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# Annual review *2010/11*

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Arts Council  
England

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*Grant-in-aid and  
Lottery annual report  
and accounts 2010/11*

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ARTS COUNCIL  
ENGLAND

**Arts Council England grant-in-aid and Lottery  
annual report and accounts 2010/11**

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# Review

Martha Leebolt  
in Northern Ballet's  
*Cleopatra*.  
Photo: Jason Tozer

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# Seeds of excellence



Despite the recession, the arts continue to exude confidence and creativity says our Chair, Dame Liz Forgan

This was the year in which the whole nation, including the arts, had to face fundamental choices about where real priorities lay in the context of a severe recession and a government determined to reduce the public spending deficit.

Deciding between artists in the distribution of funds is never easy. Doing so in the context of cuts is fiendishly difficult and on occasions heart rending. In our approach to the investment strategy we sought above all to be consultative, transparent and fair, and four key decisions governed all the others:

- a 10-year strategy for the arts, developed over many months with the help and collaboration of artists, audiences and local authorities, would set the context for all our choices

- for the first time in the history of the Arts Council, everyone would apply for the funding they required in an open process, explaining clearly how they expected to contribute to the realisation of that strategy

- we would resist calls for equal pain for everyone and fund each of our new National portfolio organisations according to the requirements of their work, even though this meant funding fewer organisations than we had in the past

- regional decisions would be subject to a final national moderation to ensure that the eventual outcome made sense across England in both artistic and geographic terms

There was universal determination to protect the small and the adventurous, and to plant the seeds of future excellence in every art form. And despite reductions in funding we believe we have created a portfolio capable of taking significant steps towards the goals we set out in our strategy *Achieving great art for everyone*. In the end the Arts Council's decisions, with a few exceptions, were largely well received – a tribute to the scrupulous work of the staff and to the maturity and restraint of many artists and organisations who faced sometimes quite devastating cuts in the funding for their work.

The coming year will have its own, no less daunting, challenges. Local authorities, our essential partners in funding the arts across the country, are still wrestling with the impact of cuts to their budgets and have yet to reach critical decisions for the years ahead. The Arts Council cannot step into the breach left by councils who cut their culture budgets, but we can and

will work strategically with any authority seeking to protect its commitment to the arts.

The Arts Council is pleased to have been asked by government to assume new responsibilities this year for regional museums and libraries inherited from the Museums, Libraries and Archives Council. This opens up wonderfully creative opportunities to think about the cultural life of people and communities, bringing together reading and literature, collecting and performing, and the past and the present. It must, though, be borne in mind that financial constraints could limit our ability to make full use of them in the immediate future.

Not least of the challenges ahead is the requirement to reduce the Arts Council's own operating budget by a further 50 per cent by the end of the spending review period in 2015. This comes on top of the 15 per cent cut we made to our own budgets last year and reductions of that order will involve another fundamental review of the way the Arts Council works with its stakeholders and funded organisations.

However, despite recession, the arts in England continue to exude confidence and creativity. Our theatre, whether on the West End stage, in regional theatres or invading boiler rooms and basements in site-specific experiments, has never flourished more vigorously. Extraordinary young musicians pour out of the music schools or find their own voices in bands and talent shows. London is a world centre of theatre, dance, film, music and visual art. Manchester, Birmingham, Bristol, Liverpool and Leeds are centres of national and



Above:  
*NeneNine*  
by Steve  
Messam  
for FLOW,  
Igniting  
Ambition  
Festival 2011,  
part of the  
Cultural  
Olympiad.  
Photo: Steve  
Messam

international reputation. Festivals bring artists from all over the world and the UK to towns and rural centres from Cumbria to Norfolk. The creative industries, inspired, staffed and developed by our creative artists, sustain the national economy and enhance Britain's profile in the world.

But what is clear is that the private sector – individual giving as well as corporate sponsorship and the contributions of trusts and foundations – will have to pick up a greater share of the responsibility for sustaining that achievement. Arts organisations are improving their fund-raising skills and the Arts Council is helping them to improve still further.

The National Lottery will also play a bigger role in funding the arts, with the welcome return of Lottery funds to its original good causes increasing the Arts Council's share of the funding.

Finally, the coming year offers an unprecedented opportunity when we host the London 2012 Olympics. The Cultural Olympiad will involve every part of the country in exhibitions, events and celebration of Britain's creative genius.

Modern, multi-cultural England has not had to think seriously about itself in this way for a long time, and the Cultural Olympiad will give us an intriguing chance to think afresh about ourselves as a nation and how we can project a vision of 21st century England onto the international stage.

This is a unique opportunity to articulate a sense of England's distinct nationhood and I have every confidence that our artists will show the world a country whose vibrant culture is the bedrock of its identity.

**Dame Liz Forgan**  
Chair, Arts Council England



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# Difficult decisions made



The landscape has changed, and the arts are changing with it. We must work harder than ever before to create meaningful partnerships across, and outside, arts and culture, says our Chief Executive, Alan Davey

The last year has been a tough one for anyone working in the arts. Taking our share of the cuts to public funding (both in-year and also following the spending review) meant that the Arts Council had some extraordinarily difficult decisions to make, and there are good arts organisations across the country now facing tough challenges.

We were very clear, once we knew what our financial position was, that we would not be defeatist or unrealistic. Instead we would look at how we could keep burning the bright light of ambition which fuels the arts and allows them to play a key role in the life of our country. This was not a time to retreat, to apply unthinking cut upon unthinking cut; we know from the eighties about the slow decline that happens if you do that. The arts are too important to let that happen again.

We were determined to keep great art great and to focus on the future, with our decisions shaped by the long-term vision we developed with the arts sector. We wanted to back groundbreaking ideas, to commit to talent and excellence and to allow organisations to grow, develop and attract new audiences to the arts.

So we took the 29.6 per cent real terms cut that was applied to us and, by cutting back right across the organisation,

we limited the cut to the budget from which we fund arts organisations to 15 per cent. This allowed us to make judgements, to fund some organisations more, and some less, to get the best art we could for the money we had; to make sure the arts flourish, not wither, over the next four years.

The announcement of the new National portfolio was an historic moment for the Arts Council, with our new funding system allowing us to make nuanced, expert judgments based on the applications of over 1,300 arts organisations. For the first time we also asked arts organisations to tell us how much funding they felt they needed and, importantly, what they would deliver in return. Though the 15 per cent reduction to the budget for funded organisations meant we could not back many applications at the level requested, we tried as far as possible to fund artistically excellent organisations at a level that will enable them to realise

both their ambitions and their potential. It meant a number of very hard decisions.

The new National portfolio is a culmination of a period of real transformation for the Arts Council. We've done much over the past few years to make sure that our organisation is efficient, expert and confident, able to be an intelligent investor in and developer of the arts.

The transformation will continue as we prepare to take over functions previously held by the Museums, Libraries and Archives Council. Being asked to assume these important responsibilities, while challenging, represents a tremendous opportunity. With a single organisation representing culture at a local and a national level, we'll be able to link organisations of all kinds to create a clear, coherent offer for anyone looking to engage with what art and culture can provide.

We're determined to get this right. We've been talking with the museums and libraries sectors, and with a broad coalition of voluntary, community and private sector organisations with a stake in the future of culture in this country, to understand how we can go about it. The Arts Council and the museums and libraries sectors, although separate in nature, share many common values and we see the transition process as a first stage in realising the powerful role culture can play in the life of our country. It will broaden and deepen our understanding of the excellence, scholarship and rigour that lies at the heart of a compelling cultural offer. Without great art, great collections, great expertise, realisation and interpretation, engagement means little.

This collaborative approach is indicative of the way in which the Arts Council will seek to build more lasting partnerships with organisations that can further our aims. One of these is our new partnership with the BBC Academy, with whom we worked this year. Together we are running a series of seminars for arts organisations, helping them create high-quality digital content to increase both their national and international audiences.

We've also been reaching out to the private sector as we look to increase the amount of funding arts organisations could earn through private giving. Earlier in the year I published a report for the Secretary of State on this subject, and in December, alongside DCMS, we announced an £80 million package of initiatives to help organisations of all sizes, and in all locations, raise more from private giving. This is just the first step in a raft of measures we're taking to help build the skills and capacity in the arts sector, to increase private income.

Again and again the arts are highlighting how central they are to us as a nation, as individuals and as communities. I believe that in a time of economic hardship people want to feel this sense of community more than ever. It's vital that as a sector we look forward with confidence, continuing to create the kind of innovative, risk-taking and groundbreaking work audiences want to see.

Even in the face of economic difficulty, the past year has seen the unveiling of some wonderful artistic landmarks, from the opening of two world-class galleries in Margate and Wakefield to the rejuvenated

RSC, mac and Pavilion Dance. Young performing groups such as the Aurora Ensemble are realising new ways of engaging with great music. From nu-folk traditions to high opera, culturally our nation is richer than ever.

The landscape has changed, and the arts are changing with it. We must work harder than ever to create meaningful partnerships across, and outside, arts and culture. The Arts Council wants to be at the heart of this change and we'll do everything in our power to ensure marvellous artistic and cultural enterprises continue to prosper, and create the conditions for artists and arts organisations to do what they do best – make great art.

**Alan Davey**  
Chief Executive,  
Arts Council England

**Below: The  
Hepworth  
Wakefield  
opening.  
Photo:  
Hannah  
Webster**

**Bottom:  
Pavilion  
Dance.  
Photo: Jim  
Wileman**



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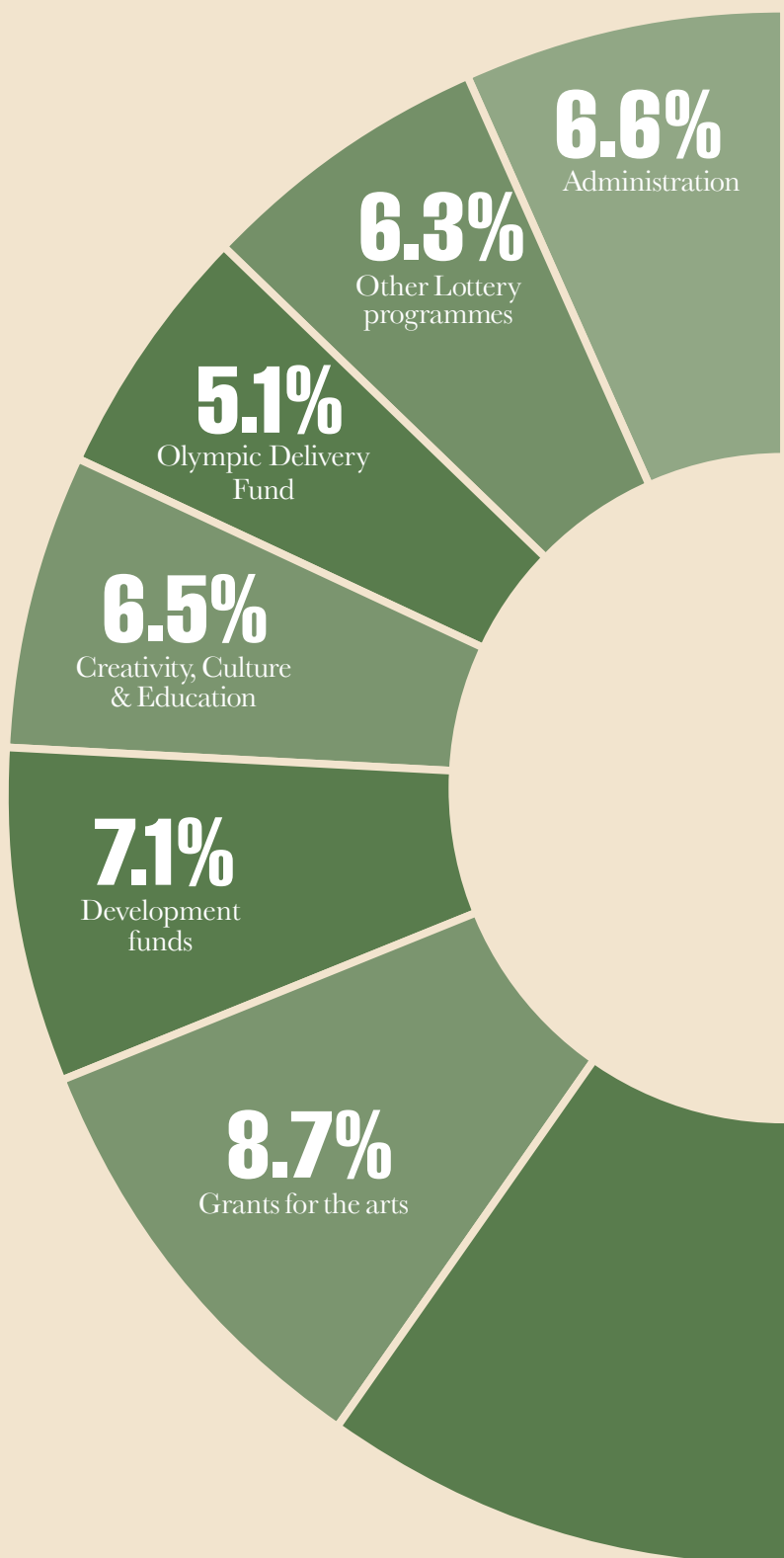
# How we funded the arts in 2010/11

We work to get great art to everyone by championing, developing and investing in artistic experiences that enrich people's lives. As the national development agency for the arts, we support a range of artistic activities from theatre to music, literature to dance, photography to digital art, and carnival to crafts.

### Regular funding for organisations

Through our regular funding programme, we invested £351 million of grant-in-aid in around 848 organisations including the Royal Opera House, BALTIC Centre for Contemporary Arts, Yorkshire Sculpture Park, Michael Clark Company, The Reading Agency, Blast Theory, Britten Sinfonia and Artichoke.

Following the £19 million reduction in our 2010/11 income from government, the cut to our regularly funded organisations' income from us was limited to 0.5 per cent for 2010/11.





**59.7%**  
Regularly funded  
organisations

In 2010/11, we spent more than £588 million of public money from the government and the National Lottery. This is the bedrock of support for the arts in England.

#### **Creativity, Culture and Education (CCE)**

We granted £38.1 million in 2010/11 to Creativity, Culture and Education, a national organisation established by the Arts Council. It aims to transform the lives of children and families through creative learning and cultural opportunity to enhance their aspirations, achievements and skills.

#### **Grants for the arts and other Lottery programmes**

Grants for the arts is our open-access funding programme for the arts, funded by the National Lottery. This programme allows us to fund new initiatives, respond to new ideas and nurture new talent. In 2010/11, we made over 2,000 grants, totalling £51 million. Our other Lottery programmes include Youth Music, Sustain and our capital programme.

#### **Development funds**

Our development funds allow us to identify new opportunities for the arts to flourish, by developing projects that reach and engage the public. They enable us to establish new partnerships that can generate further funding for the arts, and achieve great art for everyone through major fixed-term projects. These funds are not normally open to application.

In 2010/11 we invested £42 million through development funds projects such as Artists taking the lead, Cultural Leadership Programme, Artsmark, Own Art, and Take it away.

#### **Olympic Delivery Fund**

The Arts Council, along with other Lottery distributors, is required to make a contribution from balances to help fund the 2012 Olympics. In 2010/11 we made a contribution of £30,276 million.

#### **Support costs**

Our support costs, which cover salaries, premises, IT and other costs for our grant-in-aid and Lottery activities, were £38.6 million in 2010/11. This is a reduction of £6.5 million following our organisational review in 2009/10.



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# OUR PRIORITIES 2008-11



*Great art for everyone 2008-2011*, our ambitious plan for the arts in England, identified four development priorities: digital opportunity, visual arts, children and young people and London 2012.

In November 2010 we launched our strategic framework, *Achieving great art for everyone*, to focus our work over the next 10 years and encourage shared purpose and partnerships across the arts.

Above:  
ENO and  
Punchdrunk's  
*The Duchess  
of Malfi* at  
Theatre  
Royal &  
Derngate.  
Photo:  
Robert Day

## Digital opportunity

2010/11 was the third and final year of our digital opportunities programme and we continued to build on our work in broadcasting and new media, helping the arts make the most of digital opportunity. Highlights of the programme have included:

- working with Emap and partners including the BBC and UK Film Council to host a national conference, Media Festival Arts, in September 2010. Launched by our Chair, Liz Forgan, the three-day conference featured workshops and panel sessions

with speakers including Culture Secretary Jeremy Hunt, BBC Director-General Mark Thompson and Richard Halton, CEO of YouView. The programme attracted over 4,000 attendees, and over 1,000 people watched the live streaming

- consolidating our public value partnership with the BBC in June 2010 by jointly supporting a seminar for 50 leading arts organisations to better understand the opportunities presented by Internet Protocol Television

- working closely with the BBC Academy to develop Building digital capacity for the arts, an 18-month skills and learning programme. Launched in March 2011, the first seminar was fully booked within a day. The programme will focus on developing the media production skills of arts organisations, enabling the creation and distribution of high-quality arts content for digital platforms

- continuing, through our other major public value partnership with Channel 4, our successful co-commissioning partnership, More 4 Art, which created opportunities for arts organisations to showcase their work on More 4. The first programme of the 2010/11 season, National Theatre's *Habit*

of Art, has since received a Royal Television Society Award and the highest arts audience for the channel at just over one million. Other programmes in the season went backstage at Bristol Old Vic and at the ENO/Punchdrunk co-production *The Duchess of Malfi*

— Electroclassic, a research project supported through our West Midlands' digital content development programme which aimed to explore the issues of intellectual property and copyright in classical music. Undertaken by the Welsh National Opera, the initiative brought together visual artists and musicians with the opera's orchestra to experiment with new ways of making music. Electroclassic was featured on Radio 3's *Music Matters*, and culminated in a performance of a new piece of music in May 2011

— Such Tweet Sorrow, another project from the digital content development programme, in partnership with Channel 4's 4IP fund and Screen West Midlands,

and the world's first professional Twitter-based performance of Shakespeare. Over a five-week period in 2010, six actors improvised the dialogue of their characters (from *Romeo and Juliet*) on Twitter, YouTube and Facebook. The project was a completely new approach for the Royal Shakespeare Company and attracted a younger and more diverse audience

— a partnership between Watershed, Bristol and Arts Council England that led to a successful three-year programme, South By South West Interactive. 2010/11 was the third year of a delegation of artists and creative producers having a presence at the South by South West Interactive festival in Austin Texas to network, get inspiration and showcase their products. Attendees were overwhelmingly positive about their experience and the opportunities it offered, highlighting the value of this innovative approach in developing the capacity of the sector

We commissioned an evaluation of the three-year digital opportunities programme and the results will be published in summer 2012. The evaluation has generated case studies and analysis that will support good practice and further learning.

*Great art for everyone 2008-2011, our ambitious plan for the arts in England, identified four development priorities: digital opportunity, visual arts, children and young people and London 2012.*

Below left: The Hallé Harmony Youth Orchestra performing in the final concert at the Bridgewater Hall, as featured in Channel 4's *Orchestra United*. Photo: Matt Squire



Below right: Google's Tom Uglow speaking at Building digital capacity for the arts launch. Photo: Mark Bassett





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### Visual arts

The Turning Point Network was funded from 2008 to 2011 to test out a regionally-based, sector-led approach to delivering positive change within the visual arts. The aim was for the sector to grow stronger through better partnership working and knowledge sharing. The Turning Point Network now comprises 11 groups across nine regions. Each regional group has its own terms of reference and model of governance.

An evaluation of the three-year pilot programme highlights that impressive progress has been made towards joining up the visual arts sector and fostering collaborative working. Highlights have included:

— Turning Point East group working together from May to July 2010 on Revolve East, an ideas and skills exchange between 17 visual arts organisations. Staff were invited to experience a similar role in a different organisation for a day. This proved an incredibly successful pilot in skills development, notable for its personal and flexible approach. The group are currently planning a second phase

— organisations in the East Midlands Visual Arts Network collaborating to secure matched funding from the East Midlands Cultural Olympiad Legacy Trust for Sowing Seeds, a series of eight international residencies and associated events during the spring and summer of 2010. This increased their profile and presented a rich and joined-up offer for visual arts in the region

— six of the regional groups taking part at a national level in a pilot programme led by Audiences UK. The programme will test a structure for shared data capture around audiences, following a training needs analysis in March 2011

In 2011/12, there is a proven appetite to develop the Turning Point Network further. In a challenging financial climate, maintaining momentum and cultivating new, more efficient and collaborative models of working will be essential if the network is to continue to thrive and become more self-sustaining. In April 2011, responsibility for the national coordination of the Turning Point network transferred from Arts Council England to BALTIC Centre for Contemporary Art in Gateshead, which will host its next phase of development.



Left: Artist Theo Jansen and his 'strand-beest', a giant wind powered animal sculpture, on Exmouth beach. Photo: Jim Wileman



Above:  
Children  
and young  
people at  
Middles-  
brough  
Institute  
of Modern  
Art (mima).  
Photo:  
Gilmar  
Ribeiro

### Children and young people

We want all children and young people\* in England to have contact with the arts – as participants and audience members. When children and young people experience high-quality art, it helps them to develop not only their own artistic skills and cultural understanding, but also encourages the development of their talents in other aspects of their lives. Our work includes:

\* The Arts Council includes young people up to 25 years old in its definition of children and young people.

- developing our new priorities for children and young people during 2010/11, built on the legacy of Cultural Hubs, Find Your Talent and Creative Partnerships

- Artsmark, which celebrated its 10th anniversary in 2010. Over 7,000 schools have now achieved an Artsmark and 20 per cent of schools held the award in 2010. In 2011 we took a year out from running Artsmark to review the scheme. Through consultation with Ofsted, the Department for Culture, Media and Sport, Department for Education, local authorities, schools and arts organisations we piloted a new Artsmark that included quality outcomes and a simpler online application. The new, improved Artsmark relaunched in September 2011 and was made available to

further education colleges and youth justice settings such as youth offending institutions

- Arts Award, which celebrated its fifth birthday in November 2010. Nearly 43,000 young people have now achieved an award and in 2010/11 alone 16,751 awards were made – a growth of 45 per cent on the previous year. In July 2010, 35 UCAS points were allocated to the Gold Award, strengthening Arts Award's role in supporting progression into higher education. The Arts Council has entered a 10-year licence agreement with Trinity College London to secure Arts Award's future



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Above:  
West Everton  
Children's  
Orchestra,  
established  
through  
Royal  
Liverpool  
Philhar-  
monic's In  
Harmony  
programme.  
Photo: Jayne  
Garrrity

— the flagship programme of our partnership with Youth Justice Board – Summer Arts Colleges – an intensive, full-time programme offered over the summer holiday period to high-risk young people, particularly those on Intensive Supervision and Surveillance (ISS) and recently released from custody. A total of 377 young people across 41 programmes participated in the Summer Arts Colleges in 2010, the largest number since the programme began, and bringing the total number of young people participating over the last four years to 1,133

— the final weekend of Apples & Snakes WordCup 2010, hosted by Contact Theatre in Manchester in July 2010. Spoken word artists, poetry organisations and venues from across the country helped young people explore their creativity and build their performance skills through workshops, before competing in the national final. It was a truly inspirational weekend, celebrating the power of poetry and participation

— a week-long residency led by Random Dance in early 2011 at Jarrow School in the north east of England. The residency culminated in a performance of the new piece *Soma*, which the students performed alongside the world-class dancers from the company. Led by celebrated director/choreographer Wayne McGregor CBE, the Random Dance Creative Learning team tailor-made innovative and exciting projects based on their repertoire all over the UK and internationally, including schools and community groups

Nearly 43,000 young people have now achieved an Arts Award and in 2010/11 alone 16,751 awards were made – a growth of 45 per cent on the previous year.

— continuing to work with Creative & Cultural Skills, Skillset and the National Skills Academy to develop fairer entry routes into the arts sector. Across the country we helped arts organisations develop meaningful apprenticeship opportunities leading to 784 new apprenticeships in the arts sector during 2008-11



### The London 2012 Cultural Olympiad

We are a principal funder of the London 2012 Festival and Cultural Olympiad. This unprecedented celebration of culture is creating life-changing events to showcase our nation's creativity to the world, helping to increase audiences for the arts and inspire the talent of the future. Momentum is building, and in the last year we've supported many projects to move from development stage to be ready for delivery in 2012.



Above left: Shauna Richardson, Artists taking the lead winner for the East Midlands. Photo: Matthew Andrews

Above right: Tanztheater Wuppertal Pina Bausch: World Cities 2012, *Bamboo Blues*. Photo: Angelos Giotopoulos

We have:

- invested over £4 million in the London 2012 Festival, the culmination of the Cultural Olympiad, which will bring together some of the finest artists in the world. Our investment is supporting a range of commissions including a new opera by Damon Albarn and Jamie Hewlett, a Rachel Whiteread installation for East London, a celebration of poetry at the Southbank Centre, a retrospective of the remarkable career of Pina Bausch and a new musical composition for Coventry Cathedral
- continued to support Artists taking the lead commissions to develop around the country. These 12 flagship projects will take place in the coming year, one in each nation and region of the UK, to help celebrate the Cultural Olympiad in extraordinary and engaging ways

- announced £820,000 of funding to disabled artists in the second round of Unlimited Commissions, our partnership project with LOCOG and the British Council

- provided £2.55 million in Grants for the arts funding to 40 projects that are inspired by the London 2012 Olympic and Paralympic Games, including an Olympic poetry slam for young people across the country, artists' commissions for the Great North Run cultural programme, and the Aldeburgh World Orchestra, a project to bring together some of the world's finest young musicians for a series of concerts in the Olympic year

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# ACHIEVING GREAT ART FOR EVERYONE

## *& a transformation of arts funding*



2010/11 has been a year of change at the Arts Council. In November we published our 10-year strategic framework, *Achieving great art for everyone* and announced a transformation of the way the arts are funded in England.

Our new National portfolio funding programme came into effect in April 2012 and will provide funding for a National portfolio of 696 organisations. It replaces our regular funding programme, which ended on 31 March 2012. The majority of our regularly funded organisations have been given an equal cut for 2011/12, which has been kept to 6.9 per cent. This approach gives organisations a quick and fair decision on their immediate funding. It also gives arts organisations a year of transition that builds towards the new funding structure.



‘Shaped by the five shared goals set out in our strategic framework, the new portfolio consists of a rich variety of organisations, reflecting the quality and excellence of the arts in England.’

Opposite:  
Street  
percussion  
band  
Bloco Fogo  
performing  
at Milton  
Keynes  
International  
Festival, 2010.  
Photo: Shaun  
Armstrong,  
Mubsta

### **Achieving great art for everyone**

Shaped by the views of artists, arts organisations, the public and our many other stakeholders and partners, *Achieving great art for everyone* will focus our work over the next 10 years and encourage shared purpose and partnerships across the arts. It provides the rationale for our investment in the arts and will inform our future funding decisions.

With its focus on long-term collaborative action, it will enable us to work with partners towards positive change in the arts. It will help create the conditions in which great art can be made, experienced and appreciated by as many people as possible. It will support us in realising our vision of England as a world-leading creative and cultural nation, and will enable us to focus our investment and achieve even more impact.

### **Goals**

At the heart of the framework are five 10-year goals.

#### **Goal 1**

#### **Talent and artistic excellence are thriving and celebrated**

England is regarded as a pre-eminent centre for artistic excellence.

#### **Goal 2**

#### **More people experience and are inspired by the arts**

The arts are at the centre of people's lives – more people are involved in the arts in their communities and are enriched and inspired by arts experiences.

#### **Goal 3**

#### **The arts are sustainable, resilient and innovative**

Collaborative and networked, the arts are known for resilience, innovation and their contribution to the nation's reputation and prosperity.

#### **Goal 4**

#### **The arts leadership and workforce are diverse and highly skilled**

The diversity of the arts workforce reflects the diversity of society and artistic practice in England. Outstanding arts leaders play a wider role in their communities and nationally.

#### **Goal 5**

#### **Every child and young person has the opportunity to experience the richness of the arts**

Children and young people have the best current and future artistic lives they can have. They are able to develop their artistic capabilities and engage with, and shape, the arts.



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Chair's report

Chief Executive's report

How we funded the arts in 2010/11

Our priorities 2008-11

**Achieving great art for everyone  
and a transformation of arts funding**



Within each goal, we set out why it is an important area of work, what we will do and what success looks like. We also indicate what we will focus on in the next four years. The current Arts Council plan was published in autumn 2011 and describes our approach to these priorities in more detail.

### National portfolio funding

Alongside the publication of *Achieving great art for everyone*, we announced a new funding system for the arts in England.

For the first time in our history, the regular funding programme was replaced by an open application process. Arts organisations across the country worked hard to develop applications showing how they would contribute to the goals set out in *Achieving great art for everyone*. Arts Council staff around the country worked hard to assess the 1,333 applications we received and final decisions were taken by national Council and by the nine regional councils, building a balanced portfolio in order to achieve the best result for the arts overall.

Shaped by the five shared goals set out in our strategic framework, the new portfolio, announced in March 2011, consists of a rich variety of organisations across England, reflecting the quality and excellence of the arts in England.

Despite a significant reduction in the funding available, strenuous efforts were made to ensure that ambition, artistic exploration and pioneering spirit are kept alive, that great work can continue, that inspirational leadership is developed and supported, and that a vibrant countryside ecology is, as far as possible, maintained. Many artists and organisations will be entering the portfolio for the first time, bringing a fresh source of energy and renewal.

Two distinct investment areas have been identified to support the National portfolio from 2012:



### Major support for touring

£18 million a year has been earmarked to support our National portfolio in the priority area of touring – an area that has been identified through the application process as requiring direct intervention.

This will be used, in line with Lottery directions, to help ensure that more people have access to first-class artistic experiences wherever they live in the country. It will also safeguard and develop vital work relating to reaching and engaging broader audiences.

### Targeting work with children and young people

Each year, £10.5 million from the Lottery will be allocated through the National portfolio to a group of 'bridge' delivery organisations, who will provide a direct connection between the work produced by arts organisations and schools and communities in their area – building on the legacy of the Creative Partnerships scheme and Find Your Talent. Some of the organisations undertaking this work, including the Royal Opera House's Thurrock operation and Sage Gateshead, along with Youth Music and other organisations in the National

Above left:  
Nick Hornby  
reading with  
children from  
St Monica's  
Primary  
School at  
the Ministry  
of Stories.  
Photo:  
Miriam  
Douglas

Above right:  
Bryony  
Kimmings  
in *Sex Idiot*,  
part of  
Escalator East  
to Edinburgh  
2010. Photo:  
Christa Holka



portfolio, will take leading roles in implementing recommendations from the National Plan for Music Education. We also anticipate that they will play a major role in taking forward recommendations from the forthcoming review of cultural education.

The full list of 696 National portfolio organisations can be found on our website at [www.artscouncil.org.uk/funding/apply-for-funding/national-portfolio-organisations-map](http://www.artscouncil.org.uk/funding/apply-for-funding/national-portfolio-organisations-map)

### Grants for the arts

Our open-application Grants for the arts scheme, which is currently one of the best ways for exciting initiatives to get off the ground, will be extended from 2012 and reserved for projects outside of the portfolio. As portfolio organisations are no longer eligible, it is estimated that £12 million a year will be freed up, making it readily responsive to new ideas, and to spot and nurture new talent.

### Strategic funds

In March we announced that we will use strategic funds, which will come from the National Lottery, in partnership with others, commissioning key development work from organisations on behalf of the sector (National portfolio organisations will be eligible) from 2011 onwards. This will provide a shared approach to the delivery of these priorities, and help to position the arts sector within the wider creative and commercial economies.

The list of priority areas for the strategic Lottery fund, aligned against each goal in *Achieving great art for everyone*, includes:

- talent development
- touring
- audience development
- digital innovation
- increasing private giving
- leadership and organisational development
- children and young people

Above left:  
*The Pitmen Painters* at  
Live Theatre.  
Photo: Keith  
Pattison

Above right:  
*come, been  
and gone*  
by Michael  
Clark  
Company.  
Photo: Jake  
Walters

### Capital programme

The capital programme for 2012-15 will be focused primarily on maintaining the built infrastructure of the arts in England, and on the development and enhancement of existing facilities, including making galleries and venues more sustainable and energy efficient. We will not see the large-scale capital building programme that has been a feature of the last 15 years and that has had such a major regenerative effect across the country.



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Reporting against our official commitments

Remuneration report (audited information)

# Highlight





# ted information



The CIAO! Ark Project.  
Photo: Oxford Giclee



## Reporting against our official commitments

The Arts Council has a funding agreement with our sponsoring department, the Department for Culture, Media and Sport (DCMS). This section reports on our performance against our funding agreement objectives. Our current funding agreement runs from 2008-11.

### Funding agreement targets 2008-11

The Arts Council Plan sets out five national outcomes to be met in 2008-11, which support the DCMS's departmental strategic objectives on opportunity and excellence:

- excellence – high quality art and high quality arts experience
- reach – more people attending and participating in the arts
- engagement – more people feel that there are opportunities to be stimulated or inspired by, and get actively involved in, arts activities that are personally relevant to them
- diversity – arts activity that reflects the diversity of contemporary England
- innovation – artists have the freedom and are challenged to innovate

The following indicators are used to measure progress against the Arts Council's outcomes from 2008/09, and form the basis of our funding agreement with the DCMS.

### Excellence

Artistic quality\*

*An increase in the percentage of regularly funded organisations that are assessed as 'met strong' or 'met outstanding' in artistic quality following their annual reviews*

Baseline	2006/07	62.3% of regularly funded organisations in our portfolio were assessed as 'met strong' or 'met outstanding'
Actual	2009/10	70.0% of regularly funded organisations in our portfolio were assessed as 'met strong' or 'met outstanding'. This represents an increase of 7.7% against the baseline

Source: 2006/07 and 2009/10 annual assessments of regularly funded organisations

\* Please note that for 2009/10 annual reviews, the rating was changed to 'excellence and innovation', which is comparable with 'artistic quality'

High quality arts experiences

*An increase in the percentage of people who rate their last arts experience as being of 'high quality'*

Baseline	2007/08	57.1% of people rated their last arts experience as being of 'high quality'
Actual	2009/10	59.2% of people rated their last arts experience as being of 'high quality'

Source: Taking Part survey 2007/08 and 2009/10

### Reach

The number of people in the general population attending or participating in arts events or activities  
*An increase in the percentage of people (adults aged 16+) attending or participating 3+ times in the arts*

Baseline	2008/09	59.8%
Actual	2009/10	60.7%

Source: Taking Part survey 2008/09 and 2009/10

*An increase in the amount of time children spent attending or participating in arts activities in the last seven days*

### 5-10 year olds participation in culture in the last week

Hours of out of school cultural participation in last week	Percentage	Range
Less than 5 hours	73.2	+/- 2.7
5+ hours	26.8	+/- 2.7

### 11-15 year olds participation in culture in the last week

Hours of in and out of school cultural participation in last week	Percentage	Range
Less than 5 hours	33.8	+/- 3.1
5+ hours	66.2	+/- 3.1

## 5-15 year olds participation in culture in the last week

Cultural participation in last week	Percentage	Range
Not meeting desired hours	54.6	+/- 2.2
Meeting desired hours	45.4	+/- 2.2

Source: Taking Part child survey 2008/09

The Arts Council will report against this baseline in August 2011.

*An increase in attendance in a subset of regularly funded organisations*

	2007/08	2009/10
Number of organisations	738	738
Overall attendance	29,647,005	38,919,137

Source: Annual submission of regularly funded organisations 2007/08, 2008/09 and 2009/10

## Engagement

Ways to get people engaging with the arts  
*An increase in the percentage of children and young people achieving a bronze, silver or gold Arts Award*

Baseline	2007/08	In 2007/08 4,615 awards were made
Actual	2010/11	In 2010/11 16,751 awards were made

Source: Trinity Guildhall

The public has opportunities to get involved in arts activities  
*An increase in the percentage of people who feel that there are opportunities for them to get involved in the arts*

Baseline	2008/09	50.3% of the full attitudinal sub-sample of the Taking Part survey agreed with the statement 'There are lots of opportunities to get involved in the arts if I want'
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Actual 2009/10 54.7%  
Source: Taking Part survey 2008/09 and 2009/10

The arts are relevant to the public

*A decrease in the percentage of people who feel that the arts are not relevant to them*

Baseline	2008/09	25.8% of the full attitudinal sub-sample of the Taking Part survey agreed or agreed strongly with the statement 'The arts are not for people like me'
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Actual 2009/10 22.3%  
Source: Taking Part survey 2008/09 and 2009/10

## Diversity

Meeting legal equality duties  
*An increase in the percentage of regularly funded organisations whose diversity action plans or equality plans are rated as a 'strength'*

Baseline	2006/07	53.9% of regularly funded organisations in our portfolio had diversity action plans or equality plans that were assessed as a strength
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Actual 2009/10 61.6% of regularly funded organisations in our portfolio had diversity action plans or equality plans that were assessed as a strength. This represents an increase of 7.7% against the baseline

Source: 2006/07 and 2009/10 annual assessments of regularly funded organisations

## Remuneration report (audited information)

### 1 April 2010–31 March 2011

#### The Remuneration Committee

The Council has appointed a Remuneration Committee advising on the remuneration of regional chairs and for specific matters relating to the remuneration and performance of the Chief Executive and executive directors. The members of the committee during the year were Dame Liz Forgan, Rosemary Squire, Ekow Eshun, Peter Phillips, Sheila Healy and Anil Ruia (Chair). The committee operates within written terms of reference, and usually meets once during the year.

#### Council members' remuneration

Our supplemental charter issued in March 2002 provides us with the authority to remunerate our national Council members who are also regional chairs. Remuneration amounts are set by the Department for Culture, Media and Sport (DCMS) and agreed by the Charity Commission. We paid the nine members of Council who are also chairs of regional councils remuneration of £6,400 each during 2010/11 (2009/10: £6,400). The Chair's remuneration was agreed at £40,000 per annum (2009/10 £40,000).

#### Executive directors' remuneration

The remuneration system for executive directors was revised in 2010/11 to reflect the new, smaller Executive Board and the greater similarity of roles and responsibilities.

Salary progression through the band is dependent on individuals' performance and non-consolidated, one-off variable performance payments are also awarded to executive directors each year, typically to around 40% to 50% of the Board members. However, due to the Government's two-year public sector pay freeze, no executive director received a consolidated salary increase in 2010/11 and the variable performance 'pot' is currently frozen at 2008/09 levels. This is pro-rated to £10,000 as the Board is now smaller in number. Increases in salary and other payments to executive directors are not under the control of management. Whilst the Chief Executive makes recommendations in respect of his direct reports, any such payments must be approved by the Remuneration Committee.

In addition, the Chief Executive is entitled to a performance related payment of up to 20% of his annual salary each year. Remuneration Committee can decide to consolidate a small percentage of this payment into the Chief Executive's annual salary or pay the full amount as a one-off, non-consolidated sum. The Chief Executive was awarded a non-consolidated payment by the Remuneration Committee of £10,000 in accordance with his contractual entitlement as a reflection of his performance in the year 2010-11. He has asked not to take this payment but is extremely grateful for the recognition by the Committee of what has been achieved by the staff of the Arts Council this year. Again, the Chief Executive's salary was frozen as part of the public sector pay freeze in 2010/11.

Payments are earned on the basis of exceeding performance objectives and overall contribution to the effective leadership of Arts Council England, assessed formally through an annual appraisal process.

The Arts Council's variable performance pay system is an integral part of our total remuneration package. The Remuneration Committee is keen to emphasise that any variable performance awards are only made to individuals, throughout the organisation as a whole, for levels of achievement which contribute to the overall success of the organisation and which go beyond even the usual high standards expected of individuals in their roles. It notes that the financial amount of these awards is relatively modest. The Remuneration Committee decided to make payments to a number of individual members of Executive Board; these are set out in the first table in this report. These payments were determined by the Remuneration Committee in May and are usually paid in July each year.

The remuneration of our executive directors for the year ended 31 March 2011 was:

Member	Total remuneration 2009/10 £000s	Total remuneration 2010/11 £000s	Employers' Pension contributions £000s	Variable performance payment £000s	Car allowance £000s	Salary £000s
<b>Alan Davey</b> Chief Executive	191	<b>178</b>	25	0	0	153
<b>Alison Cole</b> Executive Director, Communications	44	<b>111</b>	21	0	0	90
<b>Althea Efunshile</b> Chief Operating Officer	157	<b>160</b>	29	4	0	127
<b>Andrea Stark</b> Area Executive Director, East and South East	117	<b>118</b>	24	0	0	94
<b>Andrew Nairne</b> Executive Director, Arts	116	<b>118</b>	22	2	0	94
<b>Anupam Ganguli</b> Executive Director, Resources	110	<b>112</b>	21	0	0	91
<b>Jim Tough</b> Area Executive Director, North	n/a	<b>109</b>	18	0	1	90
<b>Laura Dyer</b> Area Executive Director, Midlands	117	<b>121</b>	24	2	1	94
<b>Moira Sinclair</b> Area Executive Director, London	115	<b>118</b>	24	0	0	94



## Remuneration report (audited information)

### 1 April 2010–31 March 2011

Details of the pension entitlements for our executive directors for the year ended 31 March 2011 were:

Member	Accrued pension at 31 March 2011 £000s	Pension increase in the year (net of inflation) 2010/11 £000s	Cash equivalent transfer value at 31 March 2011 £000s	Increase in cash equivalent transfer value (net of inflation) 2010/11 £000s	Cash equivalent transfer value at 31 March 2010 £000s
<b>Alan Davey</b> Chief Executive	24	7	66	17	47
<b>Althea Efunshile</b> Chief Operating Officer	25	6	81	17	62
<b>Alison Cole</b> Executive Director, Communications	35	33	107	102	5
<b>Andrew Nairne</b> Executive Director, Arts	45	4	129	4	120
<b>Anupam Ganguli</b> Executive Director, Resources	12	4	25	9	16
<b>Moira Sinclair</b> Area Executive Director, London	26	4	64	6	56
<b>Laura Dyer</b> Area Executive Director, Midlands	106	1	254	-24	267
<b>Andrea Stark</b> Area Executive Director, East and South East	87	2	233	-14	237
<b>Jim Tough</b> Area Executive Director, North	145	145	494	494	n/a

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Alison Cole and James Tough transferred benefits from another pension arrangement into the Arts Council Retirement Plan during the year and this has resulted in an increase in their Arts Council benefits.

Laura Dyer and Andrea Stark are showing a reduced transfer value in real terms. These are members with high transfer values such that the impact of an additional year of accrued benefits is a low proportion of their total benefits and thus their transfer value is more influenced by changes in market conditions, and a change in the transfer value basis during the year to reflect the change from RPI to CPI.

**Alan Davey**  
Chief Executive  
20 April 2012

**Dame Liz Forgan**  
Chair  
20 April 2012

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# Grant-





A wide-angle photograph of the interior of the Royal Shakespeare Theatre. The auditorium is filled with an audience seated in multiple tiers of red seats. On the stage, a group of about ten people are standing, facing away from the camera towards the audience. The stage floor is made of light-colored wood. The ceiling is dark with several spotlights visible. A large, semi-transparent yellow banner with dark text is overlaid across the middle of the image.

# in-aid accounts

Royal Shakespeare  
Theatre auditorium.  
Photo: Peter Cook



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## Trustees' report and management commentary

### Reference and administrative details of the charity

The Arts Council of England, trading as Arts Council England, is a registered charity, charity registration number 1036733. The address of our head office is 14 Great Peter Street, London SW1P 3NQ.

### Governance

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 objects of the Arts Council as stated in the Royal Charter, our governing document, are:

- to develop and improve the knowledge, understanding and practice of the arts
- to increase accessibility of the arts to the public
- to advise and cooperate with other government departments, local authorities and the Arts Councils for Scotland, Wales and Northern Ireland (or their successors)

To this end, we make grants to artists and arts organisations and engage in other activities on behalf of the sector.

Arts Council England was granted a Supplemental Charter on 18 March 2002. Its purpose was 'to give effect to new arrangements for regionalisation of its structure and activities'. There were no changes to the objects of the Arts Council and the main changes relate to powers to establish and to delegate powers and functions to regional councils.

A number of amendments were made to the Charter in 2008 including allowing the remuneration of future Chairs of the national Council, and granting the Mayor of London the power of appointment for the Chair of the London Regional Council.

Arts Council England works at arm's length from government and has the status of a non-departmental public body. As such, we are regulated in accordance with a Management Statement, Financial Memorandum and Funding Agreement issued by the Secretary of State. In addition, as a registered charity and a chartered body, Arts Council England is subject to a range of obligations and accountabilities set out in regulation and law. We prepare our accounts for grant-in-aid and Lottery separately to comply with accounts directions issued by the Secretary of State and Charity Commission regulations.

### Governance structure

The national Council is the non-executive board of Arts Council England. It holds authority for governance, and for overall budget and policy decisions for 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 Arts Council England's objectives, as set out in the Royal Charter. The national Council consists of 17 members, nine of whom also chair a regional council in each region.

The regional councils are sub-committees of the national Council which it has established to provide advice, make funding decisions and advocate for the arts in England. The national Council values the live connection with artists, local government and arts organisations that the councils create regionally. Regional councils are responsible for supporting and promoting the organisation's mission and objectives in the region. There are at least 15 members on each regional council. The regional councils meet at least three times a year, one meeting of which is an away day.

In November 2009, national Council decided to establish three standing committees which would be delegated certain responsibilities. These committees are:

#### *Arts Policy Committee*

Considers and approves emerging strategic policy and Arts Council plans on behalf of national Council. The Committee is chaired by Dame Liz Forgan. Caroline Collier, Nicholas Kenyon, and Alice Rawsthorn are members. The Committee meets four times a year.

#### *Arts Investment Committee*

Oversees the implementation of investment and resources strategies and makes investment decisions on behalf of national Council. The Committee is chaired by Dame Liz Forgan. Janet Barnes, François Matarasso, Veronica Wadley, Jon Cook, Alistair Spalding and Keith Khan are members. The Committee meets six times a year.

#### *Performance and Audit Committee*

Provides a scrutiny function for the Arts Council, reviewing the performance of the Arts Council across the full range of its business and operations and making recommendations for continuous improvement. In addition it performs the functions required of a traditional audit committee. Anil Ruia was appointed as Chair of the

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Committee in December 2009 and Sheila Healy, Peter Phillips, Rosemary Squire, Ekow Eshun are members. David Carter is an independent member. A further independent member is intended to be appointed. The Committee meets four times a year.

The Council also has a Remuneration Committee which oversees the pay, performance and conditions of senior staff and the national and regional Chairs. Anil Ruia chairs the Committee. Liz Forgan, Sheila Healy, Peter Phillips, Rosemary Squire, Ekow Eshun and Alistair Spalding are members.

These sub-committees each have terms of reference. The Council has a scheme of financial delegations and authorities, which determines an appropriate level of approval or authorisation for financial commitments.

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### National Council

Members of our national Council are appointed by the Secretary of State for Culture, Media and Sport, other than the national member for London who is appointed by the Mayor of London. Council members are usually appointed for four years, and may be reappointed for a further term of four years.



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Member	Name	Council appointment	Reappointment	End of appointment
1 National Chair	<b>Dame Liz Forgan</b>	1 Feb 2009		31 Jan 2013
2 Member Yorkshire	<b>Janet Barnes</b>	1 Feb 2005	31 Jan 2009	30 Jan 2013
3 Member East	<b>Jon Cook</b>	8 Sept 2008		7 Sept 2012
4 Member	<b>Keith Khan</b>	1 May 2006	1 May 2010	30 April 2014
5 Member East Midlands	<b>François Matarasso</b>	1 Oct 2005	1 Oct 2009	30 Sept 2013
6 Member	<b>Alice Rawsthorn</b>	27 Feb 2007	1 Feb 2011	31 Jan 2015
7 Member North West	<b>Anil Ruia</b>	24 Nov 2008		23 Nov 2012
8 Member	<b>Rosemary Squire OBE</b>	26 Jan 2009		25 Jan 2013
9 Member	<b>Alistair Spalding</b>	26 Jan 2009		25 Jan 2013
10 Member	<b>Ekow Eshun</b>	26 Jan 2009		25 Jan 2013
11 Member	<b>Sir Nicholas Kenyon</b>	3 Nov 2009		2 Nov 2013
12 Member South West	<b>Sheila Healy</b>	4 Jan 2010		3 Jan 2014
13 Member West Midlands	<b>Peter Phillips</b>	4 Jan 2010		3 Jan 2014
14 Member South East	<b>Caroline Collier</b>	4 Jan 2010		3 Jan 2014
15 (Interim) Member London	<b>Ajay Chowdhury</b>	2 Nov 2009		30 June 2010
16 Member London	<b>Veronica Wadley</b>	1 July 2010		30 June 2014
17 (Interim) Member North East	<b>Peter Standfield</b>	1 April 2010		31 March 2011



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Tom Shakespeare resigned as North East Regional Council Chair in April 2011. Peter Standfield acts in an interim capacity in this role until the Secretary of State is able to appoint a permanent member to replace him.

In July 2010 Veronica Wadley was appointed as the Chair of the London Regional Council. Ajay Chowdhury acted in an interim capacity in this role until June 2010.

In August 2010 Diran Adebayo left the national Council.

### Policies and procedures adopted for the induction of trustees

The Council recognises the importance of ensuring that members, as trustees, are fully briefed and introduced into their role in the organisation.

All newly appointed trustees of the Council have an induction process. This includes meeting with the Chief Executive and Chair to discuss the role of the members and functions of Arts Council England, and a range of meetings with staff about the policies, strategies and activities of the Arts Council. This includes a briefing and discussion on the responsibilities of Charity trustees, declaration of interests and allowable expenses. Members who are also appointed to chair a regional council receive a further induction to that role, led by the relevant regional director.

National Council members are assessed individually every two years by the National Chair.

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## Executive Board

The Executive Board is Arts Council England's strategic and executive decision-making body. The Council has approved the delegation of powers for delivery of the agreed policies and strategies to the Executive Board. The Executive Board held 14 formal business meetings in the year as well as a number of away days. Its membership is set out below.



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### Executive Board Member

### Job title

1	<b>Alan Davey</b>	Chief Executive
2	<b>Alison Cole</b>	Executive Director, Communications
3	<b>Laura Dyer</b>	Area Executive Director, Midlands and South West
4	<b>Althea Efunshile</b>	Chief Operating Officer
5	<b>Anupam Ganguli</b>	Executive Director, Resources
6	<b>Andrew Nairne</b>	Executive Director, Arts
7	<b>Moira Sinclair</b>	Area Executive Director, London
8	<b>Andrea Stark</b>	Area Executive Director, East and South East
9	<b>Jim Tough</b>	Area Executive Director, North

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The Executive Board has established the Management Committee – a subcommittee to which it delegates powers and responsibilities, related to finance, management, compliance and operations. The Management Committee held 10 formal business meetings during the year as well as one away day. The Management Committee comprises the Chief Operating Officer, the Executive Director, Resources, an Area Executive Director, three Regional Directors, three Head Office Directors and the Head of Communications Planning.

### Responsibilities of trustees, the Chief Executive, Executive Board and Management Committee

Council members, as trustees, retain overall responsibility for the work and conduct of the organisation. The Council considers and approves major matters of policy development, including the overall framework for the strategic delivery of those policies.

The Council has approved the delegation of powers for delivery of the agreed policies and strategies to the Executive Board. Written terms of reference and procedures for the Executive Board have been agreed by the Council.

The Council has approved the further delegation of powers to a Management Committee as a subcommittee of the Executive Board. Management Committee is responsible for overseeing the workload and programme of head office operational issues delegated by Executive Board, monitoring organisation-wide financial performance and management issues, taking an overview of HR issues and risk management, and monitoring the strategic funds budget and contingency.

The Chief Executive has been authorised by the Council to undertake the day-to-day administration and management of the business and staff of the organisation. The Chief Executive is responsible to the Council for those matters. The Council has agreed and issued guidelines to the Chief Executive. The Chief Executive, as the Accounting Officer, is responsible for the Arts Council's 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, executive directors within the Arts Council and comments from the external auditors in their management letter and other reports.

The Accounting Officer may, on occasions, be required to give evidence to the Public Accounts Committee of the House of Commons.

Overall, the Council has approved a scheme of financial delegations and authorities, which provides a comprehensive scheme for determining an appropriate level of approval or authorisation for financial commitments, which is dependent upon the level of expenditure proposed.

We attempt to abide by the Better Payment Practice Code, and in particular pay bills in accordance with contract. Invoices are normally settled within our suppliers' standard terms, usually 30 days. In 2010/11, 89% of undisputed grant-in-aid invoices were paid within 30 days (2009/10: 87%).

We maintain a register of interests of our members, which is available for public inspection by appointment at our Great Peter Street address.

Principal advisers

#### Banker:

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

#### Auditor:

Comptroller and Auditor General  
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

#### Solicitors:

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

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### **Subsidiary undertakings**

Artco Trading Limited, registered address Central Square, Forth Street, Newcastle upon Tyne NE1 3PJ, is a wholly owned subsidiary of Arts Council England with share capital of two ordinary shares at £1 each. It runs the Arts Council's two interest free credit schemes, Own Art and Take it away, for the purchase of works of art and musical instruments respectively.

Grant-in-aid funding of £1,000,000 (2009/10: £1,000,000) for these two schemes goes directly to Artco Trading Limited from DCMS. As at 31 March 2011, there are three Arts Council employees on the Artco Trading Limited board. In addition the board is currently chaired by the Executive Director, Resources.

So far as the Chief Executive is aware there is no relevant audit information of which the National Audit Office is unaware.



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### Responsibility towards the environment and sustainable development

The Arts Council continues to strengthen our commitment to operating a sustainable office estate. Across our nine offices, we now regularly measure our use of consumables, waste, energy, water and staff travel. We remain engaged with the 10:10 commitment to reduce our carbon dioxide emissions. All offices have a sustainability champion, leading staff through this initiative. We are currently in the process of benchmarking our consumption in comparison to the previous financial year.

In addition to the BREEAM (Building Research Establishment Environmental Assessment Method) excellent rating for the design of our new Manchester office, The Hive was also given a 'Special award for Government sector achievement supported by the Cabinet Office' in the 2011 BREEAM awards.

In tandem with our sustainability measures, we continue to look for opportunities to rationalise and reduce our office estate. In September 2010, we relocated our London regional team to our Head Office in Westminster and we have reduced the area of our South East office by half. As part of a wider estate rationalisation programme, we will continue to work through a number of similar projects and ensure sustainable practice is high on the agenda. We will work in partnership with the arts and the cultural sector to ensure we are using our investment to encourage and share good practice. This will involve building on activity and relationships with the British Council and a range of other partners to support reduction of greenhouse gas emissions through effective knowledge sharing, tools and measurement. Work so far has included research into sustainable touring, with additional work on sustainable theatres and a green guide for visual arts.

We recognise that there is a powerful role that can be played by creative practice to debate and raise awareness of this complex and urgent issue, and to provide leadership through our own actions. Accordingly we will continue to champion the voice of the arts where it helps a wide range of audiences engage with this most timely of issues.

The importance of environmental issues was highlighted at our State of the Arts conference and we have included it as a key strand in our thinking when writing the consultation for our 10-year framework for the arts, *Achieving great art for everyone*. This document sets out the vision of a resilient and relevant arts sector and environmental sustainability must be central to that.

### Diversity and equality

It is very important that arts organisations that receive public funding perform well. The same applies to us. We have agreed a set of national objectives with the Department for Culture, Media and Sport, against which the outcome of our programmes can be judged. We want to create an environment where the arts reflect the full range and diversity of contemporary English society.

Our race, disability and gender equality schemes set out how we will meet our statutory duties in the following ways:

#### Race equality scheme 2009-11

Our Race equality scheme 2009-11 had the following areas of activity:

1. *Widening and deepening the vision*. This includes the Creative Case for Diversity, a major programme of work launched in the autumn of 2010. This is intended to integrate diversity and equality issues into artistic practice
2. *Developing the Black and minority ethnic arts sector*. This includes key initiatives such as the Decibel Performing Arts Showcase 2011 and Sustained Theatre
3. *Prioritising our efforts – reaching out to marginalised groups*. This includes work such as Arts and Islam that seeks to examine the connections between Islam, arts practice and contemporary society
4. *Developing the field* – building on the achievements of the race equality action plans drawn up by our regularly funded organisations

#### Gender equality scheme

Our vision for gender equality is for it to be driven by transformative and lasting work, which will bring about change within our organisation and in the arts sector.

We have identified four broad thematic priorities for our gender equality scheme. The action plan outlines how these priorities will be delivered. The four priorities are:

- leadership
- awareness-raising, profiling of best practice and knowledge-sharing
- bringing about greater gender equality in the workforce
- arts attendance and arts participation

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The scheme allows for a broader consideration of all equality strands. Individuals may experience discrimination based on the different aspects of who they are. Looking beneath the surface of gender and further disaggregating along the other equality strands, provides the Arts Council with the opportunity to start considering some of these cross-cutting and rather complex themes in more detail, ensuring that gender equality within the Arts Council is meaningful.

### **The disability equality scheme 2010-13**

In 2009, through an open and transparent recruitment process, we appointed an Independent Disability Equality Advisory Group (IDEAG). The IDEAG has assisted us in reviewing and revising our disability equality scheme.

Our disability equality scheme is built around the vision of prominence to increase the visibility of disability equality in the arts, profiling and promoting the work of disabled artists, and increase disabled audience members and the audiences of work created by disabled people.

In order to achieve this vision eight priorities have been established to create the conditions for disabled people to thrive in the arts. These are:

- access
- cultural change
- audiences and participation
- talent development
- diversity within disability
- leadership and governance
- innovation and excellence
- London 2012 Cultural Olympiad

### **Repositioning diversity and equality in the arts – the creative case for diversity**

We believe that it is important that diversity and equality are not just seen as issues of legal compliance or moral obligation. We want to see diversity placed firmly within an artistic context, using the specific languages and disciplines of that arena. We envisage that the creative case approach requires three interlocking progressions:

1. *Equality*: there has to be a continued drive for equality – to remove barriers in the arts world, release and realise potential and help transform the arts so that they truly reflect the diversity of this country
2. *Recognition*: there has to be a new conversation that attempts through various means to resituate

diverse artists, both historically and theoretically, at the centre of British art

3. *A new vision*: there also has to be the construction and dissemination of a new framework for viewing diversity, one that takes it out of a negative or 'deficit' model, and places it in an artistic context. Diversity becomes not an optional extra, but part of the fabric of our discussions and decisions about how we encourage an energetic, relevant, fearless and challenging artistic culture in England and the wider world

The creative case for diversity will be central to all of our diversity and equality work and has been prominent in developing *Achieving great art for everyone* and in our investment process.

### **New organisation structure and culture**

The new structure of the organisation, with 21% less staff and a saving of £6.5 million per year released to go into arts investment, was launched in April 2010. The key elements of the new structure are as follows:

- a smaller head office – focused on strategy and support to frontline staff
- a smaller Executive Board – (reduced from 14 members to nine) to enable quicker decisions to be made by members who together provide a balance of regional knowledge and strategy
- regional offices grouped under four area executive directors – with a strong senior management team in each area to streamline internal processes and encourage the sharing of knowledge
- nine regional offices – smaller and more focused on frontline delivery, working directly with arts organisations, with artists and with other key partners
- a central grants processing team – reducing administration in regional offices and making grant-giving more equitable
- a streamlined advocacy and communications team – a head office team and three area advocacy teams supporting regional offices

Due to the movement and reconfiguration of job roles, around 25% of the roles were filled by people new to the organisation, who brought new experience, energy and insight into our teams and ways of working. In the first half of the financial year the focus was on filling the outstanding vacancies in the new structure and

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inducting staff into their new roles so that everyone could participate as required in the National portfolio assessment process which started in autumn 2010.

In addition to a new structure, we have refreshed our organisational culture to support the delivery of our mission of great art for everyone. Staff at all levels were encouraged to participate in discussions about what the Arts Council's values are and during the year, the following values were agreed:

### Passionate

We believe in the fundamental power of the arts to transform lives.

### Bold

We have the confidence and the courage to take risks and explore new ideas and we encourage others to do the same.

### Nurturing

We help support growth, creativity and innovation in others.

### Knowledgeable

We share the experience and expertise of our people and our partners within a learning environment.

### Collaborative

We listen to and work with our people and our partners to ensure we are greater than the sum of our parts.

### Accountable

We are open and transparent in our decision making and how we spend public money.

In addition, it was agreed that everyone wished to work towards becoming *one confident organisation* and progress towards this will be measured regularly through staff and external stakeholder surveys. This focus on a positive culture has been a key foundation for the new structure and will continue to contribute to organisational effectiveness going forward.

### Approach to human resources

The organisation's three-year people strategy, launched in 2008, has supported the embedding of the organisation's new structure and culture during 2010/11. In particular, staff development has been a focus, with tailored programmes developed for Executive Board, other leaders and the new role of relationship manager. The Leadership Challenge programme has used a particularly innovative blend of 360 feedback, development centres, taught

modules and action learning sets to promote leadership development. The focus on employee engagement and development throughout the restructuring process led to a recognition of the Arts Council as an Investor in People for the second time in May 2010 and a very complimentary report from the Investors in People assessor about how the change process had been handled. The organisation is now planning to aim for a higher, silver level Investors recognition during 2011/12.

Internally, there continues to be arrangements to promote effective communication and consultation with staff. Executive Board, Management Committee and national Council decisions are disseminated through local team briefings, our intranet and regularly emailed updates from the Chief Executive, Chief Operating Officer and others, supplemented from time to time by organisation-wide, region-wide and departmental meetings. Employee 'pulse' surveys, sampling staff opinion on the organisation review process and other significant issues for the Arts Council take place at least every six months, with the findings and action to address any concerns discussed at senior management level.

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 together with consultation on restructuring proposals for the whole organisation. The NJCNC is supported by Local Joint Consultative and Negotiating Committees currently in each of the nine workplaces.

In addition, we actively engage with Black, Asian and other minority ethnic employees through a recognised Black Workers Group, disabled employees through the Disabled Workers Group, and lesbian, gay, bisexual and transgender staff through the LGBT network. For example, consultation has taken place with all these staff representative groups on the equality impact assessment process for our employment policies, such as our recruitment policy. This policy was revised and improved through joint working between the union, diversity workers groups and management during the course of this year.

The churn of staff caused by the change to the structure has resulted in a drop in representation levels of some diverse groups within the workforce. By the end of



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2010/11, whilst the proportion of our staff who classify themselves as lesbian, gay, bisexual or transgender had risen to 9% and the proportion of disabled staff remained at 4%, the proportion of our staff who classify themselves as Black, Asian or other minority ethnic has dropped by 4% to 12.5%. Discussions are underway about ways to encourage more staff from Black and minority ethnic backgrounds to join the organisation across all levels and types of job roles.

### **Objectives and activities for the public benefit**

The Royal Charter is at the core of our mission. This mission, great art 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'.

### ***Great art for everyone***

Arts Council England works to get great art to everyone by championing, developing and investing in artistic experiences that enrich people's lives. As the national development agency for the arts, we support a range of artistic activities from theatre to music, literature to dance, photography to digital art, carnival to crafts. Great art inspires us, brings us together and teaches us about ourselves and the world around us. In short, it makes life better.

Between 2008 and 2011 we invested in excess of £1.6 billion of public money from the government and the National Lottery to create these experiences for as many people as possible across the country.

The trustees confirm that they have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing Arts Council England's aims and objectives and in planning activities for the year.

In October 2006, we launched the arts debate – one of the largest pieces of research into what people think about the arts and arts funding ever undertaken.

It was clear from the findings of the arts debate, published in November 2007, that most people believe the arts can play an important part in the lives of individuals and in society.

The arts debate was very influential on our thinking and we used the research to develop our plan for 2008-11. Over this period there are two specific mission-led

programmes: public engagement and world-class arts, plus four short-term development priorities for the lifetime of the plan. These are digital opportunity, visual arts, children and young people and London 2012.

The plan is underpinned by five outcomes: excellence, innovation, diversity, reach and engagement:

- excellence – high quality arts and arts experience
- reach – more people attending and taking part in the arts
- engagement – more people feel that there are opportunities to be stimulated or inspired by, and get actively involved in, arts activities that are personally relevant to them
- diversity – arts that reflect the diversity of contemporary England
- innovation – artists have the freedom, and are challenged, to innovate

### ***Achieving great art for everyone***

A key strand of the World Class Arts programme is the development of a national arts strategy, *Achieving great art for everyone*. Informed by a major consultation earlier in the year the Arts Council published *Achieving great art for everyone* in November 2010. This sets out a 10-year vision for the arts, with five ambitious goals at its heart. It argues for excellence, founded on diversity and innovation, and a new collaborative spirit to develop the arts over the long term, so they truly belong to everyone. *Achieving great art for everyone*, along with the challenging economic climate, informed our decisions for the new National portfolio of funded organisations which we announced in March 2011.

### ***Delivery and partnerships***

The key grant programmes through which we deliver our objects are outlined below. In addition, we work with local authorities to sustain and develop national, regional and local partnerships that will see excellent arts taking root in communities throughout England.

### ***Grants for the arts***

Our open application scheme funded from the National Lottery is for individuals, arts organisations and other people who use the arts in their work. They are for activities which engage people in England in arts activities, and help artists and arts organisations in England carry out their work.

We are committed to being accessible and offer access

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support to applicants where required to make our application process open to everyone. We recognise that some groups may be uncomfortable with receiving funding from the National Lottery, and in such cases we make arrangements to fund them through other sources. We also apply our funding criteria so that funds are available through the year.

### *Sustain*

The 2009 Sustain programme was Arts Council England's response to the impact of the recession. In 2010/11, Arts Council England agreed to invest nearly £24 million in organisations to help them to become more resilient businesses and to respond to the rapidly changing environments in which they operate. This investment is part of country-wide action research currently being conducted by the Arts Council to explore the most effective ways of supporting organisational development, income generation, and refurbishment and improvement of existing arts premises.

### *Regular funding for organisations*

For the period 2008-11 we regularly funded around 880 arts organisations investing £351 million of Exchequer funding per annum by 2010/11. Our support helps bring high quality work to a wide range of people – as both audience and participants.

### *Strategic funds*

Managed funds allow us to identify new opportunities for the arts, take new initiatives, establish new partnerships and address particular ambitions for growth.

The beneficiaries of our delivery and grant programmes are arts individuals and organisations and the public as audiences and participants.

### **Future developments – integration of functions relating to museums and libraries**

On 9 December 2010 Arts Council England announced that it has agreed to take over a number of the functions relating to museums and libraries, as a result of the decision to abolish the Museums, Libraries and Archives Council (MLA).

The Department for Culture, Media and Sport (DCMS) asked the Arts Council to propose how it would incorporate important responsibilities for regional museums and libraries into its work with the arts, to create a more coherent cultural offer that benefits the cultural sector and the audiences it serves. The responsibilities to be assumed by the Arts Council are:

- the Renaissance in the Regions programme for regional museums, including completing the re-design of its content and operation
- regional museums improvement and development agenda, including the Accreditation Standard and the Designation Scheme and projects relating to the 2012 Cultural Olympiad
- libraries improvement and development agenda
- cultural property functions including, for example, export licensing, Government Indemnity, acceptance in lieu

Arts Council England has been allocated a budget of around £46 million a year by DCMS to deliver these additional functions. The Renaissance in the Regions programme has been cut by 15% to £43.4 million, in line with the overall cut to the museums sector made in the government's October 2010 spending review.

The limited resources available for the rest of the work mean that the Arts Council will have to do a very focused job.

### **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 the Arts Council 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 official statistics meet the needs of government and society and are both trustworthy and trusted.

### **Personal data**

There have been no incidents of loss of personal data during the year.

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## Financial review

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

DCMS provided grant-in-aid of £439 million for the year (2009/10: £453 million). In addition we received £7 million of grants and donations for specific strategic projects from a number of organisations (2009/10: £8 million) detailed in note 3 of these accounts.

During the year we awarded grants to our regularly funded arts organisations of £351 million (2009/10: £345 million). In addition we spent £89 million (2009/10: £84 million) through grants and direct expenditure on strategic initiatives.

We successfully delivered our organisation review and achieved the targeted saving of £6.5 million (15%) on administration costs across grant-in-aid and Lottery activities. The new structure was operational from 1 April 2010.

The statement of financial activities funded from grant-in-aid shows net outgoing resources for the year of £16 million (2009/10 net incoming resources of £1 million) on unrestricted funds after exceptional items. This deficit is due to DCMS agreeing to us accessing brought forward reserves in 2010/11.

We were given permission by DCMS to access £9 million of these reserves to be used to mitigate in-year cuts, in return £7 million was returned to DCMS through a reduction in our 2010/11 grant-in-aid. It has been agreed that £5 million of that £7 million will be returned to the Arts Council's baseline funding for 2011/12.

Consequently at 31 March 2011, Arts Council England had unrestricted reserves of £1.7 million (2009/10: £17.4 million) together with £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 regulations, which has meant that we would require departmental permission to use our reserves if it is necessary to do so.

In December 2007, DCMS announced that our funding for the financial year 2010/11 would be £468.5 million. This figure included an undesignated capital allocation of £1.5 million. In addition £3 million was earmarked for pilot projects for Find Your Talent and £0.5 million for the Taking Part survey and other strategic research. Subsequent to this in 2009, DCMS confirmed that our allocation for 2010/11 would be reduced by £4 million to a revised total of £464.5 million. In May 2010 we received confirmation of our share of the £6.2 billion in-year budget cuts being made across government. This amounted to a total additional saving of £19 million bringing our total cut to £23 million.

In October 2010 following the spending review, DCMS announced that our funding for the financial years 2011/12, 2012/13, 2013/14 and 2014/15 would be £387.7 million, £359.2 million, £351.6 million and £349.4 million respectively. Over this period the resource element of the budget allocation is split for the first time into programme and administration sub totals. The administration element in the years 2011/12, 2012/13, 2013/14 and 2014/15 will be £22.6 million, £21.6 million, £16.6 million and £12.2 million respectively. We recognise that it will be challenging to achieve the significant savings in our administration costs.

Full details in relation to financial instruments are given in note 25 to the grant-in-aid accounts.

Fees paid to the National Audit Office for grant-in-aid audit services during 2010/11 were £73,443 (2009/10: £62,000).



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### Consolidated activities

We prepare separate accounts for our grant-in-aid and Lottery activities as required by the Secretary of State. 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 2010/11 and 2009/10 financial years.

	2010/11 £000s	Restated 2009/10 £000s
<b>Income</b>		
Grant-in-aid income	438,523	452,964
Share of the National Lottery Distribution Fund	179,728	172,182
Investment returns on the Distribution Fund	2,092	957
Other income	7,253	8,377
<b>Total income</b>	<b>627,596</b>	<b>634,480</b>
<b>Expenditure</b>		
Net grant-in-aid grant commitments	425,709	417,555
Other grant-in-aid arts expenditure	9,431	12,305
Net Lottery grant commitments	83,886	149,577
Contribution to Olympic Lottery Distribution Fund	30,276	30,276
Support costs	38,631	45,577
<b>Total expenditure</b>	<b>587,933</b>	<b>655,290</b>
<b>Exceptional items</b>		
Cost of fundamental reorganisation	-	2,472
<b>Net (outgoing)/incoming resources</b>	<b>39,663</b>	<b>(23,282)</b>
Profit on revaluation of fixed assets	4,394	5,523
Loss of revaluation of National Lottery Distribution Fund balance	(246)	-
	<b>4,148</b>	<b>5,523</b>
<b>Net movement in funds</b>	<b>43,811</b>	<b>(17,759)</b>
<b>Consolidated reserves brought forward</b>	<b>100,098</b>	<b>117,857</b>
<b>Consolidated reserves carried forward</b>	<b>143,909</b>	<b>100,098</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 the Lottery distribution accounts by £0.6 million in 2010/11 (2009/10: increase of £6 million).

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

Under the Royal Charter, the Arts Council is required to prepare a statement of accounts for the financial period in the form and on the basis directed by the Secretary of State for 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 the Arts Council's state of affairs at the year end and of our incoming resources and resources expended and cash flows for the financial year. They are also prepared so as to comply with the Charities Statement of Recommended Practice (revised 2005). In preparing the accounts, the accounting officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction\* issued by the Secretary of State 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 *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that Arts Council England will continue in operation

The accounting officer for DCMS has designated the Chief Executive as accounting officer for the Arts Council. The responsibilities of the accounting officer, which include the responsibility for the propriety and regularity of the finances for which the Chief Executive is answerable, for keeping of proper records, and for safeguarding the Arts Council England's assets, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum, issued by HM Treasury.

**Alan Davey**  
Chief Executive  
20 April 2012

**Dame Liz Forgan**  
Chair  
20 April 2012

\* a copy of the Accounts Direction is available from the Accounting Officer, Arts Council England, 14 Great Peter Street, London SW1P 3NQ.

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## Statement on internal control

### 1. Scope of responsibility

As Accounting Officer and representative of the trustees, we have joint responsibility for maintaining a sound system of internal control that supports the achievement of Arts Council England's policies, aims and objectives, whilst safeguarding the public funds and assets for which we are responsible, in accordance with the responsibilities assigned to us in HM Treasury's Managing Public Money, together with ensuring compliance with the requirements of Arts Council England's Management Statement and Financial Memorandum. The trustees of Arts Council England (national Council) acknowledge responsibility for the funds and assets of the Arts Council and for maintaining a sound system of internal control. Arts Council England's Performance and Audit Committee assists the national Council in fulfilling its responsibility.

### 2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of 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 economically. The system of internal control has been in place in Arts Council England for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

### 3. Capacity to handle 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 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.

There is internal training and guidance available to staff on programme and project management incorporating guidance on risk management.

There is an internal communications process in place that ensures that all staff are informed about key decisions on a timely basis through appropriate media, including regular news updates on the intranet, cascaded briefings by line managers and presentations by members of the Executive Board. There is also an external communications strategy that ensures that stakeholders, parliamentarians, press, funded bodies, and members of the general public receive appropriate and reliable information.

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.

### 4. The risk and control framework

The main elements of Arts Council England's risk and control framework are set out below:

#### 4.1 Governance

The governance structure is designed to allow Council members to be close to the business so that they may provide appropriate challenge and support of the Executive Board as well as perform an increased level of Council scrutiny of the organisation's performance. The committee structure is also designed to provide an opportunity for Council members to make use of their individual expertise. In summary the structure comprises:

##### 4.1.1 National Council

Has responsibility and authority for governance, and for the overall budget and investment portfolio; advocates for the arts and the Arts Council formally and informally. The Council comprises a Chair and 16 non-executive members with a range of skills and experience. Council meetings are attended by Arts Council England's executive directors.

##### 4.1.2 Regional arts councils

There are nine regional councils – one for each region – which provide advice, make funding decisions in relation to our portfolio of regularly funded organisations and advocate for the arts in England. Regional arts councils are responsible for supporting and promoting the organisation's mission and objectives in the region.

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#### *4.1.3 Arts Policy Committee*

Considers and approves emerging strategic policy and Arts Council plans on behalf of national Council.

#### *4.1.4 Arts Investment Committee*

Oversees the implementation of investment and resource strategies; makes investment decisions on behalf of national Council; and recommends annual budgets to national Council for approval.

#### *4.1.5 Performance and Audit Committee*

This committee replaced the Audit Committee as of 26 March 2010 and has taken on an expanded remit to provide a scrutiny function for the Arts Council, reviewing the performance of the organisation across the full range of its business and operations and making recommendations for continuous improvement. In addition, it performs the functions expected of a traditional audit committee; it oversees risk management and internal and external audit.

The committee meets four to five times a year and has four to six national Council members. In addition, the Performance and Audit Committee can have up to three independent members to ensure there is appropriate financial and accounting expertise. The committee currently has five national Council members and one independent member whereas the previous Audit Committee had three Council members and two independent members. We are currently looking to fill these vacancies.

During the year, the committee has reviewed various performance reports eg stakeholder focus, equality, health and safety and people measures. This part of its remit is still being developed and is only expected to be fully fulfilled once a performance framework is implemented. Development of the framework is progressing.

#### *4.1.6 The Remuneration Committee*

Oversees the pay, performance and conditions of staff including the Chief Executive and the executive directors. The committee comprises four members of the Performance and Audit Committee and at least one other national Council member.

#### *4.1.7 Executive Board and Management Committee*

Arts Council England's Executive Board is responsible for developing our policy on high level issues and overseeing the implementation of nationally agreed policies and plans. In addition there is a separate management

committee which is responsible for operational decision making. Each has its own terms of reference and meets monthly.

## **4.2 Risk**

During 2010/11, Arts Council England continued to manage risk at the strategic, operational, and individual project levels and revise and update our risk management policies and procedures.

Our risk appetite is defined as follows:

The Arts Council is keen to encourage fully considered risk taking in the context of promoting innovation and enabling creativity to flourish with the object of creating the conditions where great art can happen. At the same time, we ensure that we are at all times accountable to the public and comply with our statutory and reporting responsibilities.

### *4.2.1 Strategic risks*

The following clusters of strategic risks were identified at a strategic risk workshop facilitated by our internal auditors in April 2010 which was attended by members of the Performance and Audit Committee, executive directors and senior managers.

Cluster one: funding and the external environment – the risk that the ability of the Arts Council to deliver its mission is adversely affected by a poor settlement in the Comprehensive Spending Review, a delay in the settlement decision resulting in rushed funding decisions, further 'in-year' cuts imposed, unrealistic efficiency targets, and the expectation that the Arts Council fills the vacuum left by cuts to other organisations' funding without adequate resources.

The risk has been mitigated by consulting budget holders across the organisation on the impact of in-year savings, and assessing the impact on the Arts Council and the sector. Decisions on how the in-year savings could be achieved were agreed through the Executive Board and national Council. Working closely with DCMS to assess the potential level of funding cuts for 2011-15 prior to the announcement in October 2010, the Arts Council planned ahead for a new process for investing in regularly funded organisations and an integrated planning approach. This investment process has been completed and has addressed the cuts to grant-in-aid funding. Work is ongoing to identify administrative efficiencies over the next four years.



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## Statement on internal control

Cluster two: people – this risk arises as a result of the organisation review, which took full effect from April 2010. A large number of key staff, particularly the relationship managers, are new to the organisation and there is a likelihood that this and the loss of key staff, knowledge and expertise may affect the ability of the Arts Council to successfully deliver its mission. This might lead to a loss of credibility in the sector.

This risk has been addressed by staff training and a new leadership development programme, a revised staff induction programme, and stakeholder surveys and briefings.

Cluster three: processes – this risk arises from a potential failure to align strategy, corporate plan, investment plan and the governance and staffing structure, and focus on process rather than on delivery.

An improved planning process, development of a new performance management framework, and regular updates and briefing sessions have helped mitigate this risk.

Cluster four: IT systems – the final strategic risk identified was around capacity and capability of our IT systems. Significant improvement work has taken place to mitigate the risk and ensure that our systems are robust and reliable, for example locating our data centre with a third party to minimise the risk of failure, increasing internet capacity, and implementing a new improved file storage and back up facility.

These were monitored and discussed throughout the year both at Executive Board level and through a monthly risk report process to Management Committee.

### 4.2.2 Operational risks

The wider corporate risk register has also been reviewed on a monthly basis during the year to ensure that it is up-to-date and relevant. We use a 'traffic light' system to categorise risks as follows:

- red risks are those which have been identified as high level and are in addition to the strategic risks discussed above. These are mostly current and are considered likely to have a high impact
- amber risks are those where there is a lower likelihood of risk materialising but where the impact is considered to be high profile or sensitive. Controls are in place for these risks but they require

monitoring to ensure they remain effective. In some instances further action has been identified to reduce the impact of the risk

- green risks are those which are low likelihood and impact and have good controls in place. These are being managed as part of the day-to-day responsibilities of core business functions

### 4.2.3 Project risks

Each corporate programme and project is monitored against milestones and is supported by a risk management plan. Internal training and guidance to staff on programme and project management incorporates guidance on risk management.

The strategic, operational and projects related risks are used to inform objective setting and performance management of staff across the organisation.

Risk assessment and risk management are part of our grant assessment and monitoring processes. Policies and procedures for assessors and lead officers incorporate procedures for risk assessment. This is supplemented by training, briefing and quality assurance processes.

The Arts Council undertakes a quarterly review of its risk register with a monthly report to management committee. The register captures risks identified across the organisation and categorises them by severity. The impact and likelihood of occurrence are evaluated by risk owners and decisions taken on whether to tolerate, transfer, terminate or treat the risk. Steps to mitigate each risk are identified and recorded in the register, actions to improve controls recorded and assigned to risk owners, and ultimate responsibility is given to a member of the Executive Board.

A summary of the high level risks is reviewed by the Performance and Audit Committee at every meeting and is formally reported to the national Council in the annual performance and audit committee report. National Council also receives a regular report covering key risks in relation to funded organisations.

Our internal auditors undertook an audit of our risk management processes during the year. The key recommendation is that the Arts Council needs to develop a bottom up approach to risk management to supplement the top down approach and ensure that all risks are identified.

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### 4.3 Audit

The annual programme of internal audit work is carried out by an external firm of accountants to standards defined in the Government 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 executive 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. The internal and external auditors meet with the Performance and Audit Committee before every meeting with no officers present.

Internal audit services have been provided by Deloitte since April 2009.

### 5. Review of effectiveness

As Accounting Officer and representative of the trustees, we have responsibility for reviewing the effectiveness of the system of internal control. Our review of the effectiveness of the system of internal control is informed by the work of the internal auditors and 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. We have been advised on the implications of the result of our review of the effectiveness of the system of internal control by the national Council and the Performance and Audit Committee. A plan to address weaknesses and ensure continuous improvement of the system is in place.

#### 5.1 Assessment of our effectiveness during the year

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

Throughout 2010/11 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.

For 2010/11 internal audit reported that they are satisfied that sufficient internal audit work has been undertaken to allow them to provide a conclusion of 'adequate and effective assurance' on the design, adequacy and effectiveness of the system of internal control. They arrived at this conclusion having reviewed the following processes: operations at three of our regional offices, financial management, procurement, the Lottery funded Grants for the arts scheme, risk management, fraud prevention, the new capital grant scheme, governance, information assurance, staff expenses, and the last organisation review.

Where weaknesses have been identified during the course of internal audit's work, these are reported to the Performance and Audit Committee and an action plan agreed with management to implement the recommendations agreed as part of this process.

Significant developments to improve our internal controls which took place during the year include:

- extensive training and publication of a comprehensive handbook for the revised role of relationship manager
- a programme of fraud awareness training devised with and delivered by CIPFA

#### 5.2 Significant internal control issues

##### 5.2.1 Update on grant payment to national Council member in 2008

Last year we noted that in 2008 we awarded a grant of £10,165 through the Lottery funded Grants for the Arts scheme to a national Council member. We have reached a resolution with the Council member about the repayment of the grant.

##### 5.2.2 Payment to national Council member in 2010

During the year it came to light that a further grant payment was made in error to another member of national Council. This payment was brought to the attention of the Arts Council by the Council member concerned after the discussions with Council following the first incident and the reminders given to Council about declarations of interest.

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## Statement on internal control

The payment was made through the grant-in-aid funded Cultural Leadership Programme which in March 2010 issued an open call for proposals to networks that would be funded to offer tailor-made, work-based support to leaders across the cultural and creative industries.

The Council member applied for funding on behalf of an organisation comprising eight members including him, who would all benefit from its tailored programme of coaching, mentoring, placements and other forms of leadership development.

The grant application was assessed in accordance with the usual procedures, was successful, and a letter offering a grant of up to £30,000 was sent on 7 June 2010 to the Council member in error.

In January 2010, the Arts Council's grant system, Arena, was amended so that an application form from a national Council member to the Lottery funded Grants for the arts programme would be flagged up. However, a similar control was not put in place for the payments made via the grant-in-aid funded Cultural Leadership Programme. The application forms for Cultural Leadership Programme are not entered on Arena as part of the approval process. Instead the information required to make payments and monitor awards is entered on Arena at the point where it is agreed that an offer would be made. This different approach meant that there was no automatic flag available at the application stage and the application was not returned as ineligible.

On 19 August 2010, the Council member wrote to the Chief Executive informing him about the grant received.

The Arts Council's Charter states that: 'The money, property and income of the Council, including any money voted by Parliament, shall be applied solely towards the objects, and no portion thereof shall be paid or transferred directly or indirectly to the members of the Council.' The Code of Practice for Council Members states that: 'Members of the national Council are ineligible to receive awards, bursaries and payments direct from the Arts Council.'

The following actions were taken:

- the grant made to the organisation in the name of the Council member was terminated and the organisation was informed that it may reapply for this grant via another of its members

- the Council member was advised that they will need to withdraw from this particular project as they would be seen as a direct beneficiary
- the member returned, in full, the element of the grant already paid (£5,000) on 23 September 2010
- DCMS, The Charity Commission and National Audit Office were informed
- the Chair and Chief Executive met with the Charity Commission who confirmed that all the necessary steps had been confirmed and no further action would be required
- staff across the organisation were reminded through briefings and the intranet that national Council members are not eligible to receive Arts Council grants
- guidance on grant payments to members of national Council, and payments for services to members of national Council were put on the intranet site, and all executive directors and regional directors were asked to confirm that their staff have read, discussed and understood the guidance
- a training session on Trustee responsibilities was held for members of national Council on 25 October 2010
- guidance on identifying and managing conflicts of interest was drafted and circulated to staff and members of national Council
- an IT mechanism was put in place for a more active flagging of all payments and project decisions relating to national Council members, regional chairs, and their declared interests, in August 2011. This is in addition to the Grants for the arts (Lottery funded programme) eligibility block put in place after the occurrence of the first incidence in 2008

We are reassured that all steps have been taken to minimise the risk of such payments being made again.

### 5.2.3 Lottery grants de-committed and paid from grant-in-aid

During the year £9.2 million of Lottery capital grants were de-committed and paid from grant-in-aid.

The payments were made to external organisations of the type normally funded by the Arts Council and none of the payments fell outside the objects and powers as set out in the Arts Council's Management Statement. The Arts Council was seeking to follow the additionality principle as referred to in S34(2A) of the National Lottery Act (appendix 2) in that Lottery money should only be used where Government funds are unlikely to be available.

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However, the Comptroller and Auditor General considers that where grants have previously been accounted for as liabilities of the Lottery and reported as such, continuing grant payments should, except in exceptional circumstances, have been charged to the Lottery and not grant-in-aid. In his opinion, as a result, Lottery expenditure has been materially understated by £9.2 million in the Lottery financial statements, and grant-in-aid expenditure materially overstated by the same amount in the grant-in-aid financial statements and he has qualified his audit opinion accordingly.

The Arts Council recognises that its processes here were not as robust as they could have been and there is scope for improvement to documentation. Therefore, it has been agreed with the Department that:

- it will review and update its practices and systems to ensure approval is sought from the Department before any similar transactions take place, and to highlight the need to continue to obtain approval from the Department before any decisions are made about novel or contentious transactions
- it will confirm that a formal process is in place for the de-commitments of grants from Lottery and the transfer of commitments to grant-in-aid
- it will ensure that the de-committment process is fully transparent and consistent both with grant recipients and within the Arts Council's grant systems and accounting records

The Department wrote to the Arts Council in October 2011 to say that after considering the matter and discussing it with HM Treasury, DCMS had concluded that the payments were not inherently novel and contentious, and therefore did not require the approval of the Department and HM Treasury. However, due to the size and nature of the payments, the Arts Council should have brought the matter to the attention of the Department, before proceeding, in order to fully meet the expectations set out within the Financial Memorandum and to comply with DCMS's routine monitoring and management of the overall budgetary position for the department.

The transaction is fully disclosed in note 4a of the grant-in-aid accounts and note 8 of the Lottery Distribution accounts.

## 6. Conclusion

The control framework as described above has operated throughout the year and the two significant control weaknesses which have been identified are:

- the matter relating to the grant payment to a member of the Arts Council's national Council
- the lottery grants de-committed and paid from grant-in-aid which has resulted in a qualification of the audit opinion

The Arts Council has taken appropriate steps to address the first matter and will implement the actions noted in section 5.2.3 with regard to the second.

**Alan Davey**  
Chief Executive  
20 April 2012

**Dame Liz Forgan**  
Chair  
20 April 2012



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## Independent auditor's report to the trustees of Arts Council England

I have audited the financial statements of Arts Council England for the year ended 31 March 2011. These comprise the statement of financial activities, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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 and express an opinion on the financial statements, in accordance with 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 the trustees and Chief Executive; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the annual review to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the incoming and outgoing resources have been applied to the purposes intended by

Parliament and the financial transactions conform to the authorities which govern them.

### Opinion on regularity

In my opinion, in all material respects, the incoming and outgoing resources have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

### Basis for qualified opinion on financial statements Qualification arising from Lottery commitments being met from grant-in-aid moneys

In forming the audit opinion I am required to consider whether, in all material respects, the expenditure recorded in the financial statements is relevant to those financial statements.

During 2010/11 grants of £9.2 million were paid from grant-in-aid money in respect of amounts previously recorded as Lottery commitments. This expenditure is recorded in these grant-in-aid financial statements and not in the Lottery financial statements. Once a hard commitment has been recorded within Arts Council England's internal systems as a Lottery commitment the expectation is that its discharge should be recognised in the Lottery distribution accounts.

I consider that where grants have previously been accounted for as commitments of the Lottery and reported as such to Parliament, continuing grant payments should, except in exceptional circumstances, have been charged to the Lottery and not grant-in-aid. As a result, grant-in-aid expenditure has been materially overstated by £9.2 million in the 2010/11 grant-in-aid financial statements.

### Qualified opinion on financial statements

In my opinion, except for the effects of the matter described in the basis for qualified opinion paragraph:

- the financial statements give a true and fair view of the state of Arts Council England's affairs as at 31 March 2011 and of the incoming resources and application of resources for the year then ended; and
- the financial statements have been properly prepared in accordance with the direction made by the Secretary of State under the Royal Charter.

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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 direction made by the Secretary of State 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
- the financial statements and the part of the remuneration report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the statement on internal control does not reflect compliance with HM Treasury's guidance.

My report on pages 126 to 127 includes more details of the matters giving rise to my qualified opinion on the financial statements.

### **Amyas C E Morse**

Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
London SW1W 9SP  
24 April 2012

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## Statement of financial activities

### For the year ended 31 March 2011

	Note	Unrestricted funds £000s	Restricted funds £000s	Total 2010/11 £000s	Restated Total 2009/10 £000s
<b>Incoming resources</b>					
Incoming resources from generated funds					
Voluntary income	2	435,563	2,960	438,523	452,964
Investment income	2	85	-	85	73
Incoming resources from charitable activities	3	491	6,266	6,757	8,165
<b>Total incoming resources</b>		<b>436,139</b>	<b>9,226</b>	<b>445,365</b>	<b>461,202</b>
<b>Resources expended</b>					
Charitable activities	4	451,249	9,206	460,455	457,520
Governance costs	4	686	-	686	442
<b>Total resources expended</b>		<b>451,935</b>	<b>9,206</b>	<b>461,141</b>	<b>457,962</b>
<b>Net incoming/(outgoing) resources before exceptional items</b>		<b>(15,796)</b>	<b>20</b>	<b>(15,776)</b>	<b>3,240</b>
<b>Exceptional items</b>					
Cost of fundamental reorganisation	26	0	0	0	(1,607)
<b>Net incoming/(outgoing) resources after exceptional items</b>	8	<b>(15,796)</b>	<b>20</b>	<b>(15,776)</b>	<b>1,633</b>
Gain on revaluation of tangible fixed assets	9	3,053	1,341	4,394	5,523
<b>Net movement in funds</b>		<b>(12,743)</b>	<b>1,361</b>	<b>(11,382)</b>	<b>7,156</b>
Balance brought forward at 1 April		122,664	3,760	126,424	119,268
Transfers		87	(87)	0	0
<b>Balance carried forward at 31 March 2011</b>		<b>110,008</b>	<b>5,034</b>	<b>115,042</b>	<b>126,424</b>

The notes on pages 57 to 82 form part of these accounts.

## Balance sheet

### As at 31 March 2011

	Note	Unrestricted funds £000s	Restricted funds £000s	Total March 31 2011 £000s	Total March 31 2010 £000s
<b>Heritage assets</b>					
Works of art	9	98,283	3,495	101,778	96,966
<b>Fixed assets</b>					
Tangible assets	9	9,780	0	9,780	10,207
<b>Current assets</b>					
Debtors	11	1,013	2,010	3,023	4,215
Due from Arts Council Lottery accounts		2,027	0	2,027	4,050
Grants paid in advance	12	436	0	436	2,054
Cash at bank and in hand	23	14,550	1,603	16,153	35,829
		18,026	3,613	21,639	46,148
<b>Creditors: amounts falling due within one year</b>					
Grants outstanding		10,643	1,707	12,350	17,541
Creditors	13	3,207	367	3,574	6,092
Provisions for liabilities and charges	14	2,231	0	2,231	3,264
		16,081	2,074	18,155	26,897
Net current assets		1,945	1,539	3,484	19,251
Total assets less current liabilities		110,008	5,034	115,042	126,424
<b>Represented by income funds</b>					
	20				
Unrestricted fund		1,671	0	1,671	17,371
Restricted fund		0	1,539	1,539	1,606
<b>Represented by capital funds</b>					
	20				
Designated fund		98,557	0	98,557	95,173
Donated asset reserve		0	3,495	3,495	2,067
Capital reserve		9,780	0	9,780	10,207
		110,008	5,034	115,042	126,424

The notes on pages 57 to 82 form part of these accounts.

**Alan Davey**  
Chief Executive  
20 April 2012

**Dame Liz Forgan**  
Chair  
20 April 2012



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## Cash flow statement

### For the year ended 31 March 2011

	Note	2010/11 £000s	2009/10 £000s
<b>Operating activities</b>			
Funds received from the Department for Culture, Media and Sport		438,523	456,964
Other cash receipts		7,949	7,933
Grants paid to arts organisations and other bodies		(429,280)	(418,845)
Cash paid to and on behalf of employees		(23,481)	(26,515)
Other cash payments		(11,705)	(18,887)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>(17,994)</b>	650
Interest received on short-term cash deposits		85	73
<b>Net cash inflow from returns on investments</b>		<b>85</b>	73
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(1,769)	(3,616)
Sale of tangible fixed assets		0	0
<b>Net cash (outflow) from capital expenditure</b>		<b>(1,769)</b>	(3,616)
<b>Decrease in cash</b>	21/22/23	<b>(19,678)</b>	(2,893)

The notes on pages 57 to 82 form part of these accounts.

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## Notes to the grant-in-aid accounts

### 1 Accounting policies

#### a) 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 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 2010/11, 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 revalued every five years to current market value and are included at this valuation on the balance sheet.

Separate accounts have been prepared for the Arts Council's Lottery activities, in accordance with the directions issued by the Secretary of State, which follow different accounting policies. Grant commitments are recognised in the Lottery accounts once grant offers are accepted. Grant commitments in the grant-in-aid accounts are recognised when the offer is issued. 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 the Arts Council'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 and an estimate of the impact of the change in accounting policy on the Lottery accounts in the management commentary on page 44.

We have a fully owned subsidiary company, Artco Trading Limited, as detailed in note 27 to the accounts. We do not consider that this company is material enough to require us to produce separate consolidated accounts, therefore the grant-in-aid accounts include this subsidiary company's assets and liabilities.

#### b) Incoming resources

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

#### c) 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 15 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. The trustees do not believe this would provide a true and fair view of the Arts Council's resources. In this respect, we have not been able to comply with paragraph 159 of the SORP issued by the Charity Commission in 2005. 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.

#### d) Depreciation and fixed assets

Tangible fixed assets excluding heritage assets

Depreciation is provided on all tangible fixed assets (excluding freehold land and works of art) 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

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## Notes to the grant-in-aid accounts

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, except our freehold interests in the Southbank Centre and National Theatre as described in notes 18 and 19 of these accounts.

### *Heritage assets*

The Arts Council has three collections of heritage assets which are held in furtherance of our mission to champion, develop and invest in artistic experiences that enrich people's lives. The collections are accounted for as follows:

#### Works of art

Our works of art collection is revalued at market value on a rolling basis, with all assets being revalued at least once every five years, and the highest value items every year. 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 and film collection

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

### **e) Leases**

Costs in respect of operating leases are charged to the income and expenditure account on a straight line basis over the life of the lease.

### **f) Taxation**

Arts Council England, as a registered charity (1036733), is considered to pass the tests set out in paragraph 1 schedule 6 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 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.

### **g) 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. However, as these are multi-employer schemes, we cannot identify our share of the underlying assets and liabilities. We have therefore accounted for the schemes as if they were defined contribution schemes, in accordance with FRS17 Retirement Benefits, with the costs of the schemes charged to the statement of financial activities.

### **h) 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 on a full cost basis in accordance with good accounting practice. The notes to the statement of financial activities are shown before costs apportioned to the Arts Council Lottery distribution accounts. In accordance with the SORP 2005 we have apportioned support costs between our different activities. We have used an estimate of staff time spent on each activity to do this.

### **i) Change in accounting policy**

The Treasury has changed its policy on the disclosure of a notional cost of capital. In previous years, a cost of capital was calculated based upon the average level of assets utilised by the Arts Council over the year. Recently, the cost of capital was calculated at 3.5% and was designed to indicate the likely cost that an equivalent private sector company would have to pay for access to a similar amount of funding that we have received from the Department for Culture, Media and Sport.

The Treasury has now decided that there is no need for us to disclose a capital charge on the statement of financial activities. No funds were actually paid over to the Treasury and so, while there has been a change of accounting policy, there is no impact on our reported figures this year or in prior years. The notional cost of capital charge would have been £744,000 in 2010/11 and was £1,009,000 in 2009/10.

### **j) Financial instruments**

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

<b>2 Voluntary and investment income</b>	<b>Unrestricted funds £000s</b>	<b>Restricted funds £000s</b>	<b>Total 2010/11 £000s</b>	<b>Total 2009/10 £000s</b>
<b>Voluntary income</b>				
Cash grant-in-aid voted by Parliament and paid in full				
Core funding	<b>435,563</b>	<b>0</b>	<b>435,563</b>	442,812
Ringfenced funds	<b>0</b>	<b>2,960</b>	<b>2,960</b>	10,152
<b>Grant-in-aid as shown in the statement of financial activities</b>	<b>435,563</b>	<b>2,960</b>	<b>438,523</b>	452,964

Investment income relates to interest received on an interest bearing deposit account.



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3 Incoming resources from charitable activities	Unrestricted funds £000s	Restricted funds £000s	Total 2010/11 £000s	Total 2009/10 £000s
Grants, sponsorship and donations received				
Local authorities	0	685	685	702
Non-government bodies	0	3,485	3,485	3,409
Other central Government bodies	95	2,112	2,207	3,438
Other grants, sponsorship and donations	37	75	112	245
Sundry	359	(91)	268	371
<b>Net incoming/(outgoing) resources for the year</b>	<b>491</b>	<b>6,266</b>	<b>6,757</b>	<b>8,165</b>

*Grants, sponsorship and donations are analysed as follows:*

### Local authorities

Association of Greater Manchester Authorities	0	0	0	340
Greater London Authority	0	685	685	261
Oldham Borough Council	0	0	0	101

### Non-government bodies

Esmée Fairbairn Foundation	0	0	0	114
Legacy Trust UK	0	3,291	3,291	3,121
Screen South	0	194	194	128
The Art Fund	0	0	0	46

### Other central Government bodies

Arts Council of Northern Ireland	17	5	22	165
Arts Council of Wales	0	69	69	150
Advantage West Midlands	0	632	632	0
Department for Business, Innovation and Skills	0	0	0	406
Department for Children, Schools and Families	0	0	0	550
Department for Culture, Media and Sport	38	345	383	370
Department for Education	0	600	600	0
East Midlands Development Agency	0	122	122	106
English Heritage	0	80	80	69
London Development Agency	0	48	48	1,079
London Organising Committee of the Olympic Games	0	50	50	0
Museums, Libraries and Archives Council	0	54	54	52
Scottish Arts Council/Creative Scotland	40	3	43	175
South East England Development Agency	0	30	30	0
South West Regional Development Agency	0	34	34	43
West Midlands Regional Assembly	0	0	0	82
UK Film Council	0	40	40	0
Yorkshire Forward	0	0	0	191

Other grants, sponsorship and donations	37	75	112	245
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<b>132</b>	<b>6,357</b>	<b>6,489</b>	<b>7,794</b>
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**4a Charitable activities**

	Activities undertaken directly £000s	Grant funding of activities £000s	Net support costs £000s	Total 2010/11 £000s	Total 2009/10 £000s
Regularly funded organisations	0	350,710	11,068	361,778	353,277
Grants for the arts	0	0	0	0	6
Strategic development, communications and advocacy	7,160	69,577	12,174	88,911	84,050
Other	2,271	7,037	2,073	11,381	21,134
Lapsed and revoked commitments	0	(1,615)	0	(1,615)	(947)
	<b>9,431</b>	<b>425,709</b>	<b>25,315</b>	<b>460,455</b>	<b>457,520</b>

Regularly funded 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. Of the figure of £69,577,000 for grant funding of activities against strategic development, £9,211,000 was transferred from Lottery funding. This use of grant-in-aid funding has meant that additional Lottery funding is available to support the achievement of the Arts Council's published strategy, goals and priorities over the 2011/12 to 2014/15 period. This will include, if necessary, limited support for arts organisations experiencing financial pressure during a time of major change to the funding of the sector and cuts in public expenditure being implemented by central and local government.

From 1 April 2009, Creative Partnerships transferred to Creativity, Culture and Education, a charity set up to deliver Creative Partnerships activity, funded by the Arts Council and the Department for Children Schools and Families/ Department for Education.

Other restricted funds are those specific projects delivered through funds provided by partners as detailed in note 3.

**4b Analysis of grant funding by office**

	Regularly funded organisations £000s	Other £000s	Total 2010/11 £000s	Total 2009/10 £000s
East	11,018	587	11,605	11,591
East Midlands	11,326	1,930	13,256	12,282
London	182,287	7,949	190,236	184,494
North East	14,553	1,070	15,623	15,457
North West	24,644	1,868	26,512	26,449
South East	14,693	699	15,392	15,163
South West	16,748	1,551	18,299	17,902
West Midlands	47,732	1,032	48,764	49,232
Yorkshire	27,580	1,318	28,898	27,862
National	129	58,610	58,739	57,963
Creative Partnerships	0	0	0	107
	<b>350,710</b>	<b>76,614</b>	<b>427,324</b>	<b>418,502</b>

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### 4c Analysis of grants by recipient

	Grants to institutions £000s	Grants to individuals £000s	Total 2010/11 £000s	Total 2009/10 £000s
Regularly funded organisations	350,710	0	350,710	344,635
Grants for the arts	0	0	0	6
Strategic funding and activity	67,753	936	68,689	57,986
Other restricted funds	7,761	164	7,925	15,768
Creative partnerships	0	0	0	107
	426,224	1,100	427,324	418,502

### 4d Analysis of support costs

	Unrestricted £000s	Less recharge to Lottery £000s	Total 2010/11 £000s	Total 2009/10 £000s
Staff costs	19,455	(5,598)	13,857	15,510
Agency staff costs	869	(250)	619	1,554
Depreciation	1,762	(507)	1,255	1,316
Travelling, subsistence and entertainment	1,141	(334)	807	940
Rent and rates	4,082	(1,174)	2,908	2,805
Professional fees	1,114	(382)	732	562
Office and sundry	4,879	(1,435)	3,444	4,035
Irrecoverable Value Added Tax	2,400	(707)	1,693	938
	35,702	(10,387)	25,315	27,660
Corporate governance costs			686	442
			26,001	28,102

#### 4e Analysis of support costs by area of expenditure

	Unrestricted £000s	Less recharge to Lottery £000s	Total 2010/11 £000s	Total 2009/10 £000s
<b>Direct support costs to front line delivery</b>				
Advocacy and communications	1,206	(344)	862	847
Arts strategy and research	1,730	(494)	1,236	1,419
Investment and information management	1,707	(487)	1,220	739
Regional delivery	12,665	(3,615)	9,050	12,565
Creative partnerships	0	0	0	198
	<b>17,308</b>	<b>(4,940)</b>	<b>12,368</b>	<b>15,768</b>
<b>Management and administration</b>				
Finance	1,354	(387)	967	803
Human Resources	2,538	(724)	1,814	2,044
IT	4,214	(1,203)	3,011	3,679
Property, procurement and legal services	4,745	(1,354)	3,391	2,331
Other costs including management costs	5,544	(1,779)	3,765	3,035
	<b>18,395</b>	<b>(5,447)</b>	<b>12,948</b>	<b>11,892</b>
<b>Total support costs</b>	<b>35,703</b>	<b>(10,387)</b>	<b>25,316</b>	<b>27,660</b>

Costs are allocated between programmes based on an activity analysis completed by each office detailing the estimated time spent by all staff on each of the programmes funded from grant-in-aid. This includes analysis of time spent on corporate governance activities where relevant. The proportion of support costs chargeable to the Lottery accounts is based on the proportion of payments made for Lottery funded programmes. Corporate governance costs are defined as those costs which relate to the general running of the Arts Council rather than direct management functions, providing the governance infrastructure allowing the Arts Council through national Council to operate.

#### 5 Staff costs

	2010/11 £000s Total	2009/10 £000s Total
Salaries and wages	17,763	21,073
Employer's National Insurance	1,428	1,732
Employer's pension contributions	3,265	3,923
Agency staff	1,025	2,670
	<b>23,481</b>	<b>29,398</b>



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Included within salaries and wages are amounts recharged to the Lottery accounts of £5,848,000 and redundancy costs which fell due during the year of £961,000 (2009/10 £642,000). These costs arose following the closure of programmes and other contractual payments falling due for those leaving the organisation. Staff costs also include £2,414,000 (2009/10 £2,895,000) for staff involved in direct delivery of programmes. They are included in activities undertaken directly in note 4.

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

	Permanent Staff	Agency Staff	2010/11	2009/10
Direct delivery of programmes	39	4	43	64
Support and corporate governance	432	31	463	597
Creative Partnerships	0	0	0	3
	<b>471</b>	<b>35</b>	<b>506</b>	<b>664</b>

The average number of days of sickness absence per full-time employee during 2010/11 was 4.0 days (2009/10 4.4 days).

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

Emoluments for the year	2010/11	2009/10
£60,000-£69,999	10	21
£70,000-£79,999	10	23
£80,000-£89,999	1	12
£90,000-£99,999	1	7
£100,000-£109,999	0	8
£140,000-£149,999	2	0
£160,000-£169,999	1	0
	<b>25</b>	<b>71</b>

Of these employees in 2010/11, eight received redundancy payments and 22 employees were in a final salary pension scheme for which the employer's contributions during the year amounted to £324,120.

Compensation schemes — exit packages:

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band during 2010/11
<£9,999	16	0	16
£10,000 to £24,999	16	0	16
£25,000 to £49,999	11	0	11
£50,000 to £99,999	6	0	6
£100,000 to £149,999	3	0	3
<b>Total number of exit packages by type</b>	<b>52</b>	<b>0</b>	<b>52</b>
Total resource cost £000	1,571	0	1,571

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band during 2009/10
<£9,999	37	0	37
£10,000 to £24,999	76	0	76
£25,000 to £49,999	43	0	43
£50,000 to £99,999	22	0	22
£100,000 to £149,999	2	0	2
£150,000 to £199,999	1	0	1
<b>Total number of exit packages by type</b>	<b>181</b>	<b>0</b>	<b>181</b>
Total resource cost £000	5,052	0	5,052

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.

## 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 2010/11, the total cost of tickets purchased for this purpose was £2,329 (2009/10: £3,663). All our Council members are able to claim back their travel and subsistence costs. The total amount reimbursed 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.

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### **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 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 2010 was £71.7 million.

An actuarial valuation of the pension fund takes place at least every three years. The most recent valuation as at 31 March 2010 was not finalised until after these accounts were prepared. Contributions in 2010/11 therefore continued to reflect the last valuation on 31 March 2007 when the actuarial value of the assets using the projected unit method was sufficient to cover 76% of the value accrued to members, a deficit of £18,800,000. As a result, and on the advice of the actuary, we are now paying employer's contributions of 25.1% of pensionable salary for employees who joined prior to 1 July 2006 and 23.1% of pensionable salary for employees who joined after this date. Following the completion of the latest valuation as at 31 March 2010, new contribution rates are likely to be applied beginning 1 April 2011.

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

Price inflation rate	<b>3.2%</b>
Rate of pay increases	<b>4.7%</b>
Rate of pension increases	<b>3.2%</b>

Amounts due to the fund at 31 March 2011 were £nil (31 March 2010: £nil)

### **West Yorkshire Pension Fund**

We are an admitted member of the West Yorkshire Pension Fund. Providing pensions to over 200,000 members in 181 mainly local government organisations, 31 Arts Council staff participated in this scheme at 31 March 2011. The scheme is a defined benefit scheme. However, 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 net market value of total scheme assets at 31 March 2011 was £8.6 billion.

An actuarial valuation of the pension fund takes place every three years. At the last valuation on 31 March 2010, the actuarial value of the assets using the projected unit method was sufficient to cover 93% of the value accrued to members. During 2009/10 employer contributions were set at 20.1% which rose to 22.7% in 2010/11.

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

Rate of inflation Retail Prices Index	<b>3.8%</b>
Rate of inflation Consumer Prices Index	<b>3.3%</b>
Rate of pay increases	<b>5.3%</b>
Rate of pension increases	<b>3.3%</b>

Amounts due to the fund at 31 March 2011 were £nil (31 March 2010: £nil)

### **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, their past service remained with the legacy pension provider as detailed below:

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

Arts Council England is responsible for meeting any further liabilities relating to Regional Arts Board employees which arise in respect of these funds. Liabilities in relation to four schemes have been cleared by making lump sum payments. The remaining schemes have not indicated that any liability exists. No provision has been made in these accounts for potential sums payable, because of the uncertain nature of these liabilities.

## 8 Net incoming resources for the year

	2010/11 £000s	2009/10 £000s
Net outgoing resources of £15,776,000 (2009/10 net incoming resources £1,633,000) are stated after charging:		
(a) auditors' remuneration	88	62
(b) operating leases	3,165	3,716
(c) Council members' travel, subsistence and hospitality for the 16 serving members during the year	17	15
(d) insurance: trustees' and senior officers' indemnity	14	14

## 9 Heritage assets and tangible fixed assets

	Buildings and leasehold improvements £000s	Equipment fixtures and fittings £000s	Heritage assets: works of art £000s	Total £000s
Costs at 1 April 2010	15,406	4,984	96,966	117,356
Additions	817	532	418	1,767
Revaluations	0	0	4,394	4,394
Less: disposals	(1,032)	(166)	0	(1,198)
<b>Cost at 31 March 2011</b>	<b>15,191</b>	<b>5,350</b>	<b>101,778</b>	<b>122,319</b>
Depreciation at 1 April 2010	6,613	3,570	0	10,183
Less: depreciation on disposals	(1,032)	(166)	0	(1,198)
Revaluations	0	0		-
Provided for 2010/11	1,214	562	0	1,776
<b>Depreciation at 31 March 2011</b>	<b>6,795</b>	<b>3,966</b>	<b>0</b>	<b>10,761</b>
<b>Net book value at 31 March 2011</b>	<b>8,396</b>	<b>1,384</b>	<b>101,778</b>	<b>111,558</b>
<b>Net book value at 31 March 2010</b>	<b>8,793</b>	<b>1,414</b>	<b>96,966</b>	<b>107,173</b>

	31 March 2011 £000s	31 March 2010 £000s
Freehold	746	760
Short leasehold improvements	7,650	8,033
	<b>8,396</b>	<b>8,793</b>



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### 9a Heritage assets

The Arts Council holds a works of art, film and poetry collection. The art and poetry collections are managed by the Southbank Centre on our behalf and the film collection is managed in-house. We are required to make specific disclosures in relation to these assets and these follow separately for each collection.

#### Works of art collection

The works of art collection has been built up since 1946 and consisted of 7,569 items at 31 March 2011. 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 £101,778,000 at 31 March 2011 (31 March 2010: £96,966,000). Valuation of the whole 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 each year 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 advisers 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 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 is underway to widen access by providing digital access to the collection. The project has been split into two parts and the first part consists of two phases. The first phase covers paintings and drawings and will be completed by the end of 2011. The second phase covering three dimensional sculpture and installations is starting in 2012. The second part is a digital editorial pilot starting in the summer 2011 to develop a prototype on how the collection can be promoted online. A dedicated website [www.artscouncilcollection.org.uk](http://www.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.

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

	2010/11 £000s	2009/10 £000s
Cost at 1 April	96,966	91,081
Additions	418	327
Revaluations	4,394	5,558
Less: impairment	0	0
Less: disposal	0	0
Cost at 31 March	101,778	96,966

### Poetry collection

The poetry collection was started in 1953 and now consists of 100,000 items of 20th and 21st century poetry

since 1912. The collection is held in a variety of formats: books, pamphlets, audio cassette, CD, video and DVD 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 was a reliable basis for a valuation, a significant input of resource which is not considered to be feasible. The amount spent on acquisitions during 2010/11 was £35,290.

### 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.

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 a conservator who is working 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

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up at the library in which humidity and temperature is controlled to British Standards (BS). The digitisation of the magazines means that the originals are able to be stored 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 librarians report to the General Manager, Learning and Participation of the 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 has a dedicated website [www.poetrylibrary.org.uk](http://www.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.

### **Film collection**

The film collection has been built up over the period between 1953 and 1998. It consists of 450 documentary films made by either Arts Council England commissioning or participating in their production. The films record all aspects of mainly contemporary British art. The subject matter, lengths and formats of the films are as varied as they are eclectic. Moreover, because of the Arts Council's liberal attitude to sponsorship and the creative freedom their commissions offered, they also attracted the best film-makers in the UK. The collection is a unique partnership between the Arts Council, artists and film-makers. The films' subject matter provides a key resource for any historical study of both British and international art, and also many aspects of British documentary film-making.

Restored digital copies of all the films in the collection are stored at the National Film and TV Archive of the British Film Institute.

### *Valuation*

A valuation of the film collection is not included on the balance sheet due to the difficulty in obtaining an accurate valuation. A market for films of the type in the collection does not exist to provide a guide to the value. The collection earned £13,000 from royalty payments during 2010/11, an immaterial sum. The value of the collection is in its use as a source of historical information.

### *Acquisition and disposal policy*

An acquisition policy does not exist as the collection has not been added to since the closure of the Arts Council's film department in 1998. No films have been disposed of during the existence of the collection.

### *Preservation*

The master copies of the films and associated production paperwork are held by the Arts Council in specialist storage facilities which have a professional climate controlled environment. Digitised copies are held by the National Film Archives at the British Film Institute.

### *Collection management*

The film collection is managed directly by the Arts Council.

### *Access*

The collection has been digitised and access is available through a company who manages loans on behalf of Arts Council England and online to further education and higher education colleges through the University of Westminster. Details of how to obtain access to the collection are available on the following two websites: [www.concordmedia.co.uk](http://www.concordmedia.co.uk) and [artsonfilm.wmin.ac.uk/filmcollection](http://artsonfilm.wmin.ac.uk/filmcollection)

## **10 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. Consequently, we have apportioned them accordingly, based on an assessment of time spent on each activity. As a proxy for this, we use the proportion of grant-in-aid and Lottery payments during the year as the basis of the apportionment.

## 11 Debtors

	General activities	Creative Partnerships	31 March 2011 £000s	31 March 2010 £000s
Trade debtors	1,155	8	1,163	766
Other debtors	79	0	79	184
Prepayments and accrued income	1,781	0	1,781	3,265
	3,015	8	3,023	4,215

## 12 Grants paid in advance

The Arts Council does permit organisations to draw down cash from a future year's funding agreement to cover short term cash flow problems. Advances of £436,000 were only made where there was sufficient evidence from cash flows that an advance was necessary (2009/10 £2,054,000).

## 13 Creditors: amounts falling due within one year

	31 March 2011 £000s	31 March 2010 £000s
Trade creditors	1,045	758
Other creditors including taxes and social security	86	358
Accruals and deferred income	2,443	4,976
	3,574	6,092

## 14 Provisions for liabilities and charges

	Redundancies £000s	Organisational reviews £000s	Property £000s	Dilapidations £000s	VAT £000s	Legal £000s	Employment £000s	Total £000s
At 1 April 2010	0	2,715	0	362	0	116	71	3,264
Arising during the year	519	10	630	361	579	20	0	2,119
Used during the year	0	(2,592)	0	0	0	(64)	0	(2,656)
Reversed unused	0	(53)	0	(362)	0	(51)	(30)	(496)
<b>At 31 March 2011</b>	<b>519</b>	<b>80</b>	<b>630</b>	<b>361</b>	<b>579</b>	<b>21</b>	<b>41</b>	<b>2,231</b>

### Expected timing of cashflows

In the year to 31 March 2012	519	80	630	361	579	21	41	2,231
Between 1 April 2012 and 31 March 2016	0	0	0	0	0	0	0	0
Later than five years	0	0	0	0	0	0	0	0

### As at 31 March 2011

Current	519	80	630	361	579	21	41	2,231
Non-current	0	0	0	0	0	0	0	0



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15 Grant offers	31 March 2011 £000s	31 March 2010 £000s
<b>Forward funding:</b>		
2010/11	n/a	361,059
2011/12	323,479	n/a
	<b>323,479</b>	<b>361,059</b>

The Arts Council has three-year funding agreements with around 880 regularly funded organisations, with 2008/09 being the first year of the current funding period. Commitments are recognised for each year, with the funding agreement making clear that continued funding is dependent on both the annual review process and the Arts Council itself receiving the expected three-year funding in its funding agreement with DCMS. Forward funding at 31 March 2011 mainly represents allocations for regularly funded organisations for the transitional year of 2011/12 before the National portfolio funding programme commences in April 2012. The National portfolio programme will offer funding for between one to three years for the majority and a small number of pilot grants for between three and six years.

### 16 Leases

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

	Land & buildings 31 March 2011 £000s	Land & buildings 31 March 2010 £000s
<b>Operating leases which expire:</b>		
within one year	99	85
within two and five years inclusive	1,382	1,751
over five years	932	1,073
	<b>2,413</b>	<b>2,909</b>

There are plans to relocate the East office into other premises in Cambridge during 2011/12. At the time of audit, lease arrangements were still being negotiated.

### 17 Capital commitments

There were contracted capital commitments at 31 March 2011 of £nil (31 March 2010: £1,441,000).

### 18 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.

### 19 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 freeholding, the value of the asset is immaterial and has therefore not been included in these accounts.

## 20 Reconciliation of movements in funds

	Restated At 1st April 2010 £000s	Income £000s	Expenditure £000s	Transfers £000s	At 31 March 2011 £000s
<b>Income funds</b>					
Unrestricted funds	16,484	436,139	(451,508)	(331)	784
Revaluation reserve	887	0	0	0	887
<b>Restricted funds</b>					
Other restricted funds	1,606	9,226	(9,206)	(87)	1,539
<b>Capital funds</b>					
Designated funds	4,572	0	0	331	4,903
Donated asset reserve	2,067	1,341	0	87	3,495
Capital Reserve	10,207	0	(427)	0	9,780
Revaluation reserve	90,601	3,053	0	0	93,654
	126,424	449,759	(461,141)	0	115,042

## Description of funds

### Income funds

- a) Unrestricted 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 subject to HM Treasury End Year Flexibility regulations.
- b) Revaluation reserve This relates to the unrealised surplus on revalued freehold properties and the revaluation of the Arts Council Collection.

### Restricted funds

The Arts Council receives grants, sponsorship and donations from various sources for specific activities. Any such income and associated expenditure is identified separately.

### Capital funds

- a) Designated funds This fund relates to capital expenditure on works of art allocated from the unrestricted fund. The transfer figure of £331,000 relates to additions to the collection purchased during the year from unrestricted funds less disposals in the year.
- b) Donated asset reserve This fund relates mainly to donations received by the Arts Council for obtaining works of art for our collection.
- c) Capital Reserve The Capital Reserve represents the balance of tangible assets.
- d) Revaluation reserve Due to improvements in our system for valuing works of art we are now able to show our 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.

The 2009/10 funds have been restated to analyse the revalued donated assets separately from the other revalued works of art.

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### 21 Cash flow reconciliation

Reconciliation of operating surplus/(deficit) to net cash inflow from operating activities	2010/11 £000s	2009/10 £000s
Operating surplus/(deficit)	(11,382)	7,156
Interest receivable	(85)	(73)
Depreciation charges	1,776	2,044
Revaluation of fixed assets	(4,394)	(5,523)
(Increase)/decrease in debtors and prepayments	3,215	(739)
(Increase)/decrease in grants paid in advance	1,618	1,241
Increase/(decrease) in grants outstanding	(5,191)	(1,974)
Increase/(decrease) in creditors	(2,518)	1,666
Increase/(decrease) in provisions	(1,033)	(3,148)
Net cash inflow/(outflow) from operating activities	(17,994)	650

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

	2010/11 £000s	2009/10 £000s
Decrease in cash in the year	(19,676)	(2,892)
Funds at 1 April 2010	35,829	38,721
<b>Funds at 31 March 2011</b>	<b>16,153</b>	<b>35,829</b>

### 23 Analysis of net cash

	1 April 2010 £000s	Cash flow £000s	31 March 2011 £000s
Cash	35,829	(19,676)	16,153

### 24 Related parties

#### 24a) 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 for the year ended 31 March 2011 are detailed below. Payments made to these grant recipients during the course of the year are not disclosed here; please refer to the related parties note in previous years' annual reviews for information.

Grant for the year ended 31 March 2011 £000s	Balance unpaid at 31 March 2011 £000s	Organisation	Council member	Relationship
0	1	The British Museum	Liz Forgan	Board member
2,225	0	Halle Concerts Society	Anil Ruia	Corporate member
510	25	Manchester International Festival		Corporate sponsor
382	0	Axis Web	Janet Barnes	Chief Executive of organisation working with Axis Web
40	9	York Museums Trust		Chief Executive
701	1	Rich Mix Cultural Foundation	Keith Khan	Former Chief Executive
10	0	Create KX		Partner is a former board member
175	175	London Organising Committee of the Olympic Games and Paralympic Games Ltd		Former Head of Culture
72	16	The British Council		Board member
637	0	UK Centre for Carnival Arts		Creative Director of Carnival Crossroads: East of England Carnival Project
21,429	99	Southbank Centre		Former employee
102	20	City Arts (Nottingham) Ltd	François Matarasso	Partner is a former board member
48	44	Lawnmowers		Artist
119	0	Newcastle University	Peter Standfield	Partner is a board member
1,400	0	Northern Stage Company		Board member
433	5	Audiences Central	Sheila Healy	Former Chair
0	1	Cornwall County Council		Former Chief Executive
73	12	Museums, Libraries and Archive Council		Leading museums group
20	5	Shropshire Council		Former Interim Chief Executive
3,890	31	Arts & Business Ltd	Veronica Wadley	Board member
0	3	Greater London Authority		Board member
2,905	161	Northern Ballet		Board member
72	16	The British Council	Alice Rawsthorn	Former board member
1,259	0	Whitechapel Gallery		Trustee



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Grant for the year ended 31 March 2011 £000s	Balance unpaid at 31 March 2011 £000s	Organisation	Council member	Relationship
263	21	Writers' Centre Norwich	Professor Jon Cook	Former board member and partner is former employee
127	0	British Centre for Literary Translation		Employee of the University of East Anglia and line manager for director of BCLT
70	0	The Otolith Group	Ekow Eshun	Family member is employee
0	3	Greater London Authority		Board member of 'fourth plinth' commissioning group
1,425	0	Institute of Contemporary Arts		Former employee
129	3	University of the Arts, London		Schools Governor
274	4	Dance UK	Alistair Spalding	Former Chair
2,812	253	Sadler's Wells Trust		Chief Executive and Artistic Director
587	0	Dance Umbrella	Rosemary Squire	Director
539	0	Donmar Warehouse Projects Ltd		Landlord
2,345	173	Rambert Dance Company		Partner is Chair
453	0	The Hall for Cornwall Trust		Director
186	61	Contemporary Art Society	Caroline Collier	Former board member
5	12	The Board of Trustees of the Tate Gallery		Director, Tate National
10	10	Tate Liverpool		Director, Tate National
525	0	Artichoke Trust Ltd	Nicholas Kenyon	Partner is board member
606	351	Barbican Centre		Managing Director
262	0	Cheek By Jowl Theatre Company		Other/Resident company at the Barbican Centre
2,356	0	London Symphony Orchestra		Other/Resident company at the Barbican Centre
199	0	Modern Masterpieces		Other/Resident company at the Barbican Centre
1,005	503	Serious Events Ltd		Other/Resident company at the Barbican Centre
18,594	115	English National Opera		Board member
175	175	London Organising Committee of the Olympic Games and Paralympic Games		Cultural Olympiad board member
3,787	0	The Sage Gateshead/ North Music Trust		Board member
89	87	The British Broadcasting Corporation		Former employee
688	5	Dartington Hall Trust t/a Dartington Plus		Trustee

Grant for the year ended 31 March 2011 £000s	Balance unpaid at 31 March 2011 £000s	Organisation	Council member	Relationship
688	1	Birmingham Opera Company	Peter Phillips	Board member
6,761	29	Welsh National Opera		Former board member
1,053	0	Almeida Theatre Company	David Carter	Board member

Contract for year ended 31 March 2011 £000s	Balance unpaid at 31 March 2011 £000s	Organisation	Council member	Relationship
307	114	Department for Culture, Media and Sport	Liz Forgan	Former board member
307	114	Department for Culture, Media and Sport	Sheila Healy	Former board member for MLA national review of libraries
3	1	Katri Skala	Professor Jon Cook	Partner provides Evaluation Service for Arts Council England
307	114	Department for Culture, Media and Sport	David Carter	Audit Committee independent member

#### 24b) 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 interests in grant recipients declared for the year ended 31 March 2011 are detailed below. Payments made to these grant recipients during 2010/11 are not disclosed here; please refer to the related parties note in previous years' annual reviews for information.

Grant for the year ended 31 March 2011 £000s	Balance unpaid at 31 March 2011 £000s	Organisation	Executive Director/ Senior Manager	Relationship
1,011	11	Modern Art Oxford	Andrew Nairne	Former employee, Associate with partner
594	4	Artangel		Family member is an employee
445	21	Royal College of Art		Family member is on board
5	0	National Portrait Gallery		Family member is on board
0	1	National Museums Directors' Conference		Family member is on board

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Grant for the year ended 31 March 2011 £000s	Balance unpaid at 31 March 2011 £000s	Organisation	Executive Director/ Senior Manager	Relationship
1,053	0	Almeida Theatre Company	Anupam Ganguli	Former board member
170	1	Chisenhale Gallery		Former board member
72	16	The British Council	Jim Tough	Board member of Scottish Advisory Committee
934	0	Hampstead Theatre	Barbara Mathews	Former board member
57	0	National Student Drama Festival		Former board member
69	11	London Arts in Health Forum	Moira Sinclair	Former Chair
458	18	The Stables		Partner is employee
201	0	Huddersfield Contemporary Music Festival	Susanna Eastburn	Former employee
369	0	London International Festival of Theatre		Former employee
1,288	101	Sound and Music		Former board member
612	15	Liverpool Biennial of Contemporary Arts	Alison Clark-Jenkins	Close friend is Executive Director
147	0	Music Beyond Mainstream	Neil Darlison	Former board member
61	0	Theatre Absolute		Former board member
586	38	Warwick Arts Centre		Former employee
2,345	173	Rambert Dance Company	Cate Canniffe	Former Director of Fundraising
44	0	The Literacy Consultancy	Antonia Byatt	Family member is Chief Executive
263	21	Writers' Centre Norwich		Family member is board member
60	5	Malvern Theatres Trust Ltd	Phil Gibby	Former trustee
109	0	The Wiltshire Music Centre Trust		Former trustee
20	11	Theatre Bristol		Partner is employee
6,761	29	Welsh National Opera Limited		Former employee
119	0	Audiences North East	Janet Archer	Former board member
394	0	Dance City		Former employee
478	0	Phoenix Dance Theatre		Former board member
1,288	101	Sound and Music		Family member is an employee

Contract for year ended 31 March 2011 £000s	Balance unpaid at 31 March 2011 £000s	Organisation	Executive Director/ Senior Manager	Relationship
336	167	Grant Assessment Monitoring & Evaluation	Althea Efunshile	Family member undertook work experience

#### 24c) 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 2011 £000s	Debtor 31 March 2011 £000s
Balances with other central government bodies	264	241
Balances with local authorities	716	34
Balances with NHS Trusts	25	0
Balances with public corporations and trading funds	151	3

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### 25 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 (98.5%), 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 (92.3%). This means the Arts Council is exposed to little credit, liquidity or market risk.

#### a) Liquidity risk

The Arts Council has a funding agreement with the Department for Culture, Media and Sport for the period from 1 April 2008 to 31 March 2011, renewable in line with the timetable set by Government for the next three year spending round. In the past year 1.5% of funding was received from sources outside Government in terms of partnership and grant support, mostly in the form of restricted funds, and 0.1% was generated from cash balances. This means that 98.4% of funding is sourced through cash draw downs agreed monthly with DCMS, based on the predicted need for the month ahead.

#### b) Interest rate risk

The cash balance of £16,153,000 at 31 March 2011 was held in instant access variable rate bank accounts which carried an average interest rate of 0.22% below base rate. The Arts Council does not place money on deposit with any other bank, financial institution or investment product.

#### c) Foreign currency risk

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

#### d) Financial assets by category

		<b>31 March 2011 £000s</b>	Restated 31 March 2010 £000s
Trade debtors	12	<b>1,163</b>	766
Other debtors	12	<b>79</b>	184
Accrued income		<b>1,053</b>	2,106
Due from Arts Council Lottery accounts		<b>2,027</b>	4,050
Cash at bank and in hand		<b>16,153</b>	35,829
		<b>20,475</b>	42,935

#### e) Financial liabilities by category

		<b>31 March 2011 £000s</b>	Restated 31 March 2010 £000s
Grants outstanding		<b>12,350</b>	17,541
Trade creditors		<b>1,044</b>	758
Other creditors including taxes and social security		<b>86</b>	358
Accruals		<b>2,285</b>	4,957
		<b>15,765</b>	23,614



## 26 Exceptional items

As part of our funding agreement with the Department for Culture, Media and Sport, the Arts Council was given a target to save 15% of the administration budget in 2010/11. We took the decision to also apply this target to our Lottery activities. A fundamental review of the whole organisation took place during 2008/09, with an announcement made in February 2009 to staff affected. The new structure was implemented on 1 April 2010.

A provision for the anticipated redundancy costs was made in 2008/09. This provision was based on the change in staff numbers in total expected from the announced organisation review, and an assessment of the impact of individual decisions made by staff affected in applying for new posts, and the fit that existing staff had in meeting the requirements of those posts. The estimate therefore was based on the total projected number of staff affected, the average pay for that group, and the varying terms and conditions that applied to groups of staff at the point of decisions being taken.

An additional provision was created in 2009/10 based on estimated additional costs payable in 2010/11 not taken into account in the 2008/09 provision. There have been no additional costs in 2010/11 in respect of the organisation review and therefore the associated remaining provision has been released.

	2010/11 £000s	2009/10 £000s
Redundancy and associated costs	0	1,607
	0	1,607

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### 27 Subsidiary undertakings


Arts Council England owns the entire share capital of Artco Trading Limited through which we operate Own Art, our art purchase scheme, and Take It Away, our musical instrument purchase scheme. We have consolidated the following figures for this subsidiary into our accounts.

	2010/11 £000s	2009/10 £000s
Cash at bank and in hand	649	279
Other debtors	0	100
Current assets	649	379
Other creditors	78	99
Amounts due to Arts Council England	496	205
Current liabilities	574	304
Net assets	75	75
Reserves	75	75
<b>Summary profit and loss</b>		
<b>Income</b>		
Income from DCMS	1,000	1,000
Other income	58	56
	1,058	1,056
<b>Expenditure</b>		
Staff costs	208	254
Operating costs	850	805
	1,058	1,059
Surplus/(deficit) for year	0	(3)

### 28 Post balance sheet event

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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# Lottery distrib



# tribution accounts

*Temenos*  
by Anish Kapoor.  
Photo: Steve Gray



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### Reference and administrative details of the charity

The Arts Council of England, trading as Arts Council England, is a registered charity, charity registration number 1036733. The address of our head office is 14 Great Peter Street, London SW1P 3NQ.

### Governance

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 objects of the Arts Council as stated in the Royal Charter, our governing document, are:

- to develop and improve the knowledge, understanding and practice of the arts
- to increase accessibility of the arts to the public
- to advise and cooperate with other government departments, local authorities and the Arts Councils for Scotland, Wales and Northern Ireland (or their successors)

To this end, we make grants to artists and arts organisations and engage in other activities on behalf of the sector.

Arts Council England was granted a Supplemental Charter on 18 March 2002. Its purpose was 'to give effect to new arrangements for regionalisation of its structure and activities'. There were no changes to the objects of the Arts Council and the main changes relate to powers to establish and to delegate powers and functions to regional councils.

A number of amendments were made to the Charter in 2008 including allowing the remuneration of future Chairs of the national Council, and granting the Mayor of London the power of appointment for the Chair of the London Regional Council.

Arts Council England works at arm's length from government and has the status of a non-departmental public body. As such, we are regulated in accordance with a Management Statement, Financial Memorandum and Funding Agreement issued by the Secretary of State. In addition, as a registered charity and a chartered body, Arts Council England is subject to a range of obligations and accountabilities set out in regulation and law. We prepare our accounts for grant-in-aid and Lottery separately to comply with accounts directions issued by the Secretary of State and Charity Commission regulations.

### Governance structure

The national Council is the non-executive board of Arts Council England. It holds authority for governance, and for overall budget and policy decisions for 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 Arts Council England's objectives, as set out in the Royal Charter. The national Council consists of 17 members, nine of whom also chair a regional council in each region.

The regional councils are sub-committees of the national Council which it has established to provide advice, make funding decisions and advocate for the arts in England. The national Council values the live connection with artists, local government and arts organisations that the councils create regionally. Regional councils are responsible for supporting and promoting the organisation's mission and objectives in the region. There are at least 15 members on each regional council. The regional councils meet at least three times a year, one meeting of which is an away day.

In November 2009 national Council decided to establish three standing committees which would be delegated certain responsibilities. These committees are:

#### *Arts Policy Committee*

Considers and approves emerging strategic policy and Arts Council plans on behalf of national Council. The Committee is chaired by Dame Liz Forgan. Caroline Collier, Nicholas Kenyon, and Alice Rawsthorn are members. The Committee meets four times a year.

#### *Arts Investment Committee*

Oversees the implementation of investment and resources strategies and makes investment decisions on behalf of national Council. The Committee is chaired by Dame Liz Forgan. Janet Barnes, François Matarasso, Veronica Wadley, Jon Cook, Alistair Spalding and Keith Khan are members. The Committee meets six times a year.

#### *Performance and Audit Committee*

Provides a scrutiny function for the Arts Council, reviewing the performance of the Arts Council across the full range of its business and operations and making recommendations for continuous improvement. In addition it performs the functions required of a traditional audit committee. Anil Ruia was appointed as Chair of the

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Committee in December 2009 and Sheila Healy, Peter Phillips, Rosemary Squire, Ekow Eshun are members. David Carter is an independent member. A further independent member is intended to be appointed. the Committee meets four times a year.

The Council also has a Remuneration Committee which oversees the pay, performance and conditions of senior staff and the national and regional Chairs. Anil Ruia chairs the Committee. Liz Forgan, Sheila Healy, Peter Phillips, Rosemary Squire, Ekow Eshun and Alistair Spalding are members.

These sub-committees each have terms of reference. The Council has a scheme of financial delegations and authorities, which determines an appropriate level of approval or authorisation for financial commitments.

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National Council

Members of our national Council are appointed by the Secretary of State for Culture, Media and Sport, other than the national member for London who is appointed by the Mayor of London. Council members are usually appointed for four years, and may be reappointed for a further term of four years.



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Member	Name	Council appointment	Reappointment	End of appointment
1 National Chair	<b>Dame Liz Forgan</b>	1 Feb 2009		31 Jan 2013
2 Member Yorkshire	<b>Janet Barnes</b>	1 Feb 2005	31 Jan 2009	30 Jan 2013
3 Member East	<b>Jon Cook</b>	8 Sept 2008		7 Sept 2012
4 Member	<b>Keith Khan</b>	1 May 2006	1 May 2010	30 April 2014
5 Member East Midlands	<b>François Matarasso</b>	1 Oct 2005	1 Oct 2009	30 Sept 2013
6 Member	<b>Alice Rawsthorn</b>	27 Feb 2007	1 Feb 2011	31 Jan 2015
7 Member North West	<b>Anil Ruia</b>	24 Nov 2008		23 Nov 2012
8 Member	<b>Rosemary Squire OBE</b>	26 Jan 2009		25 Jan 2013
9 Member	<b>Alistair Spalding</b>	26 Jan 2009		25 Jan 2013
10 Member	<b>Ekow Eshun</b>	26 Jan 2009		25 Jan 2013
11 Member	<b>Sir Nicholas Kenyon</b>	3 Nov 2009		2 Nov 2013
12 Member South West	<b>Sheila Healy</b>	4 Jan 2010		3 Jan 2014
13 Member West Midlands	<b>Peter Phillips</b>	4 Jan 2010		3 Jan 2014
14 Member South East	<b>Caroline Collier</b>	4 Jan 2010		3 Jan 2014
15 (Interim) Member London	<b>Ajay Chowdhury</b>	2 Nov 2009		30 June 2010
16 Member London	<b>Veronica Wadley</b>	1 July 2010		30 June 2014
17 (Interim) Member North East	<b>Peter Standfield</b>	1 April 2010		31 March 2011

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Tom Shakespeare resigned as North East Regional Council Chair in April 2011. Peter Standfield acts in an interim capacity in this role until the Secretary of State is able to appoint a permanent member to replace him.

In July 2010 Veronica Wadley was appointed as the Chair of the London Regional Council. Ajay Chowdhury acted in an interim capacity in this role until June 2010.

In August 2010 Diran Adebayo left the national Council.

### **Policies and procedures adopted for the induction of trustees**

The Council recognises the importance of ensuring that members, as trustees, are fully briefed and introduced into their role in the organisation.

All newly appointed trustees of the Council have an induction process. This includes meeting with the Chief Executive and Chair to discuss the role of the members and functions of Arts Council England, and a range of meetings with staff about the policies, strategies and activities of the Arts Council. This includes a briefing and discussion on the responsibilities of Charity trustees, declaration of interests and allowable expenses. Members who are also appointed to chair a regional council receive a further induction to that role, led by the relevant regional director.

National Council members are assessed individually every two years by the National Chair.



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## Executive Board

The Executive Board is Arts Council England's strategic and executive decision-making body. The Council has approved the delegation of powers for delivery of the agreed policies and strategies to the Executive Board. The Executive Board held 14 formal business meetings in the year as well as a number of away days. Its membership is set out below.



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### Executive Board Member

### Job title

1	<b>Alan Davey</b>	Chief Executive
2	<b>Alison Cole</b>	Executive Director, Communications
3	<b>Laura Dyer</b>	Area Executive Director, Midlands and South West
4	<b>Althea Efunshile</b>	Chief Operating Officer
5	<b>Anupam Ganguli</b>	Executive Director, Resources
6	<b>Andrew Nairne</b>	Executive Director, Arts
7	<b>Moira Sinclair</b>	Area Executive Director, London
8	<b>Andrea Stark</b>	Area Executive Director, East and South East
9	<b>Jim Tough</b>	Area Executive Director, North

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The Executive Board has established the Management Committee – a subcommittee to which it delegates powers and responsibilities, related to finance, management, compliance and operations. The Management Committee held 10 formal business meetings during the year as well as one away day. The Management Committee comprises the Chief Operating Officer, the Executive Director, Resources, an Area Executive Director, three Regional Directors, three Head Office Directors and the Head of Communications Planning.

### **Responsibilities of trustees, the Chief Executive, Executive Board and Management Committee**

Council members, as trustees, retain overall responsibility for the work and conduct of the organisation. The Council considers and approves major matters of policy development, including the overall framework for the strategic delivery of those policies.

The Council has approved the delegation of powers for delivery of the agreed policies and strategies to the Executive Board. Written terms of reference and procedures for the Executive Board have been agreed by the Council.

The Council has approved the further delegation of powers to a Management Committee as a subcommittee of the Executive Board. Management Committee is responsible for overseeing the workload and programme of head office operational issues delegated by Executive Board, monitoring organisation-wide financial performance and management issues, taking an overview of HR issues and risk management, and monitoring the strategic funds budget and contingency.

The Chief Executive has been authorised by the Council to undertake the day-to-day administration and management of the business and staff of the organisation. The Chief Executive is responsible to the Council for those matters. The Council has agreed and issued guidelines to the Chief Executive. The Chief Executive, as the Accounting Officer, is responsible for the Arts Council's 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, executive directors within the Arts Council and comments from the external auditors in their management letter and other reports.

The Accounting Officer may, on occasions, be required to give evidence to the Public Accounts Committee of the House of Commons.

Overall, the Council has approved a scheme of financial delegations and authorities, which provides a comprehensive scheme for determining an appropriate level of approval or authorisation for financial commitments, which is dependent upon the level of expenditure proposed.

We attempt to abide by the Better Payment Practice Code, and in particular pay bills in accordance with contract. Invoices are normally settled within our suppliers' standard terms, usually 30 days. In 2010/11, 89% of undisputed grant-in-aid invoices were paid within 30 days (2009/10: 87%).

We maintain a register of interests of our members, which is available for public inspection by appointment at our Great Peter Street address.

Principal advisers

#### **Banker:**

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

#### **Auditor:**

Comptroller and Auditor General  
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

#### **Solicitors:**

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

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## Responsibility towards the environment and sustainable development

The Arts Council continues to strengthen our commitment to operating a sustainable office estate. Across our nine offices, we now regularly measure our use of consumables, waste, energy, water and staff travel. We remain engaged with the 10:10 commitment to reduce our carbon dioxide emissions. All offices have a sustainability champion, leading staff through this initiative. We are currently in the process of benchmarking our consumption in comparison to the previous financial year.

In addition to the BREEAM (Building Research Establishment Environmental Assessment Method) excellent rating for the design of our new Manchester office, The Hive was also given a 'Special award for Government sector achievement supported by the Cabinet Office' in the 2011 BREEAM awards.

In tandem with our sustainability measures, we continue to look for opportunities to rationalise and reduce our office estate. In September 2010, we relocated our London regional team to our Head Office in Westminster and we have reduced the area of our South East office by half. As part of a wider estate rationalisation programme, we will continue to work through a number of similar projects and ensure sustainable practice is high on the agenda. We will work in partnership with the arts and the cultural sector to ensure we are using our investment to encourage and share good practice. This will involve building on activity and relationships with the British Council and a range of other partners to support reduction of greenhouse gas emissions through effective knowledge sharing, tools and measurement. Work so far has included research into sustainable touring, with additional work on sustainable theatres and a green guide for visual arts.

We recognise that there is a powerful role that can be played by creative practice to debate and raise awareness of this complex and urgent issue, and to provide leadership through our own actions. Accordingly we will continue to champion the voice of the arts where it helps a wide range of audiences engage with this most timely of issues.

The importance of environmental issues was highlighted at our State of the Arts conference and we have included it as a key strand in our thinking when writing the consultation for our 10-year framework for the arts, *Achieving great art for everyone*. This document sets out the vision of a resilient and relevant arts sector and environmental sustainability must be central to that.

## Diversity and equality

It is very important that arts organisations that receive public funding perform well. The same applies to us. We have agreed a set of national objectives with the Department for Culture, Media and Sport, against which the outcome of our programmes can be judged. We want to create an environment where the arts reflect the full range and diversity of contemporary English society.

Our race, disability and gender equality schemes set out how we will meet our statutory duties in the following ways:

### Race equality scheme 2009-11

Our Race equality scheme 2009-11 had the following areas of activity:

1. *Widening and deepening the vision*. This includes the Creative Case for Diversity, a major programme of work launched in the autumn of 2010. This is intended to integrate diversity and equality issues into artistic practice
2. *Developing the Black and minority ethnic arts sector*. This includes key initiatives such as the Decibel Performing Arts Showcase 2011 and Sustained Theatre
3. *Prioritising our efforts – reaching out to marginalised groups*. This includes work such as Arts and Islam that seeks to examine the connections between Islam, arts practice and contemporary society
4. *Developing the field* – building on the achievements of the race equality action plans drawn up by our regularly funded organisations

### Gender equality scheme

Our vision for gender equality is for it to be driven by transformative and lasting work, which will bring about change within our organisation and in the arts sector.

We have identified four broad thematic priorities for our gender equality scheme. The action plan outlines how these priorities will be delivered.

The four priorities are:

- leadership
- awareness-raising, profiling of best practice and knowledge-sharing
- bringing about greater gender equality in the workforce
- arts attendance and arts participation

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The scheme allows for a broader consideration of all equality strands. Individuals may experience discrimination based on the different aspects of who they are. Looking beneath the surface of gender and further disaggregating along the other equality strands, provides the Arts Council with the opportunity to start considering some of these cross-cutting and rather complex themes in more detail, ensuring that gender equality within the Arts Council is meaningful.

### The disability equality scheme 2010-13

In 2009, through an open and transparent recruitment process, we appointed an Independent Disability Equality Advisory Group (IDEAG). The IDEAG has assisted us in reviewing and revising our disability equality scheme.

Our disability equality scheme is built around the vision of prominence to increase the visibility of disability equality in the arts, profiling and promoting the work of disabled artists, and increase disabled audience members and the audiences of work created by disabled people.

In order to achieve this vision eight priorities have been established to create the conditions for disabled people to thrive in the arts. These are:

- access
- cultural change
- audiences and participation
- talent development
- diversity within disability
- leadership and governance
- innovation and excellence
- London 2012 Cultural Olympiad

### Repositioning diversity and equality in the arts – the creative case for diversity

We believe that it is important that diversity and equality are not just seen as issues of legal compliance or moral obligation. We want to see diversity placed firmly within an artistic context, using the specific languages and disciplines of that arena. We envisage that the creative case approach requires three interlocking progressions:

1. *Equality*: there has to be a continued drive for equality – to remove barriers in the arts world, release and realise potential and help transform the arts so that they truly reflect the diversity of this country;
2. *Recognition*: there has to be a new conversation that attempts through various means to resituate

diverse artists, both historically and theoretically, at the centre of British art; and

3. *A new vision*: there also has to be the construction and dissemination of a new framework for viewing diversity, one that takes it out of a negative or 'deficit' model, and places it in an artistic context. Diversity becomes not an optional extra, but part of the fabric of our discussions and decisions about how we encourage an energetic, relevant, fearless and challenging artistic culture in England and the wider world.

The creative case for diversity will be central to all of our diversity and equality work and has been prominent in developing *Achieving great art for everyone* and in our investment process.

### New organisation structure and culture

The new structure of the organisation, with 21% less staff and a saving of £6.5 million per year released to go into arts investment, was launched in April 2010. The key elements of the new structure are as follows:

- a smaller head office – focused on strategy and support to frontline staff
- a smaller Executive Board – (reduced from 14 members to nine) to enable quicker decisions to be made by members who together provide a balance of regional knowledge and strategy
- regional offices grouped under four area executive directors – with a strong senior management team in each area to streamline internal processes and encourage the sharing of knowledge
- nine regional offices – smaller and more focused on frontline delivery, working directly with arts organisations, with artists and with other key partners
- a central grants processing team – reducing administration in regional offices and making grant-giving more equitable
- a streamlined advocacy and communications team – a head office team and three area advocacy teams supporting regional offices

Due to the movement and reconfiguration of job roles, around 25% of the roles were filled by people new to the organisation, who brought new experience, energy and insight into our teams and ways of working. In the first half of the financial year the focus was on filling the outstanding vacancies in the new structure and

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inducting staff into their new roles so that everyone could participate as required in the National portfolio assessment process which started in autumn 2010.

In addition to a new structure, we have refreshed our organisational culture to support the delivery of our mission of *Great art for everyone*. Staff at all levels were encouraged to participate in discussions about what the Arts Council's values are and during the year the following values were agreed:

#### **Passionate**

We believe in the fundamental power of the arts to transform lives.

#### **Bold**

We have the confidence and the courage to take risks and explore new ideas and we encourage others to do the same.

#### **Nurturing**

We help support growth, creativity and innovation in others.

#### **Knowledgeable**

We share the experience and expertise of our people and our partners within a learning environment.

#### **Collaborative**

We listen to and work with our people and our partners to ensure we are greater than the sum of our parts.

#### **Accountable**

We are open and transparent in our decision making and how we spend public money.

In addition, it was agreed that everyone wished to work towards becoming *one confident organisation* and progress towards this will be measured regularly through staff and external stakeholder surveys. This focus on a positive culture has been a key foundation for the new structure and will continue to contribute to organisational effectiveness going forward.

#### **Approach to human resources**

The organisation's three-year people strategy, launched in 2008, has supported the embedding of the organisation's new structure and culture during 2010/11. In particular, staff development has been a focus, with tailored programmes developed for Executive Board, other leaders and the new role of relationship manager. The Leadership Challenge programme has used a particularly innovative blend of 360 feedback, development centres, taught

modules and action learning sets to promote leadership development. The focus on employee engagement and development throughout the restructuring process led to a recognition of the Arts Council as an Investor in People for the second time in May 2010 and a very complimentary report from the Investors in People assessor about how the change process had been handled. The organisation is now planning to aim for a higher, silver level Investors recognition during 2011/12.

Internally, there continues to be arrangements to promote effective communication and consultation with staff. Executive Board, Management Committee and national Council decisions are disseminated through local team briefings, our intranet and regularly emailed updates from the Chief Executive, Chief Operating Officer and others, supplemented from time to time by organisation-wide, region-wide and departmental meetings. Employee 'pulse' surveys, sampling staff opinion on the organisation review process and other significant issues for the Arts Council take place at least every six months, with the findings and action to address any concerns discussed at senior management level.

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 together with consultation on restructuring proposals for the whole organisation. The NJCNC is supported by Local Joint Consultative and Negotiating Committees currently in each of the nine workplaces.

In addition, we actively engage with Black, Asian and other minority ethnic employees through a recognised Black Workers Group, disabled employees through the Disabled Workers Group, and lesbian, gay, bisexual and transgender staff through the LGBT network. For example, consultation has taken place with all these staff representative groups on the equality impact assessment process for our employment policies, such as our recruitment policy. This policy was revised and improved through joint working between the union, diversity workers groups and management during the course of this year.

The churn of staff caused by the change to the structure has resulted in a drop in representation levels of some diverse groups within the workforce. By the end of



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2010/11, whilst the proportion of our staff who classify themselves as lesbian, gay or bisexual and transgender had risen to 9% and the proportion of disabled staff remained at 4%, the proportion of our staff who classify themselves as Black, Asian or other minority ethnic has dropped by 4% to 12.5%. Discussions are underway about ways to encourage more staff from Black and minority ethnic backgrounds to join the organisation across all levels and types of job roles.

### Objectives and activities for the public benefit

The Royal Charter is at the core of our mission. This mission, great art 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'.

### Great art for everyone

Arts Council England works to get great art to everyone by championing, developing and investing in artistic experiences that enrich people's lives. As the national development agency for the arts, we support a range of artistic activities from theatre to music, literature to dance, photography to digital art, carnival to crafts. Great art inspires us, brings us together and teaches us about ourselves and the world around us. In short, it makes life better.

Between 2008 and 2011 we invested in excess of £1.6 billion of public money from the government and the National Lottery to create these experiences for as many people as possible across the country.

The trustees confirm that they have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing Arts Council England's aims and objectives and in planning activities for the year.

In October 2006, we launched the arts debate – one of the largest pieces of research into what people think about the arts and arts funding ever undertaken.

It was clear from the findings of the arts debate, published in November 2007, that most people believe the arts can play an important part in the lives of individuals and in society.

The arts debate was very influential on our thinking and we used the research to develop our plan for 2008–11.

Over this period there are two specific mission-led programmes: public engagement and world-class arts, plus four short-term development priorities for the lifetime of the plan. These are digital opportunity, visual arts, children and young people and London 2012.

The plan is underpinned by five outcomes: excellence, innovation, diversity, reach and engagement:

- excellence – high quality arts and arts experience
- reach – more people attending and taking part in the arts
- engagement – more people feel that there are opportunities to be stimulated or inspired by, and get actively involved in, arts activities that are personally relevant to them
- diversity – arts that reflect the diversity of contemporary England
- innovation – artists have the freedom, and are challenged, to innovate

### Achieving great art for everyone

A key strand of the World Class Arts programme is the development of a national arts strategy, *Achieving great art for everyone*. Informed by a major consultation earlier in the year the Arts Council published *Achieving great art for everyone* in November 2010. This sets out a ten-year vision for the arts, with five ambitious goals at its heart. It argues for excellence, founded on diversity and innovation, and a new collaborative spirit to develop the arts over the long term, so they truly belong to everyone. *Achieving great art for everyone*, along with the challenging economic climate, informed our decisions for the new National portfolio of funded organisations which we announced in March 2011.

### Delivery and partnerships

The key grant programmes through which we deliver our objects are outlined below. In addition, we work with local authorities to sustain and develop national, regional and local partnerships that will see excellent arts taking root in communities throughout England.

### Grants for the arts

Our open application scheme funded from the National Lottery is for individuals, arts organisations and other people who use the arts in their work. They are for activities which engage people in England in arts activities, and help artists and arts organisations in England carry out their work.

We are committed to being accessible and offer access

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support to applicants where required to make our application process open to everyone. We recognise that some groups may be uncomfortable with receiving funding from the National Lottery, and in such cases we make arrangements to fund them through other sources. We also apply our funding criteria so that funds are available through the year.

### *Sustain*

The 2009 Sustain programme was Arts Council England's response to the impact of the recession. In 2010/11, Arts Council England agreed to invest nearly £24 million in organisations to help them to become more resilient businesses and to respond to the rapidly changing environments in which they operate. This investment is part of country-wide action research currently being conducted by the Arts Council to explore the most effective ways of supporting organisational development, income generation, and refurbishment and improvement of existing arts premises.

### *Regular funding for organisations*

For the period 2008-11 we regularly funded around 880 arts organisations investing £351 million of Exchequer funding per annum by 2010/11. Our support helps bring high quality work to a wide range of people – as both audience and participants.

### *Strategic funds*

Managed funds allow us to identify new opportunities for the arts, take new initiatives, establish new partnerships and address particular ambitions for growth.

The beneficiaries of our delivery and grant programmes are arts individuals and organisations and the public as audiences and participants.

### **Future developments – integration of functions relating to museums and libraries**

On 9 December 2010 Arts Council England announced that it has agreed to take over a number of the functions relating to museums and libraries, as a result of the decision to abolish the Museums, Libraries and Archives Council (MLA).

The Department for Culture, Media and Sport (DCMS) asked the Arts Council to propose how it would incorporate important responsibilities for regional museums and libraries into its work with the arts, to create a more coherent cultural offer that benefits the cultural sector and the audiences it serves. The responsibilities to be assumed by the Arts Council are:

- the Renaissance in the Regions programme for regional museums, including completing the re-design of its content and operation
- regional museums improvement and development agenda, including the Accreditation Standard and the Designation Scheme and projects relating to the 2012 Cultural Olympiad
- libraries improvement and development agenda
- cultural property functions including, for example, export licensing, Government Indemnity, acceptance in lieu

Arts Council England has been allocated a budget of around £46 million a year by DCMS to deliver these additional functions. The Renaissance in the Regions programme has been cut by 15% to £43.4 million, in line with the overall cut to the museums sector made in the government's October 2010 spending review.

The limited resources available for the rest of the work mean that the Arts Council will have to do a very focused job.

### **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 the Arts Council 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 official statistics meet the needs of government and society and are both trustworthy and trusted.

### **Personal data**

There have been no incidents of loss of personal data during the year.

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## Management commentary

### Financial review

Arts Council England receives grant-in-aid from the Department for Culture, Media and Sport (DCMS) and 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). This license was renewed during 2006 and runs until 2019.

New Lottery grant commitments (offers made and accepted) in the year totalled £84 million (2009/10: £143 million). At year-end, a total of £95 million (2009/10: £120 million) accepted grant commitments remained outstanding and awaiting payment together with £13 million (2009/10: £14 million) commitments offered but not accepted. This compares with a balance in the National Lottery Distribution Fund, plus bank balances, of £140 million (2009/10: £113 million). We monitor levels of Lottery income closely, and the level of outstanding grant commitments is considered prudent, based on past and projected income flows.

During the year we successfully delivered our organisation review and achieved the targeted saving of £6.5 million (15%) on administration costs across Lottery and grant-in-aid activities. The new structure was operational from 1 April 2010.

In February 2008 a statutory instrument (SI 2008 No. 255 The Payments into the Olympic Lottery Distribution Fund etc. Order 2008) was passed which allowed for the transfer of up to £1,085 million from the National Lottery Distribution Fund to the Olympic Lottery Distribution Fund in order to meet some of the costs of hosting the 2012 games. This comprises £410 million as originally envisaged when the Government decided to support London's Olympic bid in 2003, and a proposed further £675 million arising from the subsequent budget review.

The Arts Council was committed to contribute up to £50 million in the original bid and this order allows for the transfer of up to a further £63 million. The Arts Council transferred £30 million (2009/10: £30 million) to the Olympic Lottery Distribution Fund during the year.

At 31 March 2011, our balance in the National Lottery Distribution Fund account was £125 million (2009/10: £97 million). This is more than the forecast balance of £100 million due to higher than expected income and lower than anticipated activity in the year. The cash balance at the same date stood at £15 million (2009/10: £15 million).

Further details of the activities and policies of Arts Council England are included in the National Lottery report 2010/11 (see pages 128 to 142).

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 2010/11 were £73,443 (2009/10: £62,000).

The Arts Council is a participating employer in the Arts Council Retirement Plan (1994) and the West Yorkshire Pension Fund and also contributes to a group personal pension arrangement. Because these schemes are multi employer schemes, it is not possible to identify the underlying assets and liabilities of the Arts Council. This means that pensions are treated in the accounts as if they were defined benefit schemes. Note 2b gives further details.

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

Under the National Lottery etc Act 1993 (as amended by the National lottery Act 1998), the Arts Council is required to prepare a statement of accounts for the financial period in the form and on the basis directed by the Secretary of State for 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 the Arts Council's state of affairs at the year end and of our incoming and outgoing resources expended and cash flows for the financial year. In preparing the accounts, the accounting officer must comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction\* issued by the Secretary of State which sets out accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgments and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that Arts Council England will continue in operation

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The Accounting Officer for DCMS has designated the Chief Executive as accounting officer for the Arts Council. The responsibilities of the accounting officer, which include the responsibility for the propriety and regularity of the finances for which the Chief Executive is answerable, for keeping of proper records and safeguarding the Arts Council England's assets, are set out in the Non-Departmental Public Bodies' Accounting Officers Memorandum, issued by HM Treasury.

**Alan Davey**  
Chief Executive  
20 April 2012

**Dame Liz Forgan**  
Chair  
20 April 2012

\* A copy of the Accounts Direction is available from the Accounting Officer, 14 Great Peter Street, London, SW1P 3NQ.

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## Statement on internal control

### 1. Scope of responsibility

As Accounting Officer and representative of the trustees, we have joint responsibility for maintaining a sound system of internal control that supports the achievement of Arts Council England's policies, aims and objectives, whilst safeguarding the public funds and assets for which we are responsible, in accordance with the responsibilities assigned to us in HM Treasury's Managing Public Money, together with ensuring compliance with the requirements of Arts Council England's Management Statement and Financial Memorandum. The trustees of Arts Council England (national Council) acknowledge responsibility for the funds and assets of the Arts Council and for maintaining a sound system of internal control. Arts Council England's Performance and Audit Committee assists the national Council in fulfilling its responsibility.

### 2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of 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 economically. The system of internal control has been in place in Arts Council England for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

### 3. Capacity to handle 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 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.

There is internal training and guidance available to staff on programme and project management incorporating guidance on risk management.

There is an internal communications process in place that ensures that all staff are informed about key decisions on a timely basis through appropriate media, including regular news updates on the intranet, cascaded briefings by line managers and presentations by members of the Executive Board. There is also an external communications strategy that ensures that stakeholders, parliamentarians, press, funded bodies, and members of the general public receive appropriate and reliable information.

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.

### 4 The risk and control framework

The main elements of Arts Council England's risk and control framework are set out below:

#### 4.1 Governance

The governance structure is designed to allow Council members to be close to the business so that they may provide appropriate challenge and support of the Executive Board as well as perform an increased level of council scrutiny of the organisation's performance. The committee structure is also designed to provide an opportunity for Council members to make use of their individual expertise. In summary the structure comprises:

##### 4.1.1 National Council

Has responsibility and authority for governance, and for the overall budget and investment portfolio; advocates for the arts and the Arts Council formally and informally. The Council comprises a Chair and 16 non-executive members with a range of skills and experience. Council meetings are attended by Arts Council England's executive directors.

##### 4.1.2 Regional arts councils

There are nine regional councils – one for each region – which provide advice, make funding decisions in relation to our portfolio of regularly funded organisations and advocate for the arts in England. Regional arts councils are responsible for supporting and promoting the organisation's mission and objectives in the region.



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#### *4.1.3 Arts Policy Committee*

Considers and approves emerging strategic policy and Arts Council plans on behalf of national Council.

#### *4.1.4 Arts Investment Committee*

Oversees the implementation of investment and resource strategies; makes investment decisions on behalf of national Council; and recommends annual budgets to national Council for approval.

#### *4.1.5 Performance and Audit committee*

This committee replaced the Audit committee as of 26 March 2010 and has taken on an expanded remit to provide a scrutiny function for the Arts Council, reviewing the performance of the organisation across the full range of its business and operations and making recommendations for continuous improvement. In addition, it performs the functions expected of a traditional audit committee; it oversees risk management and internal and external audit.

The committee meets four to five times a year and has four to six national Council members. In addition, the Performance and Audit Committee can have up to three independent members to ensure there is appropriate financial and accounting expertise. The committee currently has five national Council members and one independent member whereas the previous Audit Committee had three Council members and two independent members. We are currently looking to fill these vacancies.

During the year, the committee has reviewed various performance reports eg stakeholder focus, equality, health and safety and people measures. This part of its remit is still being developed and is only expected to be fully fulfilled once a performance framework is implemented. Development of the framework is progressing.

#### *4.1.6 The Remuneration Committee*

Oversees the pay, performance and conditions of staff including the Chief Executive and the executive directors. The committee comprises four members of the Performance and Audit Committee and at least one other national Council member.

#### *4.1.7 Executive Board and Management Committee*

Arts Council England's Executive Board is responsible for developing our policy on high level issues and overseeing the implementation of nationally agreed policies and plans. In addition there is a separate management committee

which is responsible for operational decision making. Each has its own terms of reference and meets monthly.

## **4.2 Risk**

During 2010/11, Arts Council England continued to manage risk at the strategic, operational, and individual project levels and revise and update our risk management policies and procedures.

Our risk appetite is defined as follows:

The Arts Council is keen to encourage fully considered risk taking in the context of promoting innovation and enabling creativity to flourish with the object of creating the conditions where great art can happen. At the same time, we ensure that we are at all times accountable to the public and comply with our statutory and reporting responsibilities.

### *4.2.1 Strategic risks*

The following clusters of strategic risks were identified at a strategic risk workshop facilitated by our internal auditors in April 2010 which was attended by members of the Performance and Audit Committee, executive directors and senior managers.

Cluster one: funding and the external environment – the risk that the ability of the Arts Council to deliver its mission is adversely affected by a poor settlement in the Comprehensive Spending Review, a delay in the settlement decision resulting in rushed funding decisions, further 'in-year' cuts imposed, unrealistic efficiency targets, and the expectation that the Arts Council fills the vacuum left by cuts to other organisations' funding without adequate resources.

The risk has been mitigated by consulting budget holders across the organisation on the impact of in-year savings, and assessing the impact on the Arts Council and the sector. Decisions on how the in-year savings could be achieved were agreed through the Executive Board and national Council. Working closely with DCMS to assess the potential level of funding cuts for 2011-15 prior to the announcement in October 2010, the Arts Council planned ahead for a new process for investing in regularly funded organisations and an integrated planning approach. This investment process has been completed and has addressed the cuts to grant-in-aid funding. Work is ongoing to identify administrative efficiencies over the next four years.

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Cluster two: people – this risk arises as a result of the organisation review, which took full effect from April 2010. A large number of key staff, particularly the relationship managers, are new to the organisation and there is a likelihood that this and the loss of key staff, knowledge and expertise may affect the ability of the Arts Council to successfully deliver its mission. This might lead to a loss of credibility in the sector.

This risk has been addressed by staff training and a new leadership development programme, a revised staff induction programme, and stakeholder surveys and briefings.

Cluster three: processes – this risk arises from a potential failure to align strategy, corporate plan, investment plan and the governance and staffing structure, and focus on process rather than on delivery.

An improved planning process, development of a new performance management framework, and regular updates and briefing sessions have helped mitigate this risk.

Cluster four: IT systems – the final strategic risk identified was around capacity and capability of our IT systems. Significant improvement work has taken place to mitigate the risk and ensure that our systems are robust and reliable, for example locating our data centre with a third party to minimise the risk of failure, increasing internet capacity, and implementing a new improved file storage and back up facility.

These were monitored and discussed throughout the year both at Executive Board level and through a monthly risk report process to Management Committee.

### 4.2.2 Operational risks

The wider corporate risk register has also been reviewed on a monthly basis during the year to ensure that it is up-to-date and relevant. We use a 'traffic light' system to categorise risks as follows:

- red risks are those which have been identified as high level and are in addition to the strategic risks discussed above. These are mostly current and are considered likely to have a high impact
- amber risks are those where there is a lower likelihood of risk materialising but where the impact is considered to be high profile or sensitive. Controls are in place for these risks but they require

monitoring to ensure they remain effective. In some instances further action has been identified to reduce the impact of the risk

- green risks are those which are low likelihood and impact and have good controls in place. These are being managed as part of the day-to-day responsibilities of core business functions

### 4.2.3 Project risks

Each corporate programme and project is monitored against milestones and is supported by a risk management plan. Internal training and guidance to staff on programme and project management incorporates guidance on risk management.

The strategic, operational and projects related risks are used to inform objective setting and performance management of staff across the organisation.

Risk assessment and risk management are part of our grant assessment and monitoring processes. Policies and procedures for assessors and lead officers incorporate procedures for risk assessment. This is supplemented by training, briefing and quality assurance processes.

The Arts Council undertakes a quarterly review of its risk register with a monthly report to management committee. The register captures risks identified across the organisation and categorises them by severity. The impact and likelihood of occurrence are evaluated by risk owners and decisions taken on whether to tolerate, transfer, terminate or treat the risk. Steps to mitigate each risk are identified and recorded in the register, actions to improve controls recorded and assigned to risk owners, and ultimate responsibility is given to a member of the Executive Board.

A summary of the high level risks is reviewed by the Performance and Audit Committee at every meeting and is formally reported to the national Council in the annual performance and audit committee report. national Council also receives a regular report covering key risks in relation to funded organisations.

Our internal auditors undertook an audit of our risk management processes during the year. The key recommendation is that the Arts Council needs to develop a bottom up approach to risk management to supplement the top down approach and ensure that all risks are identified.

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### 4.3 Audit

The annual programme of internal audit work is carried out by an external firm of accountants to standards defined in the Government 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 executive 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. The internal and external auditors meet with the Performance and Audit Committee before every meeting with no officers present.

Internal audit services have been provided by Deloitte since April 2009.

### 5. Review of effectiveness

As Accounting Officer and representative of the trustees, we have responsibility for reviewing the effectiveness of the system of internal control. Our review of the effectiveness of the system of internal control is informed by the work of the internal auditors and 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. We have been advised on the implications of the result of our review of the effectiveness of the system of internal control by the national Council and the Performance and Audit Committee. A plan to address weaknesses and ensure continuous improvement of the system is in place.

#### 5.1 Assessment of our effectiveness during the year

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

Throughout 2010/11 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.

For 2010/11 internal audit reported that they are satisfied that sufficient internal audit work has been undertaken to allow them to provide a conclusion of 'adequate and effective assurance' on the design, adequacy and effectiveness of the system of internal control. They arrived at this conclusion having reviewed the following processes: operations at three of our regional offices, financial management, procurement, the Lottery funded Grants for the arts scheme, risk management, fraud prevention, the new capital grant scheme, governance, information assurance, staff expenses, and the last organisation review.

Where weaknesses have been identified during the course of internal audit's work, these are reported to the Performance and Audit Committee and an action plan agreed with management to implement the recommendations agreed as part of this process.

Significant developments to improve our internal controls which took place during the year include:

- extensive training and publication of a comprehensive handbook for the revised role of relationship manager
- a programme of fraud awareness training devised with and delivered by CIPFA

#### 5.2 Significant internal control issues

##### 5.2.1 Update on grant payment to national Council member in 2008

Last year we noted that in 2008 we awarded a grant of £10,165 through the Lottery funded Grants for the Arts scheme to a national Council member. We have reached a resolution with the Council member about the repayment of the grant.

##### 5.2.2 Payment to national Council member in 2010

During the year it came to light that a further grant payment was made in error to another member of national Council. This payment was brought to the attention of the Arts Council by the Council member concerned after the discussions with Council following the first incident and the reminders given to Council about declarations of interest.

The payment was made through the grant-in-aid funded Cultural Leadership Programme which in March 2010 issued an open call for proposals to networks that would

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be funded to offer tailor-made, work-based support to leaders across the cultural and creative industries.

The Council member applied for funding on behalf of an organisation comprising eight members including him, who would all benefit from its tailored programme of coaching, mentoring, placements and other forms of leadership development.

The grant application was assessed in accordance with the usual procedures, was successful, and a letter offering a grant of up to £30,000 was sent on 7 June 2010 to the Council member in error.

In January 2010, the Arts Council's grant system, Arena, was amended so that an application form from a national Council member to the Lottery funded Grants for the arts programme would be flagged up. However, a similar control was not put in place for the payments made via the grant-in-aid funded Cultural Leadership Programme. The application forms for Cultural Leadership Programme are not entered on Arena as part of the approval process. Instead the information required to make payments and monitor awards is entered on Arena at the point where it is agreed that an offer would be made. This different approach meant that there was no automatic flag available at the application stage and the application was not returned as ineligible.

On 19 August 2010, the Council member wrote to the Chief Executive informing him about the grant received.

The Arts Council's Charter states that: 'The money, property and income of the Council, including any money voted by Parliament, shall be applied solely towards the objects, and no portion thereof shall be paid or transferred directly or indirectly to the members of the Council.' The Code of Practice for Council Members states that: 'Members of the national Council are ineligible to receive awards, bursaries and payments direct from the Arts Council.'

The following actions were taken:

- the grant made to the organisation in the name of the Council member was terminated and the organisation was informed that it may reapply for this grant via another of its members
- the Council member was advised that they will need to withdraw from this particular project as they would be seen as a direct beneficiary

- the member returned, in full, the element of the grant already paid (£5,000) on 23 September 2010
- DCMS, The Charity Commission and National Audit Office were informed
- the Chair and Chief Executive met with the Charity Commission who confirmed that all the necessary steps had been confirmed and no further action would be required
- staff across the organisation were reminded through briefings and the intranet that national Council members are not eligible to receive Arts Council grants
- guidance on grant payments to members of national Council, and payments for services to members of national Council were put on the intranet site, and all executive directors and regional directors were asked to confirm that their staff have read, discussed and understood the guidance
- a training session on Trustee responsibilities was held for members of national Council on 25 October 2010
- guidance on identifying and managing conflicts of interest was drafted and circulated to staff and members of national Council
- an IT mechanism was put in place for a more active flagging of all payments and project decisions relating to national Council members, regional chairs, and their declared interests, in August 2011. This is in addition to the Grants for the arts (Lottery funded programme) eligibility block put in place after the occurrence of the first incidence in 2008

We are reassured that all steps have been taken to minimise the risk of such payments being made again.

### 5.2.3 Lottery grants de-committed and paid from grant-in-aid

During the year £9.2 million of Lottery capital grants were de-committed and paid from grant-in-aid.

The payments were made to external organisations of the type normally funded by the Arts Council and none of the payments fell outside the objects and powers as set out in the Arts Council's Management Statement. The Arts Council was seeking to follow the additionality principle as referred to in S34(2A) of the National Lottery Act (appendix 2) in that Lottery money should only be used where Government funds are unlikely to be available.

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However, the Comptroller and Auditor General considers that where grants have previously been accounted for as liabilities of the Lottery and reported as such, continuing grant payments should, except in exceptional circumstances, have been charged to the Lottery and not grant-in-aid. In his opinion, as a result, Lottery expenditure has been materially understated by £9.2 million in the Lottery financial statements, and grant-in-aid expenditure materially overstated by the same amount in the grant-in-aid financial statements and he has qualified his audit opinion accordingly.

The Arts Council recognises that its processes here were not as robust as they could have been and there is scope for improvement to documentation. Therefore, it has been agreed with the Department that:

- it will review and update its practices and systems to ensure approval is sought from the Department before any similar transactions take place, and to highlight the need to continue to obtain approval from the Department before any decisions are made about novel or contentious transactions
- it will confirm that a formal process is in place for the de-commitments of grants from Lottery and the transfer of commitments to grant-in-aid
- it will ensure that the de-commitment process is fully transparent and consistent both with grant recipients and within the Arts Council's grant systems and accounting records

The Department wrote to the Arts Council in October 2011 to say that after considering the matter and discussing it with HM Treasury, DCMS had concluded that the payments were not inherently novel and contentious, and therefore did not require the approval of the Department and HM Treasury. However, due to the size and nature of the payments, the Arts Council should have brought the matter to the attention of the Department, before proceeding, in order to fully meet the expectations set out within the Financial Memorandum and to comply with DCMS's routine monitoring and management of the overall budgetary position for the department.

The transaction is fully disclosed in note 4a of the grant-in-aid accounts and note 8 of the Lottery Distribution accounts.

## 6. Conclusion

The control framework as described above has operated throughout the year and the two significant control weaknesses which have been identified are:

- the matter relating to the grant payment to a member of the Arts Council's national Council
- the lottery grants de-committed and paid from grant-in-aid which has resulted in a qualification of the audit opinion

The Arts Council has taken appropriate steps to address the first matter and will implement the actions noted in section 5.2.3 with regard to the second.

**Alan Davey**  
Chief Executive  
20 April 2012

**Dame Liz Forgan**  
Chair  
20 April 2012



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## The certificate 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 accounts for the year ended 31 March 2011 under the National Lottery etc. Act 1993. These comprise the statement of comprehensive net expenditure, the statement of financial position, the statement of cash flows, the statement of 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, 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 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 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 review to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been

applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

### Opinion on regularity

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

### Basis for qualified opinion

#### Qualification arising from Lottery commitments being met from grant-in-aid moneys

In forming the audit opinion I am required to consider whether, in all material respects, all expenditure relevant to the financial statements has been included.

During 2010/11 grants of £9.2 million were paid from grant-in-aid money in respect of amounts previously recorded as Lottery commitments. This expenditure is included in the grant-in-aid financial statements and not in the Lottery financial statements. Once a hard commitment has been recorded within Arts Council England's internal systems as a Lottery commitment the expectation is that its discharge should be recognised in the Lottery financial statements.

I consider that where grants have previously been accounted for as commitments of the Lottery and reported as such to Parliament, continuing grant payments should, except in exceptional circumstances, have been charged to the Lottery and not grant-in-aid. As a result, Lottery expenditure has been materially understated by £9.2 million in the 2010/11 Lottery financial statements.

### Qualified opinion on financial statements

In my opinion, except for the effects of the matter described in the basis for qualified opinion paragraph:

- the financial statements give a true and fair view of the state of Arts Council England's Lottery distribution accounts' affairs as at 31 March 2011 and of its net income for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Lottery etc. Act 1993 and Secretary of State directions issued thereunder.

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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 directions issued under the National Lottery etc. Act 1993; and
- the information given in the 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
- the financial statements and the part of the remuneration report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the statement on internal control does not reflect compliance with HM Treasury's guidance.

### **Report**

My report on pages 126 to 127 includes more details of the matters giving rise to my qualified opinion on the financial statements.

### **Amyas C E Morse**

Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
London SW1W 9SP  
Date: 24 April 2012

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## Statement of comprehensive net expenditure For the year to 31 March 2011

	Note	2010/11 £000s	Restated 2009/10 £000s
<b>Expenditure</b>			
Grant commitments made in the year	8	<b>96,327</b>	145,843
Less: lapsed and revoked commitments	8	<b>(11,838)</b>	(2,640)
<b>Net grant commitments</b>		<b>84,489</b>	143,203
Transfer of funds to the Olympic Lottery Distribution Fund	7	<b>30,276</b>	30,276
		<b>114,765</b>	173,479
General expenditure:			
Staff costs	2	<b>1,625</b>	1,057
Other operating costs	3a	<b>618</b>	1,109
Costs apportioned from grant-in-aid accounts	3b	<b>10,387</b>	15,309
		<b>12,630</b>	17,475
Exceptional item:			
Cost of fundamental reorganisation	19	<b>0</b>	865
<b>Total expenditure</b>		<b>127,395</b>	191,819
<b>Income</b>			
Share of proceeds from the National Lottery Distribution Fund	7	<b>179,728</b>	171,743
Investment returns on the Distribution Fund	7	<b>2,092</b>	1,396
		<b>181,820</b>	173,139
Other income		<b>390</b>	114
<b>Total income</b>		<b>182,210</b>	173,253
Net (expenditure)/income		<b>54,815</b>	(18,566)
Interest receivable		<b>21</b>	25
<b>Net (expenditure)/income after interest</b>		<b>54,836</b>	(18,541)

## Other comprehensive expenditure

	Note	2010/11 £000s	Restated 2009/10 £000s
Net (loss) on revaluation of available for sale financial assets	7	<b>(246)</b>	0
<b>Total comprehensive expenditure for the year ended 31 March</b>		<b>54,590</b>	(18,541)

The notes on pages 111 to 124 form part of these accounts.

## Statement of financial position As at 31 March 2011

	Note	31 March 2011 £000s	Restated 31 March 2010 £000s
<b>Non-current assets</b>			
Tangible assets	5	0	0
<b>Total non-current assets</b>		<b>0</b>	<b>0</b>
<b>Current assets</b>			
Trade and other receivables	6	145	17
Investments: balance in the National Lottery Distribution Fund	7	125,457	97,363
Cash and cash equivalents		15,007	15,491
<b>Total current assets</b>		<b>140,609</b>	<b>112,871</b>
<b>Total assets</b>		<b>140,609</b>	<b>112,871</b>
<b>Current Liabilities</b>			
Grant commitments due within one year	8	60,887	87,652
Trade and other payables	9	186	80
Due to grant-in-aid accounts		2,027	4,051
<b>Total current liabilities</b>		<b>63,100</b>	<b>91,783</b>
<b>Non-current assets plus net current liabilities</b>		<b>77,509</b>	<b>21,088</b>
<b>Non-current liabilities</b>			
Grant commitments due in more than one year	8	34,250	32,419
<b>Assets less liabilities</b>		<b>43,259</b>	<b>(11,331)</b>
<b>Equity</b>			
General reserve		43,505	(11,331)
Fair value reserve		(246)	0
		<b>43,259</b>	<b>(11,331)</b>

The notes on pages 111 to 124 form part of these accounts.

**Alan Davey**  
Chief Executive  
20 April 2012

**Dame Liz Forgan**  
Chair  
20 April 2012

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## Cash flow statement

### For the year to 31 March 2011

	Note	2010/11 £000s	2009/10 £000s
<b>Cash flows from operating activities</b>			
Funds received from the National Lottery Distribution Fund	7	<b>123,204</b>	175,122
Other cash receipts		<b>390</b>	114
Grants paid	8	<b>(109,423)</b>	(156,487)
Cash paid to and on behalf of employees		<b>(1,625)</b>	(1,057)
Other cash payments		<b>(13,051)</b>	(13,629)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>(505)</b>	4,063
<b>Cash flows from investing activities</b>			
Interest received		<b>21</b>	23
<b>Net cash inflow from investing activities</b>		<b>21</b>	23
<b>Net increase/(decrease) in cash and cash equivalents in the period</b>	13/14/15	<b>(484)</b>	4,086
<b>Cash and cash equivalents at beginning of period</b>		<b>15,491</b>	11,405
<b>Cash and cash equivalents at end of period</b>		<b>15,007</b>	15,491

The notes on pages 111 to 124 form part of these accounts.

## Statement of changes in equity

### For the year ended 31 March 2011

	Note	SoCNE reserve £000s	Fair value reserve £000s	Total reserves £000s
Opening reserve position at 1 April 2009		7,210	0	<b>7,210</b>
Transferred (to)/from the statement of comprehensive net expenditure		(18,541)	0	<b>(18,541)</b>
<b>Opening reserve position at 1 April 2010</b>		<b>(11,331)</b>	0	<b>(11,331)</b>
Transferred (to)/from the statement of comprehensive net expenditure		54,836	(246)	<b>54,590</b>
<b>Closing Lottery reserve at 31 March 2011</b>		<b>43,505</b>	(246)	<b>43,259</b>



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## Notes on Lottery distribution accounts

### 1 Accounting policies

#### a) 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 have been prepared in a form directed by the Secretary of State with the consent of HM Treasury in accordance with Section 35(3) of the National Lottery etc. Act 1993. They meet the requirements of the Companies Acts, and of International Accountancy Standards/International Financial Reporting Standards issued and adopted by the International Accounting Standards Board, so far as these requirements are appropriate.

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. Consolidated accounts have not been prepared.

#### b) Recognition of income and expenditure

All income and expenditure are accounted for on a receivable basis. As required by the Secretary of State, we have made a distinction between Lottery grants that are 'hard' and 'soft' commitments. A hard commitment is when the Arts Council has made a firm offer of a grant which (together with appropriate conditions) has been accepted by the recipient. A soft commitment is when we have agreed in principle to fund a scheme and made an offer, but the offer and associated conditions have not been accepted.

Hard commitments are recognised as items of expenditure in the income and expenditure account. Details of soft commitments are disclosed in note 8 to the accounts. Hard commitments payable within one year of the balance sheet date are recognised in the balance sheet as current liabilities. Those payable more than one year from the balance sheet date are shown as grant commitments over one year.

#### c) 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 balance sheet date, 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.

#### d) Taxation

Arts Council England, as a registered charity (1036733), is considered to pass the tests set out in paragraph 1 schedule 6 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 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.

#### e) 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. However, as these are multi-employer schemes, we cannot identify our share of the underlying assets and liabilities. We have therefore accounted for the schemes as if they were defined contribution schemes, in accordance with IAS19 Employee Benefits, with the costs of the schemes charged to the statement of financial activities.

#### f) 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.

#### g) Change in accounting policy

The Treasury has changed its policy on the disclosure of a notional cost of capital. In previous years, the Arts Council was required to calculate a cost of capital based on the average level of assets utilised by Arts Council England over the year. Since these accounts cover the Lottery distribution activities of Arts Council England, only funds from the National Lottery were included which bear a cost of capital of 0%. The cost of capital was designed to indicate the likely cost that an equivalent private sector company would have to pay for access to a similar amount of funding from the National Lottery Distribution Fund.

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## Notes on Lottery distribution accounts

The Treasury has now decided that there is no need for us to disclose a cost of capital charge on the statement of comprehensive net expenditure. No funds were actually paid over to the Treasury and so, while there has been a change of accounting policy, there is no impact on our reported figures this year or in prior years.

### h) Financial instruments

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

### i) Policy on reserves

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

### j) Statement of comprehensive net expenditure

For the 2010/11 accounts there is a statement of comprehensive net expenditure rather than an income and expenditure account. This reports the revaluation reserve on the National Lottery Distribution Fund balance as a note, rather than affecting the Arts Council's share of proceeds, which has been the treatment in previous years. The statement of financial position is likewise adjusted to show this separately as a fair value reserve.

### k) Adoption of IFRS

The Arts Council has been required to present the Lottery distribution accounts under International Financial Reporting Standards (IFRS) 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.

### 2a) Staff costs

	2010/11 £000s	2009/10 £000s
Salaries and wages	1,132	622
Employer's national insurance	92	56
Employer's pension contributions	203	103
Agency	198	276
	<b>1,625</b>	<b>1,057</b>

IAS 19 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, £5,848,000 (2009/10: £9,334,000) of the costs apportioned from Arts Council England's grant-in-aid accounts (note 5) relate to staff costs.

The average number of staff engaged directly on Lottery activities for the year ended 31 March 2011 was as follows:

	Permanent Staff	Agency Staff	2010/11 Total Staff	2009/10 Total Staff
Management and operational	44	2	46	27

The average number of days of sickness absence per full-time employee during 2010/11 was 4.0 days (2009/10: 4.4 days).

### 2b) 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 IAS19 Employee Benefits.

The scheme is financed by payments 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 2010 was £71.7million.

An actuarial valuation of the pension fund takes place at least every three years. The most recent valuation as at 31 March 2010 was not finalised until after these accounts were prepared. Contributions in 2010/11 therefore continued to reflect the last valuation on 31 March 2007 when the actuarial value of the assets using the projected unit method was sufficient to cover 76% of the value accrued to members, a deficit of £18,800,000. As a result, and on the advice of the actuary, we are now paying employer's contributions of 25.1% of pensionable salary for employees who joined prior to 1 July 2006 and 23.1% of pensionable salary for employees who joined after this date. Following the completion of the latest valuation as at 31 March 2010, new contribution rates are likely to be applied beginning 1 April 2011.

The main long-term assumptions used for the actuarial valuation as at 31 March 2007 were as follows:

Price inflation rate	<b>3.2%</b>
Rate of pay increases	<b>4.7%</b>
Rate of pension increases	<b>3.2%</b>

Amounts due to the fund at 31 March 2011 were £nil (31 March 2009: £nil)

### **West Yorkshire Pension Fund**

We are an admitted member of the West Yorkshire Pension Fund. Providing pensions to over 200,000 members in 181 mainly local government organisations, 31 Arts Council staff participated in this scheme at 31 March 2011.

The scheme is a defined benefit scheme. However, 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 net market value of total scheme assets at 31 March 2011 was £8.6 billion.

An actuarial valuation of the pension fund takes place every three years. At the last valuation on 31 March 2010, the actuarial value of the assets using the projected unit method was sufficient to cover 93% of the value accrued to members.

During 2009/10 employer contributions were set at 20.1% which rose to 22.7% in 2010/11.

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

Rate of inflation Retail Prices Index	<b>3.8%</b>
Rate of inflation Consumer Prices Index	<b>3.3%</b>
Rate of pay increases	<b>5.3%</b>
Rate of pension increases	<b>3.3%</b>

Amounts due to the fund at 31 March 2011 were £nil (31 March 2010: £nil)

### **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, their past service remained with the legacy pension provider as detailed below:

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

Arts Council England is responsible for meeting any further liabilities relating to Regional Arts Board employees which arise in respect of these funds. Liabilities in relation to four schemes have been cleared by making lump sum payments. The remaining schemes have not indicated that any liability exists. No provision has been made in these accounts for potential sums payable because of the uncertain nature of these liabilities.

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## Notes on Lottery distribution accounts

<b>3a Other operating costs</b>	<b>2010/11 £000s</b>	2009/10 £000s
Travelling, subsistence and entertainment	78	49
Professional fees	68	285
Office and sundry	105	75
Irrecoverable Value Added Tax	133	161
External assessment costs	234	539
	<b>618</b>	<b>1,109</b>

<b>3b Costs apportioned from the grant-in-aid accounts</b>	<b>2010/11 £000s</b>	2009/10 £000s
Staff costs	5,598	8,509
Agency staff costs	250	825
Depreciation	507	724
Travelling, subsistence and entertainment	334	530
Rent and rates	1,174	1,543
Professional fees	382	385
Office and sundry	1,435	2,264
Irrecoverable Value Added Tax	707	529
	<b>10,387</b>	<b>15,309</b>

<b>4 Decrease in Lottery funds</b>	<b>2010/11 £000s</b>	2009/10 £000s
Stated after charging:		
(a) Auditors' remuneration	78	62
(b) Staff travel, subsistence and hospitality	78	49

## 5 Non-current assets

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

<b>6 Receivables</b>	<b>31 March 2011 £000s</b>	31 March 2010 £000s
Prepayments and accrued income	2	2
Other receivables	143	15
	<b>145</b>	<b>17</b>

<b>7 Investments: balance in the National Lottery Distribution Fund</b>	<b>2010/11 £000s</b>	2009/10 £000s
Balance at 1 April	<b>97,363</b>	129,622
Share of proceeds from the National Lottery Distribution Fund	<b>179,728</b>	172,182
Investment returns on the Distribution Fund	<b>2,092</b>	1,396
Unrealised (losses)/gains	<b>(246)</b>	(439)
Diversion of funds to the 2012 Olympics	<b>(30,276)</b>	(30,276)
Cash drawn down	<b>(123,204)</b>	(175,122)
<b>Balance at 31 March</b>	<b>125,457</b>	97,363

The balance in the National Lottery Distribution Fund at 31 March 2011 was unaudited at the date of signing these accounts.

Arts Council England's ongoing commitments policy can be summarised as follows:

Arts Council England will set additional commitments at a level to ensure that our National Lottery Distribution Fund balance continues to reduce but does not fall below an acceptable limit. This limit is based on our assessment of the risks and uncertainties involved in forecasting ticket income, payments on existing commitments and the need to manage the impact of the diversion of funds to the Olympics. The projection of ticket income is informed by forecasts provided by DCMS.

<b>Olympic Lottery Distribution Fund contribution</b>	<b>2010/11 £000s</b>	2009/10 £000s
Olympic Lottery Distribution Fund contribution remaining	<b>44,379</b>	74,655

The Arts Council along with other Lottery distributors is required to make a contribution from balances to help fund the 2012 Olympics.  
A total contribution of £112.5 million was set, and is payable as outlined below.

	2008/09	<b>7,569</b>
	2009/10	<b>30,276</b>
	2010/11	<b>30,276</b>
	2011/12	<b>30,276</b>
	2012/13	<b>14,103</b>
		<b>112,500</b>

The transfer of funds to the Olympic Lottery Distribution Fund has been restated as an expenditure item in the income and expenditure account rather than as a reduction on income.



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## Notes on Lottery distribution accounts

<b>8 Soft and hard commitments</b>	<b>31 March 2011 £000s</b>	31 March 2010 £000s
Soft commitments brought forward	<b>14,828</b>	8,622
Soft commitments transferred to hard commitments	<b>(96,327)</b>	(145,843)
Soft de-commitments	<b>(110)</b>	(449)
Soft commitments made	<b>95,734</b>	152,498
<b>Balance of soft commitments outstanding carried forward</b>	<b>14,125</b>	14,828
Hard commitments brought forward	<b>120,071</b>	133,355
Hard commitments met in the last year	<b>(109,423)</b>	(156,487)
Hard de-commitments	<b>(11,838)</b>	(2,640)
Hard commitments made	<b>96,327</b>	145,843
<b>Balance of hard commitments outstanding carried forward</b>	<b>95,137</b>	120,071
Ageing of hard commitments:		
2010/11	<b>n/a</b>	87,652
2011/12	<b>60,887</b>	26,416
2012/13	<b>22,833</b>	6,003
Post 2013/14	<b>11,417</b>	0
<b>Total hard commitments</b>	<b>95,137</b>	120,071

Commitments accounted for are limited to those where there has been written acceptance from the grant recipient.

Of the hard de-commitments of £11,838,000, £9,211,000 was subsequently paid from grant-in-aid funding. The use of grant-in-aid funding has meant that additional Lottery funding is available to support the achievement of the Arts Council's published strategy, goals and priorities over the 2011/12 to 2014/15 period. This will include, if necessary, limited support for arts organisations experiencing financial pressure during a time of major change to the funding of the sector and cuts in public expenditure being implemented by central and local government.

During 2010/11 no grants (2009/10: £nil) were paid into the ESCROW account held by the Southbank Centre. At the year end the Southbank Centre had made withdrawals totalling £6,000 (2009/10: £390,000) from this account, leaving a balance remaining of £nil (2009/10: £6,000). Arts Council England no longer has an interest in this account.

<b>9 Current liabilities</b>	<b>31 March 2011 £000s</b>	31 March 2010 £000s
Trade payables	<b>20</b>	22
Accruals and deferred income	<b>166</b>	58
	<b>186</b>	80

## 10 Leases

There were no commitments under non-cancellable operating leases at 31 March 2011 (31 March 2010: £nil).

## 11 Capital commitments

There were no contracted capital commitments at 31 March 2011 (31 March 2010: £nil).

## 12 Charges on assets

Since November 1997, the standard conditions for grants give Arts Council England an option to take a formal charge on assets for building projects for grants exceeding £250,000.

## 13 Cash flow reconciliation

	2010/11 £000s	2009/10 £000s
Reconciliation of operating surplus/(deficit) to net cash flow from operating activities.		
Operating surplus/(deficit)	54,590	(18,541)
Interest receivable	(21)	(23)
Unrealised loss on investment	246	439
(Increase)/decrease in receivables and prepayments	(28,468)	32,840
(Decrease) in payables	(26,852)	(10,652)
<b>Net cash inflow</b>	<b>(505)</b>	<b>4,063</b>

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

	2010/11 £000s	2009/10 £000s
Increase/(decrease) in cash and cash equivalents in the year	(484)	4,086
Funds at 1 April	15,491	11,405
<b>Funds at 31 March</b>	<b>15,007</b>	<b>15,491</b>

## 15 Cash and cash equivalents

	1 April 2010 £000s	Cash Flow £000s	31 March 2011 £000s
Cash and cash equivalents	15,491	(484)	15,007
	15,491	(484)	15,007

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### 16 Reconciliation of transactions with delegate bodies

#### 16 a) National Foundation for Youth Music (Youth Music)

The National Foundation for Youth Music (NFYM) 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 NFYM as follows:

	2010/11 £000s	2009/10 £000s
<b>Transactions in Arts Council England accounts:</b>		
Grant commitments in the year	10,000	10,000
NFYM payables balance as at 31 March	4,000	7,000
<b>This reconciles to NFYM's accounts for the year ended 31 March as follows:</b>		
Balance at 1 April	4,485	3,626
Incoming funds: Arts Council England grant	10,000	10,000
other funds	8,103	10,537
Outgoing funds: grant expenditure	(13,925)	(17,260)
other expenditure	(3,364)	(2,418)
<b>Balance at 31 March</b>	<b>5,299</b>	<b>4,485</b>
Arts Council England receivables balance as at 31 March	4,000	7,000

The 2010/11 figures were unaudited at the date of signing these accounts.

#### 16 b) UK Film Council

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

	2010/11 £000s	2009/10 £000s
<b>Transactions in Arts Council England accounts:</b>		
Grant commitments in the year	0	0
UK Film Council payables balance as at 31 March	0	1,485
<b>This reconciles to the UK Film Council's accounts for the year ended 31 March as follows:</b>		
Balance at 1 April	1,485	4,235
Incoming funds: grants received	0	0
Outgoing funds: grant expenditure	(1,485)	(2,750)
other expenditure	0	0
<b>Balance at 31 March</b>	<b>0</b>	<b>1,485</b>
Arts Council England receivables balance as at 31 March	0	1,485

The 2010/11 figures were unaudited at the date of signing these accounts.

## 17 Related parties

### 17a) Council members

Arts Council England maintains publicly available registers in which Council members declare their interests, including any direct interests in grant applications made to and commercial relationships with Arts Council England. The declared interests in grant recipients for the year ended 31 March 2011 are detailed below. Payments made to these grant recipients during the course of the year are not disclosed here; please refer to the related parties note in previous years' annual reviews for information.

Grant for the year ended 31 March 2011 £000s	Balance unpaid at 31 March 2011 £000s	Organisation	Council member	Relationship
120	127	York Museums Trust	Janet Barnes	Chief Executive
999	999	London Organising Committee of the Olympic Games and Paralympic Games Ltd	Keith Khan	Former Head of Culture
10	0	The Hip-Hop Shakespeare Company		Business partner of KK Associates
100	0	Art on the Underground		Board member
190	335	UK Centre for Carnival Arts		Creative Director of Carnival Crossroads: East of England Carnival Project
0	3	City Arts (Nottingham) Ltd	François Matarasso	Partner is former board member
0	1	The Big Art Trust		Board member
4	0	Rebecca Lee		Contractor/employer
0	234	Audiences Central Birmingham/West Midlands	Sheila Healy	Former Chair
0	10	Cornwall County Council		Former Chief Executive
0	23	Museums, Libraries and Archive Council		Leading Museums Group
61	82	Shropshire Council		Former Interim Chief Executive
130	90	Greater London Authority	Veronica Wadley	Board member
22	2	Fashion in Film	Alice Rawsthorn	Former trustee
3,200	0	Whitechapel Art Gallery		Trustee
0	8	Sainsbury's Centre for Visual Arts at UEA	Professor Jon Cook	Former Chair
0	12	Writers' Centre Norwich		Former Board member and partner is former employee

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Grant for the year ended 31 March 2011 £000s	Balance unpaid at 31 March 2011 £000s	Organisation	Council member	Relationship
130	90	Greater London Authority	Ekow Eshun	Board member of 'fourth plinth' commissioning group
0	110	Institute of Contemporary Arts		Former employee
35	7	University of the Arts, London		Schools Governor
0	72	Sadler's Wells Trust	Alistair Spalding	Chief Executive
0	10	The Dance Consortium Limited		Director
0	92	Dance Umbrella Ltd	Rosemary Squire	Director
7,000	0	Rambert Dance Company		Partner is Chair
0	37	The Hall for Cornwall Trust		Director
0	10	Contemporary Art Society	Caroline Collier	Trustee
60	90	Barbican Centre	Nicholas Kenyon	Managing Director
0	60	London Symphony Orchestra		Other/Resident company at the Barbican Centre
0	60	Serious Events Ltd		Other/Resident company at the Barbican Centre
999	999	London Organising Committee of the Olympic Games and Paralympic Games Ltd		Cultural Olympiad board member
50	7	The British Broadcasting Corporation		Former employee
0	18	Birmingham Opera Company	Peter Phillips	Board member
0	18	Almeida Theatre Company Ltd	David Carter	Board member

### 17b) Directors and senior managers

Executive directors and senior managers at Arts Council England are also required to declare any direct interests in grant applications made to and commercial relationships with the Arts Council. The interests in grant recipients declared for the year ended 31 March 2011 are detailed below. Payments made to these grant recipients during 2010/11 are not disclosed here; please refer to the related parties note in previous years' annual reviews for information.

Grant for the year ended 31 March 2011 £000s	Balance unpaid at 31 March 2011 £000s	Organisation	Executive Director/ Senior Manager	Relationship
0	75	Modern Art Oxford	Andrew Nairne	Former employee, Associate with partner
250	145	Artangel		Family member is an employee



Grant for the year ended 31 March 2011 £000s	Balance unpaid at 31 March 2011 £000s	Organisation	Executive Director/ Senior Manager	Relationship
0	3	Suffolk County Council	Laura Dyer	Family member is an employee
0	18	Almeida Theatre Company	Anupam Ganguli	Former board member
287	29	Hampstead Theatre	Barbara Matthews	Former board member
0	3	Vital Arts	Moira Sinclair	Former employee
70	337	The Stables		Partner is employee
0	15	Good Vibrations	Susanna Eastburn	Family member is director
0	22	Huddersfield Contemporary Music Festival		Former employee
165	181	London International Festival of Theatre		Former employee
0	3	Southbank Gamelan Players		Family member is a member
50	3	Corn Exchange (Newbury) Trust	Sarah Maxfield	Board member
200	200	Oxford Inspires		Former Chief Executive
43	22	Children's Discovery Centre, East London	Anna Jobson	Former board member
18	0	London Borough of Lewisham	Philip Cave	Family member is an employee
22	2	Musical ARC	Cluny Macpherson	Partner is board member and former employee
0	9	Music Beyond Mainstream	Neil Darlison	Former board member
0	1	Theatre Absolute		Former board member
1,365	1,099	Warwick Arts Centre		Former employee
0	12	Writers' Centre Norwich	Antonia Byatt	Family member is board member
0	3	The Wiltshire Music Centre Trust Ltd	Phil Gibby	Former trustee
214	147	Theatre Bristol		Partner is employee
65	6	Tabacco Factory Arts Trust		Former trustee
10	0	Dance City	Janet Archer	Former employee
0	36	Phoenix Dance Theatre		Former board member

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### 17 c) 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 is similarly regarded as a related party by virtue of its funding relationship with the Arts Council. At the year end Arts Council England had the following balances outstanding with other government bodies:

	Payables 31 March 2011 £000s	Receivables 31 March 2011 £000s
Balances with other central government bodies *	1,194	125,557
Balances with local authorities	20,209	0
Balances with NHS Trusts	100	0
Balances with public corporations and trading funds	7	33

\* The receivables figure relates to our balance in the National Lottery Distribution Fund

### 18 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 2010 the fund balance was £97 million. This had increased to £123 million by 31 March 2011, at which point there were £95 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. The Arts Council is confirmed as a Lottery distributor until 2019. This means that the Arts Council is exposed to little immediate credit, liquidity or market risk.

#### 18 a) Liquidity risk

In 2010/11, 98.6% of Arts Council England's income derived from the National Lottery. The remaining income derived from investment returns from the balance held with the National Lottery Distribution Fund of 1.1%, and from bank interest and other income of 0.3%.

	£000s
At the balance sheet date, Arts Council England had net assets of:	43,259

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 over the next financial year.

Liquid assets as at 31 March 2011:	£000s
Market value of National Lottery Distribution Fund investments	125,457
Cash and cash equivalents	15,007

### 18 b) 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 £125,457,000. In the year, the average return on these investments was 1.13% (2009/10: 0.58%).

	Fund Balance	Investment return	Average return	Proportion of total income
2009/10	97,363	1,396	0.5%	0.81% restated
2008/09	129,622	7,122	3.72%	4.66% restated
2007/08	155,552	11,272	6.05%	7.41%

The proportion of total income represented by the investment return for both 2009/10 and 2008/09 has been restated to show the diversion of funds to the Olympics as expenditure rather than as a reduction of income to bring these figures in line with 2010/11 presentation. 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% below base rate during the year. The cash balance at the year end was £15,007,000. The decline in returns following the banking crisis has had an impact on returns, but not on the Arts Council's ability to meet its obligations.

### 18 c) Foreign currency risk

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

### 18 d) Financial assets by category

	2010/11 £000s	2009/10 £000s
<b>Receivables due within one year</b>		
Accrued income	2	2
Other receivables	143	15
	<b>145</b>	<b>17</b>
<b>Investments</b>		
National Lottery Distribution Fund	125,457	97,363
<b>Cash and cash equivalents</b>		
Cash and cash equivalents	15,007	15,491
<b>Total</b>	<b>140,609</b>	<b>112,871</b>

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## Notes on Lottery distribution accounts

### 18 e) Financial liabilities by category

	2010/11 £000s	Restated 2009/10 £000s
Trade payables	20	22
Accruals	166	58
Due to Arts Council grant-in-aid accounts	2,027	4,050
Grant payables falling due within one year	60,887	87,652
Grant payables falling due over one year	34,250	32,419
	<b>97,350</b>	<b>124,201</b>

### 19 Exceptional items

As part of our funding agreement with the Department for Culture, Media and Sport, the Arts Council was given a target to save 15% of the administration budget in 2010/11. We took the decision to apply this target to our Lottery activities as well. A fundamental review of the whole organisation took place during 2008/09, with an announcement made in February 2009 to staff affected. The new structure was implemented on 1 April 2010.

A provision for the anticipated redundancy costs was made in 2008/09. This provision was based on the change in staff numbers in total expected from the announced organisation review, and an assessment of the impact of individual decisions made by staff affected in applying for new posts, and the fit that existing staff had in meeting the requirements of these posts. The estimate therefore was based on the total projected number of staff affected, the average pay for that group, and the varying terms and conditions that applied to groups of staff at the point of decisions being taken.

	2010/11 £000s	2009/10 £000s
Balance brought forward	865	1,643
Provided in year	0	865
Released	(865)	(1,643)
Balance carried forward	<b>0</b>	<b>865</b>

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

1. This report relates to my examination of Arts Council England's grant-in-aid financial statements and Lottery financial statements for 2010/11 and summarises the basis on which I have issued a qualified audit opinion on each set of financial statements.

### Background

2. The Arts Council England (the Council) was established by Royal Charter in 1994 and receives funding from two primary sources: the Department for Culture, Media and Sport (the Department) who provide an annual grant-in-aid allocation which in 2010/11 amounted to £435 million, and the National Lottery Distribution Fund which holds National Lottery income on behalf of the Council until required to make payments of Lottery grants (income £179 million in 2010/11).

3. Since the inception of the Lottery there has been a clear separation between grant-in-aid funded activities and Lottery activities. In accordance with statutory provisions, separate annual financial statements are prepared by the Council and audited by the Comptroller and Auditor General.

4. In accordance with the provisions of HM Treasury's Managing Public Money, the Department have agreed with the Council a framework document and funding agreement relating to the provision of grant-in-aid. The Department have also issued directions to the Council, under the Lottery statutes, regarding the management and reporting of grants funded out of the Lottery.

5. If grant-in-aid funds are not utilised in the year to which they relate, the funds are returnable to the Exchequer, unless the Department give approval for the balance to be carried forward. The drawdown of Lottery funds is not subject to similar controls, and restrictions on carry forward do not apply. The Council therefore have greater flexibility in the timing of the use of Lottery funds than grant-in-aid funds. The Council were concerned that arts organisations might lack financial resilience. Responding to this risk the Council established a £5 million contingency fund within grant-in-aid, available to provide emergency funding in 2010/11 to organisations in financial distress.

6. From October 2010 onwards the Council's Chief Operating Officer met with the Executive Director of Resources, Director of Investment and Director of Finance

to consider the possible demands on the contingency and any unutilised grant-in-aid budget. At the end of the third quarter, the group decided that the grant-in-aid contingency was no longer needed. In addition the Council had realised savings of £4.2 million in administrative costs. This meant that the Council had some £9.2 million which could be used as direct support to the arts sector.

7. The Council determined to use the available £9.2 million of grant-in-aid money to meet 38 grant instalments to 34 organisations due under the Lottery between January 2011 and the year end. Previous payments on these projects had been paid from Lottery funds and accounted for in Lottery financial statements. The payments did not affect the total level of grant to the recipient arts organisations: it only represented a change in the source of that funding. The Council considered this was the best way to maximise both the utilisation of grant-in-aid and the funds available within the Lottery. The transactions have been disclosed in the grant-in-aid accounts and the Lottery accounts.

8. The Council told the National Audit Office that it had taken legal advice which confirmed that these were projects of the type which could be funded under the Royal Charter. The projects aims were consistent with the objectives of the grant-in-aid agreement with the Department and did not breach grant-in-aid conditions. However, the Council did not have a standard procedure for making such transfers, and action is being taken to obtain national Council's approval for such a process. In the case of the 38 payments, they each formed part of the discharge of a hard commitment which had been recorded by the Council in the Lottery financial statements in previous years, and reported to Parliament in the Council's annual review. The audit confirmed that these payments met the total outstanding commitments for these grants and there were no duplicate payments.

9. When the 38 transactions came to the attention of the audit team, the Council referred the matter to the Department. The Department, after consultation with HM Treasury, concluded that the payments were not inherently novel or contentious, and therefore did not require the approval of the Department and HM Treasury. The Department also confirmed that grant-in-aid funds must be kept entirely separate from the Lottery and that

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grant-in-aid funds cannot be paid over to supplement the Lottery balance.

**Audit conclusion: accounting arrangements**

10. In forming the audit opinion I am required to consider whether, in all material respects, the expenditure recorded in the financial statements is relevant to those financial statements. During 2010/11 grants of £9.2 million were paid from grant-in-aid money in respect of amounts previously recorded as Lottery commitments. This expenditure is recorded in the grant-in-aid financial statements and not in the Lottery financial statements. Once a hard commitment has been recorded within the Council's internal systems as a Lottery commitment the expectation is that its discharge should be recognised in the Lottery distribution accounts. Not meeting grant payments previously recorded as Lottery commitments out of Lottery moneys undermines the separateness of grant-in-aid and Lottery financial statements.

11. I consider that where grants have previously been accounted for as commitments of the Lottery and reported as such to Parliament, continuing grant payments should, except in exceptional circumstances, have been charged to the Lottery and not grant-in-aid. As a result, Lottery expenditure has been materially understated by £9.2 million in the 2010/11 Lottery financial statements, and grant-in-aid expenditure materially overstated by the same amount in the grant-in-aid financial statements. I have qualified my audit opinions accordingly.

**Regularity of expenditure**

12. In the circumstances described in paragraph 11 above, I seriously considered qualifying my regularity opinion. However, I have concluded that I cannot do so given the lack of clarity in the guidance provided by the Department and HM Treasury. The Department and HM Treasury should consider clarifying their guidance on the use of grant-in-aid funding to meet Lottery commitments, and they have recognised the need to do so.

**Amyas C E Morse**

Comptroller and Auditor General  
National Audit Office  
157 – 197 Buckingham Palace Road  
London SW1W 9SP  
Date: 24 April 2012



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Participants in Big  
World Dance in  
Trafalgar Square,  
part of Big Dance 2010.  
Photo: Kois Miah

# Lottery report





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## 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 November 2010 we published *Achieving great art for everyone*, a strategic framework to focus our work over the next 10 years and encourage shared purpose and partnerships across the arts. It provides the rationale for our investment in the arts and will inform our future funding decisions. It has been shaped by the views of artists, arts organisations, the public and our many other stakeholders and partners. Over 2,500 people participated in the consultation, which ran from 19 January to 14 April 2010. The thoughtful responses we received have strengthened our determination to work more closely with our partners, building on the process that began with the arts debate in 2008.

In 2009 Arts Council England introduced a regular stakeholder survey to support continual organisational improvement, and help focus our delivery on what really matters to people. In August 2010 we published findings from the 2009/10 research by independent research agency Ipsos Mori. The Arts Council is committed to using the research as a basis for creating a better dialogue with stakeholders, and the research was repeated in 2011 in order to measure any changes in opinions and to track the Arts Council's progress.

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

Informed by a major consultation, *Achieving great art for everyone* sets out a 10-year vision with five ambitious goals at its heart. Within each goal, we set out why it is an important area of work, what we will do and what

success looks like. We also indicate what we will focus on in the first four years. You can browse this publication in full on our website: [www.artscouncil.org.uk/about-us/a-strategic-framework-for-the-arts/](http://www.artscouncil.org.uk/about-us/a-strategic-framework-for-the-arts/). The current Arts Council Plan, published in autumn 2011, describes our approach to these priorities in more detail.

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

Grants for the arts, our flagship Lottery-funded programme, published new assessment criteria in May 2008. These criteria require applicants to demonstrate specifically how the funding applied for provides opportunities for the public to engage with the arts activity. There is additional priority given to projects that are happening in areas of low cultural infrastructure and engage people who would not usually engage with arts activities. Grants for the arts continues to give priority during the application process to applicants who are applying for funding for the first time.

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

Children and young people remain a development priority at the heart of our plan for 2008-11. We continue to assess applications for Grants for the arts funding as to how well they meet the needs of children and young people. In 2010/11 we delegated another £10 million of Lottery funds to Youth Music, to distribute on our behalf through a number of schemes that focus on the participation of children and young people in music-making activities.

In September 2010 the new look Pegasus Theatre reopened after a £6.7 million major building programme which received just over £2.8 million capital Lottery funding from us. Pegasus is an arts centre that specialises in youth arts, new performance work and supporting emerging artists and companies. They are based just outside the centre of Oxford city in state of the art premises that include a flexible format studio performance space, dance studio, meeting rooms, café and other spaces.

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



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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. This includes work that engages, informs and entertains a wide range of audiences. In 2010/11 we supported national tours by companies such as the Opera Group, Sonia Sabri Dance and Yaram Pursuits, and work by deaf and disabled practitioners such as Krazy Kat Theatre Company and Face Front Inclusive Theatre. On the smaller scale, we supported the children's companies Telltale Hearts, Little Angel Theatre and Tutti Frutti to take their work to venues across England.

Through Grants for the arts we have also supported festivals and other events of national significance, such as Big Dance, the Winning Words project for the Cultural Olympiad and the Folkestone Triennial 2011.

The Royal Opera House's new facility in Thurrock opened for business on 6 December 2010 with a spectacular education project culminating in a new opera, *Ludd and Isis*, by Richard Taylor. A team from the Royal Opera House worked with over a thousand local people from Thurrock and together they created a libretto, an operatic score and dance piece. The production featured professional singers as well as a community chorus made up of members of the community aged five to 80 years old. The new facility will continue to be used for future performances and installations.

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

Grants for the arts encourages high quality experiences for people participating in the arts through the revised assessment criteria launched in 2008. Voluntary and community groups are eligible to request funding and we aim to support participation through Grants for the arts.

We have initiated an annual series of Arts Council England Amateur Arts Forum meetings that brings together representatives of the amateur arts sector with senior staff from Arts Council England. These meetings form part of the Amateur Arts Partnership Development Programme which has been created to respond to the recommendations of the Our Creative Talent report published by the Department for Culture, Media and Sport and Arts Council England in July 2008.

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

New assessment criteria for Grants for the arts launched in 2008 support excellence, promote development opportunities for artists, and encourage innovation and artistic risk. We place additional priority on development of new ideas and the use of arts in new contexts, formats and places.

In December 2010, the brand new state-of-the-art Royal Opera House Production Park opened at Purfleet, Thurrock. As the UK's first ever national centre of excellence for technical skills, crafts and production for the performing arts and live music industries, it houses a world-class production facility for the Royal Opera House and the new National Skills Academy for Creative & Cultural Skills, as well as workspaces for creative enterprises. It will act as a focus and catalyst for the skills that it hosts by providing training, education, business and community spaces and much needed regeneration and opportunities for the local area.

The Royal Opera House Production Park is a unique partnership between Arts Council England, Creative & Cultural Skills, the East of England Development Agency, Royal Opera House, Thurrock Council and the Thurrock Thames Gateway Development Corporation. It received £4 million capital Lottery funding from us.

**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, as well as those of our delegate Youth Music, require applicants for funding to clearly demonstrate the expected public benefit of their proposed activity. We give this careful consideration during our assessment process.

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

Sustainable development has been at the forefront of our capital funding in 2010/11 and there has been an expectation that the organisations funded will improve their environmental sustainability.

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**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.

Our plan for 2008-11 has the mission of great art for everyone at its heart and our network of nine regional offices ensures that we are well placed to assess the particular needs of all areas of the country. We continue to give priority to activities that benefit areas of the country with social deprivation or have limited cultural opportunities.

At the start of 2009, we put £500,000 into the Grants for the arts programme Art in empty spaces to help artists and arts organisations to carry out artistic activities in vacant premises made available to them through the Department for Communities and Local Government scheme. This programme aims to integrate artists into a development, regeneration scheme or town centre, where their presence underpins and contributes to local strategies and arts development. Although these dedicated funds have now been used we will still fund this type of activity through Grants for the arts.

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

We welcome and encourage applications to Grants for the arts from organisations wishing to improve their longer-term sustainability by developing their organisational resilience.

In addition to these one-off grants, our organisational development team has designed and delivered programmes aimed at helping organisations undertake change projects to secure their financial and organisational future. The Thrive programme assisted over 120 separate organisations; the Sustain programme launched in 2009 provided much-needed financial support through the economic downturn for over 140 organisations across all art forms and all parts of the country.

**l)** The desirability of working jointly with other organisations, including other distributors.

We work with a number of partners in a variety of ways to help get the most out of our Lottery money and the projects we fund. When assessing applications to Grants for the arts, we regularly seek comments from local authorities on applications that benefit or take

place 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 the good causes.

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

We recognise the importance of the public easily being able to 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 have only ever used 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. In the case of major capital projects, all applications for funding are assessed against a number of criteria including financial sustainability, organisational capacity and project management.

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## 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.

We describe how we approached this for each of our programmes below.

### Grants for the arts

Grants for the arts is our flagship open application programme that provides Lottery funding to individuals, organisations and for national activities. Grants range from £1,000 to £200,000 and can cover activities lasting up to three years; 2010/11 was the eighth full year of operation. An appropriate level of monitoring for each project is determined during the assessment stage of each application. Our assessors consider what likely risks a project may face and, if thought necessary, additional conditions are attached to our offer of funding. These conditions require projects to demonstrate either before or during their activities that they have taken appropriate steps to mitigate the risks that we have identified. We undertake an ongoing training programme for our assessing staff to ensure consistency in how we apply our monitoring principles.

Further details on how we assess and monitor applications and awards can be found on our website.

Grants for the arts is a continuous programme but we aim to make regular improvements, which means we may introduce new materials from time to time. In March 2010 we launched a new online application service and have centralised the assessment and monitoring process. This has made it simpler to apply for Grants for the arts and further ensures a consistent approach to assessment and monitoring. Centralising the Grants for the arts programme has provided significant administrative cost savings which are invested back into arts activity.

We completed a strategic review of Grants for the arts evaluating the first five years of the programme. This review assessed the extent to which Grants for the arts has contributed to our five outcomes of excellence, innovation, reach, engagement and diversity. The results of this review will inform the future development of Grants for the arts.

### Youth Music (National Foundation for Youth Music)

Youth Music distributes £10 million of Lottery funds on our behalf through a number of schemes that focus on the participation of children and young people in music-making activities. Youth Music monitors and evaluates these schemes in a number of ways.

Officers or external experts make monitoring visits and report on 20% of open programmes and the majority of solicited programmes such as Youth Music Action Zones and MusicLeader. Projects are selected for monitoring on the basis of the level of risk identified during the assessment of applications. In addition, projects identified as having the potential for exceptional good practice are also selected so that they may be used as examples.

Youth Music has a research and evaluation team who support the evaluation activities of all funded projects by writing guides, running workshops and responding to enquiries.

Further information on Youth Music's activities is available from Youth Music's website [www.youthmusic.org.uk](http://www.youthmusic.org.uk)

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### **Mature funding programmes closed to new applications**

The following programmes have been closed to new applications for a number of years and have a small, dwindling number of awards that require monitoring:

- major capital programmes (small capital awards can still be made through Grants for the arts)
- stabilisation and recovery

Details of how we monitor these programmes can be found in previous editions of this report. See also paragraph o) above.

### **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, 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 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 2010/11. A copy of the Statement of Financial Requirements is available from us.

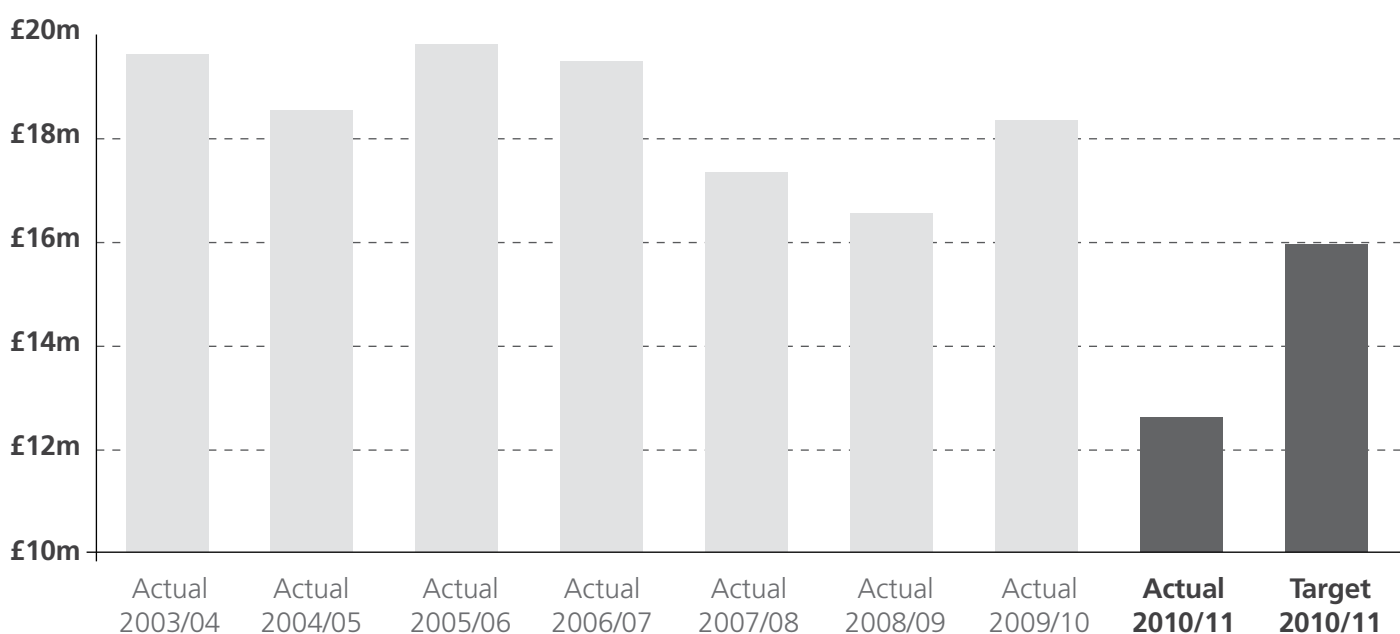
### **Performance against targets for administrative efficiency**

In accordance with the Financial Directions issued by the Secretary of State, we operate a system of performance measures and targets for analysing our administrative efficiency.

## 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.

### 1) Actual Lottery administration costs



	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2010/11
	£m	£m	£m	£m	£m	£m	£m	£m	£m
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Target
Actual administration costs*	19.57	18.54	19.77	19.49	17.33	16.55	18.34	12.63	15.94

\*Excludes exceptional items and one-off IT development costs



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### 2) Adjusted Lottery administration costs

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2010/11
	£m	£m	£m	£m	£m	£m	£m	£m	£m
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Target
Adjusted administration costs*, **	19.57	18.03	18.72	18.14	15.64	14.56	15.76	<b>10.69</b>	<b>13.49</b>

\*Excludes exceptional items and one-off IT development costs

\*\*Figures have been adjusted for inflation using 2003/04 as the base year

The figures in this table are for illustration only. The adjusted figures reflect the inflation rate for **2010/11** as defined by the Treasury's GDP deflators.

### 3) Actual Lottery administration costs as a proportion of Lottery income

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Actual administration costs as % of Lottery income*	12.15%	10.96%	11.49%	13.05%	11.44%	10.92%	<b>10.59%</b>	<b>6.95%</b>

\*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

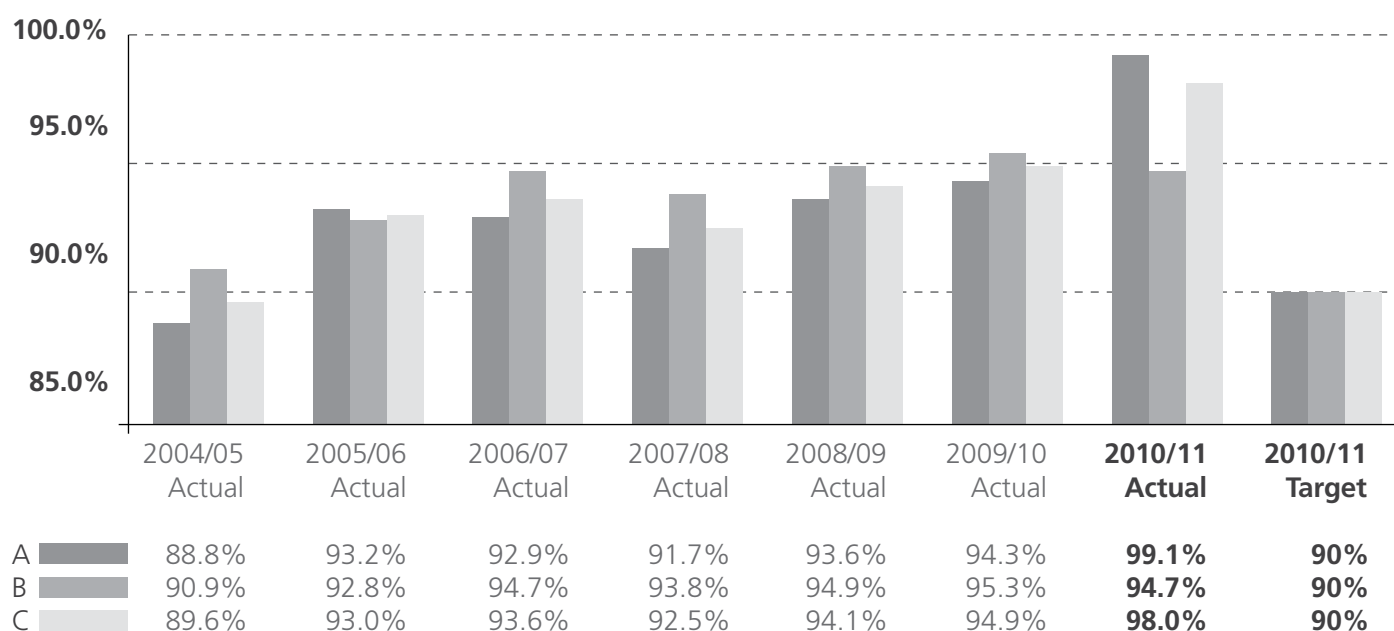
Size of application	Turnaround time
Applications for funding up to and including £10,000:	6 weeks
Applications for funding for £10,001 and above:	12 weeks

For 2009/10 and future years, we have adopted a target of processing 90% of all applications within our stated turnaround times. The chart below shows how we've performed against this target.

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2010/11
<b>A</b>	88.8%	93.2%	92.9%	91.7%	93.6%	94.3%	<b>99.1%</b>	<b>90%</b>
<b>B</b>	90.9%	92.8%	94.7%	93.8%	94.9%	95.3%	<b>94.7%</b>	<b>90%</b>
<b>C</b>	89.6%	93.0%	93.6%	92.5%	94.1%	94.9%	<b>98.0%</b>	<b>90%</b>

- A % of applications for up to £10,000 processed in six weeks or less  
 B % of applications for £10,001 and above processed in 12 weeks or less  
 C Overall % of applications processed within target time

\* Please note that for the years of 2004/05 to 2009/10 the target time was six weeks for applications for up to £5,000 and 12 weeks for applications over £5,000



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### Policy on additionality

The Arts Council 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.

### Performance against strategic objectives

The financial year 2009/10 was the second of three years covered by the Arts Council plan, *Great art for everyone 2008-11*. This plan lays out our four development priorities:

- digital opportunity
- visual arts
- children and young people
- London 2012

These priorities have been central to all of our Lottery-funded activities.

Pages 10 to 15 provide information and examples of our performance against our strategic objectives.

### 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 awards totalling over £5 million, even if they involve a number of separate awards. It includes any projects that were active at 1 April 2010 but fully paid during 2010/11 and those with outstanding balances at 31 March 2011. 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 2011

**B** projects completed and opened during 2010/11

**C** projects completed and opened in previous years but with final payments still outstanding at 1 April 2010

**A** Projects still to be completed at 31 March 2011

#### **Bristol Old Vic Trust Award: £6,331,050**

(Lottery £5,751,808; grant-in-aid £579,242)

The capital works to the Bristol Old Vic Theatre Complex, for which our funding is being used, is divided into two work packages.

The first work package will include the full refurbishment of the auditorium including new seats, acoustic improvements and air circulation, as well as essential repair and modernisation of the stage and the sound and lighting infrastructure. A new performance space will be created by fitting a retractable seating rake in the Side Stage, allowing performance on the full depth of the theatre's stage at a 90 degree turn from the original auditorium. The Paintshop will be reconfigured as a flexible space for artists' workshops and live performance, whilst also retaining its capacity for large scale scenic construction.

The second work package will see the creation of modern, open plan offices and the refurbishment of the current rehearsal room including the installation of a large skylight. This work package will also include the creation of a new rehearsal room/education space and a new theatre heritage gallery.

**£1,898,298 paid (30% of the total award)**

#### **Colchester Borough Council Award: £9,370,000**

(Lottery £9,176,603; grant-in-aid £193,397)

Colchester Borough Council is working in partnership with the firstsite art gallery towards the development of a new visual arts facility that will showcase established artists and emerging talent and meet a regional need

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for a large-scale, contemporary visual arts venue. It is proposed the spaces will also act as a focus for the University of Essex's Latin American art collection. Completion of the building is expected in Summer 2011.  
**£6,916,007 paid (73.8% of the total award).**

**Liverpool and Merseyside Theatres Trust Award: £17,027,719**

(Lottery £16,931,311; grant-in-aid £96,408)

The Liverpool & Merseyside Theatres Trust (LMTT) run both the Everyman Theatre and the Playhouse Theatre. This project will rebuild the Everyman building on the current site using an enlarged footprint provided by a previous building purchase. The building will retain 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. The planned completion date for this project is 2013.

**£4,511,264 paid (26.5% of the total award).**

**Rambert Trust Limited Award: £7,000,000**

Rambert Trust Limited is building 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 and allow their outreach programme to grow and increase accessibility of the company.

**£0 paid (0% of the total award).**

**Southampton City Council Award: £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 film-makers, providing new creative opportunities for everyone across the city and beyond.

**£343,812 paid (4.7% of the total award).**

**Wakefield City Council Award: £5,570,000**

(Lottery £5,365,405; grant-in-aid £204,595)

The local authority is creating a new cultural amenity for the city as part of a comprehensive regeneration plan. The development of the Hepworth, a major new art gallery, comes from the offer of 30 sculptures by Barbara Hepworth's estate, as well as a desire to

re-house Wakefield Gallery's own large art collection. The project will vastly improve accommodation for collections, exhibitions and education activity. The 10 gallery spaces will make this one of the UK's largest purpose-built galleries outside of London. The gallery will open in May 2011.

**£5,182,286 paid (93% of the total award).**

**B Projects completed and opened during 2010/11**

After a project has been completed and opened, the Arts Council retains a percentage of the award for payment until a full account for the project has been received and/or final certificates have been issued.

**Birmingham City Council Award: £8,682,497**

(Lottery £8,292,283; grant-in-aid £390,214)

In partnership with SAMPAD (South Asian Arts Development Agency) **mac (Midlands Arts Centre)** has developed a capital project, delivered by Birmingham City Council. The project includes a new visual arts gallery, a new performing arts studio and performance space and a refreshed and refurbished theatre, a new digital media studio and significantly enhanced public areas. The arts centre opened in May 2010.

**£8,646,625 paid (99.6% of the total award).**

**Royal Shakespeare Company Award: £58,806,540**

(Lottery £57,381,225; grant-in-aid £1,425,315)

The Royal Shakespeare Company (RSC) is one of the most significant theatre production companies in the UK and has a prominent international reputation. The company focuses on the plays of Shakespeare as well as developing and producing new work. This project involved the redevelopment of the Royal Shakespeare Theatre in Stratford-upon-Avon to provide better facilities for audiences, performers and staff. The RSC reopened the building in late 2010 with a series of preview events and activities. The first performances took place in early 2011.

**£58,706,540 paid (99.8% of the total award).**

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**C** Projects completed and opened in previous years but with final payments still outstanding at 1 April 2010

After a project has been completed and opened, the Arts Council retains a percentage of the award for payment until a full account for the project has been received and/or final certificates have been issued.

### **Leeds City Council Award: £16,100,000**

The project is a partnership between Leeds City Council, Leeds Grand Theatre and Opera North. Phase one provides a new base and rehearsal centre for Opera North and refurbishment and modernisation of the Leeds Grand Theatre. It comprises a mix of new build development, operational improvements and heritage investment. It reopened in October 2006. Phase two has created the Howard Assembly Room, The Emerald Grand Hall and a new glass link bridge. The restoration of the former Assembly Rooms has resulted in a 350 seat flexible performance space and home to the Orchestra of Opera North. It reopened in January 2009.  
**£15,840,572 paid (98.3% of the total award).**

### **Leicester City Council Award: £14,700,000**

(Lottery £14,305,678; grant-in-aid £394,322)  
The project is a partnership between Leicester City Council, Leicester Theatre Trust (Haymarket Theatre) and the Leicester Arts Centre Trust (Phoenix). The Curve is a new performing arts centre, a replacement venue for the old Haymarket Theatre and the performing arts elements of the Phoenix Arts Centre. It is the first phase of a new cultural quarter in the St George's regeneration area of Leicester city centre. It opened in November 2008.  
**£14,700,000 paid (100% of the total award).**

### **National Theatre Award: £32,090,000**

The project included refurbishment and redevelopment of the backstage and public areas and car park, investment in new equipment and information technology, and purchase of the lease for a new research and development space, the Studio. Front-of-house work was completed at the end of 1997. Further redevelopment work on the Studio was completed in November 2007 to provide a new home for the National Theatre archive and a dedicated base for its education work.  
**£32,090,000 paid (100% of the total award).**

### **Nottingham City Council Award: £5,580,000**

(Lottery £5,304,400; grant-in-aid £275,600)  
This project has seen the construction at the site known as Garners Hill of a building that is the East Midlands'

new 'flagship' contemporary arts space. Nottingham Contemporary, which opened in November 2009, has five large galleries and a flexible space which includes a social area and live art performance space. The performance element is part of a broadly described contemporary visual arts programme.

**£5,580,000 paid (100% of the total award).**

### **Southbank Centre Award: £55,869,643**

(Lottery £55,353,895; grant-in-aid £515,748)  
This project consisted of the development of the Royal Festival Hall through improvement to existing foyers and renovation of the auditorium, access improvements, improved natural acoustics and improved box office facilities. It also consisted of an extension to the frontage of the Hayward Gallery including improved foyer, education, conference and outreach facilities (completed in October 2003) and improvements to external landscaping on the South Bank. It reopened in June 2007.  
**£55,869,643 paid (100% of the total award).**

### **The Public (previously c/PLEX) Award: £35,252,084**

The Public opened in June 2008 and plays an active part in the regeneration of the area offering a gallery, music venue, theatre, learning centre, meeting place, community centre and work space that is open for everyone. The innovative building is set in the heart of Sandwell, West Bromwich, one of the most deprived areas of the UK.

In 2009 Sandwell Arts Trust (SAT), a charitable trust owned by Sandwell Leisure Limited – a part of Sandwell Metropolitan Borough Council – was set up to manage The Public and Arts Council England continues to have a strong relationship with the centre.

The Public is firmly focused on the future and offers a vibrant mixed programme of arts activity alongside managed workspace, learning and conference facilities. There has been an increasing number of visitors to the Public in the past 12 months and a projection of over 180,000 visits by the end of this financial year (2011/12). The new arts activities are designed to help increase these visitor numbers further.

A number of creative and commercial organisations, including Black Country Touring, are now resident in the building and SAT has increased The Public's income both through office rental and other commercial activities such as events and conference facilities. The ambition remains to increase the numbers of people in the Sandwell community who engage in the arts.  
**£34,952,084 paid (99.1% of the total award).**



## Council and regional council members April 2010–March 2011

Council	East Regional Arts Council	East Midlands Regional Arts Council	London Regional Arts Council
<b>Dame Liz Forgan</b> (Chair)	<b>Jon Cook</b> (Chair)	<b>François Matarasso</b> (Chair)	<b>Veronica Wadley</b> (Chair appointed July 2010)
<b>Diran Adebayo</b> (retired August 2010)	<b>Gillian Beer</b>	<b>Nik Ashton</b> (appointed July 2010)	<b>Cllr Babara Campbell</b> (retired May 2010)
<b>Janet Barnes</b>	<b>David Butcher</b> (appointed January 2010)	<b>Cllr Roger Begy</b> (appointed October 2010)	<b>Ajay Chowdhury</b>
<b>Jon Cook</b>	<b>Rosemary Clarke</b> (deceased Dec 2010)	<b>Abby Johnson Brennan</b> (retired October 2010)	<b>Marcus Davey</b> (appointed November 2010)
<b>Keith Khan</b>	<b>Paul Kirkman</b> (reappointed January 2010)	<b>Cllr Ian Cartwright</b> (appointed October 2010)	<b>Tamsin Dillon</b> (retired March 2011)
<b>Francois Matarasso</b>	<b>Matthew Linley</b> (resigned Sept 2010)	<b>Mick Gallagher</b> (appointed October 2010)	<b>Jennifer Francis</b>
<b>Alice Rawsthorn</b>	<b>Donna Lynas</b> (appointed January 2010)	<b>Bill Gee</b>	<b>Sarah Howard</b> (retired September 2010)
<b>Anil Ruia</b>	<b>David Morrall</b> (reappointed January 2010)	<b>Cllr Alan Graves</b> (resigned March 2011)	<b>John Middleton</b>
<b>Tom Shakespeare</b> (retired April 2010)	<b>Penny Otton</b> (reappointed July 2010)	<b>Cllr Wendy Golland</b> (appointed July 2010 – May 2011)	<b>Alan Miller</b> (retired March 2011)
<b>Rosemary Squire OBE</b>	<b>William Pope</b>	<b>Cllr Andre Gonzalez de Savage</b> (appointed July 2010)	<b>Munira Mirza</b>
<b>Alistair Spalding</b>	<b>Mathew Russell</b> (appointed January 2010)	<b>Uzma Johal</b>	<b>Cllr Guy Nicholson</b>
<b>Ekow Eshun</b>	<b>Nicky Webb</b>	<b>Donna Munday</b> (retired July 2010)	<b>Cllr Anjana Patel</b> (retired May 2010)
<b>Sir Nicholas Kenyon</b>	<b>Susan Wigglesworth</b> (reappointed July 2010)	<b>Corey Mwamba</b>	<b>Cllr Flick Rea</b>
<b>Sheila Healy</b> (appointed January 2010)	<b>Jason Yarde</b>	<b>Hetai Patel</b>	<b>Cllr Chris Robbins</b> (appointed January 2011 and resigned February 2011)
<b>Peter Phillips</b> (appointed January 2010)	<b>Tamara Rojo</b> (appointed June 2010)	<b>Wendy Rouse</b> (appointed July 2010)	<b>Cecilia Wee</b>
<b>Caroline Collier</b> (appointed January 2010)		<b>Anette Schafer</b>	<b>Sue Wyatt</b>
<b>Ajay Chowdhury</b> (retired June 2010)		<b>Prof Mary Stuart</b> (appointed July 2010)	
<b>Veronica Wadley</b>		<b>Cllr Emily Thrane</b>	
<b>Peter Standfield</b> (interim member April 2010 – March 2011)		<b>Cllr Jill Vincent</b> (retired September 2010)	
		<b>Cllr Nick Worth</b> (retired September 2010)	

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### North East Regional Arts Council

**Peter Standfield**  
(interim Chair)  
**Carol Bell**  
**Cllr David Budd**  
**Cllr Sheelagh Clarke**  
**Professor Eric Cross**  
**Cllr Keith Davidson**  
**Maurice Dezou**  
**Tina Gharavi**  
**Cinzia Hardy**  
**Cllr Eunice Huntington**  
**Cllr Jim Smith**  
**Julie Ward**  
**Cllr Norma Wright**  
(resigned July 2010)

### North West Regional Arts Council

**Anil Ruia**  
(Chair)  
**Cllr Shan Alexander**  
**Fiona Gasper**  
**Professor Steve Hawley**  
**Cllr Margaret Jackson**  
**Cllr Andrew Knowles**  
**Wyllie Longmore**  
**Cheryl Martin**  
**Peter Mearns**  
**Cllr Gary Millar**  
**Andrea Nixon**  
**Cllr Tony Williams**

### South East Regional Arts Council

**Caroline Collier**  
(Chair)  
**Jon Adams**  
**Matt Adams**  
(appointed June 2010)  
**Julien Boast**  
**Cllr Sandy Ezekiel**  
(resigned February 2011)  
**Nick Giles**  
(appointed June 2010)  
**Sarah Hohler**  
**Penelope Marcus**  
(retired June 2010)  
**Judy Panesar Harrison**  
(retired June 2010)  
**John Sailsman**  
**Peter Seddon**  
(appointed June 2010)  
**Cllr David Simmons**  
(resigned October 2010)  
**Cllr Patricia Stallard**  
(resigned April 2010)  
**Cllr Claire Stretton**  
(resigned March 2011)  
**Gavin Stride**  
**Emelia Telese**  
**Eckhard Thiemann**  
**Elaine Thomas**  
(retired June 2010)  
**Stephen Turner**  
(retired June 2010)  
**Jamie Watton**  
(appointed June 2010)

### South West Regional Arts Council

**Sheila Healy**  
(Chair appointed February 2010)  
**Tim Brinkman**  
(retired February 2011)  
**Cllr Dave Butt**  
(appointed October 2010)  
**Cllr Graham Carr-Jones**  
**Cllr Simon Cook**  
(appointed October 2010)  
**Michele Farmer**  
(retired March 2011)  
**Camilla Hampshire**  
(appointed October 2010)  
**Carolyn Hassan**  
**Morven Hughes**  
**Tony Lopez**  
**Cllr Marian McNeir**  
(appointed April 2010)  
**Cllr Antonia Noble**  
(appointed October 2010)  
**David Sproxton**  
(appointed October 2010)  
**Mary La Trobe-Bateman**  
(retired March 2011)

### West Midlands Regional Arts Council

**Peter Phillips**  
(Chair appointed January 2010)  
**Emma Daker**  
**Cllr Claire Darke**  
**Clare Edwards**  
(resigned April 2010)  
**Stuart Griffiths**  
**Gwenda Hughes**  
**Cllr Terry James**  
**Cllr Hazel Lyth**  
**Neil Maybury**  
**Dr Noha Nasser**  
(retired July 2010)  
**Zoe Partington-Sollinger**  
**Liz Roberts**  
**Cllr Chris Saint**  
**Nigel Singh**  
**Ammo Talwar**

### Yorkshire Regional Arts Council

**Janet Barnes**  
(Chair)  
**Cllr Bernard Atha**  
(appointed October 2010)  
**Sita Brand**  
**Cllr Richard Burton**  
(appointed October 2010)  
**Cllr David Dagger**  
(appointed October 2010)  
**Cllr John Fort**  
**Leila Jancovich**  
(reappointed January 2011)  
**Sohail Khan**  
**Cllr Christine O'Sullivan**  
**David Porter**  
**Cllr John Procter**  
(retired April 2010)  
**Stephen Purcell**  
**Cllr Mike Pye**  
(retired April 2010)  
**Doug Sandle**  
**Geetha Upadhyaya**  
**Cllr Christian Vassie**  
(retired January 2011)



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