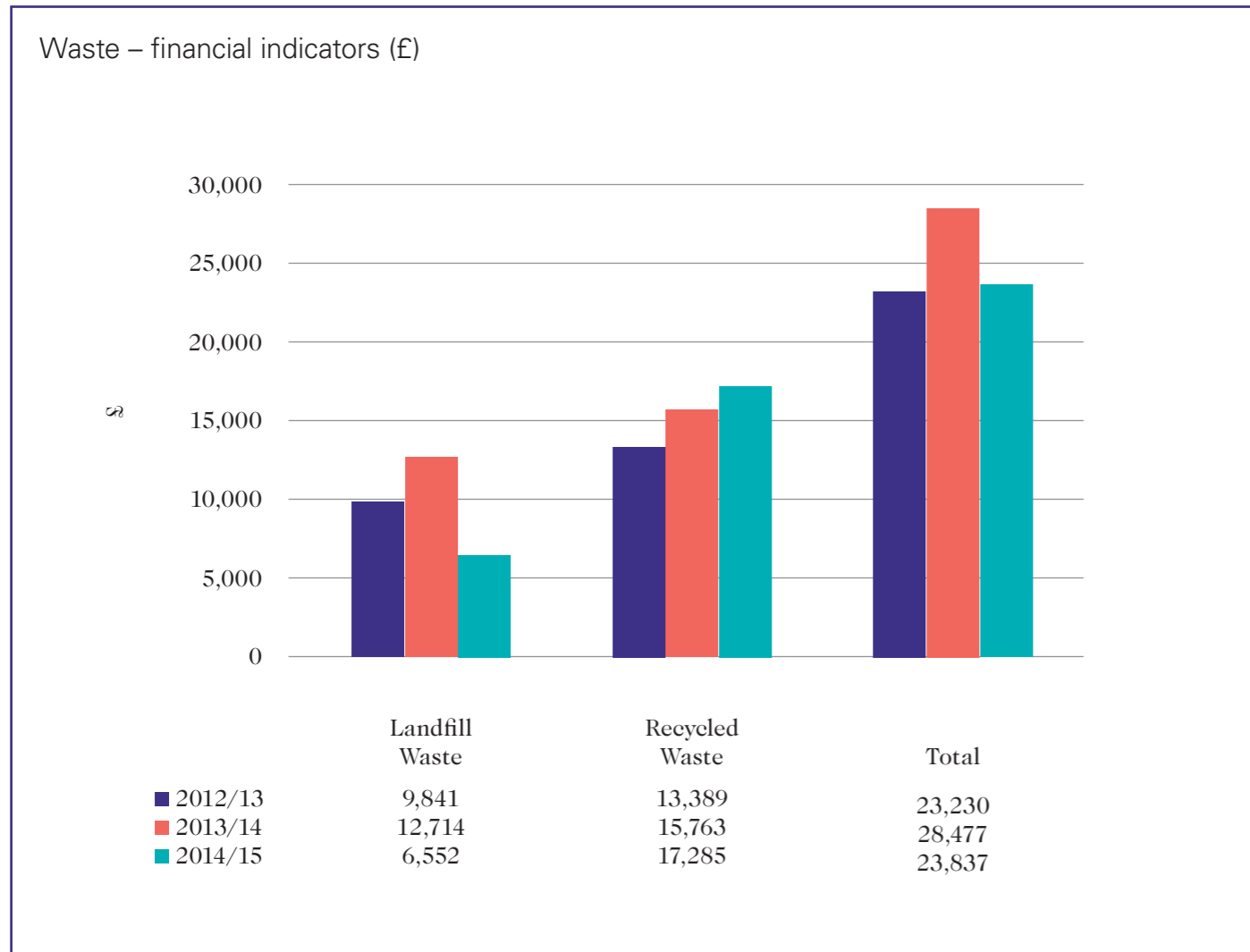
Graph 4: Waste, whole estate



*In 2014/15 it was recognised that 55 per cent of waste collected by Birmingham Council is recycled. The 2012/13 and 2013/14 figures have been adjusted to reflect this, resulting in an increase in recycled waste of 22.22 tonnes and an equivalent fall in landfill waste in both financial years.*

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Graph 5: Waste expenditure, whole estate



## Environmental sustainability policy

Arts Council England published a new environmental sustainability policy in 2013/14. This sets out our guiding principles, how we will judge success and the action we will take.

### Guiding principles

Arts Council England is committed to assessing its environmental impact and influence, taking action to reduce its own impacts and to prepare for environmental impacts, and evaluating and reporting what it does.

### What success will look like

- Principles of sustainability and resilience are embedded in Arts Council England's policy, practices, staff engagement and mindsets. These are at the heart of what we do
- Arts Council England leads by example and is considered a model of good, if not best, practice
- In turn, the arts and cultural sector has increased

### What we will do

- Work to understand and reduce our environmental impact
- Identify priority areas in which we will reduce our environmental impact
- Establish accurate baselines and SMART targets for our environmental impact in these areas
- Actively monitor and manage our work in these areas as part of business continuity, and plan and prepare for environmental change
- Ensure full range of social, economic and environmental aspects – including wider long-term impacts – are taken into account when reaching decisions
- Reflect, learn and improve

## Actions over the next 12 months

- Establish **six-monthly reviews** to assess our progress, and to coincide with other reporting duties. We will actively benchmark our performance and pursue priorities for action identified through the annual State of the Estate report
- **Employee engagement:** explore with internal teams what actions to take to promote employee engagement with environmental sustainability issues, including a review of what we do now and a means of identifying progress in this area
- **Estates:** develop plans to increase the utilisation of our office space to 8m<sup>2</sup> per full time equivalent employee. This will include reducing office space and considering 'homeworking'
- **Waste:** we will establish an accurate baseline, taking account of office moves and other one-off incidents. We will then create a waste strategy and action plan with SMART targets (potentially including a zero-to-landfill policy for example)
- **Travel:** we will review the use of our current initiatives in this area, such as season ticket loans and cycle to work schemes. We will establish the most effective sustainable travel policies

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### Governance statement

Arts Council England was established by Royal Charter on 13 March 1994, taking over those responsibilities in England previously discharged by the Arts Council of Great Britain. The Arts Council of England, trading as Arts Council England, is a registered charity, charity registration number 1036733.

This is a single trustees' report and management commentary, which covers the requirements for both the Grant-in-Aid accounts and the Lottery distribution accounts during the period 1 April 2014 to 31 March 2015.

### Scope of responsibilities

The current objects of Arts Council England as stated in its Royal Charter are to:

- develop and improve the knowledge, understanding and practice of the arts
- increase accessibility of the arts to the public in England
- 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
- advise and co-operate, where it is appropriate to do so, with 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

The Royal Charter is at the core of our mission as reflected in our strategic framework *Great art and culture for everyone*.

Information about our strategic framework, our goals and activities to achieve these, as well as our funding programmes can be found on pages 11 to 19.

### The governance framework

Arts Council England works at arm's length from government and has the status of a non-departmental public body. It is also a registered charity. Accountability to ministers is managed through the usual control mechanisms for arm's length bodies.

Arts Council England is regulated in accordance with a management agreement with the Secretary of State for Culture, Media and Sport. This is supplemented by an agreement for the Provision of Services in Relation to Cultural Objects outlining the statutory framework for delivering the cultural property functions on behalf of the Secretary of State for Culture, Media and Sport. The last management agreement was due to finish on 31 March 2015; however the Secretary of State has advised that this will remain in effect until a new management agreement is put in place.

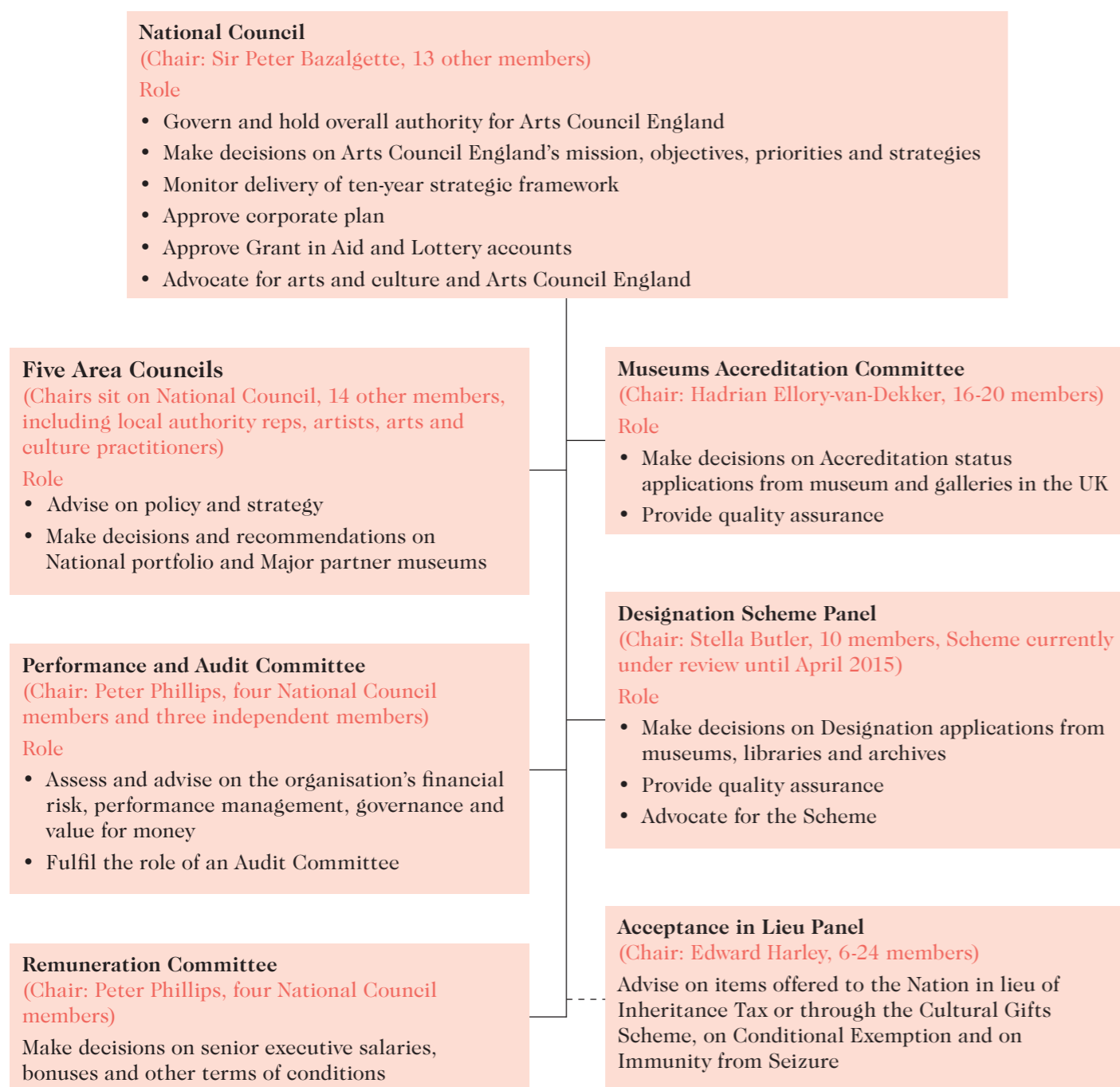
As a registered charity and a chartered body, Arts Council England is also subject to a range of obligations and accountabilities set out in regulations and law. We prepare our accounts for Grant-in-Aid and Lottery distribution separately to comply with accounts directions issued by the Secretary of State and Charity Commission regulations.

Arts Council England is fully compliant with relevant principles around governance best practice for public service and charitable bodies as set out in the *Corporate governance in central government departments: Code of good practice 2011*.

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Arts Council England's governance framework consists of National Council, five area councils, an Executive Board and a number of committees and panels that National Council has delegated responsibilities to as shown below:

## Arts Council England Non-Executive Governance



## The role of National Council

National Council is the non-executive board of Arts Council England. Council members, as charity trustees, retain overall responsibility for the work and conduct of the organisation. This includes responsibility for ensuring the achievement of the objects set out in the Royal Charter. National Council's role and responsibilities are clearly outlined in Arts Council England's governance handbook.

National Council consists of the Chair of Arts Council England and 13 other members with a range of artform and culture experience and expertise, five of whom also chair an area council. Further details on the background and experience of each council member can be found on Arts Council England's website. Members of our National Council are appointed by the Secretary of State for Culture, Media and Sport in line with the OCPA Code of Practice for Ministerial Appointments to Public Bodies. The one exception is the Chair of the London area council who is appointed by the Mayor of

London. National Council members are usually appointed for a four-year term, and may be reappointed for an additional four years.

All members of National Council are required to act in accordance with the Code of Practice for National and Area Council Members, which is contained in the governance handbook. The Code complies with the Cabinet Office Code of Practice for Board Members of public bodies and reflects the 'Seven Principles of Public Life' (Nolan principles), which are also contained in the handbook, and both documents are brought to the clear attention of new members during their induction.

National Council met nine times in 2014/15. Membership of National Council at the date of signing of these accounts and attendance during 2014/15 is set out below.

Maria Balshaw joined National Council on 1 April 2014. Keith Khan retired at the end of his term, on 30 April 2014.

Name	Member	Council appointment	End of appointment	Meetings attended*
1. Sir Peter Bazalgette	Chair, Arts Council England	1 February 2013	31 January 2017	9/9
2. Dr Maria Balshaw	Member of National Council	1 April 2014	31 March 2018	5/9
3. Matthew Bowcock CBE	Member of National Council	1 September 2013	31 August 2017	8/9
4. David Bryan	Member of National Council	1 October 2013	30 September 2017	5/9
5. Professor Jon Cook	Chair, South East Area Council	8 September 2008 (reappointed April 2013)	31 March 2017	8/9
6. Joe Docherty	Chair, North Area Council	25 May 2011 (reappointed April 2013)	31 March 2017	6/9
7. Sheila Healy	Chair, South West Area Council	4 January 2010 (reappointed April 2013)	31 March 2017	7/9
8. David Joseph	Member of National Council	1 September 2013	31 August 2017	6/9
9. Sir Nicholas Kenyon	Member of National Council	3 November 2009 (reappointed April 2013)	2 November 2017	9/9
10. Nazo Moosa	Member of National Council	1 September 2013	31 August 2017	9/9
11. Peter Phillips	Chair, Midlands Area Council	4 January 2010 (reappointed April 2013)	31 March 2017	9/9
12. Alistair Spalding CBE	Member of National Council	26 January 2009 (reappointed April 2013)	25 April 2017	7/9
13. Rosemary Squire OBE	Member of National Council	26 January 2009 (reappointed April 2013)	25 April 2017	7/9
14. Veronica Wadley	Chair, London Area Council	1 July 2010 (reappointed July 2014)	30 June 2017	8/9

\* (of the total meetings held which members could have attended)

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## Other members who served on National Council during the year

Keith Khan	Member of National Council	until 30 April 2014
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### The effectiveness of National Council

Arts Council England recognises that an effective National Council is key to the delivery of its mission.

National Council has arrangements in place to discharge its duties effectively and ensure proportionate yet effective governance, risk management and other systems of internal control.

National Council engages directly with all of the strategic, operational and financial challenges facing Arts Council England and provides leadership for Arts Council England's work.

Members of National Council are appointed by the Secretary of State for Culture, Media and Sport who seeks to ensure that National Council has an appropriate range of knowledge, skills and experience. More than a third of National Council members are female. All newly appointed trustees of the Council receive a comprehensive induction upon joining, so that they are fully briefed and introduced into their role in the organisation. Appropriate training and support is offered to trustees on an on-going basis.

National Council conducted its annual effectiveness review in May 2015. Assisted by the Governance team, this exercise provided the opportunity to consider and appraise its performance in 2014/15. There were two key issues to emerge from the review.

The first concerned its five area councils where members noted that they were functioning better than the previous regional councils but there could still be some improvements. The suggested improvements included:

- better engagement with area council members outside the intense period of National portfolio decisions
- fewer 'one-sized-fits-all' agenda items and more area-specific discussions
- the possibility of more autonomy with some capital decisions
- enhancing the relationship between area councils and the National Council

It agreed to have an in-depth discussion of the issues at its July meeting.

The second was about the composition of National Council, particularly with respect to diversity. It was also noted that the current term of office of a number of council members was due to end in 2017. It was agreed that a succession plan should be drawn up.

### Conflicts of interests

There is a policy on conflicts of interest for members of National and area councils, which is regularly reviewed and explained to new members.

Registers of all council members' interests are maintained and are reviewed by members at the beginning of each meeting; they are available for public inspection on Arts Council England's website.

### Delegation of authority

National Council has established and delegated responsibility to conduct its business to area councils, committees, panels and other bodies.

Written terms of reference for the area councils, the committees and panels are set out in Arts Council England's governance handbook. The handbook was fully reviewed in 2013 to reflect the new governance arrangements.

National Council has approved a scheme of financial delegations and authorities, which sets out the required level of approval or authorisation for financial commitments.

### Area councils

There are five area councils covering the breadth of England and reflecting Arts Council England's operational structure, appointed to assist National Council in developing, championing and investing in the arts and culture.

They support and promote the organisation's mission and objectives by providing advice on draft policies, making funding decisions and acting as advocates for the arts and culture, creating a live connection at an area level.

Each area council consists of 15 members including the chair, who is also a member of National Council. Members have been appointed for various terms to ensure a managed transfer of knowledge and the continued effective operation of area councils. Area councils meet five times a year, and one of these meetings is an away day.

A meeting between all five area councils and the National Council took place in October 2014. This provided an opportunity for members collectively to reflect on the Arts Council's future priorities and strategy in light of the newly announced investment portfolio for 2015-18 and engage directly with major strategic and operational issues and challenges facing the Arts Council and the arts and cultural sector.

### Performance and Audit Committee

National Council has appointed a Performance and Audit Committee to review and report on the systems of risk and internal control, governance and performance management.

The Performance and Audit Committee is chaired by Peter Phillips. It comprises four National Council members and three co-opted independent members with expertise in audit and accounting matters. Sheila Healy stepped down from the committee in September 2014.

All National Council members receive papers and minutes from the Performance and Audit Committee. The Chair of the Performance and Audit Committee provides a report to National Council following each meeting, and as he deems necessary. The Performance and Audit Committee also provides a full report to the Board on their performance once a year.

The key areas scrutinised by the Performance and Audit Committee during 2014/15 included findings from internal audit reviews, the external audit of the annual report and accounts for 2014/15, and the Arts Council's risk management processes. The committee also agreed a programme for internal audit and three-year internal audit strategy and considered progress with implementing changes to the Arts Council's accounting policies to deliver regulatory compliance.

### The effectiveness of the Performance and Audit Committee

The Performance and Audit Committee undertook a self-evaluation of its effectiveness in March 2015. This was informed by a comprehensive skills audit undertaken in autumn 2014 where it was concluded that the committee had members with an appropriate mix of skills and expertise to enable it to fulfil its role. This exercise identified a gap in relation to local government experience and expertise. The committee agreed that this would be addressed in future recruitment. Members agreed that no further changes needed to be implemented to improve the effectiveness of the committee.

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## Remuneration Committee

National Council has appointed a Remuneration Committee to deal with the matters set out in the remuneration report. The Remuneration Committee normally meets annually.

## Appointments to committees

National Council established a temporary Appointments Panel in October 2014 to lead on the recruitment of a new chief executive. The final decision on appointing the new chief executive was taken by National Council. All other decisions on appointing members to area councils, committees and panels were also made by National Council.

## Executive management

National Council has also delegated responsibilities for implementation of its strategy and operational matters to the Chief Executive and Executive Board. The Chief Executive has been authorised by National Council to undertake the day-to-day administration and management of the business and staff of the organisation and is responsible to National Council for those matters.

As Arts Council England's Accounting Officer, the Chief Executive is responsible for its overall efficiency and effectiveness and has responsibility for reviewing the effectiveness of the system of internal control. This review is informed by the internal auditors, the Deputy Chief Executive, executive directors within Arts Council England and comments from the external auditors in their management letter and other reports. The Accounting Officer may, on occasion, be required to give evidence to Parliament's House of Commons Public Accounts Committee.

Executive Board comprises the Chief Executive, the Deputy Chief Executive and five other senior directors. The Chief Executive is appointed by National Council with the approval of the Secretary of State for Culture, Media and Sport.

Executive Board meets formally each month to consider key policy, strategic and operational matters and provide advice to National Council, and it also oversees the financial performance and risk management of Arts Council England as a whole. Appropriate management structures have been created throughout the organisation to assist Executive Board members to oversee their respective departments and areas of responsibility.

Following Alan Davey's departure in December 2014, Darren Henley was appointed to the role of Chief Executive of Arts Council England. He joined the Arts Council on 20 April 2015. Althea Efunshile was appointed Acting Chief Executive and Accounting Officer for the interim period. Lesley deCourcy provided interim cover for Elizabeth Bushell until 30 November 2014. Moira Sinclair left the Arts Council on 31 January 2015. Whilst the position remains vacant, executive responsibilities for London and the South East have been taken on by other Executive Board members.

Written terms of reference and procedures for the Executive Board and its sub-committees have been agreed by National Council.

## Highlights of National Council and its committee reports in 2014/15

During 2014/15, National Council and its committees considered key strategic issues and routine business planning, including:

- the future management of Arts Council England's film, poetry and visual arts collections
- a refreshed approach to equality and diversity
- the approach to supporting resilience and sustainability across arts, museums and libraries over the period 2015-18
- progress being made on Arts Council England's goals
- the latest research on stakeholder perceptions of Arts Council England
- the Arts Council's corporate plan for 2015-18
- the investment portfolio for the period 2015-18, making decisions on grants to 663 National portfolio organisations and 21 Major partner museums for the period 2015-18 of around £1 billion
- the Culture, Media and Sport Select Committee Inquiry into the work of the Arts Council
- changes to the Arts Council's estate in the drive to deliver the efficiency agenda
- Capital grants of around £57 million to 13 organisations under Arts Council England's large capital programme
- Arts Council England's resource position and three-year arts, museums and libraries programme budgets
- the delivery of a formalised agreement between UK partners for the delivery of the Accreditation scheme
- around 555 museum Accreditation applications
- the review of the Designation scheme and the award of Designation to four new organisations as part of the piloting of the new scheme
- items offered through the Acceptance in Lieu and the Cultural Gifts schemes and their allocation to suitable organisations up to the £40 million permitted budget, including the Freud collections of Auerbachs
- matters discussed at Performance and Audit Committee
- Arts Council England's performance against its objectives and its financial performance, including identifying further organisational efficiencies

Further details about National Council's work during the year are available in the minutes from its meetings published on the Arts Council's website.

## Risk management and internal control

### Risk management

National Council ensures there are effective arrangements for internal control including risk management at Arts Council England.

The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of Arts Council England's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and yet economically. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. National Council takes the view that the absolute mitigation of all risks would be undesirable. It believes that it is important that Arts Council England is innovative and can take managed risks in pursuit of its overarching goal of great art and culture for everyone.

The system of internal control has been in place at Arts Council England for the year ended 31 March 2015 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

### System for managing risk

The Department for Culture, Media and Sport (DCMS) has designated the Chief Executive of Arts Council England as Accounting Officer, with clear responsibility and accountability for maintaining a sound system of internal control within the organisation.

Internal audit provides the Accounting Officer with an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the



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organisation's framework of governance, risk management and control.

Risk management forms part of the organisation's ongoing activity and is addressed as a matter of standard practice in its corporate programme and project plans. It continues to be a key element of how Arts Council England monitors its corporate policies and initiatives and is integrated into business planning across the organisation.

Arts Council England has in place a wide range of policies dealing with control issues for corporate governance, financial management (including fraud), project management, health and safety, training and development, information technology and risk management, all of which are reviewed and updated periodically as part of the organisation's business planning process.

Arts Council England operates a range of controls over the funding programmes it operates to ensure the grant funding provided is used for the purposes intended. These controls are designed to be commensurate with the level of risk associated with each funding programme. The controls include ensuring signed funding agreements are in place, monitoring payment conditions before payments are released, reviewing activity returns and regularly monitoring risks to funded organisations.

During 2014/15, Arts Council England continued to manage risk at the strategic, operational, and individual project, programme and activity levels. Following on from a review and updating of its risk management procedures in 2013/14, Arts Council England further revised and provided clarification on its programme risk management processes in 2014/15. The updated procedures were supported by internal

risk management training for Arts Council staff across the organisation.

Also, during 2014/15, Arts Council England participated in a Cabinet Office random sampling exercise on grant payments on our biggest programmes, National portfolio organisations, Major partner museums and lottery capital. The results were reassuring and demonstrated that our controls are robust. While there could be areas for improvement in our processes, the extra resource could not be justified given the low number of errors found and our own fraud log confirms this, as there were only two very minor instances of loss due to fraud in the financial year.

An annual strategic risk workshop is held to identify Arts Council England's key risks. The risks identified are then agreed by Executive Board and assigned to an Executive Board lead and risk owner or 'manager' who will manage mitigating actions and controls thereafter. Progress on implementing relevant controls and mitigating actions on strategic risks is reported on a quarterly basis to Executive Board and Performance and Audit Committee. An update is formally reported to National Council after each Performance and Audit Committee.

The key risks to the achievement of Arts Council England's objectives in 2014/15 are included in the strategic report on page 50.

## Data security and personal data

Arts Council England continues to maintain its performance in responding effectively to information requests, identifying opportunities to proactively disclose information, and embedding good information handling behaviours across the organisation.

There were no significant security incidents involving data at the Arts Council during 2014/15. There were five minor incidents where there was no adverse impact on, or damage to, individuals and therefore we did not report these incidents to the Information Commissioner's Office. The Arts Council dealt with all incidents immediately; full investigations were carried out with recommendations made and accepted.

## Internal audit

The annual programme of internal audit work is carried out by an external firm of accountants to standards defined in the Public Sector Internal Audit Standards. The work of internal audit is informed by the risk register, an assessment of the assurance requirements, particularly on the most significant risks facing Arts Council England, and the key day-to-day processes and systems in place. The annual internal audit plan is based on this analysis. It is endorsed by the Deputy Chief Executive's Operational Management Group and approved by the Performance and Audit Committee.

The internal auditors receive all Performance and Audit Committee papers and attend the audit part of all Performance and Audit Committee meetings. They provide periodic progress reports including the findings of follow-up reviews, building up to an annual report on internal audit activity. This annual report includes the internal auditors' opinion on the overall adequacy and effectiveness of the systems that internal audit have reviewed. The Performance and Audit Committee reviews and discusses the progress report and the annual assurance report.

Internal audit services are being provided by Mazars. They were awarded the internal audit contract in March 2014 for an initial period of three years.

In their Annual report Mazars stated that, in their opinion, *"On the basis of our audit work, we consider that Arts Council England's governance, risk management and internal control arrangements are generally adequate and effective. Certain weaknesses and exceptions were highlighted by our audit*

*work, none of which were fundamental in nature. These matters have been discussed with management, to whom we have made a number of recommendations. All of these have been, or are in the process of being addressed, as detailed in our individual reports."*

## Review of effectiveness of internal control

The Accounting Officer and the Chair of Council, as the representatives of the Trustees, have responsibility for reviewing the effectiveness of the system of internal control. This review of the effectiveness of the system of internal control is informed by the work of the internal auditors with the executive managers within Arts Council England who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. National Council and the Performance and Audit Committee have advised on the implications of the outcome of our review of the effectiveness of the system of internal control. A plan to address weaknesses and ensure continuous improvement of the system is in place.

## Assessment of the effectiveness of internal control during 2014/15

Progress in achieving objectives set in the strategic corporate plan is monitored by the Executive Board and National Council.

For 2014/15, internal auditors reviewed the following areas:

- core financial systems
- payroll and expenses systems
- implementation of grant management system
- insurance
- SAP data migration (new finance system)
- risk management
- business continuity planning
- estates and asset management
- area reviews

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- performance management
- follow-up on previous years' recommendations

Where weaknesses have been identified during the course of internal audit's work, the findings and the action that management have taken to address key weaknesses are reported to the Performance and Audit Committee.

One control weakness considered serious enough to have a significant potential impact on the achievement of the Arts Council's future operational intentions was found in the review of business continuity planning. A considerable amount of work has been carried out in this area since the review and the weaknesses identified are being addressed by management or have already been resolved.

Throughout 2014/15 we monitored our strategic, operational and project risks in accordance with our risk management policy. We also continued to revise and refine our risk management policies and procedures.

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

## Corporate information

### Principal address as at 31 March 2015

21 Bloomsbury Street  
London, WC1B 3HC

### Banker

Co-operative Bank  
78-80 Corn Hill  
London, EC3V 3NJ

### Auditor

Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London, SW1W 9SP

### Administrators, actuaries and investment advisers to the Arts Council Retirement Plan

Hyman Robertson LLP  
20 Waterloo Street  
Glasgow, G2 6DB

### Administrators, actuaries and investment advisers to the West Yorkshire Pension Fund

Aon Hewitt  
25 Marsh Street  
Bristol, BS1 4AQ

### Solicitors

A number of specialised solicitors have been appointed to our external solicitor pool.

**Darren Henley OBE**  
Chief Executive  
18 June 2015

**Sir Peter Bazalgette**  
Chair  
18 June 2015

### Matters of interest

#### Changes to our organisation during 2014/15

Other significant changes that have occurred during 2014/15 involve the implementation of new business systems and a reduction in our property holding. During 2014/15 staff based in London relocated from our office in Great Peter Street to 21 Bloomsbury Street. This property is shared with six other government agencies and, as a result of the shared arrangements, is

anticipated to generate savings of £60 million in total for the taxpayer. During 2014/15 staff also vacated our premises in Dewsbury to relocate to Marshalls Mill, a new site in Leeds. The sale of the Dewsbury premises has been approved and completed in April 2015.

The implementation of a new finance system, which commenced during 2013, was finalised during 2014. Implementation of a new grant management system, which also commenced during 2013, is currently ongoing and is expected to launch during 2015/16.

This year was also the first full year post our organisational review, which was implemented in July 2013. As a result of all of those changes, support costs have fallen from £32.7 million in 2013/14 to £30.2 million (see consolidated activities table on page 55).

## Human resources update

Following the high turnover of staff roles, responsibilities and numbers in the 2013 organisation review, the 2014/15 period has seen the organisation working to ensure the new roles, teams and processes cohere in an effective and productive way. Voluntary staff turnover has been stable at 8.6 per cent in 2014/15 (2013/14: 9 per cent).

Following Chief Executive Alan Davey's departure to the BBC, a new Chief Executive, Darren Henley, was successfully recruited in December. He commenced in post on 20 April 2015. During the interim period following both the departure of Alan and that of Executive Director, Moira Sinclair, their senior responsibilities in the structure have been filled entirely from within the existing staff base. While Althea Efunshile stepped up to take on the Chief Executive role between December and April, a number of other Directors backfilled her responsibilities on a temporary basis.

In July 2014 all Arts Council staff were asked to complete a survey to measure levels of employee engagement and other important aspects of their working experience in the context of the still relatively new organisation structure. It had a 77 per cent response rate.

Using responses to benchmark questions on staff engagement which had been used in similar internal surveys across the previous six years, it showed that the positive responses from staff on these exceeded in most cases those provided for the same questions in the previous survey, held in December 2013. For example, 71 per cent of staff rated the Arts Council as a good place to work compared with other organisations (December 2013: 65 per cent), 63 per cent said they were satisfied with their present work (December 2013: 56 per cent), and 81 per cent said they understood how their job contributed to the Arts Council's mission (December 2013: 71 per cent).

Staff feedback on the triennial investment process in the same survey reported back that the workloads involved had been considerably better managed than in the same 2011 programme and the great majority of staff respondents provided positive opinion scores for its co-ordination, communication of objectives, clarity of purpose and team-working ethos.

A further sign of the new organisation structure bedding in came with improved positive scores from staff on being clear about the purpose of their job role (70 per cent in July 2014 versus 34 per cent in December 2013) and the extent of their personal accountability (67 per cent in July 2014 versus 29 per cent in December 2013). There was also strong positive feedback from staff on how the new area structures are working together.

A key shift in the Arts Council's internal structure, which arose from the 2013 organisation review, was the introduction of cross-organisational teams based around artform disciplines. The summer 2014 staff survey feedback showed most of these teams, composed of relationship managers from different areas of the country, were cohering and developing well, albeit still with room for improvement. A series of 'matrix working' workshops will be convened for all staff in spring/summer 2015 to embed good practice further. More internal focus on project management resources and training will also assist this. While there are no plans for major restructuring of teams in 2015/16, we see

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a key challenge for our people and culture management in the year as further fine tuning of staff roles, responsibilities and priorities takes place to meet the changing strategic objectives of the organisation and the significant reduction in staff resource which took place in 2013.

The organisation has to comply with strict requirements around salary bill growth and worked within the 1 per cent maximum increase in overall paybill permitted by the government pay remit for 2014/15. This also means that increases to headcount have been minimal – the Arts Council is working within the parameters of its people structure established in the 2013 organisational review.

The performance management process for staff – in which annual objectives are set and reviewed at year end – will continue to be a key driver for organisational change and personal development. With the development of further organisational performance reporting metrics in 2014/15 the greater alignment between individuals' objectives and those of the organisation should continue.

Sickness absence rates remain low, at 1.2 per cent in 2014/15 (1.6 per cent in 2013/14). Another positive indicator is the low level of formal employee relations cases during the year. There were no employment tribunal claims received in the year.

In terms of representation levels of some diverse groups within the workforce, the proportion of our current staff (at 31 March 2015) who classify themselves as lesbian, gay, bisexual or transgender is 9.5 per cent (2013/14: 9.4 per cent) the proportion of disabled staff is 3.3 per cent (2013/14: 3.2 per cent) and the proportion of our staff who classify themselves as Black or other minority ethnic is 12.4 per cent (2013/14: 12.6 per cent).

More formally, Arts Council England recognises the trade union Unite for consultation and collective bargaining, with well-established consultative arrangements. The National Joint Consultative and Negotiating Committee (NJCNC) handles negotiations about employee reward and benefits, employment terms and policies. The NJCNC is supported by Local Joint Consultative and Negotiating Committees, organised around our area teams and head offices.

Key changes to employment policies in the year under review have been the refresh of the recruitment policy to a model which provides greater opportunities for internal promotion and a reduced spend on external assessment providers. The suite of family leave policies now accommodate the introduction in law of shared parental leave.

## Objectives and activities for the public benefit

The Royal Charter is at the core of our mission. This mission, as reflected in our strategic framework *Great art and culture for everyone*, represents what Arts Council England is for, and reflects why John Maynard Keynes set up the Arts Council in 1946, 'to give courage, confidence and opportunity to artists and their audiences'.

Information about our strategic framework, our goals and activities to achieve these, as well as our funding programmes can be found on pages 11 to 19.

*Great art and culture for everyone* has informed the design of the National portfolio organisations and Major partner museums investment programme for 2015-18 which was launched in January 2014.

## Grants to locally governed organisations

All grants awarded by Arts Council England are subject to funding agreements with clearly laid out terms and conditions. We satisfy ourselves that relevant conditions are met before payment is made.

## Ministerial directions

A new Lottery Accounts Direction was issued by the Secretary of State on 8 December 2014. This is available to view at [www.gov.uk/publications](http://www.gov.uk/publications)

## Public sector information

On 1 April 2009 Arts Council England became a provider of official statistics under the extended scope of the Statistics and Registration Act 2008. This means that when Arts Council England produces, manages and disseminates official statistics we strive to abide by the Code of Practice for Official Statistics published by the UK Statistics Authority in January 2009.

The code sets out a number of important principles and practices to ensure that the official statistics meet the needs of government and society and are both trustworthy and trusted.

## Better Payment Practice Code

We attempt to abide by the Better Payment Practice Code, and in particular pay bills in accordance with our contracts. Invoices are normally settled within our suppliers' standard terms, usually 30 days, and we aspire to settle invoices within 10 days. During 2014/15, 81 per cent of invoices were paid within 30 days (2013/14: 85 per cent) and we paid 35 per cent of invoices within 10 days (2013/14: 32 per cent).

## Joint arrangement

TheSpace CIC, (registered address Somerset House, South Wing, Strand, London, WC2R

1LA) is a community interest company (CIC) which was established on 22 August 2012 in order to run TheSpace project once its pilot phase had been completed.

The company's activity aims to provide benefit to all sectors of the community by providing access via a range of digital platforms to high quality artistic and cultural experiences. This will bring arts and culture directly into people's homes or a place of their choosing, putting them in control of when and how they access arts and cultural experiences and ensuring that cost and geographical location are not barriers to access. TheSpace will help to develop individuals and organisations within the arts and cultural sectors so that they are better equipped to meet the opportunities presented by the fast-moving digital environment and better serve their audiences. It will also encourage more sustained and better quality engagement with new and archival arts and culture via digital media from a wide range of audiences.

In May 2013, the Secretary of State confirmed that Arts Council England could provide Lottery funding to TheSpace subject to our assurance that a further award of Lottery funding beyond this £8.1 million will not be made, until altered governance arrangements for TheSpace beyond an initial three year period were in place such as to remove Arts Council England's direct involvement.

As at 31 March 2015, there are two Arts Council England employees on TheSpace CIC board. In addition, two BBC employees are directors. The board's independent director resigned on 23 February 2015 and options are currently being considered for a replacement. During 2014/15 all board meetings held and decisions made by TheSpace CIC board were on a 50/50 basis between Arts Council England and BBC staff. A member of staff from Arts Council England and a member of staff from the BBC resigned from the board in February 2013. It is the intention to appoint further independent directors in the coming financial year and to ensure parity between BBC and Arts Council England directors.

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# 7. Strategic report

The strategic report is prepared as part of, and continuation of, the Trustees' report and management commentary.

## Achievements and performance

This information comes from the annual survey completed by 689 National portfolio organisations in 2014/15 for the financial year 2013/14 and 685 completed surveys in 2013/14 for the financial year 2012/13.

**An increase in contributed income in National portfolio organisations 2012-15 (Contributed income is the same as 'charitable income' and includes sponsorship, donations, private giving and trusts and foundations)**

2012/13: £158,720,516

2013/14: £173,890,985

**Ratio of charitable giving to Arts Council grant**

2012/13: 47%

2013/14: 45%

**An increase in the amount of activity made available to audiences digitally through National portfolio organisations**

2012/13: 39.3% per organisation

2012/13: 75.7% of organisations reported an increase in unique visitors

2012/13: 34.5% had available digital content

2013/14: 55% per organisation

2013/14: 61.7% of organisations reported an increase in unique visitors

2013/14: 38.5% had available digital content

**Sustained attendance/visitor numbers in National portfolio organisations and Major partner museums over the period 2012-15**

2012/13: 105,990,467 – combined figure for known and estimated attendances to performances, exhibitions and film screenings in England

2013/14: 113,765,295 – combined figure for known and estimated attendances to performances, exhibitions and film screenings in England

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## Financial review

### Grant-in-Aid

Arts Council England receives Grant-in-Aid from the Department for Culture, Media and Sport (DCMS).

DCMS provided Grant-in-Aid of £449 million for the year (2013/14: £461 million), which included £13.3 million of capital funds to allocate as grants. It also included funding via the Department for Education of £65 million (2013/14: £67 million) to support the implementation of the recommendations in the Henley reviews of music and cultural education and in 2014/15 we also took on the Booktrust programme. In addition we received £0.5 million (2013/14: £1 million) of grants and donations for specific strategic projects from a number of organisations detailed in note 3 of these accounts.

During the year we awarded grants to our National portfolio organisations of £312 million (2013/14: £311 million). In addition, we spent £47 million (2013/14: £56 million) through grants and direct expenditure on strategic initiatives and £74 million (2013/14: £72 million) on restricted activities, mainly Music education hubs.

As a non-departmental public body, we have a duty to stay within our departmental expenditure limits (DEL) budgets set by DCMS, irrespective of how the financial statements then translate when prepared under the Charities SORP.

Our provisional out-turn against our revenue DEL budgets, set by DCMS, is a £0.1 million under spend (2013/14: break-even). However, the statement of financial activities shows net incoming resources for the year of £2.5 million (2013/14: £4.7 million) on unrestricted funds

after exceptional items. The difference between our performance against our DEL and the net incoming resources for the year of £2.5 million is wholly attributable to the treatment of provisions (which include the West Yorkshire pension liability), ie new provisions and unutilised provisions are not included within our DEL totals until they are utilised. This does not match the accounting treatment, but is consistent with HM Treasury's Consolidated Budgeting Guidance.

At 31 March 2015, Arts Council England had unrestricted reserves of £11.7 million (2013/14: £11.2 million) together with £1.3 million (2013/14: £1.5 million) restricted reserves. Our policy on reserves has been to ensure that we hold sufficient funds to maintain liquidity, to cover unforeseen short-term cash requirements and to cover planned future expenditure. We review this policy and our reserves position annually. However, our use of reserves is restricted by the government's budgetary controls, which means that we would require DCMS approval to use our reserves if it were necessary to do so.

In July 2013 the 2013 spending round negotiations for 2015/16 were announced. Funding for DCMS was reduced by 7 per cent in real terms but funding for the arts was protected and only cut by 5 per cent. The funding settlement was for the financial year 2015/16 only and our Grant-in-Aid budget was confirmed at £372.8 million. However, the 2013 autumn statement announced a further reduction of £4 million in cash terms. With the addition of Booktrust in 2014/15 of £5.4 million, our 2015/16 baseline budget now stands at £374.2 million.

On 22 July 2014, the Department for Education announced that an additional £18 million would be made available to support music education in 2015/16. Of the £18 million, £17 million will be

made available to music hubs, bringing the total to £75 million in 2015/16.

In September 2014 the Chancellor announced £1.8 million funding to boost business and cultural links between China. Helping to make the works of Shakespeare, our greatest playwright and poet, more accessible to the billion people living in China.

In the 2015 budget, it was announced that Arts Council England would receive £7.4 million funding to ensure access to free wifi in every library in England. As well as improving the public library digital offer, this will open up new partnership opportunities for libraries in providing digital services from which their users will benefit.

On 24 March 2015 the Government announced that an additional £1 million would be allocated to Battersea Arts Centre, via Arts Council England, to support important redevelopment work after it sustained fire damage. This gives Arts Council England a total budget of £470 million in 2015/16.

As part of the Chancellor's pre-election pledges, the Arts Council was given funding in 2015/16 specifically for:

	£m
Yorkshire Festival	0.500
Turner Prize Hull	1.500
Factory Manchester	5.550
Seachange	0.100
Captain Cook Birthplace Museum	0.500
North Tyneside – Hadrian's Wall and Roman Baths	0.500
Muni Theatre	0.056
<b>Total additional funding</b>	<b>8.706</b>

The Chancellor also pledged £5.18 million for the Colston Hall redevelopment in 2017/18.

After the election, on 4 June 2015, HM Treasury announced the savings to be found from government departments, with Arts Council receiving an in-year cut of 0.35 per cent or

£1.4 million in cash terms. This gives Arts Council England a total budget of £470 million in 2015/16.

Fees paid to the National Audit Office for Grant-in-Aid audit services during 2014/15 were £80,000 including VAT (2013/14: £80,000 including VAT).

Full details in relation to financial instruments are given in note 26 to the Grant-in-Aid accounts.

### Lottery distribution

Arts Council England is one of the bodies designated to distribute funds from the National Lottery by the National Lottery etc Act 1993 (as amended by the National Lottery Act 1998).

New Lottery grant commitments in the year totalled £396 million (2013/14: £177 million *restated*). The increase in new commitments is due to the three year cycle in which we offer grants to our National portfolio organisations. The grants for the period 2015-18 totalling £207 million were shown as full commitments in 2014/15 as they met the criteria for being included as commitments, even though the actual cash payments will happen over a three year period.

At year-end, a total of £449 million (2013/14: £288 million *restated*) accepted grant commitments remained outstanding and awaiting payment. This compares with a balance in the National Lottery Distribution Fund, plus bank balances, of £331 million (2013/14: £302 million). We monitor levels of Lottery income closely, and the level of outstanding grant commitments is considered sensible, based on past and projected income flows, given that £207 million of those commitments are known to be equally spread over a three year period.

At 31 March 2015, our balance in the National Lottery Distribution Fund account was £326 million (2013/14: £287 million). This year the National Lottery Distribution Fund balance has increased in line with our long term cash forecasts, due to the nature of the grant programmes committed against and the timing of cash outflows.

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Actual proceeds received in 2014/15 were £2 million higher than originally forecast and proceeds included approximately £20 million of funds from the Olympic Lottery Distribution Fund, which was our share of proceeds from the sale of the Olympic Park.

Taking these factors into consideration we believe that our Lottery financial model should preserve a balance of at least £50-80 million in each year over the period to 2017/18. This is the equivalent of approximately three to four months' worth of income or cash payments which we feel is sufficient to mitigate the risks involved while ensuring that we commit to as high a value of Lottery grant programmes as possible. We may also choose to build up our Lottery balance for a particular reason, for example to enable the launch of a new capital programme where a significant budget is required in one financial year. However as a general principle we would not allow our balance to exceed one year's worth of income. We review this policy annually and may either revise this figure upward or downward based on our assessment of the risks.

The other element of risk mitigation we consider is the level of commitments we feel able to enter into in advance of receiving the income into the National Lottery Distribution Fund. We have been encouraged by DCMS to adopt a policy of entering into commitments in advance of receiving the income. We are able to do this because of the time lag on some of our programmes between entering into the grant commitment and actually paying out the cash to the recipient. This time lag varies and so the appropriate level of commitment will depend on the mix of our programme budgets and their cash flow profiles. This approach introduces another element of risk to our Lottery activities,

as future income is not certain. We therefore have a policy that our balance sheet at the end of a financial year will not show commitments in excess of the assets we currently hold of more than the forecast income level for the following year.

Further details of the activities and policies of Arts Council England are included in the National Lottery report 2014/15 (see pages 118 to 133).

Full details in relation to financial instruments are given in note 18 of the notes to the Lottery distribution accounts. Fees paid to the National Audit Office for Lottery external audit services during 2014/15 were £64,000 (2013/14: £64,000).

## Consolidated activities

We prepare separate accounts for our Grant-in-Aid and Lottery distribution as required by the Secretary of State for Culture, Media and Sport. We do not prepare a full set of consolidated accounts due to the differing accounting policies we are required to follow under the two separate accounts directions. However, to give a better understanding of our activities, we have prepared the following summary results for the two accounts combined for the 2013/14 and 2014/15 financial years.

	2014/15 £000s	Restated 2013/14 £000s
<b>Income</b>		
Grant-in-Aid income	449,371	460,721
Share of the National Lottery Distribution fund	273,289	230,800
Investment returns on the Distribution Fund	1,101	1,083
Other income	1,083	2,058
<b>Total income</b>	<b>724,844</b>	<b>694,662</b>
<b>Expenditure</b>		
Net Grant-in-Aid grant commitments	432,653	439,511
Other Grant-in-Aid arts expenditure	2,815	2,604
Net Lottery grant commitments	210,176	196,344
Support costs	30,169	32,738
<b>Total expenditure</b>	<b>675,813</b>	<b>671,197</b>
<b>Net (outgoing)/incoming resources</b>	<b>49,032</b>	<b>23,465</b>
Net gains on investments	(19)	24
Gain on revaluation of heritage assets	2,989	15,387
Actuarial gains/(losses) on defined benefit pension schemes	(1,683)	(1,090)
	1,287	14,321
<b>Net movement in funds</b>	<b>50,319</b>	<b>37,786</b>
<b>Consolidated reserves brought forward</b>	<b>184,288</b>	<b>146,503</b>
<b>Consolidated reserves carried forward</b>	<b>234,607</b>	<b>184,288</b>

The above figures for net Lottery grant commitments include an accounting policy adjustment to reflect Grant-in-Aid accounting policies (note 1). This has the effect of decreasing net grant commitments compared with the figures in Lottery distribution accounts by £178.4 million in 2014/15 (2013/14: increase of £28.6 million).

Administration costs in 2014/15 for Grant-in-Aid and Lottery combined totalled £30 million compared with £32 million in 2013/14 (excluding one off IT costs). Overall, administration costs are 4.4 per cent of income (2013/14: 5.5 per cent).

Grant-in-Aid administration (excluding one off IT costs) totalled £11 million, which is 2.95 per cent of income (2013/14: 4.1 per cent). Lottery administration (excluding one off IT costs) totalled £18 million of income, which is 6.5 per cent of income (2013/14: 7.3 per cent). The split over the two income streams continues to reflect the level of activity in Lottery investment compared to Grant-in-Aid.

## Plans for the future

Between 2015 and 2018, Arts Council England will invest a projected £1.1 billion of public money and an additional £630 million of income from the National Lottery in the arts and culture sector. We offer three main types of investment:

- funded organisations: we provide funding to a portfolio of 663 arts organisations and 21 regional museums across the country to enable them to deliver their business plans and advance our five goals
- Grants for the arts: this is a continuous programme open to applications for smaller sums of funding from individual artists, arts organisations, museums and libraries for a wide variety of arts projects

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- strategic investments: we use targeted strategic investment to assist our development role by addressing specific challenges and exploiting opportunities for the sector. This includes investment in capital projects to support resilience

We will also be evaluating our progress towards delivering our five goals, using the success measures outlined in the 'green book'. The results will be published in a mid-strategy review later in 2015.

## Principal risks and uncertainties

The key risks to the achievement of Arts Council England's objectives in 2015/16 included:

- risk of adverse spending review settlement. This has been mitigated by modelling a variety of spending review scenarios and ensuring appropriate plans are in place for each
- risk of increased volatility in Lottery income and income in 2015-18 lower than expected. This has been mitigated by having a formal Lottery balance policy which should help us smooth out any volatility in Lottery income flows and which was approved by National Council in June 2015. We have also introduced an annual review of Lottery programme budgets to consider if they need to be varied
- risk of further and significant cuts in local authority funding for arts and culture destabilising the arts and culture ecology in England. We monitor the situation closely and use this intelligence to support our decision-making during the 2014 portfolio investment process. We also engage with local government representative bodies (Core

Cities, CLOA, National Culture and Leisure Forum) and professional bodies (Museums Association, AD:uk) to explain the investment process

- risk of the Arts Council's strategic goals for museums being jeopardised through insufficient resource or funding. We will mitigate this by working with the Heritage Lottery Fund to develop a strategic approach to the deployment of our respective funding for regional museums. The Arts Council and the Heritage Lottery Fund now have regular meetings at senior level to share information and explore areas of potential collaboration and alignment. There is increasingly effective information exchange at an operational level
- risk of changes to regulatory requirements impacting on the Arts Council's plans and changes in requirements causing disruption. This has been mitigated by close communication with our external auditors KPMG and the National Audit Office and DCMS regularly on a number of issues, and seeking their proactive advice on issues of concern
- risk of a widespread perception that the Arts Council does not allocate its resources fairly leads to a significant loss of public and other key stakeholder support for the Arts Council and the work that it does. We have demonstrated our thought leadership in this area through publications and statements that underline our commitment to achieving a national arts and culture ecology. This includes *This England*, statements in response to publications from the GPS Culture Group, our submission and evidence to the CMS Select Committee, and speeches by our Chair and Chief Executive

## Statement of Trustees' and Chief Executive's responsibilities

Under both the Royal Charter and the National Lottery etc Act 1993 (as amended by the National Lottery Act 1998), Arts Council England is required to prepare a statement of accounts for the financial period in the form and on the basis directed by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury. The accounts are to be prepared on an accruals basis and to show a true and fair view of Arts Council England's state of affairs at the year end and of our incoming resources, resources expended and cash flows for the financial year.

The Grant-in-Aid accounts are also prepared so as to comply with the Charities' Statement of Recommended Practice (revised 2005) and the Lottery distribution accounts are prepared in line with the Government Financial Reporting Manual. Both sets of accounts are also expected to:

- observe the accounts directions issued by the Secretary of State which sets out accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the Charity Statement of Recommended Practice or Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements
- be prepared on a going concern basis, unless it is inappropriate to presume that Arts Council England will continue in operation

The Principal Accounting Officer of the DCMS has designated the Chief Executive as Arts Council England's Accounting Officer. The responsibilities of the accounting officers for arm's length bodies are set out in chapter three of *Managing Public Money*. Formally the Accounting Officer is the person who parliament calls to account for stewardship of its resources.

As the Accounting Officer signing off these accounts was appointed in April 2015, assurance has been gained in the following ways:

- a full debrief from the Acting Chief Executive, who has reverted to her substantive post of Deputy Chief Executive
- a meeting with the Chief Finance Officer and Director of Finance to go through the financial controls
- a meeting with the internal auditors to discuss the annual audit opinion
- a meeting with the National Audit Office to discuss the process and findings of the external audit
- discussing the annual review and accounts at an Executive Board meeting attended by Executive Board colleagues, including the Deputy Chief Executive, who have been in place for the full financial year

In approving these accounts, the Trustees have complied with their duty under section 11 of the Charities Act 2011 to have due regard to guidance published by the Charity Commission.

A copy of the Grant-in-Aid and Lottery distribution accounts directions are available from the Accounting Officer, Arts Council England, 21 Bloomsbury, London, WC1B 3HF

**Darren Henley OBE**  
Chief Executive  
18 June 2015

**Sir Peter Bazalgette**  
Chair  
18 June 2015

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# 8. Grant-in-Aid accounts

## The report of the Comptroller and Auditor General to the Trustees of Arts Council England

I have audited the financial statements of Arts Council England for the year ended 31 March 2015. The financial statements comprise: the statement of financial activities, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the remuneration report that is described in that report as having been audited.

### Respective responsibilities of the Trustees, Chief Executive and Auditor

As explained more fully in the statement of Trustees' and Chief Executive's responsibilities, the Trustees and Chief Executive, as Accounting Officer, are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the relevant legal and regulatory requirements. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

This includes an assessment of: whether the accounting policies are appropriate to Arts Council England's circumstances and have been consistently applied and adequately disclosed;

the reasonableness of significant accounting estimates made by Arts Council England; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

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

### Opinion on regularity

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

### Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Arts Council England's affairs as at 31 March 2015 and of its incoming resources and application of resources, including income and expenditure, for the year then ended; and
- the financial statements have been properly prepared in accordance with the Royal Charter and Secretary of State directions issued thereunder



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## Opinion on other matters

In my opinion:

- the part of the remuneration report to be audited has been properly prepared in accordance with the Secretary of State's directions made under the Royal Charter; and
- the information given in the Trustees' report and management commentary for the financial year for which the financial statements are prepared is consistent with the financial statements

## Matters on which I report by exception

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

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

Sir Amyas C E Morse KCB  
Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London, SW1W 9SP  
22 June 2015

## Statement of financial activities for the year ended 31 March 2015

	Note	Unrestricted funds £000s	Restricted funds £000s	Endowment funds £000s	Total 2014/15 £000s	Total 2013/14 £000s
<b>Incoming resources</b>						
Incoming resources from generated funds						
Voluntary income	2a	371,282	78,112	0	449,394	461,159
Investment income	2b	64	10	11	85	84
Incoming resources from charitable activities	3	75	360	0	435	1,012
Income from Lottery distribution accounts	4	17,721	0	0	17,721	15,035
<b>Total incoming resources</b>		<b>389,143</b>	<b>78,482</b>	<b>11</b>	<b>467,635</b>	<b>477,290</b>
<b>Resources expended</b>						
Charitable activities	4	368,156	78,715	0	446,871	457,116
Support costs attributable to Lottery distribution accounts	4	17,721	0	0	17,721	15,035
Governance costs	4	538	0	0	538	451
<b>Total resources expended</b>		<b>386,415</b>	<b>78,715</b>	<b>0</b>	<b>465,130</b>	<b>472,602</b>
<b>Net incoming/(outgoing) resources before transfers</b>	8	<b>2,728</b>	<b>(233)</b>	<b>11</b>	<b>2,505</b>	<b>4,688</b>
<b>Transfers</b>						
Gross transfers between funds		159	(159)	0	0	0
<b>Net incoming/(outgoing) resources before other recognised gains and losses</b>		<b>2,887</b>	<b>(392)</b>	<b>11</b>	<b>2,505</b>	<b>4,688</b>
<b>Other recognised gains/losses</b>						
Net losses on investments	9	0	0	(19)	(19)	24
Gain on revaluation of heritage assets	10	2,869	120	0	2,989	15,387
Actuarial losses on defined benefit pension schemes	7	(1,683)	0	0	(1,683)	(1,090)
<b>Net movement in funds</b>	28	<b>4,073</b>	<b>(272)</b>	<b>(8)</b>	<b>3,792</b>	<b>19,009</b>
Balance brought forward at 1 April		139,435	5,431	473	145,339	126,330
<b>Balance carried forward at 31 March</b>		<b>143,508</b>	<b>5,159</b>	<b>465</b>	<b>149,131</b>	<b>145,339</b>

All material activities are classed as continuing and all recognised gains and losses have been included in this statement of financial activities.

The notes on pages 64 to 91 form part of these accounts.

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## Balance sheet as at 31 March 2015

	Note	Unrestricted funds £000s	Restricted funds £000s	Endowment funds £000s	Total 31 March 2015 £000s	Total 31 March 2014 £000s
<b>Fixed assets:</b>						
Tangible assets	10	5,217	0	0	5,217	5,500
Heritage assets – works of art	10	133,011	4,509	0	137,520	134,287
Investments	9	0	0	465	465	473
<b>Total fixed assets</b>		<b>138,228</b>	<b>4,509</b>	<b>465</b>	<b>143,201</b>	<b>140,260</b>
<b>Current assets:</b>						
Debtors	12	894	1,507	0	2,401	1,616
Due from Arts Council Lottery accounts		3,379	0	0	3,379	2,572
Grants paid in advance	13	321	77	0	398	639
Cash at bank and in hand		18,324	3,450	0	21,773	21,449
<b>Total current assets</b>		<b>22,918</b>	<b>5,033</b>	<b>0</b>	<b>27,951</b>	<b>26,276</b>
<b>Liabilities:</b>						
<b>Creditors: amounts falling due within one year</b>						
Grants outstanding		7,438	4,334	0	11,772	10,249
Creditors	15	2,886	50	0	2,936	3,236
<b>Total creditors: falling due within one year</b>		<b>10,324</b>	<b>4,384</b>	<b>0</b>	<b>14,709</b>	<b>13,485</b>
<b>Net current assets</b>		<b>12,594</b>	<b>649</b>	<b>0</b>	<b>13,243</b>	<b>12,791</b>
<b>Total assets less current liabilities</b>		<b>150,821</b>	<b>5,158</b>	<b>465</b>	<b>156,444</b>	<b>153,051</b>
<b>Creditors: amounts falling due after more than one year</b>						
Provisions for liabilities and charges	16	753	0	0	753	575
<b>Net asset excluding pension liability</b>		<b>150,068</b>	<b>5,158</b>	<b>465</b>	<b>155,691</b>	<b>152,476</b>
Defined benefit pension scheme liability	7	6,560	0	0	6,560	7,137
<b>Net assets including pension liability</b>		<b>143,508</b>	<b>5,158</b>	<b>465</b>	<b>149,131</b>	<b>145,339</b>

## Balance sheet as at 31 March 2015 (Continued)

<b>The funds of the charity:</b>						
<i>Represented by income funds</i>						
	17					
Unrestricted fund		11,839			11,839	10,989
Restricted fund			649		649	1,048
<i>Represented by capital funds</i>						
	17					
Endowment funds				465	465	473
Designated fund		133,011			133,011	129,904
Donated asset reserve			4,509		4,509	4,383
Capital reserve		5,217			5,217	5,679
Pension reserve	7	(6,560)			(6,560)	(7,137)
<b>Total charity funds</b>		<b>143,508</b>	<b>5,158</b>	<b>465</b>	<b>149,131</b>	<b>145,339</b>

The notes on pages 64 to 91 form part of these accounts.

**Darren Henley OBE**  
Chief Executive  
18 June 2015

**Sir Peter Bazalgette**  
Chair  
18 June 2015

## Cash flow statement for the year ended 31 March 2015

	Note	2014/15 £000s	2013/14 £000s
<b>Operating activities</b>			
Funds received from the Department for Culture, Media and Sport		447,871	458,695
Other cash receipts		18,087	2,921
Grants paid to arts organisations and other bodies		(430,890)	(436,375)
Cash paid to and on behalf of employees		(22,108)	(18,791)
Other cash payments		(11,548)	(3,929)
<b>Net cash inflow from operating activities</b>	18	<b>1,413</b>	<b>2,521</b>
Interest received on short-term cash deposits		74	73
Dividends received		11	11
<b>Net cash inflow from returns on investments</b>		<b>85</b>	<b>84</b>
<b>Capital expenditure and financial investment</b>			
Endowment income		(11)	(473)
Purchase of tangible fixed assets		(1,163)	(2,618)
<b>Net cash (outflow) from capital expenditure</b>		<b>(1,174)</b>	<b>(3,091)</b>
<b>Increase/(decrease) in cash</b>	19/20	<b>324</b>	<b>(486)</b>

This cash flow statement has been prepared using the direct method.

The notes on pages 64 to 91 form part of these accounts.

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## Notes to the Grant-in-Aid accounts

### 1 Accounting policies

#### 1a Basis of accounts

We have prepared these accounts in accordance with the Accounts Direction issued by the Secretary of State for Culture, Media and Sport in May 2002. They meet the requirements of the Companies Acts, and of the Statements of Standard Accounting Practice/Financial Reporting Standards issued and adopted by the Accounting Standards Board, so far as those requirements are appropriate. The accounts are presented in accordance with the Statement of Recommended Practice (SORP) issued by the Charity Commission in 2005.

The accounts are prepared on a going concern basis and a historic cost basis. The Accounts Direction requires the inclusion of fixed assets at their value to the business by reference to current costs. However, for 2014/15, the values of fixed assets expressed in current cost terms, with the exception of the works of art collection and freehold land and buildings, are not materially different to historic costs. Therefore these fixed assets are shown at historic cost on the balance sheet.

Freehold land and buildings are generally revalued every five years to current market value, however as there is only one freehold building remaining, which is currently on the market, it has been included at the net realisable value on the balance sheet. The net realisable value has been derived from an offer received and accepted, subject to contract.

Separate accounts have been prepared for Arts Council England's Lottery distribution accounts, in accordance with the directions

issued by the Secretary of State, which follow different accounting policies. Within the Lottery distribution accounts multi-year grants are recognised in full, once grant offers are communicated to the grant recipient. However grants are only recognised in the Grant-in-Aid accounts in the year of funding, as the Exchequer cannot guarantee funding in future years. This is communicated to grant recipients in the funding agreements. Consequently, in the opinion of the Trustees, it is not possible to prepare full consolidated accounts covering both Grant-in-Aid and Lottery activities as it would not provide a fair view of the application of Arts Council England's resources. In this respect, we have not been able to comply with paragraph 381 of the SORP issued by the Charity Commission in 2005. However, we have included a summary of the consolidated figures for our combined activities in the management commentary on page 36.

During 2013/14 we jointly set up a community interest company, TheSpace CIC with the BBC. During 2014/15 the governing documents of TheSpace and the make-up of the Board of Directors was reviewed to make a judgement as to whether Arts Council England could be considered to have a controlling interest in the company. If it could be demonstrated that Arts Council England had a controlling interest then it would be required to consolidate the annual accounts of TheSpace within its own accounts. The review indicated that Arts Council England did not have a controlling interest in TheSpace CIC.

#### 1b Incoming resources

Grant-in-Aid from the Department for Culture, Media and Sport is taken to the statement of financial activities in the year to which it relates. All other income is accounted for on a receivable basis.

## 1c Expenditure

Grant expenditure is charged to the statement of financial activities in the year in which funded activities take place. Any amounts unpaid from grants at the year end are shown in the balance sheet as creditors. Grant commitments made in the year relating to future years' activity as disclosed in note 14 of the accounts are not charged to the statement of financial activities, as we cannot recognise Grant-in-Aid income to match against these commitments before we have received it. In this respect, we have not been able to comply with paragraph 159 of the SORP issued by the Charity Commission in 2005. The Trustees do not believe this would provide a true and fair view of Arts Council England's resources. Any advance payments to funded organisations in anticipation of grants to be charged in the following financial year are shown as assets in the balance sheet.

Expenditure classified as activities undertaken directly relates to expenditure supporting the arts other than grants. This includes the cost of delivering major arts policies and projects. Support costs comprise operational expenditure, including staff costs, directly attributable to charitable activities.

Governance costs comprise an apportionment of general administration expenditure based on an estimate of staff time and direct costs such as the cost of administering National Council and external and internal audit.

### 1d Depreciation and fixed assets

#### *Tangible fixed assets excluding heritage assets*

Depreciation is provided on all tangible fixed assets (excluding freehold land) at rates calculated to write off the cost less estimated residual value of each asset systematically over its expected useful life as follows:

- freehold buildings: 50 years
- leasehold buildings: life of the lease
- fixtures and fittings: five years
- motor vehicles: five years

A full year's depreciation is provided in the year of an asset's acquisition, and none in the year of its disposal. Software costs are written off in full in the year of acquisition. All individual assets valued greater than £2,000 are capitalised.

#### *Heritage assets*

Arts Council England is guardian and trustee over two collections of heritage assets which are held in furtherance of our mission to champion, develop and invest in artistic and cultural experiences that enrich people's lives. The collections are accounted for as follows:

#### *Works of art*

The works of art collection is revalued at market value on a rolling basis, with the highest value items revalued once every five years. The collection is treated as a non-operational heritage asset and is not held for the purpose of re-sale. Any surplus or deficit on revaluation is reported in the statement of financial activities. The items in the collection are deemed to have indeterminate lives, so the Trustees do not consider it appropriate to charge depreciation. Additions to the collection are made by purchase or donation. Purchases are initially recorded at cost and donations are recorded at current value ascertained by the curator with reference to current knowledge of prices, the market and the advice of other experts where necessary.

#### *Poetry collection*

The Trustees do not consider that reliable cost or valuation information can be obtained for the poetry collection. This is because of the diverse nature of assets held and the lack of comparable market values. Arts Council England therefore does not recognise these assets as heritage assets on the balance sheet.

The decision to transfer the poetry collection to the Southbank Centre was taken by National Council in May 2013. Discussions regarding the transfer are still ongoing.

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## 1e Leases

Costs in respect of operating leases are charged to the statement of financial activities on a straight line basis over the life of the lease. Lease incentives (eg rent free periods) are recognised as an integral part of the total lease expense, over the term of the lease.

## 1f Taxation

Arts Council England, as a registered charity (1036733), is considered to pass the tests set out in paragraph 1, schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable trust for UK income tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by part 10 of the Income Tax Act 2007 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. No tax charge has arisen in the year.

## 1g Pensions

We provide a defined benefit pension scheme for our employees (the Arts Council Retirement Plan 1994) and are a participating employer in the West Yorkshire Pension Fund. The Arts Council Retirement Plan is a multi-employer scheme and we cannot identify our share of the underlying assets and liabilities. We have therefore accounted for this scheme as if it were a defined contribution scheme, in accordance with FRS17 Retirement Benefits, with the costs of the scheme charged to the statement of financial activities. The West Yorkshire Pension Fund is also a multi-employer scheme, but, as a Local Government Pension Scheme, we are able to identify our share of the underlying assets

and liabilities and have therefore accounted for this scheme in line with FRS17 Retirement Benefits.

All employers are legally required to enrol their staff onto a workplace pension scheme. As such we now also provide a defined contribution scheme for staff who are automatically enrolled (via the Peoples Pension) if they choose not to join the Arts Council Retirement Plan.

## 1h Apportioned costs

Arts Council England incurs administration costs that relate to activities funded from Grant-in-Aid and the National Lottery Distribution Fund. We are required to apportion these costs between the two areas on a full cost basis in accordance with good accounting practice.

In accordance with the Charities SORP we have apportioned administration costs between our different activities. In previous years we have apportioned costs based on a combination of the number and value of payments made as a proxy for estimating the amount of staff time spent on each activity. This year we have recharged both pay and non-pay expenditure using staff time as a basis for calculating the apportionment. The notes to the statement of financial activities will show the costs apportioned to Arts Council England Lottery distribution accounts where appropriate.

## 1i Change in accounting policy

There have been no changes in accounting policy during 2014/15.

## 1j Financial instruments

We have adopted FRS 25, 26 and 29 on financial instruments.

## 2a Voluntary income

	Unrestricted funds £000s	Restricted funds £000s	Endowment funds £000s	Total 2014/15 £000s	Total 2013/14 £000s
<b>Voluntary income</b>					
<b>Cash Grant-in-Aid voted by Parliament</b>					
Core funding – revenue	355,011	0	0	355,011	354,222
Administration	14,941	557	0	15,498	21,224
Core capital	1,313	0	0	1,313	2,459
Ring-fenced funds	0	77,549	0	77,549	82,816
	371,265	78,106	0	449,371	460,721
<b>Other voluntary income</b>					
Donations/bequests	17	6	0	23	438
Voluntary income	371,282	78,112	0	449,394	461,159

## 2b Investment income

	Unrestricted funds £000s	Restricted funds £000s	Endowment funds £000s	Total 2014/15 £000s	Total 2013/14 £000s
<b>Investment income</b>					
Bank interest received	64	10	0	74	73
Dividend income	0	0	11	11	11
Investment income	64	10	11	85	84

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### 3 Incoming resources from charitable activities

	Unrestricted funds £000s	Restricted funds £000s	Total 2014/15 £000s	Total 2013/14 £000s
<b>Grants, sponsorship and donations received</b>				
Other central government bodies	71	31	102	367
Public corporations	2	247	249	171
Non-government bodies	0	0	0	(61)
Other grants, sponsorship and donations	0	0	0	353
Sundry	2	82	84	182
Net incoming resources for the year	75	360	435	1,012
<i>Grants, sponsorship and donations are analysed as follows:</i>				
<b>Other central government bodies</b>				
Arteo Trading	0	0	0	7
Big Lottery Fund	71	0	71	60
Department of Communities and Local Government	0	0	0	300
English Heritage	0	10	10	0
Heritage Lottery Fund	0	11	11	0
The British Film Institute	0	10	10	0
	71	31	102	367
<b>Public corporations</b>				
The British Council	2	247	249	171

### 4a Charitable activities

	Activities undertaken directly £000s	Grant funding of activities £000s	Net support costs £000s	Total 2014/15 £000s	Total 2013/14 £000s
National portfolio organisations	0	312,401	3,919	316,319	316,304
Grants for the arts	0	59	0	59	32
Strategic development, communications and advocacy	2,060	47,520	5,860	55,440	63,633
Other	755	74,169	1,624	76,549	77,762
Lapsed and revoked commitments	0	(1,496)	0	(1,496)	(615)
	2,815	432,653	11,403	446,871	457,116

National portfolio organisations are those organisations of strategic importance with which the Arts Council has long term, multi-year funding agreements. Strategic funding and activities are those specific projects funded by grants and direct arts expenditure. They provide essential leverage for national, regional and local partnerships, and act as investment in seed funding, research and development for the arts in England.

Other restricted funds are those specific projects delivered through funds provided by partners as detailed in notes 2a and 3. In 2014/15 they include the sum of £58 million (2013/14: £63.4 million) towards Music education hubs.

### 4b Analysis of support costs

	Unrestricted £000s	Less charged to Lottery £000s	Corporate governance costs £000s	Total 2014/15 £000s	Restated total 2013/14 £000s
Staff costs	18,535	(11,962)	237	6,809	9,190
Indirect staff costs	598	(349)	13	262	492
Premises	2,636	(1,462)	37	1,211	2,122
Supplies and services	3,167	(1,712)	61	1,516	1,401
Travel and subsistence	1,263	(740)	36	559	681
Professional fees	1,015	(488)	17	544	387
Central costs	(30)	(191)	137	(84)	98
Depreciation	1,161		0	1,161	1,010
Other recharges	0	(452)	0	(452)	(408)
IT project costs	779	(365)	0	414	478
	29,124	(17,721)	538	11,941	15,452

Prior year figures have been restated to ensure that they align with the new sub-categories of support costs.

### 4c Analysis of grants by recipient

	Grants to institutions £000s	Grants to individuals £000s	Total 2014/15 £000s	Total 2013/14 £000s
National portfolio organisations	312,401	0	312,401	311,209
Grants for the arts	27	32	59	32
Strategic funding and activity	47,457	63	47,520	56,412
Other restricted funds	73,736	433	74,169	72,473
	433,621	528	434,149	440,126

A detailed breakdown of all grant commitments can be found at:

[www.artscouncil.org.uk/who-we-are/transparency/expenditure](http://www.artscouncil.org.uk/who-we-are/transparency/expenditure)

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## 5a Staff costs

	Unrestricted £000s	Restricted £000s	Less charged to Lottery £000s	Total 2014/15 £000s	Total 2013/14 £000s
<b>Staff costs comprise:</b>					
Salaries and wages	15,068	375	(8,428)	7,016	7,642
Employer's National Insurance	1,240	30	(689)	580	659
Employer's pension contributions	2,708	55	(2,630)	132	1,341
Redundancy costs	42	0	(28)	14	119
Agency staff	311	18	(187)	142	286
	<b>19,370</b>	<b>478</b>	<b>(11,962)</b>	<b>7,885</b>	<b>10,047</b>

The presentation of this note has changed in comparison to 2013/14 to provide greater clarity and analysis of the staffing costs initially charged to Grant-in-Aid accounts and then subsequently recharged to Lottery accounts. The 2013/14 figures shown above are the net staffing costs for Grant-in-Aid for the previous financial year.

The numbers of staff have increased in the Grant-in-Aid accounts because of the new Lottery recharge methodology. A similar reduction in staff numbers can be seen in the Lottery distribution accounts. Overall, staff numbers have reduced.

The average number of full time equivalent employees during the year was made up as follows:

	Permanent staff	Agency staff	2014/15	2013/14
Direct delivery of programmes	24	0	24	24
Support and corporate governance	418	10	428	389
	<b>442</b>	<b>10</b>	<b>452</b>	<b>413</b>

The average number of employees (headcount) during the year was made up as follows:

	Permanent staff	Agency staff	2014/15	2013/14
Direct delivery of programmes	24	0	24	27
Support and corporate governance	447	13	460	442
	<b>471</b>	<b>13</b>	<b>484</b>	<b>469</b>

## 5b Emoluments by bands

The number of employees whose remuneration, including redundancy pay, exceeded £60,000 for the year is detailed below. These figures do not include executive directors who are listed in the remuneration report.

Emoluments for the year	Pension scheme			Total 2014/15	Total 2013/14
	Defined benefit	Defined contribution	No pension		
£60,000-£69,999	4	0	0	4	20
£70,000-£79,999	9	0	0	9	9
£80,000-£89,999	1	0	0	1	4
£90,000-£99,999	0	0	0	0	1
£110,000-£119,999	0	0	0	0	2
£120,000-£129,999	0	0	0	0	1
£130,000-£139,999	0	0	0	0	1
£140,000-£149,999	0	0	0	0	2
				<b>14</b>	<b>40</b>

Of these employees in 2014/15, none received redundancy payments and 14 were in a final salary pension scheme for which the employer's contributions during the year amounted to £167,964.

## 5c Compensation schemes – exit packages

Exit package cost band 2014/15	Number of compulsory redundancies	Number of other departures agreed	Total exit packages during 2014/15
< £9,999	0	0	0
£10,000-£24,999	1	0	1
£25,000-£49,999	2	0	2
£50,000-£99,999	0	0	0
£100,000-£149,999	0	0	0
<b>Total number of exit packages by type</b>	<b>3</b>	<b>0</b>	<b>3</b>
Total resource cost £000	62		62

Exit package cost band 2013/14	Number of compulsory redundancies	Number of other departures agreed	Total exit packages during 2013/14
< £9,999	46	0	46
£10,000-£24,999	43	0	43
£25,000-£49,999	43	0	43
£50,000-£99,999	16	0	16
£100,000-£149,999	4	0	4
<b>Total number of exit packages by type</b>	<b>152</b>	<b>0</b>	<b>152</b>
Total resource cost £000	3,916		3,916

Redundancy and other departure costs have been paid in accordance with the provisions of the Arts Council's job security policy. The Arts Council pays exit costs when employment ends but provides for exit costs at the point when there is sufficiently detailed information to do so. Where early retirements have taken place, the additional pension costs are met by the Arts Council and not by the pension scheme providers.

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## 6 Council members' expenses

It is part of council members' duties to assess artistic work. The cost of their tickets for attendance at performance and events is met by the Arts Council. In 2014/15, the total cost of tickets purchased for this purpose was £2,228 (2013/14: £2,272). All our council members are able to claim back their travel and subsistence costs. The total amount reimbursed for travel and subsistence in the year is shown in note 8.

## 7 Pensions

We are a participating employer in the Arts Council Retirement Plan (1994) and the West Yorkshire Pension Fund and also contribute to a group personal pension arrangement.

### Arts Council Retirement Plan (1994)

The scheme is a defined benefit scheme. Other employers contributing to the scheme are the Arts Council of Wales, Creative Scotland, the Crafts Council and Creativity, Culture and Education. Because it is a multi-employer scheme, we are unable to identify our share of the underlying assets and liabilities. Consequently, we have accounted for the scheme as if it were a defined contribution scheme, in accordance with FRS17 Retirement Benefits.

The scheme is financed by payments made by Arts Council England and employees into a trustee-administered fund independent of Arts Council England's finances. These contributions are invested by a leading fund management company. The net market value of the scheme's assets at 31 March 2015 was £125.4 million.

An actuarial valuation of the pension fund takes place at least every three years. At the last valuation on 31 March 2013 the actuarial value of the assets using the projected unit method was sufficient to cover 77.8 per cent of the value accrued to members, a deficit of £28,100,000. As a result, and on the advice of the actuary, with effect from 1 April 2014 we pay employer's contributions of 16.6 per cent of pensionable salary for Arts Council England employees and 21.9 per cent of pensionable salary for employees who transferred to Arts Council England from the Museums, Libraries and Archives Association, as well as a cash contribution toward repayment of the deficit on the plan of £647,200 per annum until 31 March 2023. During 2014/15 an additional £900,000 was paid into the fund as a one-off payment.

The main long-term assumptions used for the actuarial valuation were as follows:

Consumer price inflation rate	2.55%
Long term rate of pay increases	3.30%
Short term rate of pay increases	1.30%
Rate of pension increases	2.55%
Discount rate	4.50%

Amounts due to the fund at 31 March 2015 were £0 (31 March 2014: £15,634).

### West Yorkshire Pension Fund

We are an admitted member of the West Yorkshire Pension Fund. This fund provides pensions to over 255,000 members in 367 mainly local government organisations. In the year ending 31 March 2015, nine Arts Council staff participated in the scheme. The scheme is a defined benefit scheme and is accounted for in accordance with FRS17 Retirement Benefits.

The disclosures below relate to the funded liabilities within the West Yorkshire Pension Fund which is part of the Local Government Pension Scheme. The funded nature of the Local Government Pension Scheme requires The Arts Council of England and its employees to pay contributions into the fund, calculated at a level intended to balance the pension's liabilities with investment assets.

#### Assumptions

The latest actuarial valuation of The Arts Council of England's liabilities took place as at 31 March 2013. Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method. The principal assumptions used by the actuary in updating the latest valuation of the Fund for FRS 17 purposes were:

### Principal financial assumptions

	31 March 2015	31 March 2014	31 March 2013
Discount rate	3.2%	4.3%	4.4%
RPI inflation	2.9%	3.4%	3.4%
CPI inflation	1.8%	2.4%	2.4%
Rate of increase to pensions in payment*	1.8%	2.4%	2.4%
Rate of increase to deferred pensions	1.8%	2.4%	2.4%
Rate of general increase in salaries **	3.3%	3.9%	3.9%

\* In excess of guaranteed minimum pension increases in payment where appropriate

\*\* This has been set as 1.5% per annum above the CPI inflation assumption which is consistent with the assumption used at the actuarial valuation of the fund as at 31 March 2013.

### Asset allocation

	Value at 31 March 2015	Value at 31 March 2014
Equities	76.4%	75.3%
Property	4.2%	3.2%
Government bonds	10.5%	10.5%
Corporate bonds	4.6%	5.4%
Cash	2.1%	3.1%
Other	2.2%	2.5%
Total	100.0%	100.0%

- |   |   |
|---|---|
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## Reconciliation of funded status to balance sheet

	Value as at 31 March 2015 £m	Value as at 31 March 2014 £m	Value as at 31 March 2013 £m
Fair value of assets	30.601	26.337	25.726
Present value of funded liabilities	37.161	33.474	32.088
Pension liability recognised on the balance sheet	(6.560)	(7.137)	(6.362)

## Analysis of the charge to the statement of financial activities

	Period ending 31 March 2015 £m	Period ending 31 March 2014 £m
Current service cost	0.085	0.117
Past service cost	0.000	0.134
Interest cost	1.425	1.398
Expected return on assets	(1.781)	(1.705)
Expense recognised	(0.271)	(0.056)

## Changes to the present value of liabilities during the accounting period

	Period ending 31 March 2015 £m	Period ending 31 March 2014 £m
Opening present value of liabilities	33.474	32.088
Current service cost	0.085	0.117
Interest cost	1.425	1.398
Contributions by participants	0.028	0.036
Actuarial losses on liabilities*	2.944	0.604
Net benefits paid out**	(0.795)	(0.903)
Past service cost	0.000	0.134
Closing present value of liabilities	37.161	33.474

\* Includes changes to the actuarial assumptions.

\*\* Consists of net benefits cash flow out of the fund in respect of the employer, including an approximate allowance for the expected cost of death in service lump sums.

## Changes to the fair value of assets during the accounting period

	Period ending 31 March 2015 £m	Period ending 31 March 2014 £m
Opening fair value of assets	26.337	25.726
Expected return on assets	1.781	1.705
Actuarial (losses)/gains /on assets	1.261	(0.486)
Contributions by the employer*	0.989	0.259
Contributions by participants	0.028	0.036
Net benefits paid out**	(0.795)	(0.903)
Net increase in assets from disposals/acquisitions***	1.000	0.000
Closing fair value of assets	30.601	26.337

\* Includes £900,000 additional contribution to the West Yorkshire Pension Fund

\*\* Consists of net benefits cash flow out of the West Yorkshire Pension Fund in respect of the employer, including an approximate allowance for the expected cost of death in service lump sums.

\*\*\* Transfer from Greater Manchester Pension Fund to West Yorkshire Pension Fund

## Analysis of amounts recognised under 'other recognised gains/(losses)' on the statement of financial activities

	Period ending 31 March 2015 £m	Period ending 31 March 2014 £m
Total actuarial losses recognised	(1.683)	(1.090)

The results of the triennial actuarial valuation of the West Yorkshire Pension Fund as at 31 March 2013 have been used to calculate Arts Council England's accounting figures over the period ending 31 March 2014 and 31 March 2015.

The 2013 valuation results included the transferred liabilities for 49 active members who transferred from the former arts boards but made no allowance for any bulk transfer payments to or from Surrey (11 members) or Staffordshire (13 members) pension funds. With respect to the 25 members who transferred from Greater Manchester an interim payment of £1 million was paid by Greater Manchester Pension Fund to West Yorkshire Pension Fund in October 2014. This has been included when calculating the fair value of assets. The value of

the final payment has not yet been determined and therefore no allowance for this has been made in the calculations.

How the transfer payments should be calculated is still under discussion between those funds, the West Yorkshire Pension Fund and Arts Council England. The actuary has made no allowance for any transfer payments in our disclosures. We have, however, made allowance for the bulk transfers in relation to the other 131 members that transferred from the former arts boards at the same time.

During 2014/15 an additional £900,000 was paid into the fund as a one-off payment. Amounts due to the fund at 31 March 2015 were £nil (31 March 2014: £nil).



- |   |   |
|---|---|
| 1. Chair's report                                   | 6. Trustee's report and management commentary   |
| 2. Chief Executive's report                         | 7. Strategic report                             |
| 3. Achieving great art and culture                  | <b>8. <a href="#">Grant-in-Aid accounts</a></b> |
| 4. Remuneration report 1 April 2014 – 31 March 2015 | 9. Lottery distribution accounts                |
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## Legacy regional arts board pension schemes

All active regional arts board pension members, except those from London Arts, transferred to the West Yorkshire Pension Fund on 1 April 2002. However, the deferred and pensioner members remained with their legacy pension provider as detailed below:

Arts Council England did not believe it was responsible for meeting any further liabilities relating to regional arts board employees in respect of these funds following lump sum payments to four schemes. However, three other funds indicated during 2013/14 that liabilities exist in respect of the deferred pensioner members that they retained within their respective funds. Following specialist legal advice Arts Council England has asked the funds to provide documentary evidence that it is liable. No provision has been made in these accounts for potential sums payable, because of the uncertain nature of these liabilities.

East England Arts	Cambridgeshire Council
East Midlands Arts	Nottingham Council
Northern Arts	Tyne & Wear Pension Fund
North West Arts	Greater Manchester Pension Fund
Southern Arts	Hampshire Pensions Trust
South East Arts	Surrey Council
South West Arts	Devon Council
West Midlands Arts	Staffordshire County Council
Yorkshire Arts	Remained in West Yorkshire Pension Fund

## 8 Net incoming resources for the year

Net incoming resources of £2,505,210 (2013/14: £4,376,196) are stated after charging:

	Total 2014/15 £000s	Total 2013/14 £000s
Auditors' remuneration	80	64
Operating leases	1,489	3,298
Council members' travel, subsistence and hospitality for the 14 serving members during the year	22	29
Insurance: trustees' and senior officers' indemnity	10	10
Depreciation	1,161	1,329
Impairment	0	594

Auditor's remuneration of £80,000 consists of the standard audit fee of £76,000 plus an additional £4,000 which relates to additional work carried out during 2013/14, which was charged in 2014/15. No fees were charged in 2014/15 for non-Audit services.

## 9 Legacy bequests

Arts Council England is the beneficiary of two endowment legacies: the Compton Poetry Fund and the Thornton Fund. The dividend income is accumulated until there is sufficient to run a grant programme in line with the bequests.

The Compton Poetry Fund bequest was made in 1964 and the Thornton Fund bequest was made in 1950. Both legacies consist of a mixture of stocks and shares and cash; the Compton Poetry Fund consists of £225,000 in shares and £81,000 cash, and the Thornton Fund consists of £69,000 in shares and £89,000 cash.

Both legacies were incorporated into Arts Council England's account during 2013/14; the values of the stocks and cash are disclosed in note 2a (voluntary income) and dividends received during the year disclosed within note 2b (investment income).

	Compton Poetry Fund £000s	Thornton Fund £000s	Total £000s
Opening balance (1 April 2014)	320	153	473
Income received in-year	8	3	11
Gains/(losses) on investments	(22)	3	(19)
<b>Closing balance (31 March 2015)</b>	<b>306</b>	<b>159</b>	<b>465</b>

## 10 Heritage assets and tangible fixed assets

	Buildings and leasehold improvements £000s	Equipment, fixtures and fittings £000s	Heritage assets: works of art £000s	Total fixed assets £000s
Cost or valuation at 1 April 2014	15,028	3,274	134,287	152,588
Additions	686	232	244	1,162
Revaluations	0	0	2,989	2,989
Less: disposals	(6,441)	(325)	0	(6,765)
<b>Cost or valuation at 31 March 2015</b>	<b>9,274</b>	<b>3,181</b>	<b>137,520</b>	<b>149,975</b>
Depreciation at 1 April 2014	9,984	2,817	0	12,801
Less: depreciation on disposals	(6,441)	(283)	0	(6,724)
Impairment	0	0	0	0
Provided for 2014/15	870	290	0	1,161
<b>Depreciation at 31 March 2015</b>	<b>4,414</b>	<b>2,824</b>	<b>0</b>	<b>7,238</b>
<b>Net book value at 31 March 2015</b>	<b>4,860</b>	<b>357</b>	<b>137,520</b>	<b>142,737</b>
Net book value at 31 March 2014	5,044	456	134,287	139,787

	31 March 2015 £000s	31 March 2014 £000s
Freehold	495	495
Leasehold improvements	4,365	4,549
	<b>4,860</b>	<b>5,044</b>

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The value of £495,000 disclosed above for freehold buildings relates to our former Dewsbury office. This was sold on 20 April 2015 and staff have been relocated to a new office at Marshalls Mill in Leeds.

## Works of art – Arts Council Collection

Unlike our other fixed assets there is no *de minimis* capitalisation threshold for works of art. All works of art are capitalised, even if they are valued at under £2,000.

The works of art collection has been built up since 1946 and consisted of 7,723 items at 31 March 2015. The purpose of the collection is to broaden the appreciation and public awareness of contemporary British art and to encourage good practice relating to painting, sculpture, photography, drawing, printmaking, mixed and new media, film and video. The collection is based in London and at Longside in Yorkshire (located at the Yorkshire Sculpture Park). The collection is managed on our behalf by the Southbank Centre through the Hayward Gallery.

### Valuation

The collection has been valued by the curator of the collection at £137,519,989 at 31 March 2015 (31 March 2014: £134,287,009). Valuation of the collection is undertaken on a rolling programme using current knowledge of prices, the market and, where necessary, the curator seeks the advice of other experts. The policy is that works of exceptionally high value are valued once every five years as are items that are on long term loan. All items are valued when loans are agreed as this provides the value for which the lender has to insure the item. A register of works is maintained by

the Senior Curator of the collection which is amended to reflect acquisitions and items removed from the register, such as pieces damaged beyond repair, throughout the year and records the year end valuation figure. The register supports the entries in the Arts Council's annual accounts and is provided to the auditors for review.

### Acquisition and disposal policy

The collection purchases innovative work by artists living in Britain with a focus on the work of younger and emerging artists. Acquisitions are made through the Acquisitions Committee comprising six individuals who are the Head of the Arts Council Collection, Director of the Hayward Gallery, Senior Curator of the Arts Council Collection and Senior Strategy Officer, Visual Arts, Arts Council England, plus external advisers who are usually an artist, a writer and a curator. The external advisors to the committee are appointed for a fixed two year tenure. Artists make an application to have their work considered for acquisition. To be eligible artists must live in Britain, cannot be students and have to be able to demonstrate their commitment over several years by providing information about the exhibitions of their work that have taken place and are planned. The acquisitions are funded from an allocation within the Arts Council England budget.

Any offers of gifts to the collection are brought to the attention of the Acquisitions Committee, which decides on their suitability. Larger donations are considered by the Chief Executives of both Arts Council England and Hayward Gallery/Southbank Centre.

The procedure for the loss or destruction of works of art is implemented if an item is irretrievably lost or damaged beyond repair. This

requires the Head of the Arts Council Collection to report details to the Director of the Hayward Gallery and Director, Visual Arts, of the Arts Council who then seeks approval from the Arts Council England Visual Arts Panel to write off the item. The write off in accounting records is implemented by the Director Finance of Arts Council England who takes into account any insurance claims. Funds claimed in this way are paid into the Arts Council Collection acquisition allocation and earmarked to replace the lost items depending on the advice of the current purchasers. If it is not possible to replace a work because the artist is deceased, there are no suitable replacements or equivalent works have become too expensive, the funds are transferred into the acquisition fund.

### Preservation

The condition of the works is checked on receipt, before going out on loan and on return from loan. Master condition files are maintained and kept at the Hayward Gallery and Longside (for sculpture) and copies of the latest version are made when loans go out. Normally required restoration is carried out at the Hayward Gallery or arranged by them. Any unfitting of frames or restoration carried out away from the Hayward Gallery must be authorised by the Head of the Collection to the Senior Curator. Artists are consulted and involved in restoration when possible and practical, otherwise qualified conservators are employed. Each year a number of original works on paper and photographs are restored as a matter of course. All restoration is reported annually to the Arts Council England Visual Arts Panel.

### Collection management

The Head of the Arts Council Collection reports to the Director of the Hayward Gallery and is responsible to the Director, Visual Arts, at Arts Council England. Arts Council Collection staff salaries (London) are paid by the Southbank

Centre from the grant from Arts Council England to the Southbank Centre as part of the Hayward Gallery budget. A ring-fenced fund within the Southbank Centre and Arts Council England agreement covers the rental, staff and operational costs of the Longside Gallery.

### Access

Public access to the works of art is achieved through items being part of the extensive Hayward Gallery Touring exhibitions and being loaned to other institutions and galleries both at home and abroad. Priority is given to national needs. An exciting project was undertaken to widen access by providing digital access to the collection. The project was split into two parts and the first part consists of two phases. The first phase covers paintings and drawings and was completed in 2011. The second phase covering three dimensional sculpture and installations was started in 2012. The second part is a digital editorial pilot started in the summer of 2011 to develop a prototype on how the collection can be promoted online. A dedicated website, [artscouncilcollection.org.uk](http://artscouncilcollection.org.uk), provides a range of information including where items from the collection are on exhibition and photographs of recent acquisitions with brief information about the artist and item.

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The Arts Council works of art collection heritage assets are reported at valuation in the table below:

	2014/15 £000s	2013/14 £000s	2012/13 £000s	2011/12 £000s	2010/11 £000s
Cost or valuation at 1 April	134,287	118,559	108,684	101,778	96,966
Additions	237	180	398	335	418
Donations	6	161	336	68	0
Revaluations	2,989	15,387	9,141	6,543	4,394
Less: impairment	0	0	0	(1)	0
Less: disposal	0	0	0	(39)	0
Cost or valuation at 31 March	137,520	134,287	118,559	108,684	101,778

## Poetry collection

The poetry collection was started in 1953 and now consists of over 150,000 items of 20th and 21st century poetry from 1912. The collection is held in a variety of formats: books, pamphlets, audio cassettes, CDs, videos and DVDs for reference and loan, magazines, press cuttings, photographs, posters and postcards for reference. The Poetry Library promotes the reading of poetry for people of all ages, cultures and backgrounds. The aim is that the collection holds all poetry published since 1912 in the UK. The collection is housed at The Saison Poetry Library located at the Southbank Centre.

### Valuation

A valuation of the poetry collection is not included on the balance sheet due to the difficulty in obtaining an accurate valuation. Advice has been sought from the current librarians of the collection and they have concurred with previous advice that there is no ready market in the materials held that would enable a meaningful valuation to be made. Furthermore the collection is made up

of a large number of disparate items and would require, even if there were a reliable basis for a valuation, a significant input of resource, which is not considered to be feasible. The amount spent on acquisitions during 2014/15 was £45,207 (2013/14: £33,431).

### Acquisition and disposal policy

Acquisitions are made primarily through main UK publishers who are commissioned to provide copies of everything they publish each year. Small press special publishers and overseas publishers are selected based on the collection librarians' opinion of what is of interest in the UK after considering reviews. Some publishers provide copies free of charge because they value the uniqueness of the collection. Identified rare items are also purchased if they become available. The librarians have to manage the acquisitions within the annual budget allocation. Two copies of each book and audio title are purchased, one for reference and one for loan. More copies are acquired of popular volumes.

The collection receives donations mainly of books which are considered for the collection.

Loan items that are identified as no longer popular or are damaged beyond repair are donated to charity.

### Preservation

Items in the collection are cared for by the librarians who monitor the environment and the collection, occasionally employing a conservator to work through the books in the collection and carrying out repairs as necessary.

These include restoring covers and ripped pages. A rare book room has been set up at the library in which humidity and temperature is controlled to British Standards (BS). The digitisation of the magazines means that the originals can be digitally archived to protect their condition.

### Collection management

The collection is managed by the Southbank Centre on behalf of Arts Council England. Day to day management is the responsibility of the collection librarians. The Poetry Librarian reports to the Deputy Director, Southbank Centre. Arts Council Collection staff salaries are paid by the Southbank Centre from the grant from Arts Council England to the Southbank Centre.

### Access

The Poetry Library operates as a lending library so the collection is available to those members of the public (adults, children and groups) who take up membership of the library. Membership is free and is open to anyone who lives in the UK and presents official ID and proof of address. Members are able to borrow up to four items for four weeks and are able to renew loans up to three times providing no one else has reserved the items. The Poetry Library is part of the national inter-lending service, so the loan collection is available via the public library network. There is a postal loan service for members with sight problems. The library launched its free e-loans service on National Poetry Day 2014.

The library has a dedicated website, [poetrylibrary.org.uk](http://poetrylibrary.org.uk), which explains the purpose of the Poetry Library, how items can be accessed and a full catalogue. This website includes a link to a further website that takes readers to the online archive of poetry magazines ([poetrymagazines.org.uk](http://poetrymagazines.org.uk)). The library is open to browse by any way and the library runs an events and exhibition program to engage with new audiences.

## 11 Costs apportioned to Arts Council England Lottery distribution accounts

Directions issued by the Secretary of State require that costs incurred which relate to both Grant-in-Aid and Lottery activities should be apportioned between the two in accordance with good accounting practice. In previous years we have apportioned costs based on a combination of the number and value of payments made as a proxy for estimating the amount of staff time spent on each activity. This year we have recharged both pay and non-pay expenditure using staff time as a basis for calculating the apportionment.

- |   |   |
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## 12 Debtors

	31 March 2015 £000s	31 March 2014 £000s
Trade debtors	6	323
DCMS debtors	1,500	0
Other debtors	244	88
Prepayments and accrued income	651	1,205
	<b>2,401</b>	<b>1,616</b>

## 13 Grants paid in advance

The Arts Council permits organisations to draw down cash from a future year's funding agreement to cover short term cash flow problems. Advances of £398,435 were made in 2014/15 (2013/14: £638,534).

## 14 Grant offers – future years

The Arts Council has entered into three-year funding agreements with 663 National portfolio organisations commencing in 2015/16. Commitments are recognised for each year, with the funding agreements making clear that continued funding is dependent on Grant-in-Aid being available to Arts Council England in those future years and that the organisation continues to deliver its agreed programme of activity as set out in the funding agreement. Forward funding at 31 March 2015 mainly represents allocations for National portfolio organisations, Major partner museums and Music education hubs and the figures disclosed are the cash value; they have not been discounted to present value.

	31 March 2015 £000s	31 March 2014 £000s
Forward funding:		
2014/15	n/a	414,761
2015/16	403,676	59
2016/17	300,956	0
2017/18	286,272	0
	<b>990,904</b>	<b>414,820</b>

## 15 Creditors: amounts falling due within one year

	31 March 2015 £000s	31 March 2014 £000s
Trade creditors	1,093	718
Other creditors including taxes and social security	8	3
Accruals	1,835	2,417
Deferred income	0	98
	<b>2,936</b>	<b>3,236</b>

## 16 Provisions for liabilities and charges

	Organisation Review £000s	Property £000s	Dilapidations £000s	Tax £000s	Legal £000s	Employment £000s	IT £000s	Total £000s
At 1 April	127	25	120	180	106	17	0	575
Arising during the year	34	0	591	15	2	0	24	665
Used during the year	(23)	(3)	(15)	(16)	(49)	(6)	0	(112)
Reversed unused	(31)	(22)	(105)	(164)	(48)	(5)	0	(375)
<b>At 31 March 2015</b>	<b>107</b>	<b>0</b>	<b>591</b>	<b>15</b>	<b>10</b>	<b>6</b>	<b>24</b>	<b>753</b>
<b>Expected timing of cashflows</b>								
Period to 31 March 2016	107	0	44	15	10	6	24	206
Between 1 April 2016 and 31 March 2020	0	0	92	0	0	0	0	92
Later than five years	0	0	455	0	0	0	0	455
<b>At 31 March 2015</b>								
Current	107	0	44	15	10	6	24	206
Non-current	0	0	547	0	0	0	0	547

## Description of provisions

### a) Organisational reviews

Redundancies decided in 2012/13 as part of an organisational review which have been delayed beyond 31 March 2015.

### b) Property

Provision for building works and lease exit costs.

### c) Dilapidations

Provision for dilapidations of premises where it is planned to reduce area occupied.

### d) Tax

Provision for payroll taxes on expenses and benefits identified by an internal review.

### e) Legal

Provision for legal costs arising from employment tribunals.

### f) Employment

This is compensation payments due to reduced pension benefit to be made to ArtCo staff who transferred to Creative Sector Services CIC during 2013/14.

### f) IT

This is a potential payment for IT services where the amount due is under discussion.

Longer term provisions are shown at their cash value and have not been discounted to present value.

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## 17 Reconciliation of movement in funds

	At 31 March 2014 £000s	Income £000s	Expenditure £000s	Gains and losses £000s	Transfers £000s	At 31 March 2015 £000s
<b>Endowment funds</b>						
Endowment funds	473	11	0	(19)	0	465
<b>Restricted funds</b>						
Restricted funds	1,048	78,482	(78,715)	120	(285)	650
<b>Unrestricted income funds</b>						
Unrestricted funds	10,989	387,830	(385,490)	2,869	(4,358)	11,839
<b>Capital funds</b>						
Designated funds	5,733	0	237	0	0	5,970
Revaluation reserve	124,171	0	0	0	2,870	127,041
Donated asset reserve	4,383	0	0	0	126	4,509
Capital reserve	5,679	1,313	(1,162)	0	(613)	5,217
<b>Pension reserve</b>						
Pension reserve	(7,137)	0		(1,683)	2,260	(6,560)
	145,339	467,635	(465,130)	1,287	0	149,131

### Description of funds

#### Endowment funds

Arts Council England is the beneficiary of two legacies: the Compton Poetry Fund and the Thornton Fund.

#### Restricted funds

The Arts Council receives specific ring-fenced Grant-in-Aid as well as grants, sponsorship and donations from various other sources

for specific activities. Any such income and associated expenditure is identified separately.

#### Unrestricted income funds

Grant-in-Aid is received from the Department for Culture, Media and Sport. This is the Arts Council's main source of income, and is supplemented by other income. This fund is applied to grants expenditure and the running costs of the Arts Council. Use of these funds in subsequent years is restricted by the government's budgetary controls.

## Capital funds

### a) Designated funds

This fund relates to capital expenditure on works of art allocated from the unrestricted fund. The transfer figure of £179,000 relates to additions to the collection purchased during the year from unrestricted funds.

### b) Revaluation reserve

Due to improvements in our system for valuing works of art we are now able show our works of art collection at full market value on the balance sheet. The difference between the cost and market value of the collection is included in this fund.

### c) Donated asset reserve

This fund relates mainly to donations received by the Arts Council for obtaining works of art for our collection.

### d) Capital reserve

The capital reserve represents the balance of tangible assets.

### Pension reserve

The pension reserve reflects the movements in the West Yorkshire Pension Fund defined benefit scheme.

## 18 Cash flow reconciliation

	2014/15 £000s	2013/14 £000s
Reconciliation of operating surplus to net cash inflow from operating activities		
Operating surplus	3,792	19,009
Interest receivable	(74)	(73)
Loss on disposal of fixed assets	42	0
Dividends received	(11)	(11)
Depreciation and impairment charges	1,161	1,923
Revaluation of fixed assets	(2,989)	(15,387)
Actuarial losses on defined benefit pension schemes	1,683	1,090
Increase in investments	19	473
(Increase)/decrease in debtors and prepayments	(1,592)	2,018
Decrease/(increase) in grants paid in advance	240	(117)
Increase in grants outstanding	1,523	3,252
(Decrease) in creditors	(300)	(5,386)
Increase/(decrease) in provisions	178	(3,955)
(Decrease) in defined benefit liability	(2,260)	(315)
<b>Net cash inflow from operating activities</b>	<b>1,413</b>	<b>2,521</b>

## 19 Reconciliation of net cash flow to movement in funds

	2014/15 £000s	2013/14 £000s
Increase/(decrease) in cash in the year	324	(486)
Funds at 1 April 2014	21,449	21,935
<b>Funds at 31 March 2015</b>	<b>21,773</b>	<b>21,449</b>

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## 20 Analysis of net cash

	1 April 2014 £000s	Cash flow £000s	31 March 2015 £000s
Cash	21,449	324	21,773

## 21 Leases

At 31 March 2015 the Arts Council had annual commitments under non-cancellable operating leases as set out below:

Land and buildings	31 March 2015 £000s	31 March 2014 £000s
Operating leases which expire:		
within one year	254	33
within two and five years inclusive	202	316
over five years	1,068	814
	1,524	1,163

## 22 Southbank Centre lease

The Arts Council owns the freeholds of the National Film Theatre, the Museum of the Moving Image, the Hayward Gallery, the Queen Elizabeth Hall, the Purcell Room and the Royal Festival Hall, which are leased to the Southbank Centre. Since the lease is long term and we derive no income from the freeholding, the value of the asset is immaterial and has therefore not been included in these accounts.

## 23 Royal National Theatre lease

The Arts Council owns the freehold of the Royal National Theatre, which is leased to

and occupied by the Royal National Theatre Board Limited. Since the lease is long term and we derive no income from the free holding, the value of the asset is immaterial and has therefore not been included in these accounts.

## 24 Capital commitments

As at 31 March 2015 the total value of capital commitments was £210,770 (2013/14: £nil). There were no contracted capital commitments at 31 March 2014. The figures for 2014/15 represent amounts contracted for capital works at Arts Council offices.

## 25 Special payments

Special payments are payments which would not normally be made in the course of business. Examples of such payments are lease exit payments, compensations payments or ex-gratia payments. The number and value of special payments made during 2014/15 were as follows:

	2014/15 £000s	2013/14 £000s
Total value of special payments	26	2,830
Total number of special payments	1	7

## 26 Financial instruments

FRS 29 requires disclosure of financial instruments 'that are complex or play a significant medium to long-term role in the financial risk profile' of the Arts Council. As the cash requirements of the Arts Council are met largely through Grant-in-Aid received from the Department for Culture, Media and Sport (99.88 per cent) (2013/14: 99.23 per cent), financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts to buy non-financial items in line with the Arts Council's expected purchase and usages requirements, or the issue of grants (96.49 per cent) (2013/14: 94.53 per cent). This means the Arts Council is exposed to little credit, liquidity or market risk.

Arts Council England is the beneficiary of two legacies: the Compton Poetry Fund and the Thornton Fund. The total value of both legacies is £465,000 and is held in a mixture of cash and stock market investments managed by Investec Wealth & Investment Ltd. Details of both legacies are disclosed in note 8.

### 26a Liquidity risk

The Arts Council has a funding agreement with the Department for Culture Media and Sport for the period from 1 April 2011 to 31 March 2015, renewable in line with the timetable set by government for the next spending round.

On 27 March 2015 a letter was issued by DCMS formally extending the previous management agreement until such time as a new one was put in place.

In the past 12 months 0.10 per cent of funding was received from sources outside government, mostly in the form of legacy bequests, and 0.02 per cent was generated from cash balances. This means that 99.88 per cent of funding is sourced through cash drawn down and agreed monthly with DCMS, based on the predicted need for the month ahead.

### 26b Interest rate risk

The cash balance of £21,773,235 at 31 March 2015 was held in instant access variable rate bank accounts which carried an average interest rate of 0.22 per cent below base rate. The Arts Council does not place money on deposit with any other bank, financial institution or investment product.

### 26c Foreign currency risk

Our exposure to foreign currency risk is not significant as less than 1 per cent of transactions by value are processed in currencies other than sterling.

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## 26d Financial assets by category

	31 March 2015 £000s	31 March 2014 £000s
DCMS debtor	1,500	0
Trade debtors	6	323
Other debtors	244	88
Accrued income	651	7
Due from Arts Council Lottery accounts	3,379	2,572
Cash at bank and in hand	21,773	21,449
	<b>27,553</b>	<b>24,439</b>

## 26e Financial liabilities by category

	31 March 2015 £000s	31 March 2014 £000s
Grants outstanding	11,772	10,249
Trade creditors	1,093	718
Other creditors including taxes and social security	8	3
Accruals	1,835	2,417
Deferred income	0	98
	<b>14,709</b>	<b>13,485</b>

## 27 Related parties

### 27a Council members

We maintain publicly available registers in which council members declare their interests, including any direct interests, in grant applications made to, and commercial relationships with, the Arts Council. The declared interests in grant recipients along with amounts awarded for the year ended 31 March 2015 are detailed opposite.

Council member	Grant for the year ended 31 March 2015 £000s	Balance unpaid at 31 March 2015 £000s	Organisation	Relationship type
Alistair Spalding	389	0	Dance Consortium Limited	Director
	2,653	3	Sadler's Wells Trust Ltd	Chief Executive
Maria Balshaw	2,084	0	Hallé Concerts Society	Board member
	48	8	Manchester City Council	linked to Manchester City Galleries
	1,962	0	Manchester City Galleries	Director
	140	110	The Clore Leadership Programme	Member of Strategic Advisory Board
	72	0	The Whitworth Art Gallery	Director
	55	2	The Manchester Museum	Partner is a Director
Matthew Bowcock	9,746	0	Opera North	Board Member of Arts Fundraising and Philanthropy Consortium; Opera North acting as grant holder for the Consortium.
	80	8	Watts Gallery	Board member
Nicholas Kenyon	370	0	Artichoke Trust Ltd	Partner is a Board member
	593	19	Barbican Centre	Managing Director
	4,692	535	North Music Trust	Board member
	188	13	The British Library	Former Trustee of the Saga Trust
Peter Bazalgette	19	10	Francis Crick Institute	Partner is a Trustee
	2	1	Natural History Museum	Partner is a Trustee
Peter Phillips	259	0	Birmingham Opera Company	Former Board member
Rosemary Squire	352	0	Dance Umbrella Ltd	Vice-Chair
	1,770	53	Rambert Dance Company	Partner is Chair
	325	0	The Hall for Cornwall Trust	Trustee
Sheila Healy	281	0	Kneehigh Theatre Trust Ltd	Board member
	273	40	The Audience Agency	Board member
	500	0	Tate St Ives	Member of Advisory Council
Veronica Wadley	0	1	Greater London Authority	Senior Advisor to the Mayor for the team London, Volunteering, Charities and Sponsorship
	1,434	0	Museum of London	Employed by GLA which co-funds the museum
	2,258	0	Northern Ballet Limited	Former Board member
	151	0	Thames Festival Trust	GLA employee which co-funds Thames Festival Trust
	75	0	The London Design Festival Limited	Employed by GLA which co-funds LDF Ltd

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## 27b Directors and senior managers

Executive directors and senior managers in Arts Council England are also required to declare any direct interests in grant applications made to, and commercial relationships with, the Arts Council. The declared interests in grant recipients along with amounts awarded for the year ended 31 March 2015 are detailed below.

Director and senior manager	Grant for the year ended 31 March 2015 £000s	Balance unpaid at 31 March 2015 £000s	Organisation	Relationship type
Alan Davey	80	8	University Of Birmingham	Member of the Council of the University
Alison Clark	699	0	Liverpool Biennial Of Contemporary Art	Partner is employee
Clare Titley	60	15	National Council for Voluntary Organisations	Member of Advisory Council
Hedley Swain	189	15	The National Football Museum Ltd	Board member
John Orna-Ornstein	51	5	International Council Of Museums ( United Kingdom)	Former Board member
	110	19	Museums Association	Former Board member
Joyce Wilson	0	1	Greater London Authority	Member of London Cultural Strategy Group
Phil Gibby	107	0	Theatre Bristol Ltd	Partner is employee
Simon Mellor	479	11	Manchester International Festival	Employee

## 27c Other government bodies

The Department for Culture, Media and Sport is the sponsoring department for Arts Council England and is regarded as a related party. At the year end Arts Council England had the following balances outstanding with other government bodies:

	Creditor 31 March 2015 £000s	Debtor 31 March 2015 £000s	Creditor 31 March 2014 £000s	Debtor 31 March 2014 £000s
Balances with other DCMS government bodies	110	1,505	3,836	2,572
Balances with other central government bodies	0	0	3	313
Balances with local authorities	653	0	41	0
Balances with public corporations and trading funds	265	0	0	5

## 28 Reconciliation of operating surplus to Departmental Expenditure Limit

The government budget that is allocated to and spent by government departments is known as the Departmental Expenditure Limit, or DEL. The Arts Council is not allowed to exceed its annual DEL budget. Due to differing accounting treatments there are certain transactions which are included in these accounts but do not have an impact on our DEL budget. The Arts Council has a reported surplus of £3,792,000 but our overall DEL underspend for the year was £199,000 and the table below shows a reconciliation of the two amounts.

	£000s
<b>Underspend as per statement of financial activities</b>	<b>(£3,792)</b>
<b>Exclude non-DEL transactions</b>	
Revaluation gain on heritage assets	£2,989
FRS17 surplus	£577
Loss on investments	(£19)
Depreciation	(£1,161)
Capital expenditure	£1,157
Provisions adjustments	£33
Legacy income	£17
<b>Adjusted under spend</b>	<b>(£199)</b>
<b>Represented by:</b>	
Resource DEL underspend	(£107)
Capital DEL underspend	(£92)

## 29 Contingent liabilities

There were no contingent liabilities as at 31 March 2015.

## 30 Post balance sheet events

In accordance with the requirements of FRS 21 events after the balance sheet date, post balance sheet events are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the independent auditor's report to the trustees of Arts Council England. There are no post balance sheet events to report.



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# 9. Lottery distribution accounts

## The certificate and report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of Arts Council England's Lottery distribution for the year ended 31 March 2015 under the National Lottery Act 1993. The financial statements comprise: the statement of comprehensive net expenditure, financial position, cash flows, changes in equity, and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the remuneration report that is described in that report as having been audited.

### Respective responsibilities of the Trustees, Chief Executive and auditor

As explained more fully in the statement of Trustees' and Chief Executive's responsibilities, the Trustees and Chief Executive are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the National Lottery etc Act 1993. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

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

the reasonableness of significant accounting estimates made by Arts Council England's Lottery distribution; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

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

### Opinion on regularity

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

### Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Arts Council England's Lottery distribution's affairs as at 31 March 2015 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Lottery etc Act 1993 and Secretary of State directions issued thereunder

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## Opinion on other matters

In my opinion:

- the part of the remuneration report to be audited has been properly prepared in accordance with Secretary of State directions made under the National Lottery etc Act 1993; and
- the information given in the Trustees' report and management commentary for the financial year for which the financial statements are prepared is consistent with the financial statements

## Matters on which I report by exception

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

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

## Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse KCB  
Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP  
22 June 2015

## Statement of comprehensive net expenditure

	Note	2014/15 £000s	Restated 2013/14 £000s
<b>Income</b>			
Share of proceeds from the National Lottery Distribution Fund	2	252,540	230,800
Investment returns on the Distribution Fund	2	1,101	1,083
Transfer of funds from the Olympic Lottery Distribution Fund	2	20,749	0
		<b>274,390</b>	<b>231,883</b>
Other income	3	518	522
<b>Total income</b>		<b>274,908</b>	<b>232,405</b>
<b>Expenditure</b>			
Grant commitments made in the year		396,330	176,830
Less: lapsed and revoked commitments		(7,734)	(9,052)
Net grant commitments		388,596	167,778
<b>General expenditure:</b>			
Staff costs	4	142	1,721
Other operating costs	5	364	527
Costs apportioned from Grant-in-Aid accounts	6	17,721	15,035
		<b>18,228</b>	<b>17,283</b>
<b>Total expenditure</b>		<b>406,824</b>	<b>185,061</b>
<b>Net (expenditure)/income</b>	7	<b>(131,916)</b>	<b>47,344</b>
Interest receivable		22	26
<b>Net (expenditure)/income after interest</b>		<b>(131,894)</b>	<b>47,370</b>

The notes on pages 98 to 117 form part of these accounts.

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## Statement of financial position

	Note	31 March 2015 £000s	Restated 31 March 2014 £000s
<b>Non-current assets</b>			
Tangible assets	8	0	0
<b>Total non-current assets</b>		<b>0</b>	<b>0</b>
<b>Current assets</b>			
Trade and other receivables	9	26	41
Investments: balance in the National Lottery Distribution Fund	2	325,697	286,613
Cash and cash equivalents		5,020	15,075
<b>Total current assets</b>		<b>330,743</b>	<b>301,729</b>
<b>Total assets</b>		<b>330,743</b>	<b>301,729</b>
<b>Current liabilities</b>			
Grant commitments due within one year	10	241,458	210,562
Trade and other payables	11	146	123
Due to Grant-in-Aid accounts		3,379	2,572
<b>Total current liabilities</b>		<b>244,983</b>	<b>213,257</b>
<b>Non-current assets plus net current liabilities</b>		<b>85,760</b>	<b>88,472</b>
<b>Non-current liabilities</b>			
Grant commitments due in more than one year	10	207,271	78,089
<b>Assets less liabilities</b>		<b>(121,511)</b>	<b>10,383</b>
<b>Equity</b>			
General reserve		(123,628)	8,266
Fair value reserve		2,117	2,117
		<b>(121,511)</b>	<b>10,383</b>

The notes on pages 98 to 117 form part of these accounts.

**Darren Henley OBE**  
Chief Executive  
18 June 2015

**Sir Peter Bazalgette**  
Chair  
18 June 2015

## Statement of cash flows

	Note	2014/15 £000s	2013/14 £000s
<b>Cash flows from operating activities</b>			
Funds received from the National Lottery Distribution Fund	2	214,557	227,461
Other cash receipts		533	530
Grants paid		(228,518)	(208,009)
Cash paid to and on behalf of employees		(142)	(1,721)
Transfer from Olympic Lottery Distribution Fund		20,749	
Cash paid to Grant-in-Aid accounts		(16,915)	(17,630)
Other cash payments		(342)	(18,214)
<b>Net cash (outflow)/inflow from operating activities</b>	12	<b>(10,077)</b>	<b>47</b>
<b>Cash flows from investing activities</b>			
Interest received		22	26
<b>Net cash outflow from investing activities</b>		<b>22</b>	<b>26</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	13/14	<b>(10,055)</b>	<b>73</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>15,075</b>	<b>15,002</b>
<b>Cash and cash equivalents at end of period</b>		<b>5,020</b>	<b>15,075</b>

The notes on pages 98 to 117 form part of these accounts.

## Statement of changes in equity

	SoCNE reserve £000s	Fair value reserve £000s	Total reserves £000s
Opening reserve position at 1 April 2013	(21,555)	2,117	(19,438)
Prior period adjustment*	(17,550)	0	(17,550)
Opening reserve position at 1 April 2014	(39,104)	2,117	(36,987)
Transferred (to)/from the statement of comprehensive net expenditure	51,286	0	51,286
Prior period adjustment*	(3,916)	0	(3,916)
Closing Lottery reserve restated 31 March 2014	8,266	2,117	10,383
Transferred (to)/from the statement of comprehensive net expenditure	(131,894)	0	(131,894)
Closing reserve position 31 March 2015	(123,628)	2,117	(121,511)

\* for prior period adjustments – see note 1g.

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## Notes to the Lottery distribution accounts

### 1 Accounting policies

#### 1a Basis of accounts

We have prepared these accounts in accordance with the National Lottery etc Act 1993 (as amended) and directions issued thereunder by the Secretary of State for Culture, Media and Sport with the consent of HM Treasury and the 2013/14 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FReM permits a choice of accounting policy, the accounting policy, which is judged to be the most appropriate for the particular circumstances of the Arts Council Lottery distribution accounts for the purpose of giving a true and fair view, has been selected. The particular policies adopted by the Arts Council Lottery distribution accounts are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

A revised version of the Lottery Accounts Directions came into force during the year, to bring them into line with the Government Financial Reporting Manual, which is based on International Financial Reporting Standards (IFRS).

The accounts are prepared on a going concern basis, even though the Statement of Financial Position currently shows a deficit of £122 million. The reason for this is that, unlike Grant-in-Aid, the full amount of Lottery grant

commitments are shown in the accounts in the year when the commitment is made. We have just entered into our new three-year investment round, which means those National portfolio organisations which are being funded through the Lottery distribution accounts are showing the full three year commitment in 2014/15 of £207 million, for activity and payments which will take place over the period 2015–18. This deficit will therefore reduce gradually over the next three years as we make payments against these grants from income in those years. The grant commitments have been entered into after consideration of the cash requirements of grant recipients and after taking account of income projections provided by the Department for Culture, Media and Sport.

The accounts are prepared on a historic cost basis. Separate accounts have been prepared for the activities funded from Grant-in-Aid, in accordance with the directions issued by the Secretary of State. Full consolidated accounts have not been prepared.

#### 1b Recognition of income and expenditure

All income and expenditure are accounted for on a receivable and payable basis. Grant commitments payable within one year of the balance sheet date are recognised in the balance sheet as current liabilities. Those payable more than one year from the balance sheet date are shown as grant commitments over one year.

#### 1c National Lottery Distribution Fund

Balances held in the National Lottery Distribution Fund remain under the stewardship of the Secretary of State for Culture, Media and

Sport. However, the share of these balances attributable to Arts Council England is as shown in the accounts and, at the date of the statement of financial position, has been notified by the Secretary of State for Culture, Media and Sport as being available for distribution by Arts Council England for current and future commitments.

### 1d Taxation

Arts Council England, as a registered charity (1036733), is considered to pass the tests set out in paragraph 1, schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable trust for UK income tax purposes.

Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by part 10 of the Income Tax Act 2007 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. No tax charge has arisen in the year.

### 1e Pensions

We provide a defined benefit pension scheme for our employees (the Arts Council Retirement Plan 1994) and are a participating employer in the West Yorkshire Pension Fund.

The Arts Council Retirement Plan is a multi-employer scheme and we cannot identify our share of the underlying assets and liabilities. We have therefore accounted for this scheme as if it were a defined contribution scheme, in accordance with IAS 19 Employee Benefits, with the costs of the scheme being charged to the statement of financial activities. The West Yorkshire Pension Fund is also a multi-employer scheme, but, as a Local Government Pension Scheme, we are able to identify our share of the underlying assets and liabilities and have therefore accounted for this scheme in line with FRS17 Retirement Benefits.

All FRS17 adjustments are charged through the Grant-in-Aid accounts and recharged to the Lottery Distribution accounts.

The law on workplace pensions has changed and every employer must automatically enrol its staff onto a workplace pension scheme. In order to meet these requirements, we now also provide a defined contribution scheme for staff who are automatically enrolled (via the Peoples Pension).

### 1f Apportioned costs

Arts Council England incurs indirect costs, which are shared between activities funded from Grant-in-Aid and activities funded from the National Lottery. We are required to apportion indirect costs properly between the two areas in accordance with good accounting practice. It should be noted that Grant-in-Aid accounts are prepared under the Charity SORP 2005, and as such are not impacted by IFRS. There is no material impact on the recharge to Lottery were IFRS a requirement for adoption for the Grant-in-Aid accounts.

### 1g Change in accounting policy

A revised version of the Lottery accounts directions came into force during the year, to bring them into line with the Government Financial Reporting Manual, which is based on International Financial Reporting Standards (IFRS). The only change to the Arts Council England's Lottery distribution accounts is the removal of the soft commitments distinction. Previously, commitments accounted for were limited to those where there had been written acceptance from the grant recipient.

In line with the new Lottery directions commitments will now be accounted for when:

- a. The award has been formally decided upon, whether by National Council or under a delegated authority; and
- b. The award has been communicated to the intended recipient; and
- c. The award is free from any conditions under the control of Arts Council England.

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Awards which have been formally decided upon by the year end but which do not meet either or both of criteria b and c above will not give rise to a constructive obligation and so will not be treated as liabilities, but will be disclosed by way of a note as grant commitments.

As this is a change in accounting policy we have adjusted prior periods to reflect this policy as if it had always been in existence to comply with accounting standards.

The prior period adjustment is shown below.

* Prior period adjustment	
Balance brought forward as previously stated 1 April 2013	(19,438)
Prior period adjustment	(17,550)
Balance brought forward 1 April 2013 restated	<b>(36,987)</b>
Net movement of funds 2013/14 as previously stated	51,286
Prior period adjustment (see restated I&E)	(3,916)
Closing Lottery reserve restated 31 March 2014	<b>10,383</b>

## 1h Financial instruments

In accordance with the Lottery accounts direction, unrealised profits and losses on investments are recognised within the statement of comprehensive net expenditure.

## 1i Policy on reserves

Reserves held within the Lottery distribution accounts represent the difference between the amount allocated to Arts Council England and the amount committed.

## 1j Statement of comprehensive net expenditure

The statement of comprehensive net expenditure reports the revaluation reserve on the National Lottery Distribution Fund balance as a note. The statement of financial position also shows this separately as a fair value reserve.

## 1k Adoption of IFRS

Arts Council England has been required to present the Lottery distribution accounts under International Financial Reporting Standards since 2009/10.

It is a requirement of IFRS that staff costs include an accrual for any outstanding leave at the close of the year as a potential liability to the organisation. Due to the immaterial nature of this change to these accounts no adjustment for this has been included.

There are no standards and interpretations in issue but not yet adopted that the Trustees anticipate will have a material effect on the reported income, expenditure or net assets of the Lottery activities of Arts Council England.

## 2 National Lottery Distribution Fund

	2014/15 £000s	2013/14 £000s
Balance at 1 April	286,613	282,192
Share of proceeds from the National Lottery Distribution Fund	252,540	230,800
Investment returns on the Distribution Fund	1,101	1,083
Receipt of funds from winding up of Olympic Lottery Distribution Fund	20,749	0
Cash drawn down	(235,306)	(227,462)
Balance at 31 March	<b>325,697</b>	286,613

The balance in the National Lottery Distribution Fund at 31 March 2015 is based on the interim certificate issued by DCMS.

Arts Council England's ongoing National Lottery Distribution Fund balance policy can be summarised as follows:

We believe that our Lottery financial model should preserve a balance of approximately £50-£80 million in each year over the period to 2017/18. This is the equivalent of approximately three to four months' worth of income or cash payments which we feel is sufficient to

mitigate the risks involved while ensuring that we commit to as high a value of Lottery grant programmes as possible. We may also choose to build up our Lottery balance for a particular reason, for example to enable the launch of a new capital programme where a significant budget is required in one financial year. However as a general principle we would not allow our balance to exceed one year's worth of income. We review this policy annually and may either revise this figure upward or downward based on our assessment of the risks.

## 3 Other income

	2014/15 £000s	2013/14 £000s
<b>Grants and sponsorship received</b>		
Other central government bodies	499	513
Local authorities	8	0
Sundry	11	9
	<b>518</b>	522

	£000s	£000s
Grants, sponsorship and donations are analysed as follows:		
<b>Other central government bodies</b>		
Arts Council of Northern Ireland	150	150
Arts Council of Wales	150	150
Creative Scotland	175	175
Home Office	24	38
	<b>499</b>	513

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## 4a Staff costs

	2014/15 £000s	2013/14 £000s
Salaries and wages	114	1,290
Employer's national insurance	9	98
Employer's pension contributions	19	212
Agency	0	121
	<b>142</b>	<b>1,721</b>

IAS19 requires the reporting of any unpaid leave or other accrued employment rights where these are material to staff costs. In our view this cost would not be material and so no adjustment has been made in these accounts.

In addition to the cost of staff working directly on Lottery activities in the table above, £11,962,412 (2013/14: £8,503,000) of the costs apportioned from Arts Council England's Grant-in-Aid accounts (note 6) relate to staff costs.

The average number of staff engaged directly on Lottery activities for the year ended 31 March 2015 was as follows:

	Permanent staff	Agency staff	2014/15 Total staff	2013/14 Total staff
Management and operational	7	0	34	55

The average number of days of sickness absence per full-time employee during 2014/15 was 4.54 days (2013/14: 3.81 days).

## 4b Pensions

### Arts Council Retirement Plan (1994)

The scheme is a defined benefit scheme. Other employers contributing to the scheme are the Arts Council of Wales, Creative Scotland, the Crafts Council and Creativity, Culture and Education. Because it is a multi-employer scheme, we are unable to identify our share of the underlying assets and liabilities.

Consequently, we have accounted for the scheme as if it were a defined contribution scheme, in accordance with IAS19 Employee Benefits.

The scheme is financed by payments made by Arts Council England and employees into a trustee-administered fund independent of Arts Council England's finances. These contributions are invested by a leading fund management company. The net market value of the scheme's assets at 31 March 2015 was £125.4 million.

An actuarial valuation of the pension fund takes place at least every three years. At the last valuation on 31 March 2013 the actuarial value of the assets using the projected unit method was sufficient to cover 77.8 per cent of the value accrued to members, a deficit of £28,100,000. As a result, and on the advice of the actuary, with effect from 1 April 2014 we pay employer's contributions of 16.6 per cent of pensionable salary for Arts Council England employees and 21.9 per cent of pensionable salary for employees who transferred to Arts Council England from the Museums, Libraries and Archives Association, as well as a cash contribution towards the deficit in the plan of £647,200 per annum until 31 March 2023. During 2014/15 an additional payment of £900,000 was made into the Arts Council Retirement Plan.

The main long-term assumptions used for the actuarial valuation were as follows:

Consumer price inflation rate	2.55%
Long term rate of pay increases	3.30%
Short term rate of pay increases	1.30%
Rate of pension increases	2.55%
Discount rate	4.50%

Amounts due to the fund at 31 March 2015 were £0 (31 March 2014: £15,634).

### West Yorkshire Pension Fund

We are an admitted member of the West Yorkshire Pension Fund. This fund provides pensions to over 255,000 members in 367 mainly local government organisations. In the year ending 31 March 2015, nine Arts Council staff participated in the scheme. The scheme is a defined benefit scheme and is accounted for in accordance with IAS19 Employee Benefits.

The disclosures below relate to the funded liabilities within the West Yorkshire Pension Fund which is part of the Local Government Pension Scheme. The funded nature of the Local Government Pension Scheme requires Arts Council England and its employees to pay contributions into the fund, calculated at a level intended to balance the pension's liabilities with investment assets.

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### Assumptions

The latest actuarial valuation of Arts Council England's liabilities took place as at 31 March 2013. Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method. The principal assumptions used by the actuary in updating the latest valuation of the fund for FRS17 purposes were:

### Principal financial assumptions

	31 March 2015	31 March 2014	31 March 2013
Discount rate	3.2%	4.3%	4.4%
RPI inflation	2.9%	3.4%	3.4%
CPI inflation	1.8%	2.4%	2.4%
Rate of increase to pensions in payment*	1.8%	2.4%	2.4%
Rate of increase to deferred pensions	1.8%	2.4%	2.4%
Rate of general increase in salaries**	3.3%	3.9%	3.9%

\* In excess of guaranteed minimum pension increases in payment where appropriate

\*\* This has been set as 1.5% per annum above the CPI inflation assumption which is consistent with the assumption used at the actuarial valuation of the fund as at 31 March 2013.

### Asset allocation

	Value at 31 March 2015	Value at 31 March 2014
Equities	76.4%	75.3%
Property	4.2%	3.2%
Government bonds	10.5%	10.5%
Corporate bonds	4.6%	5.4%
Cash	2.1%	3.1%
Other	2.2%	2.5%
Total	100%	100%

### Reconciliation of funded status to balance sheet

	Value as at 31 March 2015 £m	Value as at 31 March 2014 £m	Value as at 31 March 2013 £m
Fair value of assets	30.601	26.337	25.726
Present value of funded liabilities	37.161	33.474	32.088
Pension liability recognised on the balance sheet	(6.560)	(7.137)	(6.362)

### Analysis of the charge to the statement of financial activities

	Period ending 31 March 2015 £m	Period ending 31 March 2014 £m
Current service cost	0.085	0.117
Past service cost	0.000	0.134
Interest cost	1.425	1.398
Expected return on assets	(1.781)	(1.705)
Expense recognised	(0.271)	(0.056)

### Analysis of amounts recognised under "Other recognised gains/ (losses)" on the statement of financial activities

	Period ending 31 March 2015 £m	Period ending 31 March 2014 £m
Total actuarial losses recognised	(1.683)	(1.090)

### Changes to the present value of liabilities during the accounting period

	Period ending 31 March 2015 £m	Period ending 31 March 2014 £m
Opening present value of liabilities	33.474	32.088
Current service cost	0.085	0.117
Interest cost	1.425	1.398
Contributions by participants	0.028	0.036
Actuarial losses on liabilities*	2.944	0.604
Net benefits paid out**	(0.795)	(0.903)
Past service cost	0.000	0.134
Closing present value of liabilities	37.161	33.474

\* Includes changes to the actuarial assumptions.

\*\* Consists of net benefits cash flow out of the fund in respect of the employer, including an approximate allowance for the expected cost of death in service lump sums.

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## Changes to the fair value of assets during the accounting period

	Period ending 31 March 2015 £m	Period ending 31 March 2014 £m
Opening fair value of assets	26.337	25.726
Expected return on assets	1.781	1.705
Actuarial (losses)/gains on assets	1.261	(0.486)
Contributions by the employer*	0.989	0.259
Contributions by participants	0.028	0.036
Net benefits paid out**	(0.795)	(0.903)
Net increase in assets from disposals/acquisitions***	1.000	0.000
Closing fair value of assets	30.601	26.337

\* Includes £900,000 additional contribution to West Yorkshire Pension Fund

\*\* Consists of net benefits cash-flow out of the West Yorkshire Pension Fund in respect of the employer, including an approximate allowance for the expected cost of death in service lump sums.

\*\*\* Transfer from Greater Manchester Pension Fund to West Yorkshire Pension Fund

The results of the triennial actuarial valuation of the West Yorkshire Pension Fund as at 31 March 2013 have been used to calculate Arts Council England's accounting figures over the period ending 31 March 2014 and 31 March 2015.

The 2013 valuation results included the transferred liabilities for 49 active members who transferred from the former arts boards but made no allowance for any bulk transfer payments to or from Surrey (11 members) or Staffordshire (13 members) pension funds. With respect to the 25 members who transferred from Greater Manchester an interim payment of £1,000,000 was paid by Greater Manchester Pension Fund to West Yorkshire Pension Fund in October 2014. This has been included when calculating the fair value of assets. The value of

the final payment has not yet been determined and therefore no allowance for this has been made in the calculations.

How the transfer payments should be calculated is still under discussion between those funds, the West Yorkshire Pension Fund and Arts Council England. The actuary has made no allowance for any transfer payments in our disclosures. We have, however, made allowance for the bulk transfers in relation to the other 131 members that transferred from the former arts boards at the same time.

Amounts due to the fund at 31 March 2015 were £nil (31 March 2014: £nil). During 2014/15 an additional contribution of £900,000 was made to the West Yorkshire Pension Fund.

## Legacy regional arts board pension schemes

All active regional arts board pension members, except those from London Arts, transferred to the West Yorkshire Pension fund on 1 April 2002. However, the deferred and pensioner members remained with their legacy pension provider as detailed below:

East England Arts	Cambridgeshire Council
East Midlands Arts	Nottingham Council
Northern Arts	Tyne & Wear Pension Fund
Southern Arts	Hampshire Pensions Trust
South East Arts	Surrey Council
South West Arts	Devon Council
West Midlands Arts	Staffordshire County Council
Yorkshire Arts	Remained in West Yorkshire Pension Fund

Arts Council England did not believe it was responsible for meeting any further liabilities relating to regional arts board employees in respect of these funds following lump sum payments to four schemes. However, three other funds have indicated during 2013/14 that liabilities exist in respect of the deferred pensioner members that they retained within their respective funds. Following specialist legal advice Arts Council England has asked the funds to provide documentary evidence that it is liable. No provision has been made in these accounts for potential sums payable, because of the uncertain nature of these liabilities.

## 5 Other operating costs

	2014/15 £000s	2013/14 £000s
Indirect staff costs	0	8
Supplies and services	0	12
Travel and subsistence	5	63
Professional fees	2	54
External assessment costs	357	305
	364	442



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## 6 Costs apportioned from Arts Council England Grant-in-Aid accounts

	2014/15 £000s	2013/14 £000s
Staff costs	11,962	8,720
Indirect staff costs	349	461
Premises	1,462	1,946
Supplies and services	2,076	1,735
Travel and subsistence	740	642
Professional fees	488	354
Central costs	191	264
Other recharges – contribution to depreciation	452	913
	<b>17,721</b>	<b>15,035</b>
Corporate governance costs included above	350	408

## 7 Increase/decrease in Lottery funds

	2014/15 £000s	2013/14 £000s
Stated after charging:		
(a) Auditors' remuneration	67	64
(b) Staff travel, subsistence and hospitality	745	705

The statutory audit fee for 2014/15 is £64,000. The amount above includes an additional £3,008 for the year 2013/14.

## 8 Non-current assets

Lottery accounts are charged their share of the depreciation of assets employed across all Arts Council activities.

## 9 Receivables

	31 March 2015 £000s	31 March 2014 £000s
Prepayments and accrued income	25	3
Other receivables	1	38
Provision for doubtful debts	0	1
	<b>26</b>	<b>42</b>

## 10 Grant commitments

Previously, commitments accounted for were limited to those where there had been written acceptance from the grant recipient.

In line with the new Lottery Directions, issued by the Secretary of State, commitments are now accounted for when the decision to award grants had been made and communicated to the grant recipient. As this is a change in accounting policy, we have adjusted prior periods to reflect this policy as if it had always been in existence, in line with accounting standards.

	31 March 2015 £000s	31 March 2014 £000s	31 March 2014 restated £000s
Ageing of commitments:			
2014/15	N/A	193,886	210,562
2015/16	241,458	57,953	61,386
2016/17	118,401	12,624	13,981
2017/18	85,988	2,063	2,063
2018/19	2,557	635	635
2019/20	325	25	25
	<b>448,729</b>	<b>267,186</b>	<b>288,651</b>

## 11 Current liabilities

	31 March 2015 £000s	31 March 2014 £000s
Trade payables	90	7
Accruals and deferred income	55	115
Other payables	2	0
	<b>146</b>	<b>122</b>

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## 12 Cash flow reconciliation

	2014/15 £000s	2013/14 £000s
Reconciliation of operating surplus/(deficit) to net cash flow from operating activities		
Operating (deficit)/surplus	(132,567)	51,286
Interest receivable	(22)	(26)
(Increase) in receivables and prepayments	(39,069)	(4,413)
Increase/(decrease) in payables	161,581	(46,800)
Net cash (outflow)/inflow	(10,077)	47

## 13 Reconciliation of net cash flow to movement in funds

	2014/15 £000s	2013/14 £000s
(Decrease)/increase in cash and cash equivalents in the year	(10,055)	73
Funds at 1 April	15,075	15,002
Funds at 31 March	5,020	15,075

## 14 Cash and cash equivalents

	1 April 2014 £000s	Cash Flow £000s	31 March 2015 £000s
Cash and cash equivalents	15,075	(10,055)	5,020
	15,075	(10,055)	5,020

## 15 Leases

There were no commitments under non-cancellable operating leases at 31 March 2015 (31 March 2014: £nil).

## 16 Capital commitments

There were no contracted capital commitments as at 31 March 2015 (31 March 2014: £nil).

## 17 Charges on assets

Since April 2012, the standard conditions for capital grants for building projects of £500,000 or more, give Arts Council England the option to take security on assets.

## 18 Reconciliation of transactions with delegate body

### 18a National Foundation for Youth Music

The National Foundation for Youth Music is a delegate body of Arts Council England in distributing Lottery funds. Transactions in these accounts relating to this delegation reconcile to transactions in the accounts of National Foundation for Youth Music as follows:

Transactions in Arts Council England accounts:	2014/15 £000s	2013/14 £000s
Grant commitments in the year	9,651	0
National Foundation for Youth Music's payables balance as at 31 March	15,626	14,712

This reconciles to National Foundation for Youth Music's accounts for the year ended 31 March as follows:

	2014/15 £000s	2013/14 £000s
Balance at 1 April	1,308	1,605
Incoming funds:		
Arts Council England grant	9,975	9,738
other funds	586	235
Outgoing funds:		
grant expenditure	(9,188)	(9,071)
other expenditure	(1,256)	(1,199)
Balance at 31 March	1,425	1,308
Arts Council England receivables balance as at 31 March	15,626	14,712

The 2014/15 figures were unaudited at the date of signing these accounts; the 2013/14 figures have been adjusted to reflect audited accounts.

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## 18b National Skills Academy

The National Skills Academy is a delegate body of Arts Council England in distributing Lottery funds. Transactions in these accounts relating to this delegation reconcile to transactions in the accounts of the National Skills Academy as follows:

Transactions in Arts Council England accounts:	2014/15 £000s	2013/14 £000s
Grant commitments in the year	0	0
National Skills Academy payables balance as at 31 March	1,401	7,470

This reconciles to the National Skills Academy's accounts for the year ended 31 March as follows:

	2014/15 £000s	2013/14 £000s
Balance at 1 April	4,292	20
<b>Incoming funds:</b>		
Arts Council England grant	6,069	7,142
other funds	2	0
<b>Outgoing funds:</b>		
grant expenditure	(2,807)	(2,745)
other expenditure	(172)	(125)
Balance at 31 March	7,384	4,292
Arts Council England receivables balance as at 31 March	1,401	7,470

The 2014/15 figures were unaudited at the date of signing these accounts.

## 18c Performing Rights Society for Music Foundation

The Performing Rights Society for Music Foundation is a delegate body of Arts Council England in distributing Lottery funds. Transactions in these accounts relating to this delegation reconcile to transactions in the accounts of the Performing Rights Society for Music Foundation as follows:

Transactions in Arts Council England accounts:	2014/15 £000s	2013/14 £000s
Grant commitments in the year	0	509
Performing Rights Society for Music Foundation payables balance as at 31 March	63	313

This reconciles to the Performing Rights Society for Music Foundation accounts for the year ended 31 March as follows:

	2014/15 £000s	2013/14 £000s
Balance at 1 April	(47)	0
<b>Incoming funds:</b>		
Arts Council England grant	250	196
other funds	87	83
<b>Outgoing funds:</b>		
grant expenditure	(303)	(294)
other expenditure	(44)	(31)
Balance at 31 March	(57)	(47)
Arts Council England receivables balance as at 31 March	63	313

The 2014/15 figures were unaudited at the date of signing these accounts.

## 19 Financial instruments

Cash requirements for Lottery expenditure are met by drawing down against weekly forecasts of need from the balances held on behalf of the Arts Council by the National Lottery Distribution Fund. At 31 March 2014 the fund balance was £287 million. This had increased to £326 million by 31 March 2015, at which point there were £449 million of grant commitments yet to be paid out.

In budgeting for current expenditure the Arts Council balances the anticipated outflow of cash payments against grant commitments along with forward forecasts of Lottery income provided by the Department for Culture, Media and Sport. This means that the Arts Council is exposed to little immediate credit, liquidity or market risk.

### 19a Liquidity risk

In 2014/15, 99.81 per cent of Arts Council England's income derived from the National Lottery and the investment returns from the balances held with the National Lottery Distribution Fund.

	£000s
At the balance sheet date, Arts Council England had net (liabilities) of:	(121,511)

We do not believe that we are exposed to significant liquidity risks, and are satisfied that we have sufficient current liquid resources to cover our projected payments of £241 million over the next financial year.

Liquid assets as at 31 March 2015:	£000s
Market value of National Lottery Distribution Fund investments	325,697
Cash and cash equivalents	5,020

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## 19b Interest rate risk

In accordance with the National Lottery Act 1998, National Lottery income receivable by Arts Council England is passed by the National Lottery Distribution Fund to the Commissioners for the Reduction of National Debt who invest the income in a narrow band of low risk assets such as government bonds and cash. Arts Council England has no control over the investment of funds on their behalf. The management of the National Lottery Distribution Fund meets with representatives of the Commissioners for the Reduction of National Debt on a regular basis to manage the risks associated with the investment of these monies.

At the balance sheet date, the market value of the Arts Council's share of the National Lottery Distribution Fund was £325,697,220.

In the year, the average return on these investments was 0.5 per cent (2012/13: 0.78 per cent).

	Fund balance £000s	Investment return £000s	Average return	Proportion of total income
2014/15	325,697	1,101	0.50%	0.40%
2013/14	286,613	1,083	0.50%	0.47%
2012/13	282,192	1,445	0.78%	0.53%
2011/12	194,490	1,515	2.26%	0.71%
2010/11	125,457	2,092	1.13%	1.15%
2009/10	97,363	1,396	0.58%	0.81%
2008/09	129,622	7,122	3.72%	4.66%

Cash balances which are drawn down by Arts Council England from the National Lottery Distribution Fund to pay grant commitments and operating costs are held in an instant access variable rate bank account, which carried an interest rate of 0.22 per cent below base rate during the year.

The cash balance at the year end was £5,019,629.

## 19c Foreign currency risk

Our exposure to foreign currency risk is not significant as less than 1 per cent of transactions by value are processed in currencies other than Sterling.

## 19d Financial assets by category

	2014/15 £000s	2013/14 £000s
<b>Receivables due within one year</b>		
Accrued income	25	3
Other receivables	1	38
	26	41
<b>Investments</b>		
National Lottery Distribution Fund	325,697	286,613
<b>Cash and cash equivalents</b>		
Cash and cash equivalents	5,020	15,075
<b>Total financial assets</b>	<b>330,743</b>	<b>301,729</b>

## 19e Financial liabilities by category

	2014/15 £000s	2013/14 £000s
Trade payables	90	7
Accruals	57	115
Due to Arts Council Grant-in-Aid accounts	3,379	2,572
Grant payables falling due within one year	241,458	193,886
Grant payables falling due over one year	207,271	73,300
<b>Total financial liabilities</b>	<b>452,254</b>	<b>269,880</b>

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## 20a Council members

We maintain publicly available registers in which council members declare their interests, including any direct interests in grant applications made to, and commercial relationships with, the Arts Council. The declared interests in grant recipients along with amounts awarded for the year ended 31 March 2015 are detailed below.

Council member	Grant for the year ended 31 March 2015 £000s	Balance unpaid at 31 March 2015 £000s	Organisation	Relationship type
Alistair Spalding	1,468	1,468	Dance Consortium Limited	Director
	0	32	Sadler's Wells Trust Ltd	Chief Executive
Maria Balshaw	20	0	Hallé Concerts Society	Board member
	78	299	Manchester City Council	Director of Manchester City Galleries linked to City Council
	0	568	The Clore Leadership Programme	Member of Strategic Advisory Board
Matthew Bowcock	31,344	31,744	Opera North	Board member of Arts Fundraising and Philanthropy Consortium; Opera North acting as grant holder for the Consortium.
Nicholas Kenyon	8	1	English Heritage	Former member of the Blue Plaque Panel
	0	255	North Music Trust	Board member
	0	76	The Dartington Hall Trust	Former Trustee
Peter Bazalgette	8	1	English Heritage	Member of the Blue Plaque Panel
	0	220	The Charleston Trust	Partner is a Trustee
Peter Phillips	0	33	Birmingham Opera Company	Former Board member
Rosemary Squire	6,844	6,799	Rambert Dance Company	Partner is Chair
	0	175	Rambert Trust Limited	Partner is a Director
	345	318	The Hall for Cornwall Trust	Trustee
Sheila Healy	1,064	1,064	Kneehigh Theatre Trust Ltd	Board member
	0	698	The Audience Agency	Board member
Veronica Wadley	105	75	Greater London Authority	Senior Advisor to the Mayor for the team London, Volunteering, Charities and Sponsorship
	9,939	9,993	Northern Ballet Limited	Former Board member
	103	0	Thames Festival Trust	GLA employee which co-funds Thames Festival Trust

## 20b Directors and senior managers

Executive directors and senior managers in Arts Council England are also required to declare any direct interests in grant applications made to, and commercial relationships with, the Arts Council. The declared interests in grant recipients along with amounts awarded for the year ended 31 March 2015 are detailed below.

Director or Senior Manager	Grant for the year ended 31 March 2015 £000s	Balance unpaid at 31 March 2015 £000s	Organisation	Relationship type
Alison Clark	300	150	Liverpool Biennial Of Contemporary Art	Partner is employee
	41	4	Northern Film and Media	Board member
Clare Titley	0	300	National Council for Voluntary Organisations	Member of Advisory Council
Joyce Wilson	105	75	Greater London Authority	Member of London Cultural Strategy Group
Michelle Freeman	75	47	Castlefield Gallery	Board member
	396	396	University Of Lincoln	Board member
Simon Mellor	0	485	Manchester International Festival	Employee
	0	7	Not Shut Up	Partner is Board member

## 20c Other government bodies

The Department for Culture, Media and Sport is the sponsoring department for Arts Council England and is regarded as a related party. The National Foundation for Youth Music, National Skills Academy and the Performing Rights Society for Music Foundation are similarly regarded as related parties by virtue of their funding relationships with the Arts Council. At the year end Arts Council England had the following balances outstanding with other government bodies:

	Payables 31 March 2015 £000s	Receivables 31 March 2015 £000s	Payables 31 March 2014 £000s	Receivables 31 March 2014 £000s
Balances with bodies within DCMS Group	7,421	0	8,762	0
Balances with other central government bodies	8	0	105	27
Balances with academies	0	0	46	0
Balances with local authorities	12,563	0	20,877	0
Balances with NHS Trusts	41	0	85	0
Balances with public corporations and trading funds	17	0	71	0

## 21 Contingent liability

There were no contingent liabilities as at 31 March 2015.

## 22 Events after the reporting period

In accordance with the requirements of IAS10 Events After The Reporting Period, these events after the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the certificate and report of the Comptroller and Auditor General. There are no events after the reporting period to report.

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# 10. National Lottery report

**As one of the distributors of the proceeds of the National Lottery, we are required to report on a number of areas relating to how we decide to distribute Lottery funds and the administration of our grants programmes.**

## Policy Directions

Under the National Lottery etc Act 1993, the Secretary of State issued Policy Directions in November 2007, which we must take into account from April 2008 in distributing National Lottery funds. These are set out below, with a short explanation of how the directions have been met.

The references below relate to the National Lottery etc Act 1993 as amended by the National Lottery Act 1998 and subsequent Acts.

### a) The need to involve the public and local communities in making policies, setting priorities and distributing money

In 2013, we updated our strategic framework for the arts, libraries and museums, which were set out in separate documents: *Achieving great art for everyone* (2010) and *Culture, knowledge and understanding* (2011), and which had been shaped by the views of artists, arts and cultural organisations, the public and our many other stakeholders and partners. The resulting document, *Great art and culture for everyone*, provides the rationale for our investment in the arts and museums during the period 2010-20 and will inform our future funding decisions. It will also guide our strategic development role for libraries.

We introduced a regular stakeholder focus survey in 2009 to ensure we are in touch with the views of our external stakeholders and the public, and to explore levels of trust and confidence in Arts Council England, as well as perceptions of accountability and attitudes to Lottery funding of the arts. We have continued to track our progress against certain issues, as well as any changes in opinions, in subsequent years. In 2014/15, we reviewed the strength and weaknesses of our methodology and agreed that future research would consist of: a survey of arts/cultural sector and key partners every

two years (most recently undertaken in February to March 2015); qualitative research in non-survey years with key opinion formers (results from autumn 2014 will be published in the next financial year); further public polling work so we can continue to understand the public perception of arts and culture; and research with political stakeholders such as MPs and local councillors.

### b) Its assessment of the needs of the arts and its priorities for addressing them

*Great art and culture for everyone* builds on the ambitions of its predecessors, setting out our continuing commitment to our mission and our five goals. It also brings together our responsibilities across the arts and the wider cultural sector. It describes what success will look like, and how we intend to measure progress towards our goals.

With its focus on long-term collaborative action, this refreshed strategic framework directs Arts Council England to work with its partners to bring about positive change throughout the arts, museums and libraries. It will help create the conditions in which great art and culture can be presented and produced, experienced and appreciated by as many people in this country as possible. It will enable us to focus our investment where it can achieve the greatest impact. It will support the development of world-class museums and great libraries that engage diverse audiences. It will sustain us as we work to maintain and enhance England's status as a leading cultural force in the world.

### c) The need to increase access and participation for those who do not currently benefit from the cultural opportunities available in England

In 2014/15, we awarded nearly £2.3 million through our Creative people and places programme, including a £964,218 grant to Arts Development East Cambridge for Fenland. The Market Place project will connect seven market towns across Forest Heath and Fenland through the development of a strong, confident and ambitious arts community. Community groups, cultural leaders and artists will form Market Place Traders groups in each town to develop

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ambitious programmes across the voluntary, professional and commercial sectors. Local leaders will feed into a national dialogue around 'missing markets' and ways to change the arts ecology in places with limited arts infrastructure.

Increasing public engagement with the arts is an important principle of Grants for the arts, with specific criteria that require applicants to demonstrate how the funding applied for provides opportunities for the public to engage with the arts activity. For example, Felix Road Adventure Playground Association, based in one of the most deprived areas of the South West where English is often a second language, received a grant of £15,000. This will fund an arts coordinator who will recruit, hire and monitor local artists to work with children and young people on creative projects, expanding the range and diversity of activities and developing the playground as a performance space.

In December 2014, we awarded a capital grant of £3 million to Cheshire West and Chester Council towards the conversion and extension of a Grade 2 listed former Odeon to house theatre, library and cinema spaces in a new cultural centre, RENEW: Chester. When completed in October 2016, the venue will provide a cultural facility in a county with limited arts infrastructure and low engagement. The library service should create more diverse arts opportunities – combining performance, writing and digital creation – and open up a new audience base for all of the centre's activities.

**d) The need to inspire children and young people, awakening their interest and involvement in the arts**

One of our five organisational goals outlines our commitment to a high quality arts, museums

and libraries provision for children and young people. We have a number of Lottery funded programmes that support our priorities around children and young people such as the national youth music organisations.

The Lyric Theatre Hammersmith in London was awarded a capital grant of £6 million and they completed the construction of its Ruben Foundation Wing in December 2014. The extension incorporates new drama, dance, film and TV recording studios, bar/café and a 60-seat cinema and aims to create a unique learning environment in which young people can access facilities that would not normally be available to them. Due to open in spring 2015, it will increase opportunities for young people to participate in dynamic, cross-arts-based programmes, which help to develop their confidence and life skills.

In July 2014, we awarded £453,176 to Z-Arts in Manchester, a grant through our Strategic touring programme towards the Big Imaginations network of children's theatre promoters. This should allow a wide range of high-quality touring theatre for children to thrive in the North West, utilising both the existing work of great companies and three bespoke co-commissions to develop audiences.

The Plymouth-based Stiltskin Creative Arts and Theatre Company are a grassroots arts and theatre company who have been creating, playing, performing, thinking, doing and constructing with children and communities across the South West for the past 15 years. In April 2014, they received a Grants for the arts award of £14,878 towards the Wild Tribe Children's Festival aimed at children between the ages of 4 to 14. The festival included theatre performances, live music, storytelling, arts and craft and circus workshops and involved a total

of 30 artists and 1,300 audience members and participants. Stiltskin also work as a storytelling partner for Plymouth Library Service and run after-school drama groups for children.

**e) The need to foster local community initiatives which bring people together, enrich the public realm and strengthen community spirit**

We believe that the arts have the power to change lives and communities, and we have funded a range of projects that have toured across the country, from theatres to village halls.

We have supported festivals and events of national significance. The Foundation for Community Dance based in the East Midlands received an award of £344,780 for the Big Dance Weekend, which took place 12 to 13 July 2014. The Big Dance Weekend aimed to be an outstanding programme of specially commissioned dance performances and participation events that animated and positively disrupted public spaces across England.

Commissioned by the Big Dance Hubs across England with the Foundation for Community Dance, these large-scale events were created by professional choreographers and dance artists working with communities to provide opportunities for people to take part, watch spectacular dance up close and see unusual and iconic locations transformed by dance.

Great North Run Culture was established in 2005 to celebrate the 25th anniversary of the world's largest half-marathon. It is an annual series of commissioned arts projects – encompassing film, photography, dance, drama, new writing, education and participation – taking place across the North East which celebrate and explore the unique partnership between sport and art. In April 2014, GNRC received £400,000 from our Exceptional awards programme towards its opening ceremony featuring a mass cast of 700 volunteers and attended by an audience of over 16,000 on the banks of the River Tyne.

Street Art Birmingham Limited received a Grants for the arts award of £13,182 towards a two-day festival in September 2014 aimed

at community cohesion and supporting regeneration. The festival involved live painting from 80 artists, multiple music venues and workshops on graffiti, dance and music, all incorporating a diverse range of cultures within the performances. Outreach work with younger people in some of Birmingham's most challenged areas and participatory activities targeted at Black and minority ethnic communities and NEET (not in education, employment or training) younger people were also key project elements.

**f) The need to support volunteering and participation in the arts and community arts**

We encourage high quality experiences for people participating in the arts. Voluntary and community groups are eligible to request funding and we aim to support participation through the programme. For example, Manchester's Whitworth Art Gallery – which reopened in February 2015 after a £15 million redevelopment project (including a capital grant of £1.7 million) – has recently launched a new volunteer programme. Volunteers can get involved in a variety of ways such as: working with a landscape designer to connect art with gardening and the outdoors; introducing the gallery's collections to visitors of all ages; and helping people get active by leading a series of art walks in Whitworth Park.

Artventure Trust provides workshops in painting, drawing, modelling, textiles and ceramics to adults with learning difficulties and received a Grants for the arts award of £6,500 towards the creation of a community-themed mural on a wall outside the Electric Theatre, Guildford, which shows the best in community and professional entertainment. The public will benefit from quality art outside the theatre and the project will demonstrate disadvantaged people's artistic capability by integrating them into the community.

In 2014, we invested Lottery funds in a significant number of community and participation-focused projects which marked the centenary of the First World War. For example, the Warrington Wolves Foundation received £15,000 from Grants for the arts towards the

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development of three new, site-specific dance performances inspired by local stories of the Great War. Each site had its own cohort of dancers, choreographer, dance facilitators, performers and community volunteers.

We also awarded £20,000 towards a public engagement and participation project involving a consortium of eight Staffordshire museums to develop a touring exhibition based on museum and archive collections relating to the Great War in Staffordshire.

**g) The need to encourage new talent, innovation, and excellence and help people to develop new skills**

The Grants for the arts assessment criteria support excellence, promote development opportunities, and encourage innovation and risk. We place additional priority on the development of new ideas and the use of art in new contexts, formats and places.

The Creative employment programme will help nurture young talent by providing paid experience in the sector. Our key partner from December 2013 to March 2015, the Skills Academy, will be responsible for delivering our funding of up to £15 million, which will directly benefit unemployed young people.

In 2014/15, we and Channel 4 announced a partnership – including £3 million Lottery funding – to re-launch the channel's Random Acts strand. The fund will establish a series of regional networks across the country comprising artists, arts organisations, educational bodies and production companies who will collaborate on significant training and development for young artists and arts film-makers aged 16 to 24. The aim is to broaden access to a notoriously difficult to get into sector and increase diversity, by targeting effort and support right across the country, including in

those areas where access to film and TV has been limited.

**h) The need to ensure that money is distributed for projects which promote public value and which are not intended primarily for private gain**

All of our application processes require applicants for funding to clearly demonstrate the expected public benefit of their proposed activity. We give this careful consideration during our assessment processes.

**i) The need to further the objectives of sustainable development**

Our Capital investment programme is committed to furthering the objectives of sustainable development. We expect organisations applying for capital investment, as far as possible, to take account of all long-term benefits and costs – environmental, social and economic – and to consider energy efficiency as a priority.

The Watermill Theatre in Newbury, Berkshire, received a capital award of just under £500,000 in April 2014 towards the improvement of its long-term environmental performance, improving artist and audience comfort and enhancing resilience through reduced running costs. The proposed design makes clever use of on-site natural resources including a new heating/cooling system connected to a common ground water borehole system (saving £4,500 per annum in energy costs) and photovoltaic panels on the roof which should recoup installation costs in 12 years.

In the year under review, we made an award of £744,564 to Bristol 2015 for an extraordinary arts programme that will play a central role in helping to make sustainable living accessible and easy to understand, one of the core aims for the year. National portfolio organisation

Bristol Cultural Development Partnership will deliver the programme which is built around six major projects.

Lucy Neal – artist, writer and community activist – published a book entitled *Playing for time* in Spring 2015 with the help of a £49,700 grant which considers creativity and co-operation between artists across different artforms, arts organisations, communities and individuals committed to exploring the role the arts can play in transitioning to a more ecological and sustainable age. Her research included collaboration with Battersea Arts Centre, Arts Admin, nef, CAT, the Arvon Foundation, the Transition Network and 12 other artist-writers.

**j) The desirability of ensuring equality of opportunity, of reducing economic and social deprivation and ensuring that all areas of England have access to the money distributed**

We know that where people live is likely to have a profound impact on the likelihood of them attending or participating in the arts. There are considerable differences in engagement levels for regions, local authority areas and neighbourhoods across England and one of the factors that affect engagement is economic and social deprivation. Since the Lottery began, 28 per cent of the total value of grants awarded in England has been channelled into the 10 per cent most deprived local authority areas.

In 2010, Luton was ranked 69th out of the 326 local authorities in the indices of multiple deprivation. Luton Cultural Services Trust was awarded a grant of £686,531 from the Creative people and places programme in June 2014. An independent charity managing 20 venues including six Luton libraries and 11 community centres, the trust aims to provide high quality cultural services which meet the diverse needs of its communities and to promote the value of culture in addressing the wider agenda of health, education, deprivation, social inclusion and economic regeneration.

Blackpool Grand Theatre Trust was awarded a £700,000 capital grant towards the creation of a sustainable arts hub in the centre of one of

the UK's most deprived towns. The refurbished studio theatre will house a new street-level foyer with improved access, performance spaces, dressing rooms, box office, café and exhibition space. The enhanced street presence aims to break down many of the perceived barriers to entering a theatre for people who have never experienced live performing arts.

We also encourage applications to Grants for the arts for activity that is happening in areas of social deprivation. Blyth Valley in Northumberland is one of the most deprived and least culturally engaged parts of England. The Northumberland Youth Service received just under £15,000 in 2014/15 towards a new collaboration with Strategic Arts Development Partners to develop a one-day youth arts pilot festival involving taster workshops, performances, presentations and exhibitions delivered by young people, professional artists and local arts organisations.

**k) The need to support the long-term managerial viability and leadership of organisations in the arts**

£1.8 million of funding (a combination of Lottery and Grant-in-Aid) has been made available for developing resilient leadership, allocated across February 2013 to March 2016. This includes a partnership with the Clore Leadership Programme to provide fellowships to support the personal and professional development of cultural leaders.

Through the business planning process we have also encouraged our portfolio organisations to think about governance and succession planning and our support in these areas will be further developed over 2015-18.

In July 2014 we announced £6 million of new Strategic funding to help us realise our ambitions for the Creative Case for Diversity, which includes supporting diverse artistic leadership inside the National portfolio. We will do this through helping them to develop creative content and offering mentoring roles for the next generation of a diverse arts and culture leadership.



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### **I) The desirability of working jointly with other organisations, including other distributors**

We recognise that through partnership working and alignment of our activities at local and national level greater benefits can be realised for the economy, and the effectiveness and impact of our Lottery funded activity can be increased. When assessing applications to Grants for the arts, we seek comments from local authorities on applications that are of strategic significance in their area. With major capital projects, we work closely with other funders to ensure that we have a common understanding and approach to the particular circumstances of each project. We continue to meet regularly with the other distributors to explore and discuss the best ways to get the most out of Lottery money for good causes.

We have also developed close relationships with a number of organisations including Visit England, the National Trust and the Canal & River Trust to work jointly to promote art and cultural projects, especially in places that are not traditional arts venues. For example, Cultural Destinations, working with Visit England, awarded nearly £3 million in the year under review to nine projects around the country. This funding will enable the arts and culture organisations to increase their reach, engagement and resilience through partnerships with tourism which will in turn help to drive growth in the visitor economy.

We have also awarded £293,400 to a partnership of nine organisations – led by Lincoln Business Improvement Group and including Visit Lincoln Partnership, Lincoln Cathedral and local authority partners – to make the most of the wealth of art, history and culture that Lincoln has to offer. These organisations will work

together to increase the local visitor economy by investing in the development of a new visitor app, digital signage and cultural holiday packages, as well as research, marketing and training.

In addition, to support culture's contribution to economic growth, the Arts Council has indicated to Local Enterprise Partnerships that our investment can serve as match funding for European Structural and Investment Funds, and we are working with Local Enterprise Partnerships to help them understand how our investment can help build strong and sustainable local cultural sectors which can contribute to growth in tourism and the creative industries.

#### **m) The need to ensure that all those receiving Lottery money acknowledge it using the common Lottery branding**

We recognise how important it is that the public can see how the Lottery has benefited the arts and other good causes. We make it a condition of funding for all successful applicants that they acknowledge receiving Lottery funding by using the common Lottery branding.

#### **n) The need to require an element of partnership funding, or contributions in kind from other sources, to the extent that this is reasonable to achieve for different kinds of applicants in particular areas**

All our funding programmes require applicants to demonstrate their ability to attract partnership funding from other sources when this can be reasonably expected. We believe that this is important, not only because it means that our Lottery funds go further, but also because it demonstrates that the proposed activity has the support of the wider community and others.

#### **o) The need (a) to support projects which are for a specific, time-limited purpose, (b)**

### **to ensure that Arts Council England has the necessary information and expert advice to make decisions on each application and (c) for applicants to demonstrate the financial viability of projects**

We use our Lottery funding for specific time-limited projects. Our application materials and assessment processes have been reviewed and developed over a number of years to ensure that we have the necessary information on which to base decisions.

### **Monitoring and evaluation**

We continue to use a single set of principles to inform the level of monitoring we carry out for each of our funding programmes. The level is based on an analysis of risk that takes into consideration:

- the amount of money involved
- the strategic importance of the activity
- any other risk factors

We do not necessarily avoid risk; it is often a central aspect of the creative process. Our approach is to manage risk by carefully assessing all applications we receive and tailoring our monitoring requirements on a project-by-project basis. Where the risks associated with a project are considered low, a 'light touch' approach is adopted, enabling us to concentrate our resources on monitoring and supporting projects where the risks may be higher.

We evaluate our funding programmes regularly to assess whether they are delivering the benefits that we expect for artists, arts organisations and the wider public. We use the findings of such evaluations to refine existing programmes and inform the development of future ones.

### **Lottery funded programmes**

The following section provides details of Lottery funded programmes – delivered by us or our appointed partner organisations – that are open to applications over several years and which accepted applications in 2014/15.

### **Grants for the arts**

Grant for the arts is our flagship open application programme that provides Lottery funding to individuals and organisations and for national activities. Grants range from £1,000 to £100,000 (although we may fund activities to a higher value in exceptional circumstances, and can cover activities lasting up to three years). 2014/15 was the 11th full year of operation and saw the programme make nearly £67 million in Lottery awards.

### **Strategic Lottery programmes**

Strategic funding is used alongside our National portfolio investment to target particular challenges, opportunities or gaps in the delivery of those priorities. It is open to any individual, organisation or consortium that meets the eligibility criteria.

Awards support additional work, rather than the running costs of arts organisations. National portfolio organisations that apply will need to show how work supported by strategic funding is additional to their core programme.

Strategic funding must be invested in arts activities, as required by Lottery regulations. Museums and libraries can therefore only apply to this programme for work that is primarily arts focused.

Details of the strategic Lottery programmes that were open to applications in 2014/15 are as follows:

### **Arts and older people**

This programme is jointly funded by the Baring Foundation and Arts Council England and supports the shared objectives of both organisations. People continue to be creative as they age but in some circumstances they may need specific support from arts organisations to unlock and develop these talents. A total of £1 million is available for proposals from partnerships or consortia led by residential care providers or arts organisations to deliver a three-year programme providing access to quality arts experiences for older people in residential care.

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## Capital investment

Over the period 2012-15, our £243.6 million Lottery-funded Capital investment programme will support organisations to develop resilience by giving them the right buildings and equipment to deliver their work, and to become more sustainable and resilient businesses. Funding rounds for both large and small grant applications opened in 2014/15 resulting in over £40 million of awards.

## City of Culture 2017

UK City of Culture status provides a national and international platform for cities to showcase their arts and cultural activities offer, enabling them to increase cultural tourism and attract a host of new visitors. In November 2013, Hull was named as the UK City of Culture for 2017 and was awarded a grant of £2.4 million in the year under review. The city will use this opportunity to tackle some of its serious economic and social issues and deliver a £190 million cultural capital programme to make Hull a world-class visitor destination.

## Creative media infrastructure programme (multi-channel network for the arts)

£1.8 million of Lottery funding has been awarded to digital content company Rightster to set up and run a new multi-channel network for the arts. Multi-channel networks are aggregations of large numbers of YouTube channels, run by independent third-party companies that are proving highly successful in attracting audiences to lifestyle areas such as food, sport, fashion and comedy. By providing

seed-corn investment to support this network, we will help audiences discover arts content online, and will extend the reach of publically funded arts by bringing together existing content from multiple arts providers to create a new online destination and community of interest.

## Creative people and places

The £37 million Creative people and places fund focuses on parts of the country where people's involvement in the arts is significantly below the national average, with the aim of increasing participation. Our £2.3 million investment in the East of England in 2014/15 will encourage long-term collaborations between local communities and arts organisations, museums, libraries and other partners such as local authorities and the private sector, empowering them to develop innovative and sustainable arts programmes that will engage audiences in those communities. Whilst our funding can only be guaranteed for three years, we ask that applications set out a 10-year artistic vision.

## Cultural destinations

Cultural destinations is an initiative that forms part of a three-year partnership between Arts Council England and VisitEngland, the national tourist board. Nearly £2.9 million of awards were made in 2014/15 to enable arts and culture organisations working in partnership with destination organisations to increase their reach, engagement and resilience through working with the tourism sector. Closer working between the two sectors will contribute to the economic growth of the cultural and tourism visitor economies.

## Exceptional awards

We fund a range of programmes designed to deliver the ambitions set out in our strategic framework for the arts and culture. However, we recognise that, on occasion, arts organisations may wish to respond to a one-off opportunity to create a project that is of such ambition that it sits outside the normal programme of the organisation and does not fit into existing Arts Council funding routes. Just under £3.9 million of exceptional awards were made in 2014/15 and applications for the next round of funding can be made from April 2015.

## Random acts

Channel 4's Random acts began in 2011 showing television made by artists, rather than programmes about them, and has since broadcast over 500 short films covering cutting-edge art, dance, animation, music and opera to mainstream television audiences. A total of £3 million Lottery funding has now been awarded to establish a series of regional networks across the country comprising artists, arts organisations, educational bodies and production companies who will collaborate on significant training and development for young artists and arts film-makers aged 16 to 24. The aim is to broaden access to a notoriously difficult to get into sector and increase diversity, by targeting effort and support right across the country, including in those areas where access to film and television has been limited.

## Strategic touring

The £45 million Strategic touring programme launched in 2012 and is designed to encourage collaboration between organisations so that more people across England experience and are inspired by the arts, particularly in places which rely on touring for much of their arts provision. In 2014/15, 28 projects were awarded over £5.5 million, enabling people across England to experience high quality art touring to their local area.

## TheSpace

TheSpace is a commissioning programme and website that fosters and promotes artists and arts organisations looking to integrate digital technology and innovation into their creative practice. Following a successful pilot in 2012, supported by the Arts Council and the BBC, TheSpace re-launched in June 2014 with funding of £7.75 million. Winning submissions in the year under review represent a broad take on creative experimentation from finding new ways to present live music online, to using open data to explore the artistic potential of space debris.

## Youth Music

Youth Music is the leading UK charity committed to enabling life-changing music making experiences for children and young people, particularly those with least opportunity. Through its grant making process, the Youth Music programme invests in music education organisations and projects throughout England to deliver learning opportunities across all styles of music, for children and young people who would not normally get the chance. The Youth Music Network is the charity's online community of professionals working in music education to share best practice, disseminate research and drive fresh thinking across the music education sector.

## Financial directions

Under section 26(3), (3a) and 4 of the National Lottery etc Act 1993 (as amended by the National Lottery Act 1998), the Secretary of State issued Financial Directions to the Arts Council England, as set out below:

'The Arts Council of England ('the Council') shall comply with the requirements contained within the attached Statement of Financial Requirements, which have the status of Directions under section 26 of the National Lottery etc Act 1993, as amended ('the Act'). The Statement of Financial Requirements complements the Council's Management Statement and Financial Memorandum (MS/FM), which deals with corporate management

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matters and with the application of non-Lottery funds, and should be read in conjunction with the MS/FM.'

We confirm that, to the best of our knowledge, we complied fully with the financial requirements in 2014/15. A copy of the Statement of Financial Requirements is publicly available.

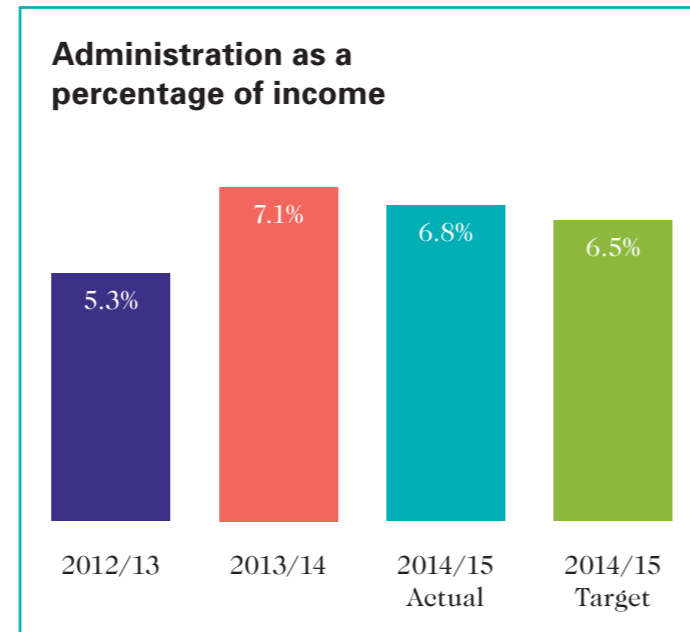
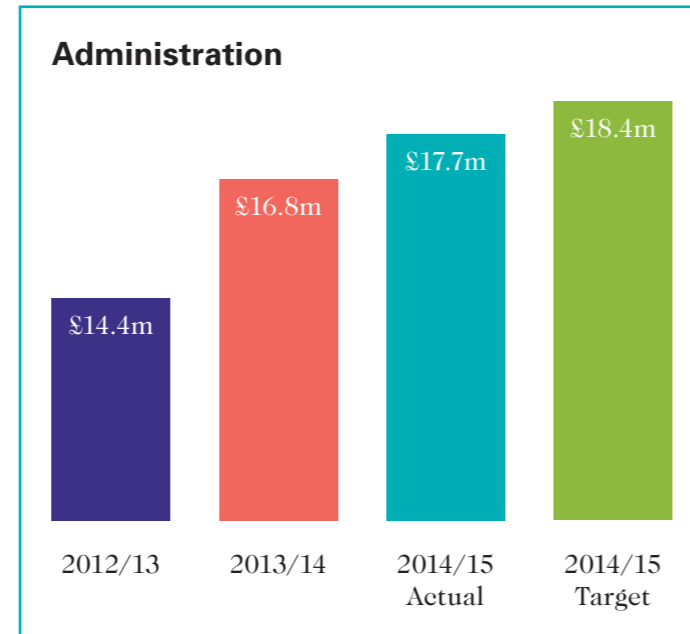
### Performance against targets for administrative efficiency

The financial year 2014/15 was the fifth year covered by our 10-year strategic framework. October 2013 saw the launch of our 'green book', *Great art and culture for everyone*, which updates our 10-year strategic framework, now fully integrating the arts, museums and libraries. It builds on the ambitions of *Achieving great art for everyone* and *Culture, knowledge and understanding: achieving great museums and libraries for everyone*, setting out our continued commitment to our mission and our five goals.

Detailed information on our goals can be found on pages 11 to 19. These goals have been central to all of our Lottery funded activities.

### Lottery administration costs

The Lottery Forum, which is made up of representatives from all of the Lottery distributors, has agreed, in conjunction with DCMS, to publish annually the following information about the costs of administering the distribution of Lottery funds. The Lottery administration costs data below shows that the 2014/15 actual administration costs are £0.6 million less than the target. This is because the Arts Council is using a new methodology to recharge costs in 2014/15 and output recharges have been lower than budget.



\* Excludes exceptional items and one-off IT development costs.

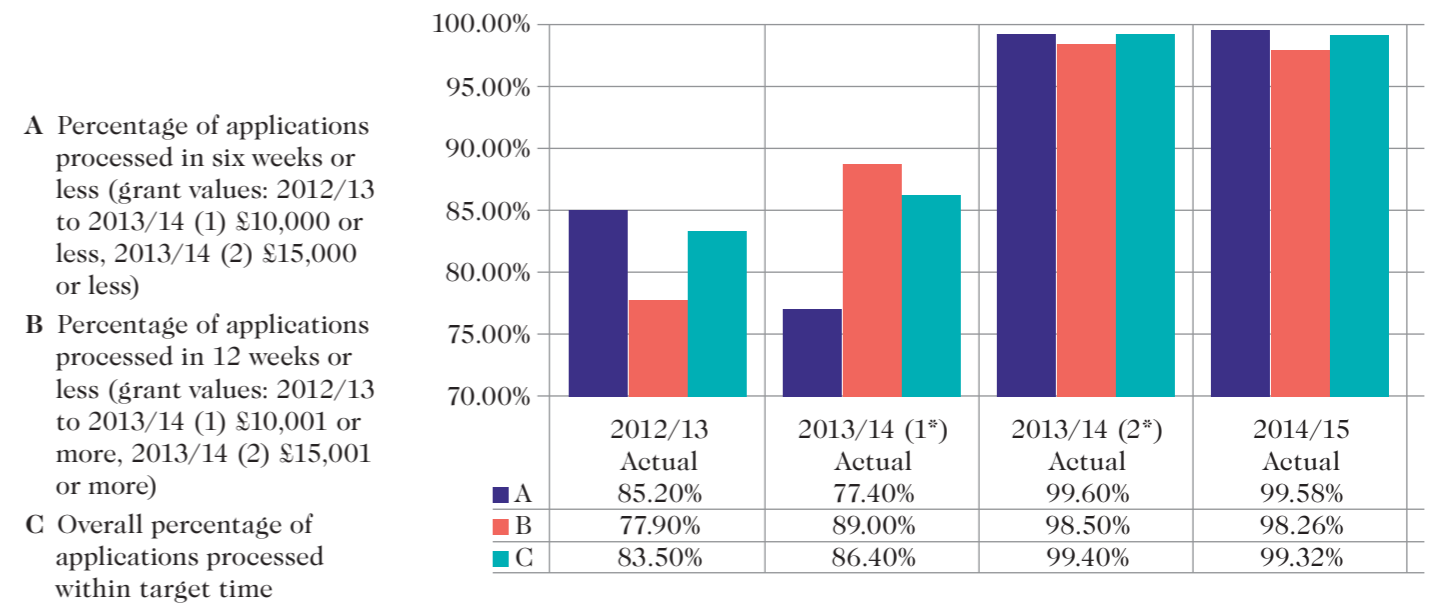
### Grants processing times

Since the start of our flagship Lottery programme, Grants for the arts, in April 2003, we have undertaken to process applications to decision within the following turnaround times:

Size of application	Turnaround time
Applications for funding up to and including £15,000:	6 weeks
Applications for funding for £15,001 and above:	12 weeks

Since 2009/10 we have adopted a target of processing 90 per cent of all applications within our stated turnaround times. The thresholds were increased on 1 July 2013 from £10,000 to £15,000.

The following graph shows how we have performed against those targets:



### Policy on additionality

Arts Council England and the organisations that distribute Lottery funds on its behalf recognise and respect the additionality principles of Lottery funding. Lottery funding enables us to extend the reach and increase the impact of the activity that we could undertake if only Exchequer funds were available. Together with the other Lottery distributors who make up the Lottery Forum, we have agreed to share the following common definition of additionality:

'Lottery funding is distinct from government funding and adds value. Although it does not substitute for Exchequer expenditure, where appropriate it complements government and other programmes, policies and funding'.

We and our delegates will have regard to the principles of additionality and this policy when we set the strategic objectives of our Lottery-funded programmes and when we decide how each programme will operate. We have, and will continue to use, Lottery funding to fund specific time-limited activity that would not take place without the support of the Lottery.

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## Performance against strategic objectives

The financial year 2014/15 was the second year covered by our refreshed strategic framework, *Great art and culture for everyone*, which set out details of our five goals for the arts and culture. Detailed information on our goals can be found on [pages 11 to 19](#). These goals have been central to all of our Lottery-funded activities.

## Customer service charter

In June 2008, we agreed with the other Lottery distributors and with DCMS to replace our common customer service charter with a set of customer service principles.

## Progress report on major Lottery awards over £5 million

This section reports on projects that have received capital awards totalling over £5 million, even if they involve a number of separate awards. It includes any projects that were active at 1 April 2014 but fully paid during 2014/15 and those with outstanding balances at 31 March 2015. The totals reflect any changes made to awards since the original decisions. The projects are divided into three sections:

- A** Projects still to be completed at 31 March 2015
- B** Projects completed and opened during 2014/15
- C** Projects completed and opened in previous years but with final payments still outstanding at 1 April 2014

## A Projects still to be completed at 31 March 2015

### Bristol Old Vic: £5,000,000

The phased refurbishment project will demolish and replace the existing annexe to create a new foyer with studio theatre, improved office facilities, bar/dining area and events space. Due to complete in 2016/17, the project should facilitate new trading opportunities and improve financial resilience and environmental sustainability.

**£350,000 paid (7 per cent of the total award)**

### Brighton and Hove City Council £5,603,380

Phase 1 of this major redevelopment of Brighton Dome's heritage venues will: refurbish the Studio Theatre and Grade 1 listed Corn Exchange; improve access and back of house areas; create a new entrance with enhanced foyers, box office, creation spaces and café-bar; replace mechanical and electrical systems – and undertake essential repairs. Aimed at enhancing sustainability, resilience and facilities for artists and audiences, the project is due to complete in spring 2018.

**£0 paid (0 per cent of the total award)**

### Lyric Theatre Hammersmith: £6,000,000

The Lyric Theatre Hammersmith project will make improvements to the existing building as well as create a range of new facilities, including an extension on an adjacent site to house the first ever teaching theatre for the performing arts. This will allow young people to participate in cross artform formal statutory training as well as education activities. The project is due to open in spring 2015.

**£5,000,720 paid (83 per cent of the total award)**

### Manchester City Council: £5,500,000

Manchester City Council is developing a new production centre for international contemporary art, theatre and film (called HOME) as part of a wider mixed use development in Manchester city centre. It will be a digitally enabled, low carbon venue that will provide opportunities for showcasing new work and increase audience engagement and education work. The first operators of the venue will be Greater Manchester Arts Centre formed by the merger of Cornerhouse and the Library Theatre Company, and it is due to open in spring 2015.

**£5,250,000 paid (95 per cent of the total award)**

### Royal Liverpool Philharmonic Society: £7,500,000

Refurbishment of the 1939 Art Deco Grade II\* Liverpool Philharmonic Hall and replacing the rear annexe will improve the experience for resident/visiting musicians, audiences and participants and increase environmental and economic sustainability. The project is due for completion in spring 2015.

**£6,071,385 paid (81 per cent of the total award)**

### Royal National Theatre: £17,500,000

NT Futures will transform the current National Theatre building – inside and outside – including the public spaces and behind the scenes. This project will improve the experiences of those who visit and work in the theatres, and will generate new spaces for learning, production and recreation. The Dorfman Theatre (formerly the Cottesloe) reopened in September 2014 with the remaining NT Futures works due for completion in 2015/16.

**£15,287,704 paid (87 per cent of the total award)**

### Royal Opera House: £10,000,000

The Royal Opera House is undertaking a strategic programme of capital improvements over a four year period to ensure that it can

continue to stage a world-class programme of opera, ballet and dance, and to continue to compete in an international market. The project is due for completion in 2016/17.

**£4,768,412 paid (48 per cent of the total award)**

### Southampton City Council: £7,344,000

Southampton's new arts complex will create dramatic new contemporary arts spaces in the heart of the city, built on the old Tyrrell and Green site. The new arts complex will bring internationally acclaimed art exhibitions and a full programme of performing arts. These will share their home with outstanding resources for filmmakers, providing new creative opportunities for everyone across the city and beyond. The project is due for completion in autumn 2016.

**£1,879,116 paid (26 per cent of the total award)**

### Southbank Centre: £16,675,000

Southbank Centre will undertake refurbishment of the Festival Wing comprising the Queen Elizabeth Hall, Purcell Room, Hayward Gallery and surroundings. This project will improve the experience of audiences, staff and artists, providing more appropriate facilities and spaces for the centre's festival approach to artistic programming and curation of the site. It will also enhance the environmental performance of the buildings, reducing energy consumption and improving ongoing sustainability. The project is due for completion in 2017/2018.

**£0 paid (0 per cent of the total award)**

### B Projects completed and opened during 2014/15

After a project has been completed and opened, Arts Council England retains a percentage of the award for payment until a full account for the project has been received.

### Chichester Festival Theatre: £12,000,000

This project will refurbish and extend the Grade II\* festival theatre set in the grounds

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of Oaklands Park. It will redevelop the front of house spaces and auditorium and extend the back of house facilities. The capital works will improve the facilities for artists, staff and the audience experience including capacity, access, sightlines, décor and the exterior parkland environment. The Festival Theatre reopened in July 2014.

**£12,000,000 paid (100 per cent of the total award)**

#### **C Projects completed and opened in previous years but with final payments still outstanding at 1 April 2015**

After a project has been completed and opened, Arts Council England retains a percentage of the award for payment until a full account for the project has been received.

#### **Liverpool and Merseyside Theatres Trust: £17,027,719**

**(Lottery: £16,931,311; Grant-in-Aid: £96,408)**

This project rebuilt the Everyman building on the current site using an enlarged footprint provided by a previous building purchase. The building retained the unique character of the main auditorium while significantly improving backstage and public facilities and providing extra space for the community and new writing programmes. March 2014 saw the high profile reopening of the theatre to great acclaim and with huge support from Liverpool residents and friends of the theatre. The building was the winner of the Stirling Prize 2014.

**£14,211,025 paid (84 per cent of the total award)**

#### **Rambert Trust Limited: £7,000,000**

Rambert Trust Limited built a new headquarters at Doon Street, London, adjacent to the National Theatre. This building will increase their profile and will put dance at the heart of the UK's highest concentration of creative organisations. The aim of the new building is to improve Rambert Dance Company's already excellent artistic standards, create a national centre for choreography, allow their outreach programme to grow and increase accessibility of the company. The building was opened in March 2014 by Her Majesty The Queen who met dancers, staff, and some of the team responsible for designing and building Rambert's new home.

**£6,824,580 paid (97 per cent of the total award)**

#### **Theatre Royal Plymouth: £5,000,000**

This project renovated and modernised the Theatre Royal's front of house facilities, including catering, corporate hospitality and retail facilities, external facades and re-landscaping of public approaches to the building and its entrances. It also created a workshop space for creative learning and community programmes. The theatre reopened in September 2013.

**£4,521,720 paid (90 per cent of the total award)**



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