



Annual review 2009

Great art for everyone –
the Arts Council plan

Building on artistic
foundations

Insight into arts audiences

REVIEW





**National Lottery etc Act 1993
(as amended by the National Lottery Act 1998)**

Presented pursuant to section c39, section 35 (5) of the National Lottery etc Act 1993 (as amended by the National Lottery Act 1998) for the year ending 31 March 2009, together with the Report of the Comptroller and Auditor General thereon.

**Arts Council England grant-in-aid and Lottery annual
report and accounts 2008/09**

Ordered by the House of Commons to be printed 16 July 2009

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.

WELCOME

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'll invest 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.

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Contents

- 02 **Chair's report**
Dame Liz Forgan remarks on demanding but heartening times
- 04 **Chief Executive's report**
Alan Davey reflects on a year of challenges, changes – and great art
- 06 **Finances at a glance**
In 2008/09, we invested more than £570 million of public money from the government and the National Lottery in the arts
- 10 **The Arts Council plan, 2008–2011**
Our mission for the next three years, 10 years and beyond is clear and unequivocal. It is about great art for everyone
- 14 **A year across the arts**
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
- 34 **Timeline**
From the Cultural Olympiad launch to A Night Less Ordinary, see our year at a glance
- 36 **Capital programmes**
Our capital programme makes it possible for organisations to invest in bricks and mortar, creating valuable arts infrastructure across England
- 40 **Creative Partnerships**
In April 2009 we demerged Creative Partnerships, and set up Creativity, Culture and Education, which will become our biggest regularly funded organisation
- 42 **A year in the life of a new regularly funded organisation**
Artichoke are best known for their fantastical large-scale productions such as *The Sultan's Elephant* and *La Princesse*, and specialise in taking great art to the street
- 44 **Grants for the arts**
Matt Stokes used our funding to travel between his base in Gateshead, to Camden, London, and Austin, Texas, to create two very different artworks
- 46 **Personal bests**
Staff from across the organisation choose their personal arts highlights of 2008/09
- 48 **Arts audience segmentation**
In 2008 we developed an in-depth 'segmentation' that breaks down the English adult population in terms of their attendance at arts events, participation at arts events and attitudes towards the arts

Chair's report

Dame Liz Forgan remarks on demanding but heartening times

CHALLENGES & OPPORTUNITIES

What a pleasure to be writing my first report as Chair of the Arts Council.

It's been a demanding two months in which the current and future effects of the economic downturn on the arts has concerned us all, but it has also been a heartening time, full of forward thinking about how the arts can contribute to recovery.

We know there are going to be tough times ahead, and that we must all do our bit to maintain clear vision and better relationships than ever before with artists, arts organisations and each other. Everyone I have met since becoming Chair, at the Arts Council and in the arts sector, has an appetite for the challenges. They are motivated and passionate about the work they do and that's a tremendous bonus.

In June 2009, we outlined a number of practical steps that we're taking to ensure the continued success story of the arts through the recession. Sustain, a £40 million, open application fund will provide extra support for organisations under pressure as a result of recession. Sustain is one way that we can sustain artistic excellence in the context of the economic downturn.



'The arts are now more available all over the country, offering us escape, comfort, understanding and reference in tough times. They cheer us up.'

We're also providing additional support for individual artists and smaller arts organisations through a £4 million increase to the Grants for the arts budget, and have set aside £500,000 to support the Town Centres Initiative through a fund to which artists can apply for grants to help them carry out artistic activities in empty shops.

The main challenge in the year ahead – for the Arts Council and therefore for me – is to continue to deliver great art during a recession. People might think that there is not enough money for new ideas and innovation. The temptation might be to stay with the secure and known, but it's vital that we encourage new arts. That's going to be the case not just for this year but for some time.

In March I saw the inspirational *Destino* at Sadler's Wells. An exhilarating example of the power of the arts to transcend social and economic barriers, it was a dynamic performance. I was also privileged to see *Dido and Aeneas* and *Acis and Galatea* at the Royal Opera House. These two new interpretations of great works of British opera reminded me why the great art that is widely

available in this country is the envy of the world, part of what makes Britain distinctive and a valuable contributor to the creative economy.

I was also encouraged by the response that we received to A Night Less Ordinary, our initiative to get more young people into live theatre. This collaboration between the Arts Council and over 200 venues across England, from village halls in Cornwall to the National Theatre, Royal Shakespeare Company and the Donmar will ensure that 618,000 free theatre tickets are available to anyone under 26, many of whom may not have been to the theatre since they left school. I'm proud that the Arts Council is leading an initiative that will develop a new generation of arts audiences.

I'd like to pay tribute to my predecessor, Sir Christopher Frayling, for his part in the years of creative and financial investment that have resulted in the impressive and substantial arts infrastructure that England has today.

Sustained investment in the arts has made the cultural landscape so different from that in previous periods of deep recession. The arts are now more available all over the country, offering us escape, comfort, understanding and reference in tough times. They cheer us up. This is something that Sir Christopher believed in passionately, and his legacy will serve us well in the years to come.

Over the coming year the Arts Council will do everything it can to champion the cause of sustained investment in the arts and never let government lose sight of the role of the arts in recovery from recession. We will continue to lead the fight for a just settlement in the next spending review and we'll need every single stakeholder in the arts – artists, arts organisations, elected representatives, audiences – to come with us.

Showing that we can make a real contribution in even the most difficult of times will be the best case we can make for continued public investment in the arts and culture through – and just as importantly – beyond the recession.

Chief Executive's report

Alan Davey reflects on a year of changes, challenges – and great art

COURAGE @ CONVICTION

Back in November 2008, I talked about the need for artists, arts organisations, boards, funders and politicians to show courage and to keep risk, innovation and great art afloat during the hard times ahead.

Little did we know then how hard the hard times would be in terms of public finances, but I'm glad to say that the arts have shown courage and continue to produce interesting and challenging work that people want to see.

The arts are taking the words of Joe Hill – 'don't mourn – organise!' and doing what they do best. And that's what we want to see continuing. If we innovate, if we are excellent, if we are not complacent, if we challenge, then the arts have a unique and important role to play in the renewal of our sense of self after the shocks of the recession. That's part of what great art does.

To list examples of great art in the last year risks missing something major out. Sticking in my mind are: the

Barenboim Beethoven series at the Royal Festival Hall; Gurrelieder kicking off the Philharmonia's groundbreaking exploration of Vienna; ENO emerging as a major force of innovation and excellence under the musical direction of Ed Gardner; Heiner Goebbels' mysterious and beautiful *Stifters Dinge*; and the evolution of Hofesh Shechter's *Uprising* into a huge event at the Roundhouse.

Then there's Liverpool, which enjoyed a successful year but also a successful legacy, with the Royal Liverpool Philharmonic established as a major musical force under their conductor Vasily Petrenko and the theatres giving us great work. And in Birmingham a fabulous, intense community production of *Idomeneo*, and the arrival of Andris Nelsons at the helm of the CBSO. Plus, a lot of Messaien and Stockhausen everywhere.

These are just some examples which bring to life the Arts Council's mission, refreshed and restated this year as 'great art for everyone', as set out in our plan published in September 2008.

This year has also marked a major development in the story of Creative



'If we innovate, if we are excellent, if we are not complacent, if we challenge, then the arts have a unique and important role to play in the renewal of our sense of self after the shocks of the recession. That's part of what great art does.'

Partnerships with the creation of Creativity, Culture and Education (CCE). CCE took over responsibility for Creative Partnerships from April 2009 and this nurturing of a project through growing pains to confident adulthood is a good example of the Arts Council's vital development role.

There have been other changes at the Arts Council too, in particular the end of Sir Christopher Frayling's term as Chair. Sir Christopher served the Arts Council – and the arts as a whole – with great distinction in his five years as Chair and for many years previously as a member of our national Council. I would like to add my own personal thanks to Sir Christopher for his wise counsel and support through my first year as Chief Executive.

We have faced some challenges too, not least the 15 per cent reduction in our administrative costs to release £6.5 million to go directly to the arts. This has created real uncertainty for staff throughout the organisation and I would like to take this opportunity to thank them for their continued enthusiasm, their appetite for change

and their professionalism through such an unsettling and difficult time. We will publish the results of our organisation review in the summer and the new structure will be in place by April 2010.

In July 2008 we published Baroness Genista McIntosh's independent review of our 2007 investment strategy. Baroness McIntosh's conclusion was that the Arts Council has 'not only the right but the responsibility' to make hard decisions about funding and she made a number of recommendations about how that process should be handled in future. The lessons go beyond process and have at their heart how we go about things and what lies behind what we do.

In my response to the report I highlighted a number of priority areas for change, including our relationship with the arts sector, the importance of maintaining a national overview of all the organisations we fund, having a clearer idea of our ambitions for artforms, and bringing more of an external perspective into our thinking and decision-making.

We have already begun to implement a number of changes. For example, we are

consulting widely with the sector on a new system of self-assessment and peer review which we will introduce next year, and have started the process of artistic assessments in our north west and south east regions. The findings of the McIntosh report have also informed our thinking about the review of our organisation's shape and structure.

Looking forward, we face another challenging year. We will be preparing our case for the next spending review and will do so in the context of both political uncertainty and a recession. In June 2009, we launched the Sustain programme, which is one way we will continue to support artistic ambition through even these most difficult of times.

The key is not to panic, but to continue to do what we do well, and to do so with conviction. As Nicholas Hytner has said, a summer where Racine, Chekhov and Shakespeare look like the big draws is evidence of the arts offering something less ordinary, and audiences responding with a demand for great art. That is something from which we can take courage.

Finances at a glance

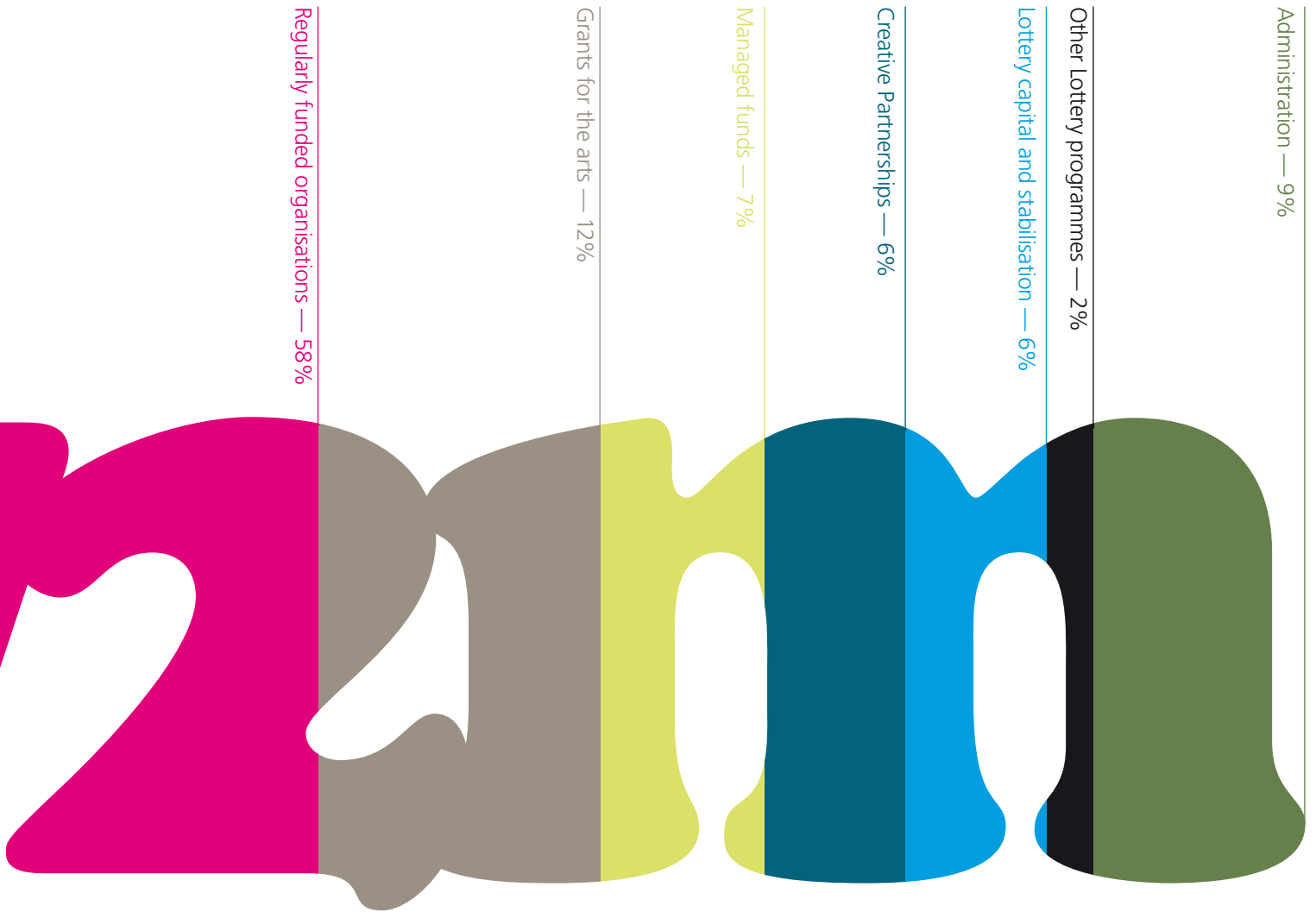


We work to get great art to everyone by championing, developing and investing in artistic experiences that enrich people's lives. As the national development agency for the arts, we support a range of artistic activities from theatre to music, literature to dance, photography to digital art, carnival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

In 2008/09, we invested more than £570 million of public money from the government and the National Lottery. This is the bedrock of support for the arts in England.

Between 2008 and 2011, we will invest £1.3 billion of regular funding in around 880 arts organisations across England, including Opera North, Sadler's Wells, the Royal Shakespeare Company, Punchdrunk, the Royal Liverpool Philharmonic, and Southbank Centre.

Grants for the arts is our open access funding programme for the arts, funded by the National Lottery. In 2008/09, we made over 2,700 grants totalling nearly £67 million.



Our managed 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 delivered through our regional offices.

These funds are not normally open to application. Our managed funds projects include Artists taking the lead, Made in England, Artsmark, Own Art, and Take it away.

Creative Partnerships aims to develop the creative thinking skills of young people in England by supporting long-term

projects between schools and creative professionals. The programme is active in 1,600 schools in 36 areas around the country. Creative Partnerships demerged from the Arts Council on 1 April 2009, and relaunched as our largest regularly funded organisation, Creativity, Culture and Education (see page 40).

Our administration costs, which cover salaries, premises, IT and sundry operating costs, were £49 million in 2008/09. As part of our government settlement in 2007, we are committed to reducing these costs by 15 per cent by 2010/11 (see overleaf).

Finances at a glance

Administration savings – organisation review

The results of the government's 2007 comprehensive spending review brought us good news in terms of our increased levels of investment for the arts – our direct grant from government was increased by £50 million for the period 2008/09–2010/11.

However, it also brought a challenge for us in terms of cost reductions we'll need to make. It set a demanding target equivalent to a 15 per cent reduction in our administration costs by 2010/11.

This review of our administration costs was also an opportunity for us to take a wide look at ourselves and restructure to create a more flexible and futureproof organisation. By April 2010, the organisation review will be complete and fully implemented.

In March 2006, we started a review of the location and staffing of functional areas across our offices. In July 2008, the new centralised grant application logging team, human resources, information technology and regional finance and business support services were relocated to Manchester. In March 2009, they were joined by our new enquiries and national finance teams.

The national support centre and the north west regional office will move into a new development called The Hive in Manchester's northern quarter in early 2010.

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 2008/09 and 2007/08 financial years.

	2008/09 £000s	2007/08 £000s
Income		
Grant-in-aid income	437,631	423,601
Share of the National Lottery Distribution Fund	145,279	139,845
Contribution to Olympic Delivery Fund	(7,569)	0
Investment returns on the Distribution Fund	7,279	11,614
Other income	11,543	13,898
Total income	594,163	588,958
Expenditure		
Net grant-in-aid grant commitments	392,218	377,113
Other grant-in-aid arts expenditure	20,162	26,755
Net Lottery grant commitments	106,638	76,935
Operating costs	29,250	48,989
Total expenditure	568,267	529,792
Exceptional items		
Cost of fundamental reorganisation	4,833	1,143
Net (outgoing)/incoming resources	21,063	58,023
Profit on revaluation of fixed assets	1,034	21,483
Net movement in funds	22,097	79,506
Consolidated reserves brought forward	95,760	16,254
Consolidated reserves carried forward	117,857	95,760

The Arts Council plan, 2008–2011



Our mission for the next three years, 10 years and beyond is clear and unequivocal. It is about great art for everyone.

This goes to the heart of what Arts Council England is for, and why John Maynard Keynes set up the Arts Council: 'to give courage, confidence and opportunity' to artists and their audiences.

They need today, just as much as in 1946, that courage, confidence and opportunity. It is our duty to infuse the whole nation with it, and to do that we should have some of that courage and confidence for ourselves.

The arts are an important part of life in this country – something beyond economic well-being but just as important. When the arts achieve excellence they offer something to each individual that is hard to describe. This might be a challenge, conflict, insight, understanding, amusement, an intellectual or an emotional connection. It's unique for each person.

This is what we are about – creating the conditions by which great art can happen, and then making sure as many people as possible can engage with the arts and discover what art can do for them.

We have identified four development priorities for 2008–2011:

Digital opportunity

Digital media technologies are affecting every aspect of our society, economy and culture. We can now connect with audiences in new ways, bringing them into a closer relationship with the arts and creating new ways for them to take part. Responding to this change will lead to the development of new business models, new networks and new forms of creativity.

Building on our work in broadcasting and new media and on the creativity within arts organisations themselves, we will help the arts make the most of these digital opportunities at a number of levels. This will include research, strategic innovation and capacity and skills-building, by both the Arts Council and the sector itself.

We need to make a major commitment to this work now – as more and more people make digital media part of their daily lives.

- we have actively contributed on behalf of the arts sector to Ofcom's public service broadcasting and DCMS/BERR's *Digital Britain* reviews, hosting five arts industry events in spring 2008
- we established our West Midlands digital content development programme, a three-year initiative to encourage arts organisations in the region to develop imaginative approaches to the creation of digital content
- we launched AmbITion, which helps organisations achieve sustainability through IT and digital developments. We worked with eight regions to design day-long events, comprising keynote speakers, workshops and seminars. The first was at Tyneside Cinema, Newcastle in March 2009



Visual arts

Turning Point is our 10-year strategy, launched in 2006, for strengthening the contemporary visual arts. It aims to increase the activity, reach and engagement of the visual arts and to secure a national network of venues and development agencies providing high-quality visual art programmes.

Between 2008 and 2011 we will lay the foundations for putting the rest of the Turning Point goals into practice. A key part of this will involve setting up regional strategy groups, with representatives from our regularly funded organisations, visual artists and others; these groups will give visual arts organisations a voice, share their knowledge and help them work better together.

We will foster innovation and excellence through a variety of projects, such as international exchanges and developing opportunities for new digital media in artistic practice, display and distribution, and audience development.

- we are establishing Turning Point groups in each region as part of a national network to enable the sector to deliver the strategy and realise its ambitions
- we have strengthened our partnerships with key visual arts organisations so that we can work towards achieving a shared vision. These partnerships include Tate, MLA, Museums Association, National Museums Directors Conference, The Art Fund and the Contemporary Art Society
- we are working with Creative & Cultural Skills to produce a blueprint for developing the visual arts workforce
- we are working with a range of partners to develop a strategy to strengthen our public collections of contemporary art so that they become central to the civic and cultural life of the nation



The Arts Council plan, 2008–2011

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 arts, 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 vision complements the Government's aspiration that, in three years' time, all children and young people in schools will be entitled to five hours of cultural activity every week. The future of the creative economy depends on opportunities for children and young people to participate in arts and creativity being provided today.

- we established the board and created 25 regional area delivery organisations prior to the transition of Creative Partnerships into our biggest regularly funded organisation, Creativity, Culture and Education (see page 40)
- we selected 10 areas to pilot Find Your Talent. They will test local delivery models and inform development of a wider cultural offer
- we are a key delivery partner for Creative Britain, responsible for delivering commitments relating to talent development through Find Your Talent and apprentices
- we saw continued success with Artsmark, our national award scheme that recognises schools committed to the arts. Over 4,000 schools in England have an Artsmark and in 2008/09 we received 1,672 applications, a record number



London 2012

The London 2012 Olympic and Paralympic Games offer an unprecedented opportunity for the UK to reinforce its reputation as a world leader in culture. The cultural festival leading up to the Games will celebrate imagination and creativity, inspiring individuals and communities to take part in the arts, and raising the aspirations of young people for years to come.

Not only will the Games have an enormous impact on London, but they can and will create new cultural opportunities around the UK, reflecting and developing local talent, and increasing the wider business and tourism potential.

We are directing our investment in a number of ways to try and ensure that these things happen. This includes developing major projects for the Cultural Olympiad, working with Legacy Trust UK, and supporting our regularly funded organisations to make the most of the opportunities ahead.

- we developed Artists taking the lead in partnership with LOCOG and the UK arts councils, to award 12 regional commissions which celebrate the Games and showcase the range of creative talent across the UK
- we endowed £5 million from the National Lottery in Legacy Trust UK to support a diverse range of cultural and sporting initiatives. Each of these projects is designed to engage communities and develop programmes that have a life beyond the Games
- we worked with LOCOG to develop Unlimited, a major project for the Cultural Olympiad. This includes a series of commissions for disabled artists to create work that responds to London 2012



A Night Less Ordinary

In February 2009, we launched A Night Less Ordinary in association with Metro. The scheme offers 618,000 free theatre tickets to anyone under 26 at more than 200 venues throughout England.

A Night Less Ordinary will run for two years and has proved hugely popular so far, with hundreds of thousands of people visiting the website (www.anightlessordinary.org.uk) to search for participating venues.

Daniel Bates, Chief Executive of York Theatre Royal, one of the venues participating in the scheme, says: 'We were thrilled to be selected for a premium award for this scheme and excited about reaching out to more children and young people who don't normally see our work – it's the start of an ambitious and exciting two years.'

'Since February we have signed up 1,929 under-26s for a York Theatre Royal free theatre pass, and have already given away 825 tickets in three months. The investment from the Arts Council has also allowed us to develop new projects and recruit a new team of young people (including a board) to programme the first TakeOver festival in September 2009.'



Artists taking the lead

Artists taking the lead is our flagship project for the Cultural Olympiad. It has been developed in partnership with London 2012 and the arts councils of Northern Ireland, Scotland and Wales.

Launched in March 2009, it challenged the nation's artists to submit their big ideas for 12 major commissions to celebrate the London 2012 Games. With up to £500,000 available for each project, this is the largest commission fund for the Cultural Olympiad.

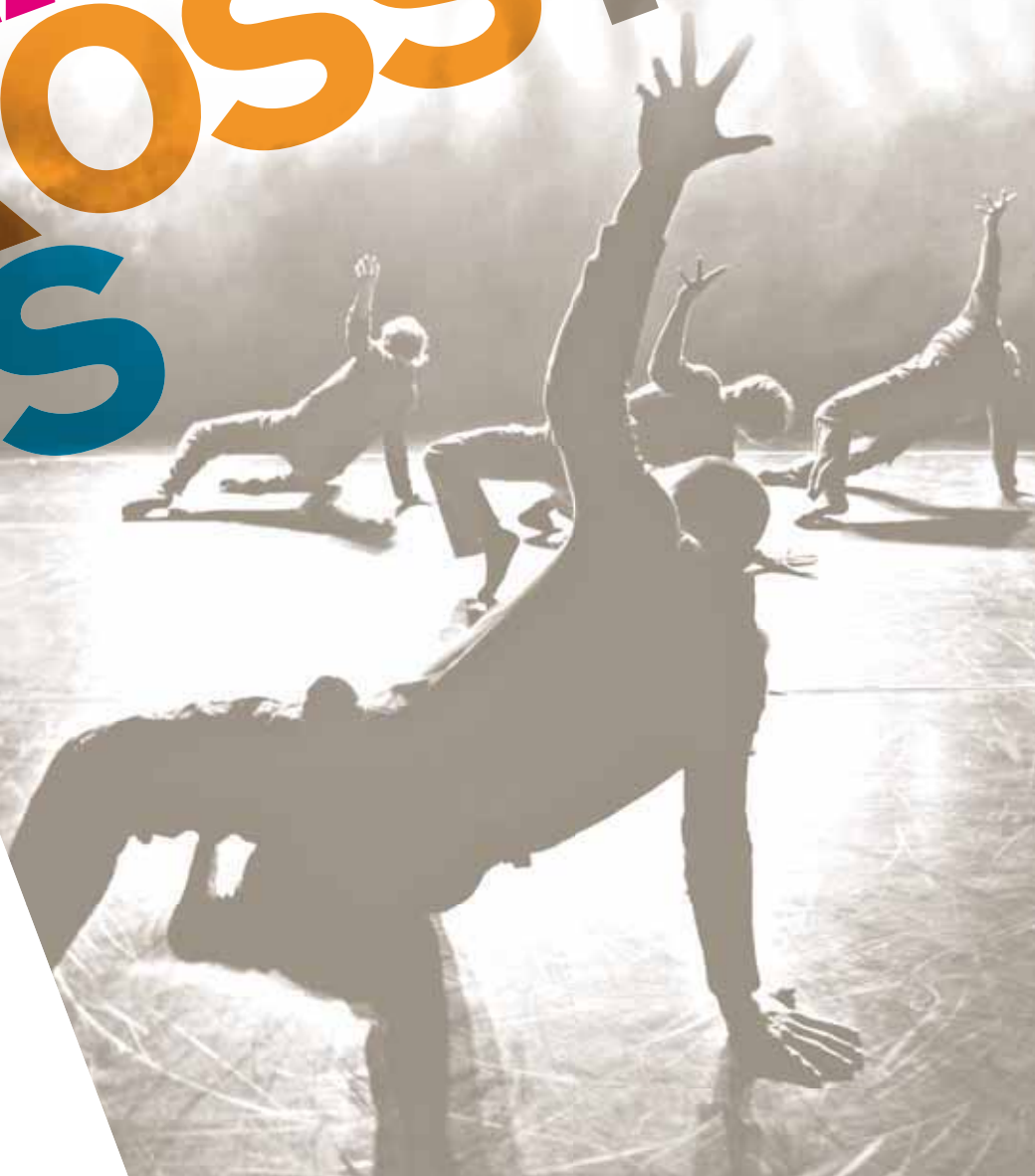
Moira Sinclair, Executive Director, Arts Council England, London says: 'The London 2012 bid was always about more than England's capital city and about more than sport. Artists taking the lead illustrates that bigger, bolder vision – of art inspiring people up and down the UK to celebrate the Olympic Games, of nurturing and developing our artistic talent, and of culture and creativity at the heart of our national life.'

The submitted ideas are being judged by panels in each of the nations and regions, made up of artists, creative programmers (representatives of London 2012 outside the capital who help to shape the UK-wide Cultural Olympiad), and an Arts Council representative. The successful commissions will form part of a final unifying celebration before the opening of the London 2012 Olympic Games.



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.

DAY YEAR ACROSS THE ARTS



Cultural Olympiad – Open Weekend

In September 2008, we helped kick off the Cultural Olympiad, with cultural organisations around the UK offering unprecedented behind-the-scenes access and spectacular events.

The Cultural Olympiad is a four-year programme that will highlight the country's diversity by using culture and sport to welcome the 2012 Games.

Highlights of the Open Weekend launch event, included the Bside Festival bringing art to unusual places all over Weymouth, and a spectacular outdoor performance of pyrotechnics – *Veles e Ventos* (Wind and Sails) at Bowleaze Cove, Weymouth.

Spanish street art company Sarruga performed *Insects* with giant arachnids, ants and spiders let loose on Derby, while street art pyrotechnicians The World Famous lit up Dover's harbour and castle with a spectacular fire show.

In London, there was the unique opportunity to experience Royal Opera House in action. People could see a rehearsal by The Royal Ballet School, talk to backstage departments and explore the beautiful building.

The Big Art Project

Two grants totalling £600,000 supported The Big Art Project, an ambitious public art commissioning initiative in collaboration with Channel 4 and The Art Fund.

The public nominated around 1,500 sites, from which seven were selected. In St Helens, March 2009 saw building begun on *Dream*, artist Jaume Plensa's spectacular 20-metre-high sculpture. Built on the site of the former Sutton Manor Colliery, it is a celebration of the town's mining history, and will be visible to the thousands of motorists who travel along the M62 every day.

Progress across all the sites has been filmed for a major Channel 4 series, which was broadcast from May 2009. We also invested in the Big Art Mob (www.bigartmob.com), an award-winning website which is building up a map of public art throughout the UK.

'The Big Art Project is a remarkable event – an excellent example of landmark programming – and I'm delighted to have secured the support of Arts Council England and The Art Fund to ensure that these new public artworks can be

delivered. This is public art that will have a legacy and make a difference to communities across the country.'

Jan Younghusband,
Commissioning Editor,
Arts and Performance, Channel 4

Made in England

Made in England is the latest initiative in our seven-year strategic partnership with the BBC.

It launched on St George's Day 2008 with a series of seven regional television programmes on BBC One, featuring artists such as Courtney Pine and Harry Cory Wright as well as a series of commissions from writers such as Esther Freud and Jackie Kay, covered on radio and online. The television programmes attracted an audience of over 1.3 million on BBC One, which was a total audience share of 12.9 per cent.

Throughout 2008 and early 2009 Made in England brought together the Arts Council and BBC English Regions with artists and arts organisations to develop 13 regional arts broadcast projects.

Cultural Olympiad



Made in England



A year across the arts

Composer and sound artist Robert Jarvis, performance companies Skimstone and Hoipolloi and the writer and poet John Hegley are among many high-profile artists involved, creating everything from large-scale projections and interactive radio dramas, sound sculptures and public photography events, to huge musical and drama promenade works.

'The partnership with the Arts Council has been really exciting in helping us deliver culture and arts, through new ways of working. Our teams are often chasing deadlines, but this has given us an opportunity to develop long-term, legacy-rich, projects with artists, organisations and the regional Arts Council offices. It's helped us connect with new audiences in new ways.'

David Holdsworth, Controller,
BBC English Regions

The Roundhouse

The Roundhouse in Camden, which reopened in 2006 after a £30 million refurbishment to the Grade II* listed building, received our largest increase in regular funding in 2008/09 – their grant increased by £400,000 to £1 million.

The Roundhouse has a commitment to offering opportunities to young people through its creative programme at Roundhouse Studios. In 2008/09 there were 3,232 participants in 173 creative projects, workshops, masterclasses and events.

The increase in funding has allowed them to establish a number of new companies for emerging artists and producers, made up of young people who attend Roundhouse Studios.

Ben Cook

Grants for the arts funding helped award-winning artist Ben Cook to display exciting artwork at the Eden Project in Cornwall.

The £8,577 grant enabled Ben to use surfing-derived eco-technologies in his installation, *The Pack 2008*. The piece, a remake of Joseph Beuys's 1969 work, draws attention to the non-sustainable materials currently being used by surfers.

'The Arts Council grant gave me the breathing space and time to explore and develop my new work. I want to raise awareness of ecological issues relevant to the surfing community in the south west through the work I am doing and to provide a fresh perspective on landscape painting. The works deliberately provoke people to ask, "What does it represent? What is going on?"' Ben Cook

South By South West Interactive

Our funding supported an innovative digital project at South By South West Interactive (SXSW) in Austin, Texas. We worked with iShed, a digital agency set up by Watershed to support creative technology projects, to organise a delegation of 12 leading digital artists and producers to attend the festival.

The Roundhouse



Ben Cook



It brought their ideas and work to an international audience, and established connections for future projects.

The self-styled Umbrella Group of delegates premiered the Hat Game at SXSW in March 2009. Developed by Bristol-based Simon Games, it involved a GPS-enabled bowler hat that could be tracked using mobile phones and Google Maps, with the person who managed to wear it longest winning prizes, including the hat.

The game enabled interaction with the public through technology, and showcased the artists involved during the festival. The game quickly generated a real buzz amongst festivalgoers, bloggers, and press: it was featured in *The Guardian*, and became the second most viewed story on the BBC News website on the Saturday of the festival.

Liverpool European Capital of Culture 2008

With £10 million of Arts Council funding for the European Capital of Culture's artistic programme, plus investment in buildings such as Bluecoat Arts Centre, FACT and the Royal Liverpool Philharmonic Society, Liverpool's year has been an economic as well as a cultural success.

There were 7,000 events involving 10,000 artists, and around 15 million people visited cultural events in Liverpool during the year. This helped boost the city's tourism industry and economy by £800 million.

Perhaps the most ambitious arts event was La Machine's *La Princesse*, produced by regularly funded organisation Artichoke. The 16 metre tall balletic mechanical spider drew around 500,000 spectators as part of a five day street arts spectacular.

'A record-breaking year for art in Liverpool' David Smith, *The Observer*

Great North Run Cultural Programme

A £49,000 Grants for the arts award helped 2008's Great North Run Cultural Programme to present their most ambitious event to date.

Established in 2005 to celebrate the 25th anniversary of the Great North Run, the cultural programme explores the relationship between art and sport in an annual series of artistic commissions.

This year's event ran from September–November 2008 and featured photography, film, dance, sculpture and new writing from the likes of Bill Bryson and David Almond.

Cape Farewell

In September 2008, a £150,000 managed funds grant enabled 40 artists and scientists to set sail on Cape Farewell's 12-day Disko Bay expedition.

The trip aimed to put artistic responses to climate change in the spotlight, and the crew featured 10 musicians (including KT

Liverpool European Capital of Culture



Cape Farewell



A year across the arts

Tunstall, Martha Wainwright, Jarvis Cocker and Ryuichi Sakamoto), two architects, two oceanographers, a ceramicist and a comedian.

This was the organisation's seventh expedition and took place upon the science research vessel Grigory Mikheev. They travelled along the west coast of Greenland from Kangerlussuaq to Disko Bay, and then crossed the Jakobshavn Glacier, which is moving at a faster rate than ever before, losing 20 million tonnes of ice per day.

'Why did we go? The simple answer is to inspire all who journey with us to respond to the changing climate, to witness first hand the changes to the environment occurring in the Arctic and allow our crew to partake in real scientific research with our two onboard science crews.'

Hannah Bird, Project Coordinator, Cape Farewell

London Word Festival

An £8,000 Grants for the arts award supported the second London Word Festival, which took place across east London in March 2009. The festival, which celebrates 'everything inspirational about the written and spoken word', crosses artforms, showcasing live literature, comedy, music and performing art.

Our funding supported the commissioning of three new pieces of work, including *My T-shirt says* by writer Karen McCarthy, *The 14th tale* by poet and performer Inua Ellams, and *Hackney ascension day* by Iain Sinclair. The latter brought together stories, reportage, fiction and field recordings to document the Hackney resident's alternative history of the London borough.

'Funding from the Arts Council enabled us to commission, produce and premiere three new pieces of work. These projects were a great success and mark a new focus in our work as an arts festival – and as producers.'

Tom Chivers, Co-Director, London Word Festival

Shift Happens

The first Shift Happens explored the potential of digital technology for arts organisations. It asked what interactivity means for the artistic and creative process and the role it can play in audience development.

The successful conference was managed by Pilot Theatre and York Theatre Royal, and supported with a £10,000 grant.

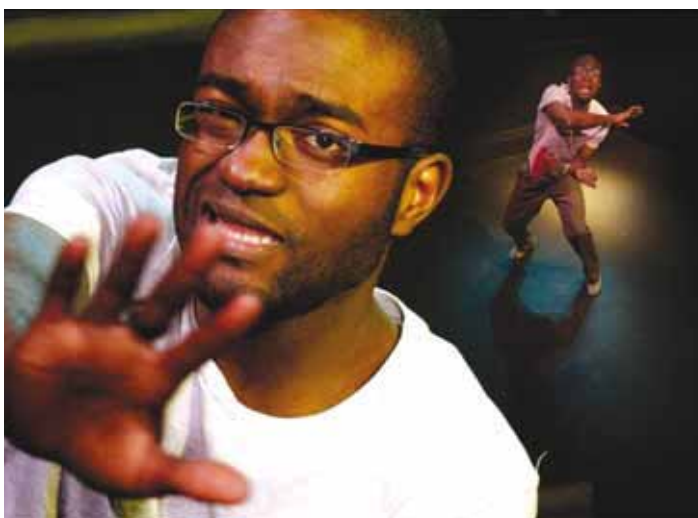
It featured keynote speakers such as Julie Borchard-Young of the Metropolitan Opera in New York, creative consultant Tom Fleming and technology critic Bill Thompson. There were also hands-on sessions, live links, performances, and showcases.

'This was a great opportunity for artists and practitioners to engage with a diverse range of digital pioneers from around the world right here in Yorkshire.'

Marcus Romer, Artistic Director, Pilot Theatre

Continued on page 31

London Word Festival



Lauren Cuthbertson in *Serenade*
at the Royal Opera House, 2008.
Photo: Johan Persson





DROP by Steve Messam,
Cumbria 2008.
Photo: Steve Messam



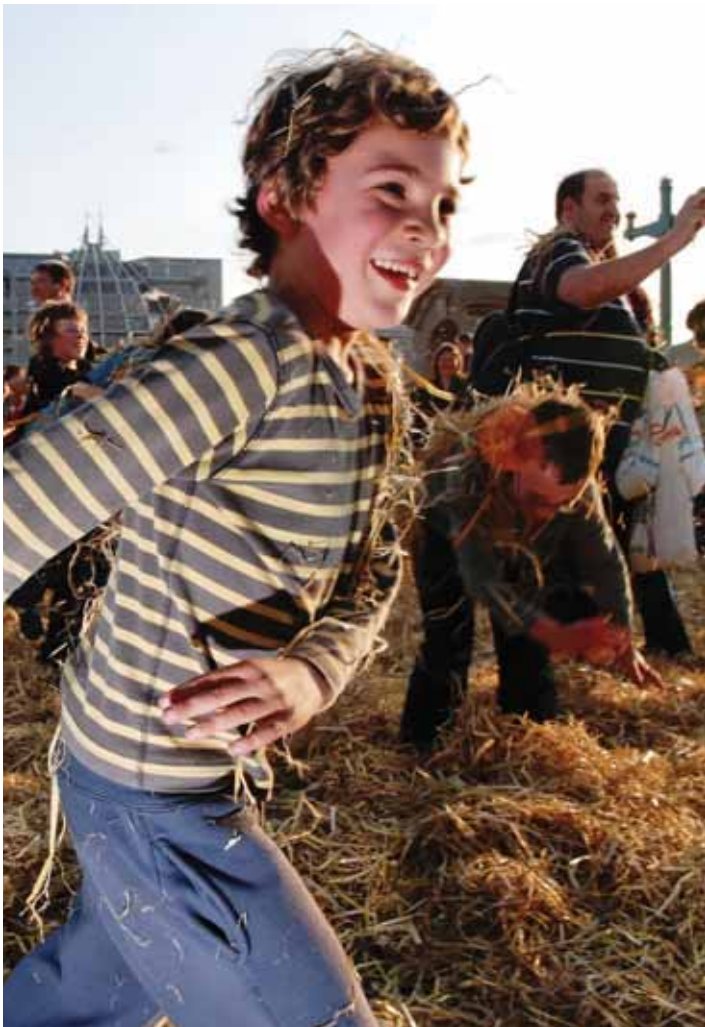


This page
Dream Engine's *Heliosphere*
at *EASTmeetsWEST:*
A Twilight Spectacle,
by Walk the Plank, 2008.
Photo: Pete Huggins

Opposite below left
Feast on the Bridge hay fight,
Thames Festival, 2008.
Photo: Angell

Opposite above
Flag installation by Angus Watt,
Lee Valley Festival, 2008.
Photo: Hal Satterthwaite

Opposite below right
The Natural Theatre Company
in Egypt, 2009.
Photo: Haj Morgan







Opposite top
Aleph Null Head
by Charles Avery, 2008.
Photo: Courtesy Charles
Avery/Tate photography

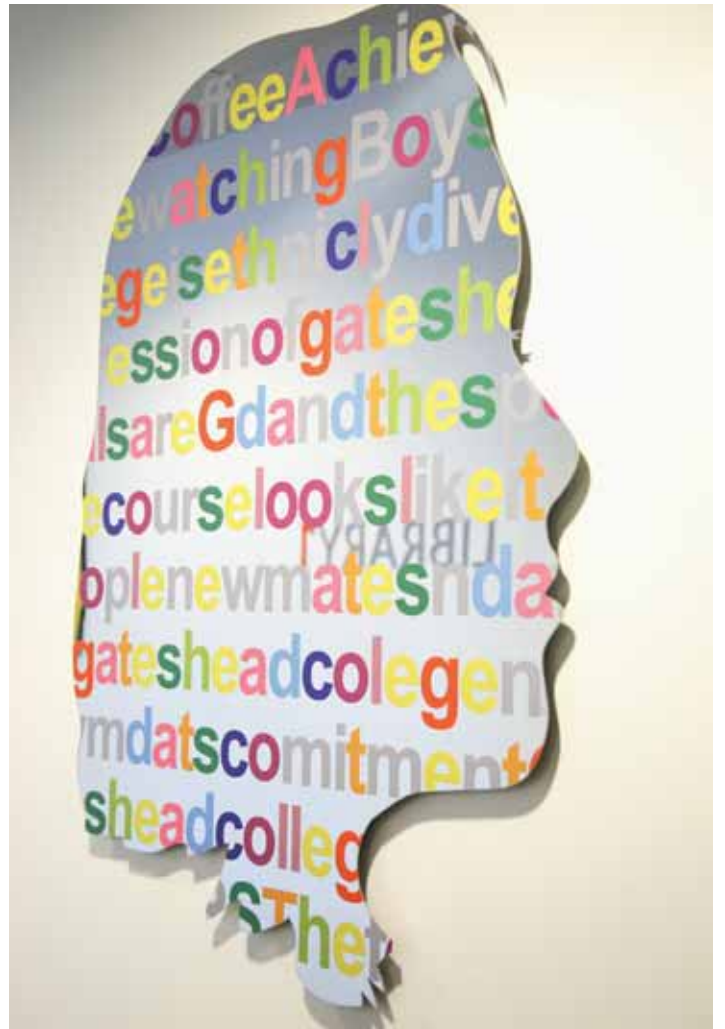
This page
Costume workshop,
Taking Part Place Project in
Kensington and Chelsea,
2008. Photo: John Nassari

Opposite bottom
War Horse, National Theatre,
2008. Photo: Simon Annand

Varjak Paw, Royal Opera House, 2008.
Photo: Alastair Muir







Opposite above left
Memento Mori, Ockham's
Razor. Photo: Nik Mackey

Opposite above right
Gateshead College Public Art
by Ira Lightman, 2008
Photo: Kevin Gibson

Opposite below
Celestial Radio by Zoe Walker
and Neil Bromwich,
commissioned by Turner
Contemporary, 2008.

This page
A Midsummer Night's Dream,
Opera North, 2008.
Photo: Tristram Kenton



Mandinga Arts performing at the
Thames Festival's Night Carnival, 2008.
Photo: Angell



A year across the arts

Cyprus Well

We invested £76,200 from Grants for the arts into the start up and incubation for a new literature development charity for the south west, called Cyprus Well. This was managed by Arts & Books, who created the brand identity and board for the new charity. Cyprus Well will support literature development through literature activity, advocacy and networking.

The funding goes towards the start up costs of the charity, which will be based at the former home of Cornish writer Charles Causley.

'Arts Council England's support in the start up of Cyprus Well is the critical assisting force that will see the charity deliver, enable and nurture literature development activity in south west England for many years to come.'

Alex Cluness, Arts & Books

Theatre Absolute

Theatre Absolute, a Coventry-based theatre company that specialises in new writing, received £58,325 of regular funding in 2008/09.

One of their autumn 2008 productions *ZERO* was described by *The Guardian* as a 'gripping mess powered by its own fury and sense of injustice'. The production has been such a success that it is transferring to Chicago to be performed and produced by Oracle Theatre, who felt it was a 'global play and is something the world (America especially) needs to experience'.

Hofesh Shechter

The Hofesh Shechter Company, who became a regularly funded organisation in 2008/09, launched a three-year residency at the Brighton Dome in October 2008 with critically acclaimed performances of *Uprising* and *In your rooms*.

The dance group, who received a £200,000 grant in 2008/09, will be based at the Dome, where they will carry out research and development for future pieces and present several works including a new commission and a major education project as part of Brighton Festival 2009.

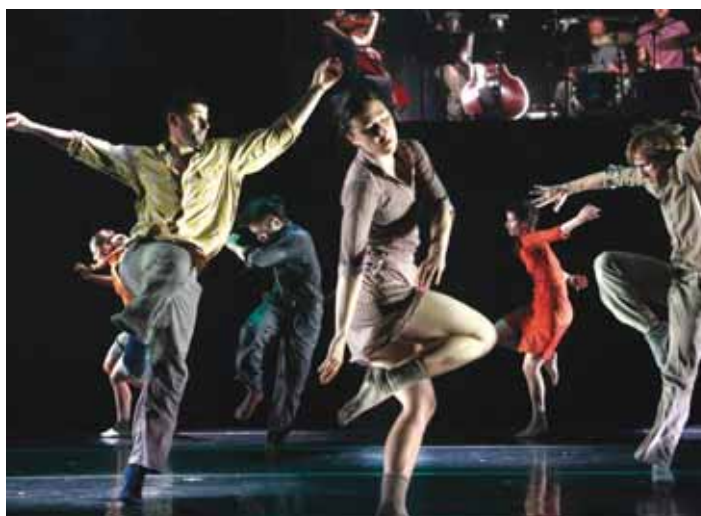
'I'm delighted to be welcoming Hofesh Shechter Company to Brighton and to be forging a close relationship with such an internationally significant company at this key stage in their development. I love their work and this new association really indicates what an exciting future Brighton Dome and Brighton Festival has to look forward to.'

Andrew Comben, Chief Executive, Brighton Dome and Festival

Theatre Absolute



Hofesh Shechter



A year across the arts

Natasha Wood

Woman of the year nominee Natasha Wood received two Grants for the arts awards in 2008/09 to support her one-person play, *Rolling with laughter*. The autobiographical play is an empowering and hilarious piece of theatre, which *The Stage* called 'the story of an ordinary life made extraordinary by circumstance' – Natasha was born with spinal muscular atrophy, and as a result has spent her entire life in a wheelchair.

Nottingham-based Natasha first received Arts Council funding to expand her play to make it suitable for touring. The results were showcased at Her Majesty's Theatre, London. She has since performed on both sides of the Atlantic and had a sell-out run at the Edinburgh Festival.

'Lottery funding has been invaluable to the success of my stage show. It has enabled me to continue as a writer and actor especially in a world where there are limited parts for performers with

disabilities. I cannot praise the support of the Arts Council highly enough.'
Natasha Wood

First Floor

A £100,000 Grants for the arts award supported the launch of First Floor, West Yorkshire Playhouse's new creative arts space for young people.

First Floor aims to engage and inspire vulnerable young people through creative arts such as drama workshops, storytelling, street dance, action painting and environmental art, alongside longer-term projects such as a community radio station.

'We have created an environment where participants should not be afraid to try new things and express their ideas and where they will gain the confidence from their achievements to take them forward in life.'

Ian Brown,
Director and Joint Chief Executive,
West Yorkshire Playhouse

Walking House

Following an Arts Council-funded placement, the innovative Walking House took its first steps at Wysing Arts Centre in October 2008.

The concept came out of Danish artists N55's residency at Wysing in 2007, during which they researched the lifestyles and legal concerns of Cambridge's traveller community.

N55 worked with specialists at MIT Institute of Engineering in Massachusetts to build the fully functioning house that walks on six legs at five kilometres per hour – around the same pace as a human.

'We are delighted with the outcome of the project both with the public response to the Walking House on site here at Wysing and the phenomenal press response worldwide from China to Australia and beyond.'
Donna Lynas, Director,
Wysing Arts Centre

Natasha Wood



First Floor



EASTmeetsWEST – a twilight spectacle

The Essex-Jiangsu Festival is a unique and colourful cultural event to celebrate the region's 20-year partnership with China's Jiangsu province. A part of the festival was the EASTmeetsWEST twilight spectacle, which we supported with a £10,000 Grants for the arts award.

The outdoor event, which took place at Weald Country Park in September 2008, was inspired by the Chinese mid-autumn Moon Festival. It began with a moon picnic with a variety of performances by Essex schoolchildren, and displays and demonstrations by local artists and community groups. As the sun set, there was a moon parade, with a river of lanterns drawing the audience up the hill.

The night concluded with a large-scale promenade performance by one of our regularly funded organisations, outdoor arts specialists Walk The Plank, with a supporting cast of 600 Creative

Partnerships schoolchildren, and local community groups as performers and participants.

'We were delighted by the enthusiasm of the teachers to appreciate other cultures and develop creative learning through contact with the project.'

Liz Pugh, Producer, Walk The Plank.

Own Art / Take it away

Our Own Art and Take it away schemes provide interest free loans of up to £2,000 for contemporary art and musical instruments.

In 2008/09, Own Art provided 2,618 loans to people across the country to purchase over £2.1 million of contemporary art and craft through a network of over 250 participating galleries. Since its launch in 2004, over £10 million of art has been purchased with the help of an Own Art loan, which represents an income of around £6.5 million for artists.

Take it away launched in 2007 and enables people to apply for an interest free loan of up to £2,000 for the purchase of any kind of musical instrument, or any additional equipment or accessories that they might need to get started. Over 14,000 people used Take it away in 2008/09 to purchase over £9.3 million worth of musical instruments through 300 shops across the country.

EASTmeetsWEST



Take it away



Timeline

APRIL

Our new Manchester-based support services office opens, and our new IT and HR staff move in

We put on the second Arts in Parliament event, which gives MPs the opportunity to experience and discuss the arts at Westminster

Moira Sinclair is appointed Executive Director, London, having held the position of Interim Executive Director since December 2007

MAY

Our new Grants for the arts application pack launches

Alan Davey appears before the MPs of the Public Accounts Committee to answer questions for their enquiry into 'Making grants efficiently in the culture, media and sport sector'

JULY

Baroness Genista McIntosh delivers her report on our review of our regularly funded organisation portfolio

SEPTEMBER

We launch *Great art for everyone*, our ambitious vision for the arts for 2008–11

Andrew Nairne and Anupam Ganguli join the Arts Council as Executive Director, Arts Strategy, and Executive Director, Resources

The Cultural Olympiad launches across the country, in conjunction with Open Weekend

OCTOBER

We announce that Creative Partnerships will become an independent organisation, Creativity, Culture and Education

NOVEMBER

At Alan Davey's RSA lecture, he announces proposals for peer review and self assessment for regularly funded arts organisations, and we invite artists and arts organisations to have their say in how it will work

DECEMBER

We announce Dance Mapping, our biggest ever consultation on dance, and invite everyone involved in the artform to have their say

JANUARY

Sir Christopher Frayling leaves the Arts Council after five years as Chair with a valedictory lecture at RIBA

FEBRUARY

Dame Liz Forgan joins the Arts Council as Chair, the first female Chair in our 63-year history

We launch A Night Less Ordinary, our scheme to give away over 600,000 free theatre tickets to the under-26s

MARCH

Artists taking the lead, our flagship project for the Cultural Olympiad, launches

Capital programmes

Launched in 1994 and funded by the National Lottery, our capital programme makes it possible for organisations to invest in bricks and mortar, creating valuable arts infrastructure throughout England. To date we have invested around £1.4 billion into over 400 projects, ranging from the redevelopment of London's Southbank Centre to providing rehearsal space for brass bands in village halls.



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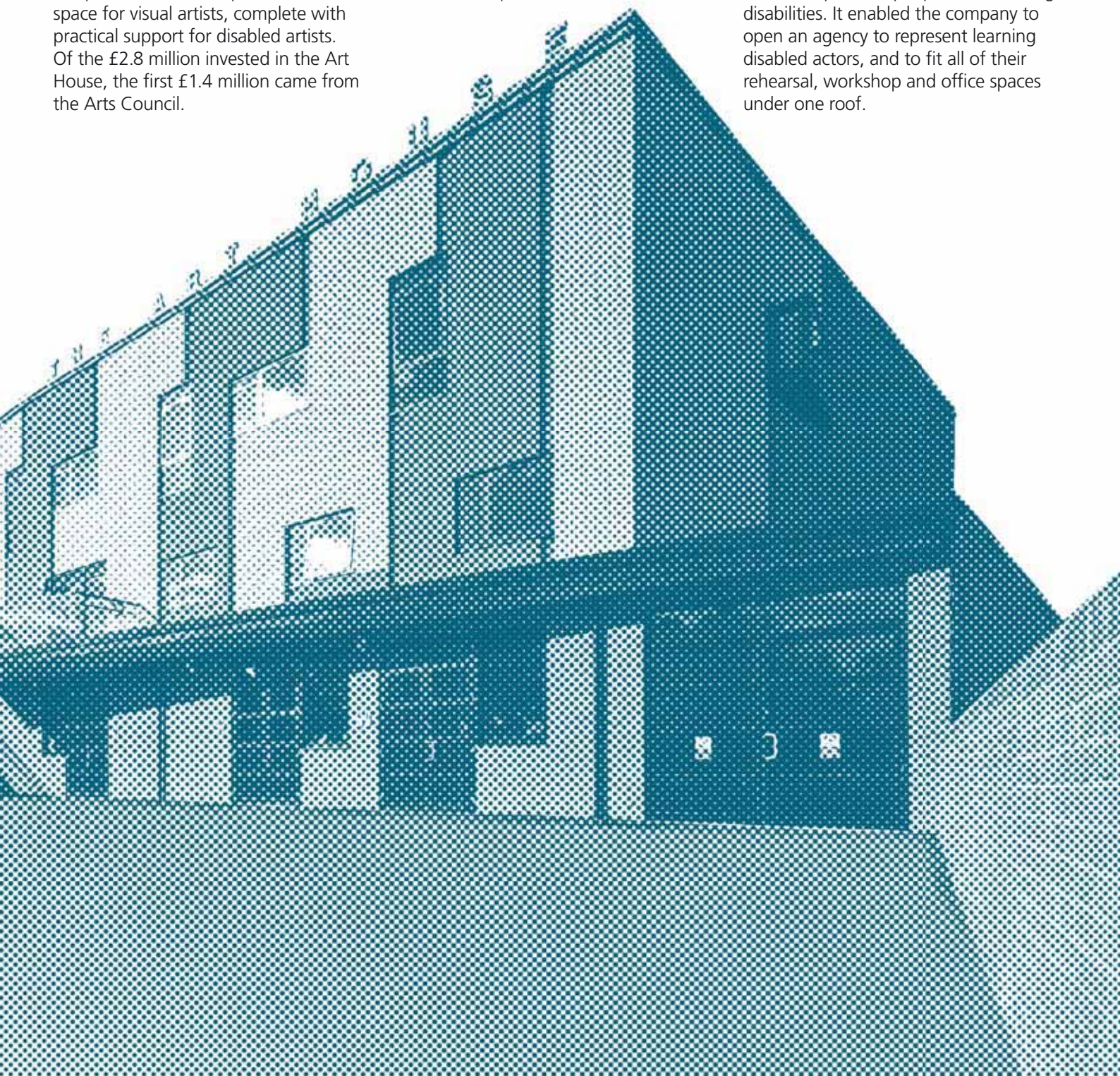
'Money from the Arts Council allows us to be taken seriously by other investors,' says Liz Whitehouse, Director of the Art House. 'It's the initial sum that gets the ball rolling and turns us into contenders.'

The Art House is just one of the many spaces funded by our capital programme to open in 2008/09. It provides studio space for visual artists, complete with practical support for disabled artists. Of the £2.8 million invested in the Art House, the first £1.4 million came from the Arts Council.

Also in Yorkshire is the newly refitted £31.1 million splendour of Opera North's new home in Leeds Grand Theatre. Over 6,000 people have visited the Grand Theatre since it opened in December 2008. 'It represents many years of hard work and dedication by all those involved,' says Richard Mantle, General Director of Opera North.

'The result is a stunning revived building that people from Leeds and further afield can be proud of and enjoy.'

In November 2008, thanks to £1.4 million of Arts Council funding, Mind The Gap completed the conversion of a textile mill in Bradford into a performing arts workspace for people with learning disabilities. It enabled the company to open an agency to represent learning disabled actors, and to fit all of their rehearsal, workshop and office spaces under one roof.



In the East Midlands, 2008 saw a rich variety of arts buildings open their doors. 'Up until now we haven't had the full range of buildings in the region,' says Fiona Mitchell-Innes, the Arts Council's Head of Communications for the region. 'All the new projects complement our existing spaces and now we're set up to ignite ambition in artists and audiences alike.'

New Art Exchange, dedicated to the work of Black and Asian visual and performing artists, opened its new £5 million facility in Nottingham in September 2008. In the same month, QUAD in Derby opened its £11 million centre. It provides a popular and ever-changing cinema programme, along with an exhibition space that combines a local focus with internationally significant artwork from the likes of Turner Prize nominees Jane and Louise Wilson.

In Leicester, Curve's first production, *Simply Cinderella*, was opened by the Queen in December 2008. Curve is one of three buildings anchoring the creation of Leicester's Cultural Quarter and received £14.7 million from the Arts Council. 'We're aiming to be recognised on an international level,' says Curve's Director Ruth Eastwood. 'Curve has been built with cutting-edge technology and there's no other theatre in Britain that can offer the same level of flexibility as we can.'

Level Centre in Rowsley, Derbyshire, features technology within the centre to link with the Level Mobile Studio, a studio space on wheels that allows users to see themselves and others interacting in real time. 'It's amazing,' says Peter Shelton of First Movement, the organisation behind Level Centre. 'The virtual space allows our users, who are primarily those with learning disabilities, to transcend any problems caused by

distance or logistics and collaborate with one another. There's been some really stunning work produced so far.'

Level's commitment to providing for disabled people is reflected throughout Arts Council-funded buildings. 'When it comes to providing access, we see ourselves at the forefront,' says Lynsey Rowe, Capital Officer at the Arts Council's national office. 'We meet the legal requirements and then go beyond that.'

A new building isn't the answer to every organisation's needs. 'We have to make a very careful assessment,' says Rowe. 'We don't want to impede an organisation's development and the stresses and the massive amount of work involved in a capital project can do that.'

Leeds Grand Theatre (Opera North)



New Art Exchange, Nottingham



Curve, Leicester



But for those who do fit the bill, the benefits of a purposely created space are immense. The Art House can offer accommodation alongside its studios; QUAD is dealing with the enviable problem of its shows selling out too quickly; and Mind The Gap have created *Boo*, a new theatre piece touring the

country throughout 2009. '*Boo* is a departure for us and we couldn't have produced work of that standard without being based here,' says Mind the Gap Administrative Director Julia Skelton. 'The space is inspiring for the whole company. We all love it, the artists, the technical staff, the administrative staff.'

We're connected with one another. We can bring people to us for workshops. And the building itself is beautiful, just beautiful.'

The Public

The Public, the ambitious and innovative Will Alsop designed arts centre in West Bromwich, opened in June 2008 after receiving £32.2 million in funding from our capital grants programme. Although the building was open for conferences and events, music and theatre usage, the interactive art gallery at the centre of the building was not complete.

In September 2008, we were made aware that unless we could provide an additional £500,000 investment, the board of Public Gallery Ltd would have to put the company into administration.

After lengthy consideration of a revised business plan and due to the fact that the interactive gallery was still not open in January 2009, a decision was reached that we could not support it. This decision was not reached lightly and in making it, we recognise the considerable efforts made by the team at The Public to realise their vision.

We are in discussions with Sandwell Metropolitan Borough Council, who own and operate the building, to offer up to £3 million to allow them to develop a revised integrated artistic and business plan and to bring the whole building fully into public use.

QUAD, Derby



Level Centre, Rowsley, Derbyshire



Mind the Gap studios, Bradford



Creative Partnerships

CREATING



THE

FUTURE

In 2002 we launched Creative Partnerships, the Government's flagship creative learning programme. Since then, it has worked intensively with more than 2,700 schools, with a further 10,000 involved. More than 915,000 young people have taken part in over 14,000 sessions.

Creative Partnerships brings creative professionals – such as artists, architects and multimedia developers – into schools across England to help raise young people's aspirations. They develop the skills young people need to perform well not only in exams and extra-curricular activities, but also in the workplace and wider society.

In April 2009, we demerged Creative Partnerships, and set up a new organisation, Creativity, Culture and Education (CCE) to run the programme. CCE will be our largest regularly funded organisation. It will invest more than £100 million to generate transformational cultural and creative programmes for children and young people across England between 2009 and 2011.

These include the Creative Partnerships programme, and Find Your Talent, a £25 million pilot that gives children and young people the chance to try out different cultural and creative activities. CCE also works with other organisations to develop exciting events such as Shine Week, an annual celebration of young people's talent.

We have a longstanding commitment to children and young people, and we have identified this group as one of the development priorities in our plan, *Great art for everyone 2008–11*. Our vision is for all young people to regularly engage with, enjoy, and participate in great art. 'If, working with others, we achieve this vision, then we will have contributed to the social, emotional and personal well-being of children and young people, helped build future audiences, and helped develop the future talent needed by the creative industries,' says Althea Efunshile, Arts Council Executive Director, Arts Planning and Investment.

'We're very proud of what Creative Partnerships has achieved,' says Arts Council Chief Executive Alan Davey. 'We have a strong track record of developing highly successful programmes and initiatives for children and young people, Creative Partnerships being an exemplar.'

'Having established, grown and managed this programme since 2002, it's appropriate, in line with our constant

Find Your Talent

Find Your Talent (www.findyourtalent.org) is the Government's pilot cultural offer for all children and young people. One of a number of programmes managed on behalf of the Arts Council by the new national organisation Creativity, Culture and Education, the Find Your Talent programme was launched in 2008 to ensure that all children and young people have access to the wide range of quality and sustained cultural experiences they deserve.

The programme aims to help children and young people discover new things, to express themselves, to develop a passion and to make the most of their talent – whether it is music, art, film, theatre, dance, digital media, exploring libraries, museums or heritage. Find Your Talent is being piloted in 10 pathfinder areas across England and offers regular involvement with arts and culture both in and outside of school.

Drama brings ethics of science to life

Using drama has shed new light on the curriculum for pupils at Creative Partnerships schools, and has changed theatre practitioner Gordon Poad's life too.

'Creative Partnerships has completely changed my practice: I'm now a theatre-in-learning consultant rather than an actor and I love it,' he says.

Gordon has been with Creative Partnerships since the start and has worked in many schools. His most recent project is with Thistley Hough High School in Stoke-on-Trent. Gordon is working with

the science staff to deliver the 21st century science curriculum, using drama and applied ethics to encourage the pupils to form their own opinions. They are working on a drama set in the near future where a woman is being tried in court for having a baby without the regulation genetic screening.

'The staff have been surprised by their own creativity and the pupils are looking at the important ethics of science in a way they can relate to,' says Gordon.

re-evaluation of the role of the Arts Council that, as a hugely successful direct delivery programme, this work should now be delivered by a new, fit-for-purpose organisation.'

Creating long-term experiences

Feedback from pupils, parents, schools and from the schools inspectors at Ofsted shows that Creative Partnerships projects have very positive results. For example, seven out of 10 secondary head teachers say Creative Partnerships improves pupil behaviour in their school.

According to Pauline Tambling, the Arts Council's former Executive Director, Development, who was involved in setting up the programme, it has succeeded because it offers long-term creative experiences for young people.

'One of the triumphs of Creative Partnerships is that in particular locations young people know they are getting on-going projects with some very fine creative practitioners – projects devised with the teachers, practitioners and students,' she says. 'These projects help develop skills such as team-working, problem solving and communications.'

Creative Partnerships benefits whole communities, she adds, by bringing artists back into areas that had not traditionally attracted arts funding.

Matthew Milburn, Head of Kingstone School in Barnsley, says Creative Partnerships has made a dramatic difference to his school, particularly in helping to train teachers. 'Artist educators came into school and worked alongside teachers to develop a more active approach to teaching and learning for children at Key Stage 3 – the first three years at secondary school. This has helped to strengthen relationships within the school.'

He adds that teachers are learning to present lessons in a way that meets the needs and interests of their pupils, and the children now see their teachers more as collaborators in learning. There have also been 'incalculable' benefits for the staff, he says, and the creative professionals also benefit; working with young people enriches their own creative practices.

Tibshelf Secondary School in Derbyshire has found Creative Partnerships 'fantastic' says Head Peter Crowe. Pupils are now part of a Creative Partnerships forum and are actively involved in planning Tibshelf's move to a new, bigger school.

'We have used the Creative Partnerships model as a vision for change,' says Peter Crowe. 'It's a superb initiative. The amount of money has been quite modest but the impact goes way beyond the investment.'

A year in the life of a new regularly funded organisation



BRINGING

TO THE
EVERYDAY
WORLD

Artichoke are best known for their fantastical large-scale productions such as *The Sultan's Elephant*. They specialise in taking art to the streets and during the last year they had a giant spider, *La Princesse*, invade Liverpool and linked London and New York with a mysterious Telectroscope.

At Artichoke we try to get people to view the world through new eyes, to recreate the wonder everyone has as a child. It's why we love putting on work outside, mounting extraordinary shows in an everyday landscape. It's great if people make a special effort to see our work, but it's just as good to appeal to the person who has just popped out for a sandwich and comes across an amazing spectacle. We believe in work that has the power to make you look at your surroundings afresh, in work that gives you back a sense of joy and discovery.

Along came a spider

We've been very busy in the past year. After producing *The Sultan's Elephant* in London in 2006, we were commissioned by Liverpool 08 to create something along the same lines for the Capital of Culture programme. Although the idea was to create a show on the same epic scale, everyone felt that Liverpool needed something with a bit more edge

to it, something less fluffy. We worked with the French group, La Machine, to devise a new show, specially for Liverpool, and the idea of the spider, *La Princesse*, was born. Despite torrential rain, the show was enormously popular, and people packed the Liverpool streets throughout the five-day show.

Earlier in the year we put on something completely different, *The Telectroscope*. This was a collaboration with the British artist Paul St George, to create an installation simultaneously on two continents. We invented a story that Paul had discovered a map made by his great-grandfather showing the location of a half-finished tunnel beneath the Atlantic, and plans for an optical device that would allow people to see through the tunnel from one side of the world to the other. Having 'completed' the tunnel, we installed a telectroscope at each end, and invited the public to use it. People loved the story, and queued to wave to friends and strangers on both

sides of the Atlantic, even though *The Telectroscope* was actually powered by a high-speed internet connection provided by our sponsor Tiscali!

Developing with the Arts Council

Becoming an Arts Council regularly funded organisation has allowed us to deliver several projects simultaneously, and really develop as a company. Our projects take a long time to bring to fruition, so we're constantly engaged in a balancing act, producing one project, whilst looking ahead to several others. The support of the Arts Council has allowed us to take on more staff, including a hugely experienced development director, Sarah Coop, who has been working tirelessly on our behalf. Sarah has been able to negotiate a sponsorship with Sky Arts, who will support all our projects for the next two years. In the current economic climate that's nothing short of amazing.

DEER

The first project we're working on together is Antony Gormley's *One & Other* project for the Fourth Plinth in Trafalgar Square, which we're delivering in partnership with Sky Arts.

Gormley's idea is to have people from all over Britain take to the plinth, in slots of one hour, for 100 days and nights end to end: a living monument to the UK as it is now. Sky Arts are making several programmes about the event, and are making it possible to stream the entire event to the web, 24 hours a day, for the entire 100 days. Obviously it's a challenging prospect, but for us, and for the 2,400 people who will be taking part, it's a chance to be a part of history – a chance we wouldn't have had without Arts Council funding.



Grants for the arts

Gathering musical inspiration from around the world

FROM TYNE TO TEXAS



Matt Stokes, winner of Beck's Futures in 2006, creates films, installations and events. Inspired by the subcultures people create, particularly those centred around music, Matt used an Arts Council Grants for the arts award to travel between his base in Gateshead, to Camden, London and Austin, Texas, using his experiences to create two very different artworks.

I work in the way I do because I found creating objects in a studio very isolating. I studied fine art at Newcastle University and after I left I stayed in the area and rented a studio with a friend. I was literally isolated – I had the only studio on that floor of the building. After about a year I made a very conscious decision to get rid of it; I couldn't see the worth in just making objects any more. I wanted to force myself to take a new direction, to change the way I worked. It was a difficult move, but a great decision. I was no longer tied to any particular place or method.

Now my work is mostly based around people. I love finding out about scenes or backgrounds I'm unfamiliar with. I start with a massive amount of research, but I'm not a documentary maker. I want to find out why people love the world they're part of, what the heart of the scene is. I usually don't know what final form the work will take, it could be a film, an event or an installation, but it



will be dictated by what I uncover in the research process.

Finding the punk heart of Texas

Throughout 2008 I was deeply involved in two residencies, which wouldn't have been possible without the grant from the Arts Council. I was invited to produce some work for The Art House, a gallery in Austin, Texas. They wanted something that related to the local area, but it was only possible for me to take two trips over there. A portion of the money I got from the Arts Council enabled me to make six visits, staying for two weeks at a time.

I began investigating the punk and hardcore scenes of the early 80s. There were so many amazing people with such a wealth of knowledge, people who could tell me exactly what had happened and how the musical culture changed them and changed their city. I spent a lot of time with Tim Kerr, formerly of Big Boys, an important hardcore band from

the Austin scene. He and his wife Beth were invaluable sources of information, great sounding boards. Tim also helped me with the music for the final piece, *These are the days*, which comprised of an audio track, two films showing at the same time and a collection of relevant artefacts I'd uncovered.

Folk in Camden and Gateshead

The other residency was at Camden's 176 Gallery in North London. I started working there in March of 2008 and finished a year later. Camden and Austin both have such strong musical histories, so it was great to do the two projects simultaneously – they fed off one another. I started looking at folk music because of the English Folk Dance and Song Society in Camden, but also because of the strong folk tradition in my home area, the north east of England. The idea was to create a brand new song in the folk tradition. I'd been looking at old documents and thinking I'd create a fictional composite

character from a variety of sources, but then I came across this letter in the Tyne and Wear Archives from a man called John Burdikin. He arrived in Newcastle in 1796 and carried on to live quite an adventurous life. He was writing to a friend, towards the end of his life when he'd become a fiddle maker, poor after an accident. The work I produced, *The Gainsborough Packet* [which was co-commissioned by BALTIC and displayed there in 2009], deals with everything he'd done over the years and was the most perfect source material.

I worked with John Boden, of the folk group Bellowhead, and Alistair Anderson of Folkworks in Gateshead. John provided the lyrics, Alistair the music and then we made a music video. The Grants for the arts money went towards paying the film crew. I'm so grateful to the Arts Council for seeing the fantastic potential of both pieces of work.

PERSONAL BESTS

Staff from across the organisation
choose their personal arts highlights
of 2008/09

Moragh Brooksbank Music

Salome – superbly sung by Erika Sunnegårdh – dances for the stepfather who desires her. Luscious harmonies, masterful leitmotif, and the orchestra echo every on-stage gesture. Salome orders the severed head of Jokanaan, to which she makes love passionately. Pleases her mother. Horrifies the Jews. Herod has her killed. Brutal. Disquieting. Disturbing.

Maria Tilbury Development

Laughter, surprise, joy and sunshine for old and young alike at The Bristol Do festival: amazing dance and acrobatic performances, and crazy horse racing and cups of tea from the ladies in red. A piece of Bristol full of life, away from the shopping centre.

Kirsten Dunne Visual arts

In Superflex's *Flooded McDonalds*, you're looking at a McDonalds restaurant complete with napkin dispensers, overhead plastic menus, deep-fryers and even a Ronald in the corner. Water seeps across the floor and the levels rise until the entire space is filled. It's a wonderful piece: seemingly simple, precisely crafted, equal parts tragedy and comedy.

Rachel Sutton Learning and education

On a warm June evening, Swanage amphitheatre was full of families eating ice-cream, pensioners with picnics, and curious teenagers. We were enchanted by the singing of the vast scratch choir drawn from across the region, with hundreds of people performing a specially commissioned gospel number led by the fabulous Black Voices.

Malcolm Warrington Resource development

At the opening of Coastival in Scarborough, the young family audience was transfixed by a stunning opening performance from Scarborough Symphony Orchestra. Starstruck children were thrilled, and parents struggled to believe the technical competence and professionalism of the children and young people in their delivery of Disney and *Oliver* dance medleys.

Laura Hayes External relations and development

Lenny Henry was my main focus in *Othello* at the Quarry Theatre. Out of character in a Shakespearean play, he took a while to warm up, but as the play developed and his character became wracked with jealousy, he was a terrifying Othello, his looming stage presence in stark contrast to the tiny Desdemona. A magical evening.

Diane Horton Communications

Away Days at Bradford Pictureville was part of the closing gala for the Bradford Film Festival, so members of the cast and crew were in the audience. I loved the film and thankfully it really wasn't about football at all. I can see the film had its faults, but the experience was like going to a party where you don't know anyone but still enjoy the atmosphere.

Jenny Killick Theatre

Now or Later was an intelligent, well-acted serious drama that was profoundly satisfying and one of the best examples of that kind of work that I've seen. As one of our regularly funded organisations it is good to see the Royal Court at the top of their game, offering new writers the very best to realise their work on stage.

Shuet-Kei Cheung Literature

Warhorse was a brilliant piece of work that made full use of the epic Olivier stage and encapsulated perfectly a vision of the rural idyll that was England before the first world war – just by using English folksong performed by an actor singing unaccompanied or on a squeezebox.

AnneMarie Neligan
Education and learning

At the Tower Hamlets launch of the Find Your Talent pilot, the mix of school children, parents, local authority staff and artists at the V&A Museum of Childhood was fantastic. My highlight was Afro-Reggae – their drumming boomed around the building and children displayed their unbelievable talent with confidence and charm.

Matthew Jarratt
Visual arts

Artist Alec Finlay fascinated a Brussels audience of EU policy makers, investors and serious wind energy specialists by connecting his ideas for poetry and poems on wind turbines to Constable paintings, windmills, the British pastoral landscape and how we could rethink controversial wind energy issues as sculpture.

Padma Rao
Diversity

The South Asian Arts and Music Festival brought some of the top artists from the Indian sub-continent to Newcastle and Gateshead. The place buzzed with Rajasthani folk songs, and bold footwork by Nrityarutya, but *Cypher* by Angika had me in awe. South Asian dance has made huge leaps and this was truly world class.

Alex MacDonald
Development

Frantic Assembly's *Stockholm* follows the perfect couple entwined in each other's love, ideal in every sense until an unhealthy mix of suspicion and obsession develops within the relationship. Bryony Lavery's tremendous script took the audience on a journey full of sexual tension, joy and unfaithful allegations. A tremendous production.

Claire Eddleston-Rose
Education and learning

The buzz at the Cultural Offer regional event at Haydock Park racecourse was electric! Young people, local authority officers and artists cherished the unique opportunity to share ideas and hear each other's experiences. They had to be hushed on more than one occasion at a truly enjoyable event that inspired us all.

Beth Noble
Performing arts

The *More glass than wall* oratorio performance at Buxton Festival saw 100 kids sing their hearts out. For me it was a highlight because of their commitment, which made me feel proud of our association with sinfonia VIVA.

David Storer
Communications

September's Derby Festé saw the opening of the QUAD arts centre, and brought Derby to life with a carnival atmosphere in the Market Place. Hundreds of people waited patiently for the arrival of large puppets featuring Derbyshire's historic characters, and highlights included *Transports Exceptionnels*, a mesmerising dance with a digger.

Dawn Giles
Visual arts and media

I first became involved with Danish artists N55's work when Wysing Arts Centre commissioned them to develop a long-term project working with local traveller communities. I'm not sure I ever believed that an actual walking house would be the result. When I visited Wysing the house was sat in a field and being lived in by one of the artists.

Tim Foxon
Music

Britten Sinfonia's outstanding performance with the Tunisian virtuoso Dhafer Youssef at the London Jazz Festival left me in a daze of exhilaration. The programme was a diverse mix of musical styles and cultural influences. Above it all rose Youssef's haunting voice, creating music of breathtaking, edge-of-the-seat intensity.

Rachel Willis-Griffin
Combined arts

Black Country Touring's *Corner Shop* made me cry! Held in a disused shopping precinct in West Bromwich, it weaved real stories of corner shops from Black Country oral histories into a site-specific piece of gripping and touching theatre. Their ability to 'reveal hidden stories' and to reflect them in a way that speaks to people is incredibly powerful.

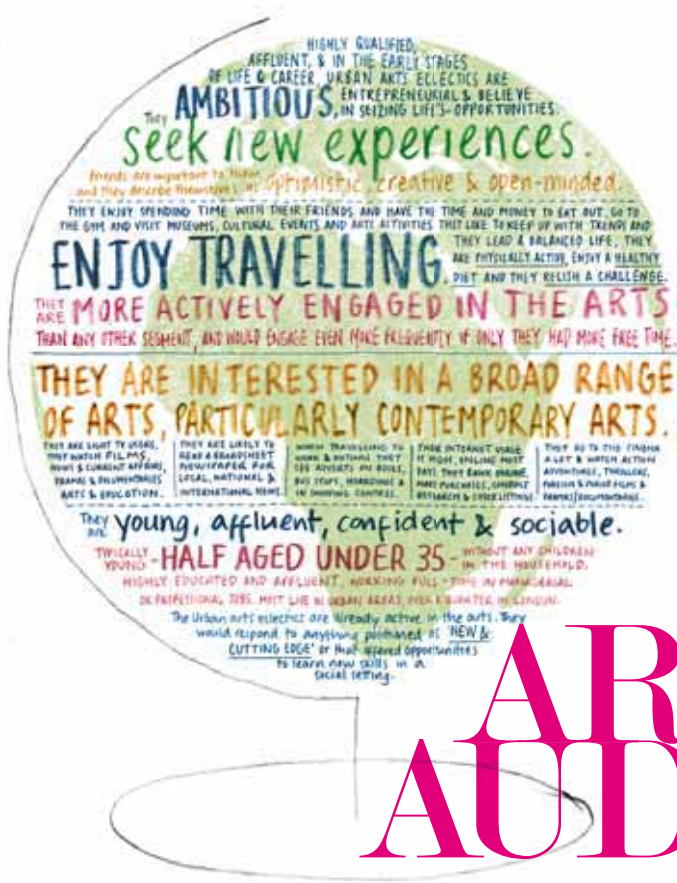
Jenny Roberts
Theatre

Oxford Playhouse's co-production of *Malora* with South African company Farber Foundry was memorable. South Africa's experience of apartheid reflected through the telling of the story of Klytemnestra and Elektra, who attempt to come to terms with their *own* violent past – epic in its commentary yet intimate in its observations. Electric!

Paul Goddard
Performing arts

In Kneehigh's *Brief Encounter* ... her train arrives ... The lights go down, a woman runs up the aisle, followed by a man. They freeze, look at each other in terror. His voice fills the theatre – 'I love you, and I know you love me'. She stares then turns away. The train leaves the station ... memories of impossible love.

Arts audience segmentation



NEW INSIGHT INTO ARTS AUDIENCES

In 2008 we developed an in-depth ‘segmentation’ that breaks down the English adult population in terms of their attendance at arts events, participation in arts activities and attitudes towards the arts.

The research builds on our previous work on arts audience research, providing further insight into why and how different kinds of people engage in the arts. It looks at arts engagement across a very broad spectrum of arts events and activities, from opera to knitting, carnivals to video art.

The data analysis was conducted by Enlightenment (part of the British Market Research Bureau) in four key stages:

- analysis of the patterns of arts engagement and attitudes towards the arts among English adults (aged 16 and over), based on data from Taking Part, a large-scale national survey of cultural participation (see www.artscouncil.org.uk/takingpart)
- identification of 13 arts consumer segments

- statistically-based fusion of Taking Part with Target Group Index (TGI) surveys
- use of Taking Part and TGI data to profile the 13 segments, providing information on socio-demographic characteristics, lifestyle habits, media profile and attitudes

The findings

The analysis identified 13 distinct consumer segments among English adults. Each of the segments brings together people with similar preferences and attitudes towards the arts. For example, the urban arts eclectics (see illustration above) are frequent attenders across a range of arts events and often also actively participate in arts activities, while occasional visits to carnivals or other family friendly events are typical of the family and community focused group (illustration right).

Further information on the 13 segments is available from our summary publication, *Arts audiences: insight*, published in August 2008, and online at www.artscouncil.org.uk/audienceinsight

Using the research

The segmentation can't tell you exactly who is and who isn't engaging with your work, but artists and arts organisations we have spoken to about this research so far have said that they might use it to:

- increase collective knowledge about how people in England engage with the arts – putting individual projects into context
- develop potential new strategies for increasing arts engagement and expanding audiences
- inform the marketing of existing arts opportunities

We are already using the research to inform our own projects and initiatives. One example of this is A Night Less Ordinary, our campaign to give away over 600,000 free theatre tickets to the under 26s, which launched in February 2009. Our arts audience segmentation helped us to define a core target group of young people for the campaign and provided us with insight into the most effective communication channels for telling them about it.

We are also using the segmentation research to inform the design and delivery of a national campaign, an ambitious programme of work to increase engagement in the arts that we will be launching in 2010/11.



Highlighted information

51	Reporting against our official commitments
51	Funding agreement targets 2008–11
52	Funding agreement targets 2005–08
55	Remuneration report (audited information)
55	The remuneration committee
56	Council members' remuneration
57	Executive directors' remuneration

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.

1 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. These indicators will be further developed over the course of 2008–11.

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:	2007/08	70.1% of regularly funded organisations in our portfolio were assessed as 'met strong' or 'met outstanding'

Source: 2006/07 and 2007/08 annual assessments of regularly funded organisations

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	2008/09	The data for 2008/09 will be available in summer 2009

Source: Taking Part survey 2007/08

Reach

An increase in the percentage of people (adults aged 16+) attending or participating 3+ times in the arts

Interim baseline:	2008/09	59.7%
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Source: Taking Part survey 2008/09 (data collection period April–Oct 2008)

As part of our work to further develop our indicators over the course of 2008–11 there is another planned indicator around reach, for which the baseline is not yet available:

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

Baseline	2008/09	Available autumn 2009
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Source: Taking Part child survey 2008/09

Engagement

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	2008/09	In 2008/09 8,306 awards were made – this is an 80% increase from the previous year, and reflects a growth spurt in participation in the award during its third year of operation

Source: Trinity Guildhall

As part of our work to further develop our indicators over the course of 2008–11 there are two other planned indicators around engagement, for which the baselines are not yet available:

Reporting against our official commitments

An increase in the percentage of people who feel that there are opportunities for them to get involved in the arts

Baseline	2008/09	Available summer 2009
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Source: Taking Part Year 4 dataset

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

Baseline	2008/09	Available summer 2009
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Source: Taking Part Year 4 dataset

Diversity

An increase in % 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	2007/08	57.1% of regularly funded organisations in our portfolio had diversity action plans or equality plans that were assessed as a strength
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Source: 2006/07 and 2007/08 annual assessments of regularly funded organisations

Work underway to develop new indicators

The Arts Council is working to develop a deeper understanding of our outcomes and indicators.

Until late 2009 we are undertaking a body of work to bring vision and focus as to how best we can work with artists and arts organisations to deliver great art for everyone. This will explore the future of the arts, the Arts Council's role in shaping it and the most effective contribution we can make to support excellent, innovative, engaging, far-reaching and diverse practice in all artforms.

In addition to this programme of policy development, within which we will be developing our thinking on outcomes and indicators, there are specific pieces of work underway to inform our view of innovation. Research is currently being undertaken, for example, on the digital presence of regularly funded organisations, which is helping to identify pioneering organisations and examples of innovation in the digital field. We are also piloting artistic assessment, which includes a review of how we assess innovation and what it means to

different artforms and arts organisations; artistic assessment will be implemented across all regularly funded organisations by next financial year. Also on assessment, we have developed a draft self-evaluation framework which will encourage our regularly funded organisations to examine their levels of, and ambition for, innovation and define indicators for their achievement of it. This will be tested with arts organisations later this year and introduced in 2010/11.

2 Funding agreement targets 2005–08

Final data on our 2005–08 funding agreement objectives was confirmed during 2008/09.

Objective 1

To increase the number of adults and young people aged 16 and above from priority groups, who participate in arts activity at least twice a year by 2% and increasing the number who attend arts events at least twice a year by 3% by 2008.

This target has been at the core of the Arts Council's support of Public Service Agreement (PSA) 3 target. The Arts Council was the lead body supporting DCMS to achieve the arts-based PSA3 target during the period 2005–08. The aim of the PSA3 target was, by 2008, to increase the take-up of cultural and sporting opportunities by adults and young people aged 16 and above from each of the priority groups. The priority groups were defined as those from black and minority ethnic groups, those with a limiting disability and those people in lower socioeconomic groups (using socioeconomic classes C2DE as a proxy¹).

PSA3 was measured using data from the Taking Part² survey. Figures from the third and final year of the assessment were published in December 2008. The baseline (our starting point) for the targets was set in December 2006, using 12 months of data, and we reported on progress towards these targets annually until December 2008.

1 A proxy is used as an alternative measure when there is an absence of direct measures.

2 Taking Part is a continuous national survey, commissioned by DCMS, working in partnership with four partners – Arts Council England, English Heritage, the Museums, Libraries and Archives Council and Sport England. Taking Part is produced in line with National Statistics protocols.

For this PSA target, arts participation activities were defined as:

- ballet
- other dance (not for fitness)
- singing to an audience or rehearse for a performance (not karaoke)
- playing a musical instrument to an audience or rehearse for a performance
- playing a musical instrument for your own pleasure
- writing music
- rehearsing or performing in play/drama
- rehearsing or performing in opera/operetta
- painting, drawing, printmaking or sculpture
- photography as an artistic activity (not family or holiday 'snaps')
- making films or videos as an artistic activity (not family or holidays)
- using a computer to create original artworks or animation
- textile crafts such as embroidery, crocheting or knitting
- wood crafts such as wood turning, carving or furniture making
- other crafts such as calligraphy, pottery or jewellery making
- writing any stories or plays
- writing any poetry

Arts attendance events were defined as:

- exhibition or collection of art, photography or sculpture
- event which includes video or electronic art
- culturally-specific festival (for example Mela, Baisakhi, Navratri)
- play/drama
- other theatre performance (for example musical, pantomime)
- opera/operetta
- classical music performance
- jazz performance
- other live music event
- ballet
- contemporary dance
- African people's dance or South Asian and Chinese dance
- other live dance events

The data presented in table 1 shows our final assessment of progress against the target by comparing the baselines collected during year 1 (2006) with the final estimates from year 3 (2008).

Table 1: Arts engagement targets 2005–08

Participation	Baseline %	Actual 06/07%	Actual 07/08%	Target %
Black and minority ethnic	21	20	20	23
Limiting disability	19	20	19	21
Lower socioeconomic	15	14	14.5	17
Attendance	Baseline %	Actual 06/07%	Actual 07/08%	Target %
Black and minority ethnic	24	23	27	27
Limiting disability	24	24	25	27
Lower socioeconomic	17	14	18	20

Participation

There was no statistically significant change in arts participation rates over the period covered by PSA3 within the target groups

Attendance

Throughout the PSA3 reporting period there was no statistically significant change in attendance levels, except for in 2007/08 when there was a statistically significant increase in Black and minority ethnic attendance, of 3.7 percentage points. Promoting diverse practice and engagement in the arts has been a priority for the Arts Council and initiatives such as decibel and our race equality scheme have made a significant impact.

We have been doing a lot of work to increase our understanding of audiences and engagement. *Arts audiences: insight* – the most comprehensive analysis to date of how art fits into people's lives – is just one example of that. During the period 2008–11 we will be applying that knowledge – leading a major public facing engagement campaign as well as continuing to evolve our strategies for diversity, internationalism and touring, to help get great art to everyone.

Reporting against our official commitments

Objective 2³

To increase attendance at formal education sessions by regularly funded organisations for the 4–19 age group by 2% year on year from 2,020,000 in 2004/05, to 2,060,000 in 2005/06; 2,100,000 in 2006/07 and 2,140,000 in 2007/08.

Target	2007/08	2,140,000
Actual:	2007/08	These figures form part of a dataset classified as Official Statistics which are not yet in the public domain. In order to adhere to the Official Statistics code of practice we are unable to release figures for formal education sessions prior to official release of the data.

To increase attendance at informal education sessions by regularly funded organisations for the 4–19 age group by 2% year on year from 530,000 in 2004/05, to 540,000 in 2005/06; 550,000 in 2006/07 and 570,000 in 2007/08.

Target	2007/08	570,000
Actual:	2007/08	These figures form part of a dataset classified as Official Statistics which are not yet in the public domain. In order to adhere to the Official Statistics code of practice we are unable to release figures for informal education sessions prior to official release of the data. However, in 2006/07 we exceeded the target set for 2007/08 with 1,250,768 informal education sessions by regularly funded organisations for the 4–19 age group.

Objective 3

At least 55% of the portfolio of regularly funded organisations to meet the criteria for 'met strong' or 'met outstanding' in terms of artistic quality as measured by the annual assessments.

70.1% of regularly funded organisations in our portfolio were assessed as 'strong' or 'outstanding' during the 2007/08 annual assessment of regularly funded organisations.

³ Formal education sessions relate to education work connected to the school curriculum. Informal education sessions relate to education work outside the school curriculum. Informal figures are based on sessions delivered by regularly funded organisations in receipt of more than £100,000 of regular funding from the Arts Council.

Remuneration report (audited information) 1 April 2008–31 March 2009

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, Alistair Spalding, Rosemary Squire, Dorothy Wilson, and Anil Ruia. 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 2008/09 (2007/08: £6,338). With the appointment of a new Chair, Dame Liz Forgan in February 2009, the Chair's remuneration was agreed at £40,000 per annum, with £6,667 being paid in 2008/09.

Executive directors' remuneration

The remuneration system for executive directors was established in 2003/4. There are two pay bands and jobs are allocated to a band depending on the scale of responsibilities for the role.

Salary progression through the bands is dependent on individuals' performance and non consolidated, one-off bonuses are also awarded to the highest performing executive directors each year, from a pot calculated at around 1.5% of the overall salary budget for this group of employees.

The Chief Executive makes proposals on salary progression and bonus awards for executive directors to the remuneration committee for approval. The Chair makes similar recommendations for the Chief Executive to the committee for approval.

Executive directors share the same employment rights as all permanent staff of the Arts Council, including procedures for contract termination and redundancy pay. In common with all senior graded staff there is a three month notice period.

The remuneration of our executive directors for the year ended 31 March 2009 was:

	Salary £000s	Pension £000s	Bonus** £000s	Total remuneration 2008/09 £000s	Total remuneration 2007/08 £000s
Alan Davey (Chief Executive) From January 2008	150	25	0	175	35
Nick Capaldi (South West)* Until September 2008	36	5	0	41	91
Chris Humphrey (South West)* From September 2008	38	6	0	44	0
Andy Carver (Yorkshire)	80	13	0	93	95
Laura Dyer (East Midlands)	87	22	0	109	108
Michael Eakin (North West)* Until October 2008	47	7	0	54	104
Aileen McEvoy (North West)* From October 2008	39	7	0	46	0
Althea Efunshile (Arts Planning and Investment)	124	29	0	153	152
Anupam Ganguli (Resources)* From September 2008	51	12	0	63	0
Elizabeth Bushell (Resources)* Until September 2008	37	9	0	46	23
Felicity Harvest (South East)	81	20	0	101	98
Sally Luton (West Midlands)	81	13	0	94	91
Andrew Nairne (Arts Strategy)* From September 2008	50	12	0	62	0
Mark Robinson (North East)	73	12	0	85	82
Moira Sinclair (London)	87	22	0	109	32
Andrea Stark (East)	90	22	0	112	109
Andrew Whyte (Advocacy and Communications)	109	27	0	136	130

Nick Capaldi left the organisation in September 2008, with Chris Humphrey taking up the role of Interim Executive Director, South West. Michael Eakin left the organisation in October 2008, with Aileen McEvoy taking up the role of Interim Executive Director, North West. Anupam Ganguli joined the organisation in September 2008 to take on the role of Executive Director, Resources which Elizabeth Bushell had been covering in the interim. Andrew Nairne joined the organisation in September 2008 to take on the role of Executive Director, Arts Strategy.

* Part year figures

** Arts Council England's remuneration committee agreed that executive directors and the Chief Executive would forgo individual performance bonuses for 2008/09 in the light of the current economic circumstances. In taking this decision, the remuneration committee acknowledged the high level of performance from the Chief Executive and the Executive Board in delivering the Arts Council's mission, efficiency savings and organisational transformation.

Remuneration report (audited information) 1 April 2008–31 March 2009

Details of the pension entitlements for our executive directors for the year ended 31 March 2009 were:

	Accrued pension at 31 March 2009 £000s	Pension increase in the year (net of inflation) 2008/09 £000s	Cash equivalent transfer value at 31 March 2009 £000s	Increase in cash equivalent transfer value (net of inflation) 2008/09 £000s	Cash equivalent transfer value at 31 March 2008 £000s
Alan Davey (Chief Executive)	9	8	23	20	3
Nick Capaldi (South West)*	20	0	332	3	326
Chris Humphrey (South West)*	18	8	334	76	254
Andy Carver (Yorkshire)*	17	1	344	25	313
Laura Dyer (East Midlands)	90	14	199	20	179
Michael Eakin (North West)*	32	0	615	17	594
Aileen McEvoy (North West)*	28	4	578	72	500
Althea Efunshile (Arts Planning and Investment)	12	6	36	17	19
Anupam Ganguli (Resources)	2	2	5	5	n/a
Felicity Harvest (South East)	72	8	274	6	269
Sally Luton (West Midlands)*	30	0	671	31	634
Andrew Nairne (Arts Strategy)	2	2	7	7	n/a
Mark Robinson (North East)*	9	1	139	9	125
Moira Sinclair (London)	16	5	37	10	28
Andrea Stark (East)	74	18	185	35	151
Andrew Whyte (Advocacy and Communications)	16	6	44	15	29

* The calculation factors for the West Yorkshire Pension Fund changed in October 2008, therefore last year's figures have been restated

Alan Davey
Chief Executive
9 July 2009

Dame Liz Forgan
Chair
9 July 2009

Grant-in-aid accounts

59	Trustees' report and management commentary
75	Statement on internal control
78	The Certificate of the Comptroller and Auditor General to the Trustees of Arts Council England
80	Statement of financial activities
81	Balance sheet
82	Cash flow statement
83	Notes to the grant-in-aid accounts

Arts Council England grant-in-aid accounts 1 April 2008–31 March 2009

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 principal 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. The charter sets out the new composition of the Council, which includes the chairs of the regional councils. A number of amendments were made to the charter in 2008, which granted the Mayor of London the power of appointment for the Chair of the London Regional Arts Council and the remuneration of future chairs of the Council.

The Arts Council 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. We prepare our accounts for grant-in-aid and Lottery separately to comply with accounts directions issued by the Secretary of State.

Structure

Arts Council England has nine regional offices, matching the government's regional boundaries, and a national office. Each region has a Council and the 17-strong national Council (details on pages 60 to 62) includes the chair of each of the regional councils.

Trustees' report and management commentary

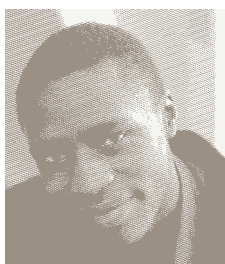
National Council

Council members are responsible for ensuring the achievement of Arts Council England's objectives, which are to develop and improve the knowledge, understanding and practice of the arts, and to increase the accessibility of the arts to the public. They do this by deciding on policy and priorities, and retain overall responsibility for the investment strategy of Arts Council England.

Our Council members are the trustees of Arts Council England. The national Council consists of 17 members, nine of whom also chair one of the regional councils as shown below.



1



2



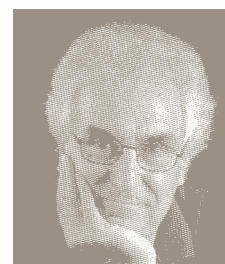
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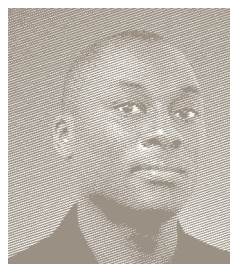
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16



17

	Member	National Council appointment	Renewal	End of appointment	Regional chair	Committee memberships
	Sir Christopher Frayling (Chair)	2 February 2004	2 February 2008	31 January 2009		
1	Dame Liz Forgan (Chair)	1 February 2009		31 January 2013		
2	Diran Adebayo	20 October 2004	19 October 2008	18 October 2011		
3	Janet Barnes	1 February 2005	31 January 2009	1 February 2013	Yorkshire	
	Tom Bloxham MBE	1 June 2002	31 May 2006	23 November 2008	North West	
	Professor Andrew Brewerton	6 August 2007		28 February 2009	South West	
4	Kentaké Chinyelu-Hope	1 October 2005		30 September 2009	South East	
5	Sir Chris Clarke	1 March 2009		1 October 2009	South West	
6	Professor Jon Cook	8 September 2008		7 September 2012	East	
7	Ekow Eshun	26 January 2009		25 January 2013		
8	Keith Khan	1 May 2006		30 September 2010		
	Sir Brian McMaster CBE	1 June 2002	31 May 2004	31 May 2008		Audit committee
9	François Matarasso	1 October 2005	30 September 2009	30 September 2013	East Midlands	
10	Elsie Owusu OBE	1 June 2002	31 May 2004	31 May 2009		Audit committee
11	Alice Rawsthorn	27 February 2007		31 January 2011		
12	Anil Ruia	24 November 2008		23 November 2012	North West	
13	Dr Tom Shakespeare	1 October 2004	30 September 2008	1 October 2012	North East	
14	Alistair Spalding	26 January 2009		25 January 2013		
15	Rosemary Squire	26 January 2009		25 January 2013		
	Professor Stuart Timperley	1 June 2002	31 May 2004	31 May 2008	East	Audit committee
16	Dorothy Wilson	1 June 2002	31 May 2005 31 May 2009	1 December 2009	West Midlands	Audit committee
17	Lady Sue Woodford Hollick	1 June 2002	31 May 2006 31 May 2008	30 September 2009	London	

Trustees' report and management commentary

Members of our National Council are appointed by the Secretary of State for Culture, Media and Sport, apart from the national member for London, who is appointed by the Mayor of London.

Stuart Timperley's term as the national member for the East ended in May 2008 and in September 2008 Jon Cook was appointed to fill the vacancy. Tom Bloxham MBE retired from his position as national member for the North West in November 2008 and was replaced by Anil Ruia. In October 2008, national Council amended its regulations to add two additional members, bringing the total number of members to 17. Two additional members were appointed in January 2009, along with a third member to replace Sir Brian McMaster CBE, whose term of appointment ended in May 2008.

These three new members are Alistair Spalding, Ekow Eshun and Rosemary Squire. Sir Christopher Frayling completed his term as Chair of Arts Council England in January 2009 and was succeeded by Dame Liz Forgan.

In February 2009, Professor Andrew Brewerton stepped down from his role as national member for the South West. His interim replacement is a member of the South West Regional Arts Council, Sir Chris Clarke.

Council members are usually appointed for four years, and may be reappointed for a further term of four years. Council meets approximately six times during the year.

The Council has appointed an audit committee, with Dorothy Wilson as Chair. Sir Brian McMaster CBE, Stuart Timperley, and Elsie Owusu OBE served as members of the committee during the year, with David Brierley and Gill Laver as co-opted members. In May 2009, Anil Ruia, Alistair Spalding and Rosemary Squire were appointed to serve on audit committee for the duration of their tenure on national Council. The committee is responsible for overseeing the internal and external audit process, monitoring the codes of practice for Council members and staff, and overseeing the risk register. The committee operates within written terms of reference, and met four times during the year.

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.

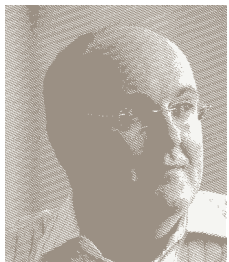
All newly appointed trustees of the Council have an induction process. This includes meeting with the Chief Executive and the Chair to discuss the role of the members and functions of Arts Council England, and a range of meetings with staff about the policies, strategies and activities of the Arts Council.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

The Council undertakes regular debates and facilitated group sessions, ranging from half a day to a day, outside of their business meetings, at least twice a year. These give opportunities for considering a range of issues that are important to the work of the Council outside the formal meeting setting.

National Council members are assessed individually every two years by the national Chair. In 2009, collective performance assessments will commence.

Executive Board

The Executive Board is Arts Council England’s strategic and executive decision-making body and comprises the Chief Executive and all national and regional executive directors. It provides the executive link between the national and regional offices. It is responsible for developing the long-term strategy for the Arts Council and for ensuring delivery of the Arts Council plan.



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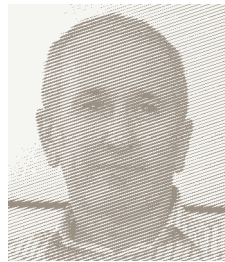
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Trustees' report and management commentary

	Member	Job title	Region
1	Alan Davey	Chief Executive	National Office
2	Andrea Stark	Executive Director	East
3	Laura Dyer	Executive Director	East Midlands
4	Moira Sinclair	Executive Director	London
5	Mark Robinson	Executive Director	North East
	Michael Eakin	Executive Director until October 2008	North West
6	Aileen McEvoy	Interim Executive Director from October 2008	North West
7	Felicity Harvest	Executive Director	South East
	Nick Capaldi	Executive Director until September 2008	South West
8	Chris Humphrey	Interim Executive Director from September 2008	South West
9	Sally Luton	Executive Director	West Midlands
10	Andy Carver	Executive Director	Yorkshire
	Elizabeth Bushell	Interim Executive Director, Resources until September 2008	National Office
11	Anupam Ganguli	Executive Director, Resources from September 2008	National Office
12	Althea Efunshile	Executive Director, Arts Planning and Investment	National Office
13	Andrew Whyte	Executive Director, Advocacy and Communications	National Office
14	Andrew Nairne	Executive Director, Arts Strategy from September 2008	National Office

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 is invited to consider and approve 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 Executive Board held 11 formal business meetings in the year.

The Council has approved the further delegation of powers to a Management Committee as a sub-committee of the Executive Board. Management Committee is responsible for overseeing the workload and programme of national office, operational issues delegated by Executive Board, monitoring organisation wide financial performance and management issues, taking an overview of HR issues, the overview of risk management, and monitoring the managed funds budget and contingency. Management Committee comprises two national executive directors, three non-London regional executive directors and the London regional Executive Director.

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. He is responsible to the Council for those matters. The Council has agreed and issued guidelines to the Chief Executive.

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 2008/09, 79% of undisputed grant-in-aid invoices were paid within 30 days (2007/08: 77%).

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

Hewitt Bacon & Woodrow Limited
6 More London Place
London
SE1 2DA

Solicitors:

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

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.

Grant-in-aid funding for these two schemes (2008/09: £1,100,000) goes directly to Artco Trading Limited from DCMS. As at 31 March 2008, there are four Arts Council employees on the Artco Trading Limited board.

Trustees' report and management commentary

Responsibility towards the environment and sustainable development

Building on previous work and investments, we have supported initiatives and tools that will help the arts, and Arts Council England itself, move to a lower carbon economy. We have also developed initiatives that demonstrate the value of artists' creative insights in innovative ways.

English arts organisations are at the leading edge of creative change and Arts Council England is supporting that.

We fund a wide range of innovative artistic engagements with ecological issues, from RSA's Arts and Ecology programme and Cape Farewell's exploration of change in the high arctic, to Arcola, aiming to become the world's first carbon neutral theatre. As well as such relevant artistic engagements, we are supporting practical steps towards more sustainable practices.

We are working with the Carbon Trust and leading change organisation Julie's Bicycle, to improve our knowledge of the energy footprint of the arts in England and have developed tools to help reduce that energy use. We amended our conditions for grants for all regularly funded organisations, which obliges them to use best practice to manage their organisation's energy use. We also offer free use of a web-based toolkit that supports such best practice. The toolkit at artsenergy.org.uk helps arts organisations identify technical and behavioural improvements, the associated cost and energy savings and to build an action plan to implement change.

Concerning our own business process, we have extended staff training to all Arts Council staff, helping us improve energy efficiency throughout our estate. Furthermore we are reviewing our travel processes to improve reporting and efficiency. Other initiatives include:

- introducing display energy certificates to show the actual energy usage and the operational rating of buildings in compliance with regulations. These certificates help the public see the energy efficiency of a building
- setting up workplace groups to champion sustainable practices at each office and have identified a number of carbon reduction measures which have been incorporated into an action plan for each office
- installing multifunction devices to replace printers and copiers in an effort to reduce the amount of equipment used and printed material produced
- looking at new ways of working to reduce our carbon footprint, including use of video conference equipment as a replacement for travel and accommodation. All offices will have video conference capability by the end of May 2009
- complying with property benchmarking, which measures building performance in the context of both public and private benchmark averages and standards

We incorporate sustainable development into all new property acquisitions. The new building located in Manchester will be built to the highest standards, incorporating best practice for sustainable development to Breeam accreditation.

Championing diversity

Championing diversity is one of our core ambitions. We want to create an environment where the arts reflect the full range and diversity of contemporary English society. The diversity team in the national office leads this work, with all regions and departments making this work a success. Key areas of work include:

- **race equality scheme** – this was implemented with a three-year action plan to ensure race equality was acted on internally and externally through our regularly funded organisations. We provided workshops, seminars and other support materials to our clients to help them devise their own race equality or diversity action plans. With the first race equality scheme action plan having been completed, work is now in progress to produce its successor for the period 2008–11. Our second race equality scheme will focus on taking strategic leadership and development of Black and minority ethnic artists and organisations. It will be informed by the evaluation of our first race equality scheme and by consultation with Black and minority ethnic artists throughout the country
- **disability equality scheme** – our disability equality scheme and action plan sets out our vision for disability equality in the arts. It seeks to change the way we approach disability equality, both internally and externally, as well as asking our clients and the arts industries that we fund to do the same. The disability equality scheme has spearheaded Arts Council's approach to equality impact assessment, ensuring that equality considerations are built into the development of all our policies, practices and procedures. Since undertaking the disability equality scheme, we have increased our performance in the Employers Forum on Disability's Disability Standard Survey by over 50 percent. Through the Disability equality scheme action plan 2007–2010 we will provide our clients with support and guidance to help them develop their own disability equality action plans to ensure that the barriers, which prevent access and participation to the arts are removed. Additionally we will ensure that disability arts and Deaf arts are supported through the production of a Deaf arts strategy and a disability arts strategy
- **gender equality scheme** – our gender equality scheme sets out our gender equality objectives, our vision for gender equality in the arts and the actions which we need to undertake to make that vision a reality. Our gender equality scheme is the third equality scheme that we have produced. In this respect it has benefited

from the learning from the race equality scheme and disability equality scheme, and should be seen as part of our overall commitment to diversity and equality. Our vision for gender equality within the organisation is for it to be driven by transformative and live work, which will act as a lever for change within our organisation and in the arts sector. Although the current legislation sets out a direction of travel, our ambition is to use the legislation as a platform from which to go beyond compliance into best practice through engagement, innovation and excellence. We will do this by developing a collaborative approach with our stakeholders, artists, arts organisations and other relevant contributors, working as equal partners, sharing and reinforcing best practice.

The vision for the programme of work developed and delivered through the gender equality scheme will draw on our priorities and commitments, as set out in the Arts Council plan, *Great art for everyone 2008–2011*, and various legislative drivers of the Gender Equality Duties. As gender equality work is inclusive it will support the delivery of our key mission – great art for everyone.

The scheme also allows for a broader consideration of all equality strands, which impacts upon everyone. Individuals are multifaceted, and at any one time may experience discrimination based on the different aspects of who they are. By looking beneath the surface of gender and further disaggregating along the other equality strands, it provides us with the opportunity to start considering some of these cross cutting and rather complex themes in more detail, ensuring that gender equality within the organisation is truly meaningful.

— **a model for diversity** – our diversity agenda has been evolving over time in response to social changes and changes in contemporary discrimination. There is increasing evidence of widening inequality in life chances and opportunities related to social background, economic status and educational experience. Our definition of diversity encompasses responding to issues around race, ethnicity, faith, disability, age, gender, sexuality, class and economic disadvantage and any social and institutional barriers which prevent people from participating in and enjoying the arts. We are turning our focus from remedying past imbalances towards celebrating diversity positively, with all the artistic and creative opportunities it offers. In recognition of our approach to recruiting and managing disabled staff, we have been awarded the ‘Two Ticks’ symbol by Jobcentre Plus. We also have improved our performance in the annual Employers’ Forum on Disability standard benchmark survey in recent years

Transforming our support services

In 2008/09, a major review of the organisation’s professional support services in finance, information technology, human resources, facilities management, public enquiries and grant applications initial processing was implemented.

The aims of this transformation programme were to establish a new configuration of these functions to deliver high quality, value for money services at strategic, policy and operational levels for the Arts Council, in line with the Government’s efficiency agenda.

A national support centre for the operational and transactional aspects of these functions has been successful in Manchester, where around 60 staff are now based. In addition, HR partners are now working with staff across the organisation to provide people solutions to business issues. Expertise in systems, policy and the development of new initiatives, as well as the strategic leadership of all of these functions remain based at our national office.

Transformation of our support services will generate significant efficiency improvement and cost savings over the next few years.

Approach to human resources

Development work is now underway for a wider review of the organisation’s structure. This is in response to the Government’s requirement to find further efficiency savings and the need to refresh staff roles and structures to enable our people to fulfil Arts Council England’s mission and three year plan. This will inevitably lead to job losses, but the organisation’s leadership are committed to ensuring that a more fit for purpose, value for money structure is introduced by April 2010.

Our first ever three year people strategy was launched in 2008. It has four pillars: confidence of purpose, effective national leadership, high performing managers and talent attraction, development and retention. The new HR service, working in partnership with senior leaders and people managers, are leading the implementation of the strategy to enhance the organisation’s capability to achieve its mission and objectives through its people. This will include renewing our Investor in People status during 2009/10.

Internally, there are arrangements to promote effective communication and consultation with staff. Executive Board, Management Committee and Council decisions are disseminated through a system of team briefing meetings, our intranet and regularly emailed updates, supplemented from time to time by organisation-wide, region-wide and departmental meetings.

Trustees' report and management commentary

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 in each of the 10 workplaces.

We actively engage with Black, Asian and 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. Currently, 15 per cent of staff classify themselves as Black, Asian or minority ethnic, four per cent classify themselves as lesbian, gay or bisexual and three per cent classify themselves as disabled.

For example, consultation has taken place with all these staff representative groups on the equality impact assessment process for our employment policies.

During the organisation review process, there will be a formal internal consultation period for staff to feed in their views on the proposed structure. In addition, it has been agreed that instead of a bi-annual staff survey, last conducted in 2007, regular 'pulse' surveys will be issued to sample groups of staff to gauge levels of employee engagement and obtain an insight into staff opinion.

A new corporate health and safety policy has been implemented across all Arts Council England offices in 2008/09.

The average number of days per employee lost through sickness in 2008/09 was 2.0 (2007/08: 2.4).

Objectives and activities for the public benefit

The Royal Charter sets out the Arts Council's objectives:

- to develop and improve the knowledge, understanding and practice of the arts
- to increase accessibility of the arts to the public in England
- to advise and cooperate with government, local authorities, the Arts Councils for Scotland, Wales and Northern Ireland and other bodies on any matters related to the objects

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 will invest 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. We embarked on the arts debate for three primary reasons:

- a desire to widen and deepen public engagement with the arts
- a need for a framework to understand and measure value
- a drive to become more open

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. People mainly see the arts as valuable in:

- building people's capacity for understanding the world around them
- enriching people's experience of life and offering an important emotional connection
- creating links between different communities – one example of many wider benefits

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

We have four development priority areas over the 2008–11 period:

Digital opportunity

Through digital media technologies we can now connect with audiences in new ways, bringing them into a closer relationship with the arts and creating new ways for them to take part. Responding to this change will lead to the development of new business models, new networks and new forms of creativity.

Visual arts

Turning Point is our ten-year strategy, launched in 2006, for strengthening the contemporary visual arts. It aims to increase the activity, reach and engagement of the visual arts and to secure a national network of venues and development agencies providing high-quality visual art programmes.

Children and young people

We want all children and young people in England to experience high quality arts – as participants and audience members, and practitioners. This will lead to a lifelong engagement with the arts and support the development of talent to creative industries.

London 2012

We believe the London 2012 Olympic and Paralympic Games offer an unprecedented opportunity to reinforce the UK's reputation as a world leader in culture and create new cultural opportunities around the country.

Delivery and partnerships

The three 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 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.

Regular funding for organisations

We regularly fund around 880 arts organisations on a three-year basis, investing £350 million per annum by 2010/11. Our support helps bring high quality work to a wide range of people – as both audience and participants.

Managed 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. Any private benefit is purely incidental to our work.

Trustees' report and 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).

DCMS provided grant-in-aid of £438 million for the year (2007/08: £424 million). In addition we received £9 million of grants and donations for specific strategic projects from a number of other organisations detailed in note 3 of these accounts.

During the year we awarded grants to our regularly funded arts organisations of £333 million, and made a £2.5 million capital grant matching a capital allocation provided within the DCMS settlement above. In addition, we spent £83 million directly on strategic initiatives including our Creative Partnerships programme.

The statement of financial activities funded from grant-in-aid shows net incoming resources for the year of £2 million on unrestricted funds after exceptional items. This surplus has allowed the Arts Council to cover cash requirements for restricted funds showing a £2 million deficit representing a need to cover slippage on prior year initiatives.

At 31 March 2009, Arts Council England had unrestricted reserves of £17 million. Our policy on reserves is 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. Our use of reserves, however, is restricted by the Government's end-of-year flexibility regulations, which mean in particular that we are not currently allowed to use our historic reserves brought forward from 2001/02 of £9 million.

In December 2007, DCMS announced that our funding for the financial years 2008/09, 2009/10 and 2010/11 would be £430.9 million, £445 million and £468.5 million respectively. These figures include an undesignated capital allocation of £2 million in 2008/09, £1.5 million in 2009/10 and 2010/11, £3 million in 2009/10 and 2010/11 earmarked for pilot projects for Find Your Talent and £0.5 million in each of the three years for the Taking Part survey and other strategic research.

Full details in relation to financial instruments are given in note 26 to the grant-in-aid accounts.

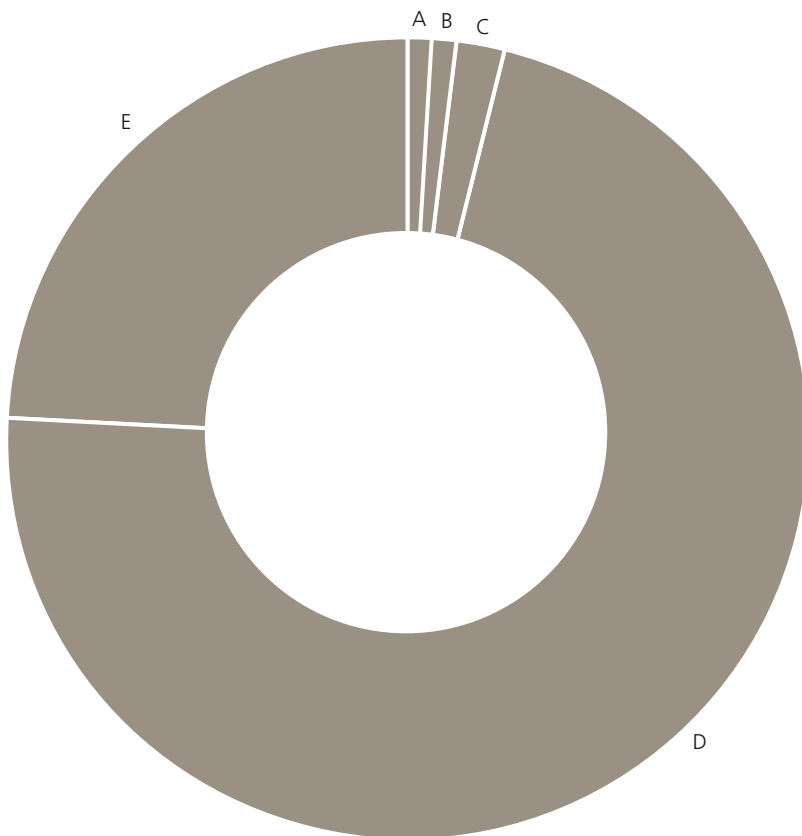
Fees paid to the National Audit Office (NAO) for grant-in-aid audit services during 2008/09 were £75,000 (2007/08; £65,000). So far as the Chief Executive is aware there is no relevant audit information of which the NAO is unaware.

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 2008/09 and 2007/08 financial years.

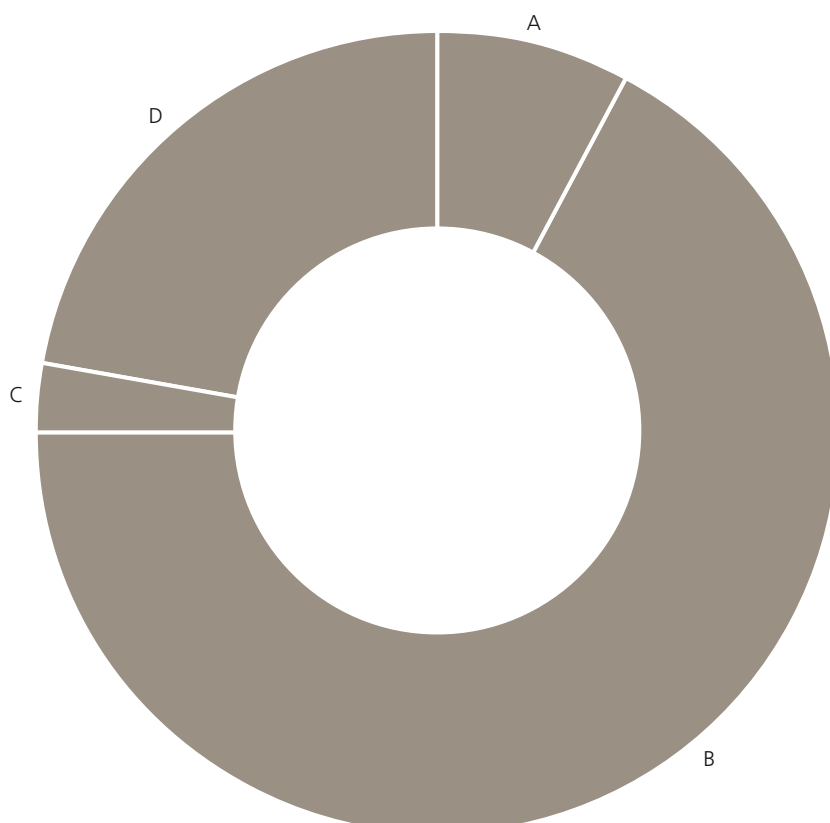
	2008/09 £000s	2007/08 £000s
Income		
Grant-in-aid income	437,631	423,601
Share of the National Lottery Distribution Fund	145,279	139,845
Contribution to Olympic Delivery Fund	(7,569)	0
Investment returns on the Distribution Fund	7,279	11,614
Other income	11,543	13,898
Total income	594,163	588,958
Expenditure		
Net grant-in-aid grant commitments	392,218	377,113
Other grant-in-aid arts expenditure	20,162	26,755
Net Lottery grant commitments	106,638	76,935
Operating costs	29,250	48,989
Total expenditure	568,267	529,792
Exceptional items		
Cost of fundamental reorganisation	4,833	1,143
Net (outgoing)/incoming resources	21,063	58,023
Profit on revaluation of fixed assets	1,034	21,483
Net movement in funds	22,097	79,506
Consolidated reserves brought forward	95,760	16,254
Consolidated reserves carried forward	117,857	95,760

Trustees' report and management commentary



Income

- A Contribution to Olympic Delivery Fund 1%
- B Investment returns on the Distribution Fund 1%
- C Other income 2%
- D Grant-in-aid income 72%
- E Share of the National Lottery Distribution fund 24%



Expenditure

- A Operating costs 9%
- B Net grant-in-aid grant commitments 68%
- C Other grant-in-aid arts expenditure 4%
- D Net Lottery grant commitments 19%

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 increasing net grant commitments compared with the figures in the Lottery distribution accounts by £9 million in 2008/09 (2007/08: decrease of £14 million). Operating costs have reduced by £0.9 million in the year.

In response to the outcome of the 2004 Spending Review, the Arts Council agreed with DCMS that we would cap our core administration costs in 2006/07 and 2007/08 at the 2005/06 level. This was achieved in 2007/08, and the trend in containing administration costs has continued in 2008/09 as the table below shows.

	2008/09 £000s	2007/08 £000s	2006/07 £000s	2005/06 £000s
Total operating costs per summary above	49,249	48,989	51,670	54,121
Less one-off development costs (Arena IT system)	0	0	(1,943)	(4,364)
Adjusted on-going operating costs	49,249	48,989	49,727	49,757

The current agreement with the DCMS following the 2007 spending review, ties the Arts Council into a year on year 5% saving of administrative costs over the spending period to 2011. This amounts to a £6.5 million savings target which, following announcements to staff in February 2009, we intend to deliver in full from 1 April 2010 through our organisation review.

Trustees' report and management commentary

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, and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum, issued by HM Treasury.

Alan Davey
Chief Executive
9 July 2009

Dame Liz Forgan
Chair
9 July 2009

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

Statement on internal control

1. Scope of responsibility

As accounting officer and representative of the trustees, we are jointly responsible 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 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 2009 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

3. 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 the department 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 my review of the effectiveness of the system of internal control by the national Council, the audit committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

4. The risk and control framework

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

4.1 Role of accounting officer

The Department of 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.

4.2 Governance

National Council, which meets six times a year, considers the strategic direction of Arts Council England. 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 national office executive directors

Arts Council England's audit committee meets four times a year. Its terms of reference requires the committee to approve the internal audit work programme, endorse the risk register, and scrutinise the outcome of reports by internal and external auditors. The committee has two external members. The Chair of the committee reports to the national Council on matters discussed by the committee.

The remuneration committee provides oversight and approval of remuneration and performance of executive directors.

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.

4.3 Risk

During 2008/09, Arts Council England continued to manage risk at the strategic, operational, and individual project levels.

Capacity to handle risk

The Arts Council undertakes a quarterly review and reporting of its risk register to management committee. The register captures risks identified across the organisation and categorises them under strategic, financial, external, reputational, human resources or compliance risks. 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 against 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 audit committee every six months and is formally reported to the national Council in the annual audit committee report. National Council also receives a regular report covering key risks in relation to funded organisations.

Statement on internal 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. The organisation has been aligning risk assessment with the corporate planning process since 2007/08.

During 2008/09 we revised and updated our policies and procedures, including a review of our risk appetite which will be finalised during 2009/10. We also rolled out a series of risk workshops across the organisation. Risk assessment workshops enable us to identify changes in risk our risk profile.

4.3.1 Strategic risks

A strategic risk workshop was held in October 2008 which was attended by a cross-section of executive directors and directors. The strategic risks identified at that workshop, which relate to the recession, the organisation review, and our IT infrastructure, have since been monitored and discussed at Executive Board level, and form part of our quarterly risk reporting process back to management committee.

4.3.2 Operational risks

The wider operational risk register has also been reviewed periodically during the year to ensure that it is up-to-date and relevant. A 'traffic light' system has been introduced to categorise risks:

- **red risks** are those which have been identified as high level and are in addition to the strategic risks specifically identified at the workshop. These are mostly current and are considered likely to have a high impact. Some examples are: consistency of planning and decision making processes, the Arts Council plan outcomes around engagement, and our ability to report on our impact to make an effective case at the next spending review
- **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. Some examples would be internal and external communications, training and skills development of staff, and relationship with partners and stakeholders, including consultation processes
- **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. Some good examples are: grant funding, enquiries, legal services, and health and safety

4.3.3 Programme and project risks

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. 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.

4.3.4 Grant funding risks

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.

4.4 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 approved by me and endorsed by the audit committee.

The internal auditors attend all audit committee meetings and 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 audit committee reviews and discusses the progress report and the annual assurance report.

The internal and external auditors meet with the audit committee annually with no officers present.

For 2008/09 internal audit reported that they are satisfied that sufficient internal audit work has been undertaken to allow them to provide a conclusion of 'moderate assurance' on the design, adequacy and effectiveness of the system of internal control. They arrived at this conclusion having reviewed the following processes: budgeting and management accounts, Grants for the arts, Creative Partnerships, key financial systems and information governance. Where weaknesses have been

identified during the course of internal audit's work, these are reported to the audit committee and an action plan agreed with management to implement the recommendations agreed as part of this process. In the 2008/09 a specific risk was highlighted during the review of information governance arrangements, relating to the safeguarding of assets. Management are currently taking steps to ensure this control risk is addressed as a priority in early 2009/10.

During the year, Arts Council England tendered for internal audit services in order to comply with best practice relating to rotation of service providers. Deloitte were successful in winning the contract and have taken over from Price Waterhouse Coopers with effect from 1 April 2009.

4.5 Policies

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.

4.6 Performance management

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

Quarterly management accounts are reviewed by Arts Council England's management committee. The audit committee receives Arts Council England's management accounts and monitors progress against financial targets. Summary management accounts are also being presented to and reviewed by national Council from April 2009.

4.7 Communications

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 emails from the Chief Executive, 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.

4.8 Data security

Arts Council England has controls and policies in place to ensure data integrity and these are being developed further in 2009/10. IT systems ensure that the physical security of data is tightly controlled. As far as we are aware, no loss of data occurred during the period under review.

5 Conclusion

The control framework as described above has operated throughout the year and no significant control weaknesses have been identified with the exception of the specific risk highlighted by internal audit in relation to the safeguarding of assets. As noted above, actions are underway to address this risk as a priority in early 2010.

Alan Davey
Chief Executive
9 July 2009

Dame Liz Forgan
Chair
9 July 2009

The 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 2009 under the Charities Act 1993. These comprise the statement of financial activities, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the remuneration report that is described in that report as having been audited.

Respective responsibilities of the Trustees, Chief Executive and auditor

The Trustees and Chief Executive as Accounting Officer are responsible for preparing the Trustees' report and management commentary, which includes the remuneration report, and the financial statements in accordance with the Charities Act 1993 and directions made by the Secretary of State under the Royal Charter and for ensuring the regularity of financial transactions funded by Parliament. These responsibilities are set out in the Statement of the Trustees' and Chief Executive's responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the remuneration report to be audited have been properly prepared in accordance with the Charities Act 1993 and the direction issued by the Secretary of State under the Royal Charter. I report to you whether, in my opinion, the information, which comprises the Trustees' report and management commentary, is consistent with the financial statements. I also report whether in all material respects the incoming and outgoing resources funded by Parliament have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if Arts Council England has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on internal control reflects Arts Council England's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of Arts Council England's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinions

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

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the remuneration report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the incoming and outgoing resources funded by Parliament have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the remuneration report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Charities Act 1993 and directions made by the Secretary of State under the Royal Charter of the state of Arts Council England's affairs as at 31 March 2009 and of its incoming resources and application of resources for the year then ended
- the financial statements and the part of the remuneration report to be audited have been properly prepared in accordance with the Charities Act 1993 and directions made by the Secretary of State under the Royal Charter
- information, which comprises the Trustees' report and management commentary, is consistent with the financial statements

Opinion on regularity

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

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
London
SW1W 9SS

14 July 2009

Statement of financial activities For the year ended 31 March 2009

	Note	Unrestricted funds £000s	Restricted funds £000s	Total 2008/09 £000s	Total 2007/08 £000s
Incoming resources					
Incoming resources from generated funds					
Voluntary income	2	394,642	42,989	437,631	423,601
Investment income		2,138	0	2,138	2,388
Incoming resources from charitable activities	3	362	8,671	9,033	10,946
Total incoming resources		397,142	51,660	448,802	436,935
Resources expended					
Charitable activities					
Governance costs	4	391,144	53,469	444,613	433,713
		464	0	464	1,816
Total resources expended		391,608	53,469	445,077	435,529
Net incoming/(outgoing) resources before exceptional items					
		5,534	(1,809)	3,725	1,406
Exceptional items					
Cost of fundamental reorganisation					
	27	(3,190)	0	(3,190)	(720)
Net incoming/(outgoing) resources after exceptional items					
		2,344	(1,809)	535	686
Notional costs					
Cost of capital					
	8	(980)	0	(980)	(965)
Net incoming resources after notional costs					
		1,364	(1,809)	(445)	(279)
Reversal of notional costs					
		980	0	980	965
Net incoming/(outgoing) resources for the year					
	9	2,344	(1,809)	535	686
Gain on revaluation of tangible fixed assets					
	10	1,034	0	1,034	21,483
Net movement in funds					
		3,378	(1,809)	1,569	22,169
Balance brought forward at 1 April 2008					
		114,073	3,626	117,699	95,530
Balance carried forward at 31 March 2009					
		117,451	1,817	119,268	117,699

The notes on pages 83 to 103 form part of these accounts

Balance sheet

As at 31 March 2009

	Note	Unrestricted funds £000s	Restricted funds £000s	Total 31 March 2009 £000s	Total 31 March 2008 £000s
Heritage assets					
Works of art	10	<u>90,230</u>	<u>851</u>	<u>91,081</u>	<u>89,867</u>
Fixed assets					
Tangible assets	10	<u>8,618</u>	<u>0</u>	<u>8,618</u>	<u>8,593</u>
Current assets					
Debtors	12	<u>1,503</u>	<u>6,482</u>	<u>7,985</u>	<u>3,867</u>
Due from Arts Council Lottery accounts		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Grants paid in advance	13	<u>3,295</u>	<u>0</u>	<u>3,295</u>	<u>6,041</u>
Cash at bank and in hand		<u>36,040</u>	<u>2,681</u>	<u>38,721</u>	<u>52,390</u>
		<u>40,838</u>	<u>9,163</u>	<u>50,001</u>	<u>62,298</u>
Creditors: amounts falling due within one year					
Grants outstanding		<u>12,530</u>	<u>6,985</u>	<u>19,515</u>	<u>29,406</u>
Due to Arts Council Lottery accounts		<u>459</u>	<u>0</u>	<u>459</u>	<u>2,475</u>
Creditors	14	<u>3,705</u>	<u>341</u>	<u>4,046</u>	<u>10,097</u>
Provisions for liabilities and charges	15	<u>6,393</u>	<u>19</u>	<u>6,412</u>	<u>1,081</u>
		<u>23,087</u>	<u>7,345</u>	<u>30,432</u>	<u>43,059</u>
Net current assets		<u>17,751</u>	<u>1,818</u>	<u>19,569</u>	<u>19,239</u>
Total assets less current liabilities		<u>116,599</u>	<u>2,669</u>	<u>119,268</u>	<u>117,699</u>
Represented by income funds					
Unrestricted fund	21	<u>17,442</u>	<u>0</u>	<u>17,442</u>	<u>15,613</u>
Restricted fund		<u>0</u>	<u>1,818</u>	<u>1,818</u>	<u>3,626</u>
Represented by capital funds					
Designated fund	21	<u>90,539</u>	<u>0</u>	<u>90,539</u>	<u>89,326</u>
Donated asset reserve		<u>0</u>	<u>851</u>	<u>851</u>	<u>851</u>
Capital reserve		<u>8,618</u>	<u>0</u>	<u>8,618</u>	<u>8,283</u>
		<u>116,599</u>	<u>2,669</u>	<u>119,268</u>	<u>117,699</u>

The notes on pages 83 to 103 form part of these accounts

Alan Davey
Chief Executive
9 July 2009

Dame Liz Forgan
Chair
9 July 2009

Cash flow statement

For the year ended 31 March 2009

	Note	2008/09 £000s	Restated 2007/08 £000s
Operating activities			
Funds received from the Department for Culture, Media and Sport		432,981	423,601
Other cash receipts		9,566	16,027
Grants paid to arts organisations and other bodies		(400,293)	(365,046)
Cash paid to and on behalf of employees		(32,809)	(34,190)
Other cash payments		(23,335)	(16,250)
Net cash inflow from operating activities		(13,890)	24,142
Interest received on short-term cash deposits		2,138	2,388
Net cash inflow from returns on investments		2,138	2,388
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(1,917)	(5,031)
Sale of tangible fixed assets		0	0
Net cash (outflow) from capital expenditure		(1,917)	(5,031)
Increase (decrease) in cash	22/23/24	(13,669)	21,499

The notes on pages 83 to 103 form part of these accounts

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 an 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 2008/09, 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 periodically 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 71.

We have a fully owned subsidiary company, Artco Trading Limited, as detailed in note 28 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 16 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

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 equipment,
- fixtures and fittings: five years
- motor vehicles: five years

A full year's depreciation is provided in the year of an asset's acquisition, and none in the year of its disposal. Software costs are written off in full in the year of acquisition. Donated fixed assets are capitalised and included as income at market value in the year in which they are received. 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 19 and 20 of these accounts. 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 at least every three years.

Notes to the grant-in-aid accounts

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 (no 1036733), is exempt from taxation on its income and gains falling within Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that they are applied to its charitable objectives. 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) Notional costs

In accordance with HM Treasury guidance, the notional cost of capital is charged in the statement of financial activities in arriving at a net incoming/(outgoing) resources figure. This is then added back in the statement of financial activities, and so no provision is included on the balance sheet.

J) Financial instruments

We have adopted FRS 25,26 and 29 in 2008/09 on financial instruments. There are no prior year adjustments.

k) Policy on reserves

Our policy on reserves is to ensure that we hold sufficient funds to maintain liquidity to cover short term cash requirements and to cover short term cash expenditure. We review this policy and our reserves position annually.

2 Voluntary and investment income

	Unrestricted funds £000s	Restricted funds £000s	Total 2008/09 £000s	Total 2007/08 £000s
Voluntary income				
Cash grant-in-aid voted by Parliament and paid in full				
Core funding	394,642	0	394,642	376,050
End year flexibility agreed	0	0	0	5,996
Capital funds for Southbank Centre	0	0	0	0
Capital funds for Capital of Culture	0	0	0	0
Other ringfenced funds	0	0	0	6,755
Creative Partnerships	0	42,989	42,989	34,800
	394,642	42,989	437,631	423,601
Less: grant-in-aid receivable at 31 March 2008	0	0	0	0
	394,642	42,989	437,631	423,601
Plus: grant-in-aid receivable outstanding as at 31 March 2009				
	0	0	0	0
Grant-in-aid as shown in the statement of financial activities	394,642	42,989	437,631	423,601

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

Notes to the grant-in-aid accounts

3 Incoming resources from charitable activities

	Unrestricted funds £000s	Restricted funds £000s	Total 2008/09 £000s	Total 2007/08 £000s
Grants, sponsorship and donations received	65	7,940	8,005	9,975
Local authority subscriptions	0	0	0	44
Sundry	297	731	1,028	927
Net incoming/(outgoing) resources for the year	<u>362</u>	<u>8,671</u>	<u>9,033</u>	<u>10,946</u>
Grants, sponsorship and donations are analysed as follows:	£000s	£000s	£000s	£000s
Arts Council of Northern Ireland	0	150	150	150
Arts Council of Wales	0	150	150	150
Association of Greater Manchester Authorities	0	340	340	0
Culture East Midlands	0	50	50	0
Culture South West	0	105	105	0
Department for Children, Schools and Families	0	331	331	2,853
Department for Culture, Media and Sport	0	650	650	2,041
Department of Communities and Local Government	0	140	140	0
Deutsche Bank	0	0	0	50
East Midlands Development Agency	0	586	586	60
European Regional Development Fund	0	1,480	1,480	946
European Social Fund	0	2,468	2,468	569
Greater London Authority	0	313	313	0
John S Cohen Foundation	0	40	40	0
Land Securities plc	0	0	0	160
Learning & Skills Council	0	0	0	50
Liverpool City Council	0	0	0	60
London Development Agency	0	218	218	49
Museums, Libraries and Archives Council	0	0	0	60
Northumberland Strategic Partnership	0	0	0	40
Oldham Borough Council	0	101	101	0
One NorthEast	0	0	0	150
Scottish Arts Council	0	0	0	175
South East England Development Agency	0	0	0	119
South West Regional Development Agency	0	0	0	352
Sport England	0	53	53	0
The Innovation Unit	0	0	0	43
Yorkshire Forward	0	151	151	905
Other	65	614	679	993
	<u>65</u>	<u>7,940</u>	<u>8,005</u>	<u>9,975</u>

4a) Charitable activities

	Activities undertaken directly £000s	Grant funding of activities £000s	Net support costs £000s	Total 2008/09 £000s	Total 2007/08 £000s
Regularly funded organisations	0	332,780	8,144	340,924	337,816
Grants for the arts	0	2,539	0	2,539	1,221
Strategic development, communications and advocacy	11,505	18,158	15,891	45,554	39,363
Other	1,960	7,195	2,738	11,893	19,724
Creative Partnerships	6,697	32,477	5,460	44,634	37,233
Lapsed and revoked commitments		(931)		(931)	(1,644)
	20,162	392,218	32,233	444,613	433,713

- regularly funded organisations are those organisations of strategic importance with which the Arts Council has long term, multi-year funding agreements
- Grants for the arts includes a capital grant of £2.5 million and £39,000 for recipients who object to receiving their funding from the Lottery
- 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
- Creative Partnerships are projects through which the Arts Council encourages schools to explore new ways to improve learning and attainment through creativity. During 2008/09, Creative Partnerships managed the £4.75 million budget for the Government's Find Your Talent initiative. From 1 April 2009, Creative Partnerships transferred to Creativity Culture, Education, a charity set up to deliver Creative Partnerships activity, funded by the Arts Council through the regularly funded organisation programme, and the Department for Children, Schools and Families
- other restricted funds are those specific projects delivered through funds provided by partners as detailed in note 3

Notes to the grant-in-aid accounts

4b) Analysis of grant funding by office

	Regularly funded organisations £000s	Grants for the arts individuals £000s	Other £000s	Total 2008/09 £000s	Total 2007/08 £000s
East	9,852	0	790	10,642	10,335
East Midlands	10,596	34	1,214	11,844	10,825
London	172,926	0	2,204	175,130	174,247
North East	13,997	2,500	4,533	21,030	18,132
North West	23,069	0	2,092	25,161	26,993
South East	13,990	0	784	14,774	14,702
South West	15,798	0	1,615	17,413	16,542
West Midlands	46,209	0	1,163	47,372	45,841
Yorkshire	26,219	0	876	27,095	26,898
National	123	5	10,082	10,210	14,383
Creative Partnerships			32,477	32,477	19,859
	<u>332,779</u>	<u>2,539</u>	<u>57,830</u>	<u>393,148</u>	<u>378,757</u>

4c) Analysis of grants by recipient

	Grants to institutions £000s	Grants to individuals £000s	Total 2008/09 £000s	Total 2007/08 £000s
Regularly funded organisations	332,780	0	332,780	325,725
Grants for the arts	2,505	34	2,539	890
Strategic funding and activity	17,557	581	18,158	18,961
Other restricted funds	7,006	188	7,194	13,322
Creative Partnerships	32,093	383	32,477	19,859
	<u>391,961</u>	<u>1,186</u>	<u>393,148</u>	<u>378,757</u>

4d) Analysis of support costs

	Unrestricted £000s	Creative Partnerships £000s	Less recharge to Lottery £000s	Total 2008/09 £000s	Total 2007/08 £000s
Staff costs	23,632	2,476	(8,075)	18,033	17,330
Agency staff costs	1,384	702	(463)	1,623	1,461
Depreciation	1,749	0	(585)	1,164	745
Travelling, subsistence and entertainment	1,666	292	(571)	1,387	1,212
Rent and rates	3,852	549	(1,353)	3,048	3,017
Professional fees	1,688	683	(681)	1,690	1,407
Office and sundry	4,761	440	(1,653)	3,548	3,516
Irrecoverable Value Added Tax	2,191	318	(769)	1,740	1,156
	<u>40,923</u>	<u>5,460</u>	<u>(14,150)</u>	<u>32,233</u>	<u>29,844</u>
Corporate governance costs				464	1,816
				<u>32,697</u>	<u>31,660</u>

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. In 2008/09 significant costs (£1.643 million) were also apportioned to Lottery accounts to provide for the cost of fundamental reorganisation.

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. A broader definition had been used in 2007/08 for which a comparable governance cost would have been £450,000.

5 Staff costs

	2008/09 Unrestricted activities £000s	2008/09 Creative Partnerships £000s	2008/09 Total £000s	2007/08 £000s
Salaries and wages	20,865	2,911	23,776	25,278
Employer's National Insurance	1,663	232	1,895	2,017
Employer's pension contributions	3,633	622	4,255	4,422
Agency staff	1,669	1,214	2,883	2,473
	27,830	4,979	32,809	34,190

Included within salaries and wages are the redundancy costs not related to fundamental reorganisation which fell due during the year of £447,000 (2007/08: £764,000). These costs arose following the closure of programmes, and other contractual payments falling due for those leaving the organisation, not as a result of fundamental reorganisation. Staff costs include £4,490,000 (2007/08 £5,407,000) for staff involved in direct delivery of programmes included in activities undertaken directly in note 4.

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

	2008/09	2007/08
Direct delivery of programmes	46	36
Support and corporate governance	596	599
Creative Partnerships	123	193
	765	828

Included within the average number of employees are 91 contracted as agency staff (2007/08: 83).

Notes to the grant-in-aid accounts

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

	General activities	Creative Partnerships	2008/09	2007/08
£60,000–£69,999	14	0	14	11
£70,000–£79,999	4	0	4	2
£80,000–£89,999	2	1	3	3
£100,000–£109,999	2	0	2	1
	<u>22</u>	<u>1</u>	<u>23</u>	

Of these employees, 21 were in a final salary pension scheme for which the employer's contributions during the year amounted to £302,000.

6 Council members' expenses

It is part of Council members' duties to assess artistic work. The cost of their tickets for attendance at performances and events is met by the Arts Council. In 2008/09, the total cost of tickets purchased for this purpose was £3,300 (2007/08: £4,000).

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 9.

7 Pensions

We are a participating employer in the Arts Council Retirement Plan (1994), 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, the Scottish Arts Council, and the Crafts Council. From 2009/10 Creativity, Culture and Education will become a contributor to the scheme on behalf of those staff transferring from Creative Partnerships to CCE. 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 2008 was £60.2 million.

An actuarial valuation of the pension fund takes place at least every three years. At the last valuation on 31 March 2007 the actuarial value of the assets using the projected unit method was sufficient to cover 75% of the value accrued to members, a deficit of £18,000,000. As a result, and on the advice of the actuary, we are now paying employer's contributions of 25% of pensionable salary or 23% for staff who started after 1 July 2006.

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

Price inflation rate	3.2%
Rate of pay increases	4.7%
Rate of pension increases	3.2%

Amounts due to the fund at 31 March 2009 were £nil (31 March 2008: £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, 94 Arts Council staff participate in this scheme.

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 2009 was £5.9 billion.

An actuarial valuation of the pension fund takes place every three years. At the last valuation on 31 March 2007, the actuarial value of the assets using the projected unit method was sufficient to cover 90% of the value accrued to members. From 1 April 2008, employer contributions were set at 17.6%.

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

Rate of inflation	3.1%
Rate of pay increases	4.9%
Rate of pension increases	3.1%

Amounts due to the fund at 31 March 2009 were £nil (31 March 2008: £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 three schemes have been addressed. 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 Notional costs

Notional cost of capital is calculated as £980,000 – 3.5% (2007/08: £965,000 – 3.5%) of the average net assets employed by the Arts Council in the year.

Notes to the grant-in-aid accounts

9 Net incoming resources for the year

	Unrestricted activities	Creative Partnerships	2008/09 £000s	2007/08 £000s
Net incoming resources of £535,000 (2007/08: £686,000) are stated after charging:				
(a) auditors' remuneration	75	0	75	65
(b) operating leases	3,464	320	3,784	4,028
(c) Council members' travel, subsistence and hospitality for the 12 serving members during the year	24	0	24	63
(d) insurance: trustees' and senior officers' indemnity	14	0	14	14

10 Heritage assets and tangible fixed assets

	Buildings and leasehold improvements £000s	Equipment fixtures and fittings £000s	Vehicles £000s	Heritage assets: works of art £000s	Total £000s
Costs at 1 April 2008	11,650	3,444	18	89,868	104,980
Additions	1,051	733	0	179	1,963
Revaluations	0	0	0	1,034	1,034
Less: disposals	0	(125)	0	0	(125)
Cost at 31 March 2009	12,701	4,052	18	91,081	107,852
Depreciation at 1 April 2008	3,946	2,559	14	0	6,519
Less: depreciation on disposals	0	(115)	0	0	(115)
Revaluations	0	0	0	0	0
Provided for 2008/09	1,262	487	0	0	1,749
Depreciation at 31 March 2009	5,208	2,931	14	0	8,153
Net book value at 31 March 2009	7,493	1,121	4	91,081	99,699
Net book value at 31 March 2008	7,704	885	4	89,868	98,461
				31 March 2009	31 March 2008
				£000s	£000s
Freehold				797	797
Short leasehold improvements				6,696	6,907
				7,493	7,704

Our freehold property in Dewsbury was professionally revalued at 31 March 2005 by Drivers Jonas to an open market value of £600,000. A revaluation will be undertaken during 2009/10.

During the year, the work to refurbish our national office in London was completed, accounting for the change in building and leasehold improvements.

Works of art and poetry collection

The Arts Council Collection has been valued by the curator at £91,081,000 at 31 March 2009 (31 March 2008: £89,688,000). The purpose of the collection is to increase the understanding and appreciation of contemporary art and to widen the audience for contemporary art through loans to other galleries, public institutions and exhibitions. It is not held for investment or resale.

Arts Council England also owns a library of 20th century poetry that is managed by the Hayward Gallery. Due to the difficulty in obtaining an accurate valuation for this asset it has not been included on the balance sheet.

11 Costs apportioned to Arts Council England Lottery distribution accounts

Directions issued by the Secretary of State require that costs incurred which relate to both grant-in-aid and Lottery activities should be apportioned between the two in accordance with good accounting practice. Consequently, we have apportioned them accordingly, based on an assessment of time spent on each activity. Costs associated with Creative Partnerships are excluded from this assessment.

12 Debtors

	General activities	Creative Partnerships	31 March 2009 £000s	31 March 2008 £000s
DCMS debtor	0	4,650	4,650	0
Trade debtors	1,219	345	1,564	2,227
Other debtors	200	0	200	701
Prepayments and accrued income	1,571	0	1,571	939
	<u>2,990</u>	<u>4,995</u>	<u>7,985</u>	<u>3,867</u>

13 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 £3,295,000 (2007/08: £6,041,000) were only made where there was sufficient evidence from cash flows that an advance was necessary.

14 Creditors: amounts falling due within one year

	General activities	Creative Partnerships	31 March 2009 £000s	31 March 2008 £000s
Trade creditors	786	0	786	959
Other creditors including taxes and social security	40	0	40	102
Accruals	3,220	0	3,220	9,036
	<u>4,046</u>	<u>0</u>	<u>4,046</u>	<u>10,097</u>

Notes to the grant-in-aid accounts

15 Provisions for liabilities and charges

	General activities	Creative Partnerships	31 March 2009 £000s	31 March 2008 £000s
Legal cases and challenges	1,081	0	1,081	210
Employment entitlements	27	19	46	126
Redundancies	77	0	77	192
Building dilapidations	10	0	10	191
Cost of fundamental reorganisation	5,198	0	5,198	362
	6,393	19	6,412	1,081

We expect all provisions to be spent within one year.

16 Grant offers

	31 March 2009 £000s	31 March 2008 £000s
Forward funding:		
2008/09	n/a	332,336
2009/10	345,539	339,186
2010/11	352,900	348,709
	698,439	1,020,231

Forward funding at 31 March 2009 mainly represents allocations for regularly funded organisations for the three year funding cycle to 2010/11 that were announced in January 2008.

17 Leases

At 31 March 2009 the Arts Council had annual commitments under non-cancellable operating leases as set out below.

	Land and buildings 31 March 2009 £000s	Land and buildings 31 March 2008 £000s
Operating leases which expire:		
within one year	158	130
within two and five years inclusive	757	343
over five years	2,324	2,397
	3,239	2,870

18 Capital commitments

There were contracted capital commitments at 31 March 2009 of £254,000 (31 March 2008: £332,000). This represents amounts committed against the Hive office development in Manchester to house the north west region and support centre staff. The main contract works had not been committed at the close of the year, and will amount to an estimated further £1,938,000 of capital spend once contracts are signed.

19 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.

20 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.

21 Reconciliation of movements in funds

	At 1 April 2008 £000s	Income £000s	Expenditure £000s	Transfers £000s	At 31 March 2009 £000s
Income funds					
Unrestricted funds	14,726	397,141	(395,133)	(179)	16,555
Revaluation reserve	887	0	0	0	887
Restricted funds					
Other restricted funds	1,871	7,423	(9,139)	0	155
Creative Partnerships	1,755	44,237	(44,329)	0	1,663
Capital funds					
Designated funds	4,066	0	0	179	4,245
Donated asset reserve	851	0	0	0	851
Capital reserve	8,283		335		8,618
Revaluation reserve	85,260	1,034	0	0	86,294
	<u>117,699</u>	<u>449,835</u>	<u>(448,266)</u>	<u>0</u>	<u>119,268</u>

Notes to the grant-in-aid accounts

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.

b) Revaluation reserve

This relates to the unrealised surplus on revalued freehold properties, and the revaluation of the Arts Council Collection.

c) Capital reserve

Represents the balance of tangible assets.

d) 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. The balance is represented as follows:

	31 March 2008 £000s	31 March 2008 £000s
Department for Culture, Media and Sport (Creative Partnerships)	1,663	1,755
Department for Culture, Media and Sport (other)	0	161
European Regional Development Fund	0	0
European Social Fund	0	0
Other	155	1,710
	<u>1,818</u>	<u>3,626</u>

Capital funds

a) Designated funds

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

22 Cash flow reconciliation

	2008/09 £000s	2007/08 £000s
Reconciliation of operating surplus to net cash inflow from operating activities		
Operating surplus/(deficit)	1,569	22,169
Decrease/(increase) in debtors and prepayments	(1,372)	22,707
Increase/(decrease) in creditors	(12,627)	1,613
(Increase)/decrease in investments	0	0
(Increase)/decrease in fixed assets	(1,239)	(24,990)
Net cash (outflow)/inflow from operating activities	<u>(13,669)</u>	<u>21,499</u>

23 Reconciliation of net cash flow to movement in funds

	2008/09 £000s	2007/08 £000s
Decrease in cash in the year	(13,669)	21,499
Funds at 1 April 2008	52,390	30,891
Funds at 31 March 2009	<u>38,721</u>	<u>52,390</u>

24 Analysis of net cash

	1 April 2008 £000s	Cash flow £000s	31 March 2009 £000s
Cash	<u>52,390</u>	<u>(13,669)</u>	<u>38,721</u>

Notes to the grant-in-aid accounts

25 Related parties

25a) 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. These are the interests in grant recipients declared for the year ended 31 March 2009:

Grant for the year ended 31 March 2009 £000s	Balance unpaid at 31 March 2009 £000s	Organisation	Council member	Relationship
494	0	Book Trust	Diran Adebayo	Former director
172	7	York Museums Trust	Janet Barnes	Chief Executive
518	11	Manchester International Festival	Tom Bloxham MBE	Chair
10	10	Victoria & Albert Museum	Sir Christopher Frayling	Trustee
345	60	Royal College Of Art		Employee
50	13	Create KX	Keith Khan	Former board member
270	65	MMM: Designing for Transition		Former adviser/consultant
668	10	Rich Mix Cultural Foundation		Former Chief Executive
309	0	Moti Roti		Former director
19,775	50	Southbank Centre		Former employee
54	0	City Arts	François Matarasso	Family member is board member
853	148	Clore Leadership Programme		Other (Fellow 07–09)
179	0	National Opera Studio	Sir Brian McMaster CBE	Chair
518	11	Manchester International Festival		Board member
107	1	Royal Society Of Arts	Elsie Owusu OBE	Fellow
275	0	Newcastle University	Dr Tom Shakespeare	Employee
68	0	Monster Productions		Former board member
34	14	Culture West Midlands	Dorothy Wilson	Board member
263	0	Motionhouse Dance Theatre		Board member
752	0	Midlands Arts Centre		Employee
9	0	Theatrical Management Association		Board member
19,775	50	Southbank Centre	Lady Sue Woodford Hollick	Partner is former Chair
100	50	Tate Modern		Council member
260	4	Nitro		Family member is employee
1,199	0	Whitechapel Art Gallery	Alice Rawsthorn	Trustee

Grant for the year ended 31 March 2009 £000s	Balance unpaid at 31 March 2009 £000s	Organisation	Council member	Relationship
1,000	7	The Roundhouse	Kentaké Chinyelu-Hope	Trustee
195	2	New Writing Partnership	Professor Jon Cook	Non-voting observer on board, family member is employee
121	0	British Centre for Literary Translation		Employee
107	1	Royal Society Of Arts	Ekow Eshun	Fellow
1,357	20	Institute of Contemporary Arts		Employee
555	5	National Museums Liverpool (NML)	Anil Ruia	Trustee
276	4	Dance UK	Alistair Spalding	Chair
2,406	137	Sadler's Wells Trust Ltd		Chief Executive
500	0	The Dance Consortium Limited		Director
559	0	Dance Umbrella Ltd	Rosemary Squire	Director
514	0	Donmar Warehouse		Director
250	0	Hall for Cornwall		Director

Notes to the grant-in-aid accounts

25b) 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. These are the interests in grant recipients declared for the year ended 31 March 2009:

Grant for the year ended 31 March 2009 £000s	Balance unpaid at 31 March 2009 £000s	Organisation	Executive Director/ Senior Manager	Relationship
1,037	108	Modern Art Oxford	Andrew Nairne	Former employee
24	2	Media Trust	Andrew Whyte	Non-pecuniary board member and trustee
0	45	The Community Channel		Non-pecuniary board member and trustee
1,003	84	Almeida Theatre Company	Anupam Ganguli	Former board member
148	6	Chisenhale Gallery		Former board member
30	3	Swindon Cultural Partnership	Chris Humphrey	Board member
569	1	New Writing North	Mark Robinson	Other
35	0	Arc Publications		Other
60	16	Bristol Cultural Development Partnership	Nick Capaldi	Board member
15	2	Culture South West		Board member
3,922	9	North Music Trust	Paul Collard	Partner is employee
1,359	251	Theatre Royal Plymouth	Hilary Garnham	Other
211	0	Actors Touring Company	Henry Little	Board member
17,579	31	English National Opera Ltd		Former employee
890	0	Hampstead Theatre	Barbara Mathews	Former board member
69	8	National Student Drama Festival		Former board member
21	0	London Arts in Health Forum	Moira Sinclair	Former board member
752	1	Tricycle Theatre Company		Former employee
267	22	The Stables		Partner is employee
0	3	Maverick TV	Sally Luton	Former board member
121	0	Ixia	Margaret Bolt	Board member
30	0	Georgian Theatre Royal	Alison Clark-Jenkins	Former board member
249	4	Stockton Borough Council		Former employee
408	3	New Art Exchange	Michaela Butter	Employee
50	90	Regeneration East Midlands		Board member

25c) 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	Debtor
	31 March	31 March
	2009	2009
	£000s	£000s
Balances with other central government bodies	117	4,733
Balances with local authorities	2,886	30
Balances with NHS Trusts	0	0
Balances with public corporations and trading funds	163	0

26 Financial instruments

FRS 29 requires disclosure of financial instruments 'that are complex or play a significant medium to long-term role in the financial risk profile' of the Arts Council. As the cash requirements of the Arts Council are met largely through grant-in-aid received from the Department for Culture, Media and Sport (97.5%), 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 (88%). 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 2% of funding was received from sources outside Government in terms of partnership and grant support, mostly in the form of restricted funds, and 0.5% was generated from cash balances. This means that 97.5% of funding is sourced through cash draw downs agreed monthly with the DCMS, based on the predicted need for the month ahead.

b) Interest rate risk

The cash balance of £37,941,000 at 31 March 2009 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.

Notes to the grant-in-aid accounts

d) Financial assets

	2008/09 £000s	2007/08 £000s
Sterling	38,721	52,390
Gross financial assets	<u>38,721</u>	<u>52,390</u>

The Arts Council does not hold investments, meaning that all sterling financial assets shown are held as cash at bank, meaning book value and fair value are the same.

e) Financial assets by category

	Note	2008/09 £000s	2007/08 £000s
DCMS debtor	12	4,650	0
Trade debtors	12	1,564	2,227
Other debtors	12	200	701
Prepayments and accrued income		1,571	939
Current asset investments		0	0
Due from Arts Council Lottery accounts		0	0
Grants paid in advance	13	3,295	6,041
Cash at bank and in hand		38,721	52,390
		<u>50,001</u>	<u>62,298</u>

f) Financial liabilities by category

	2008/09 £000s	2007/08 £000s
Grants outstanding	19,515	29,406
Due to Arts Council Lottery accounts	459	2,475
Trade creditors	786	959
Other creditors including taxes and social security	40	102
Accruals and deferred income	3,220	9,036
Legal cases and challenges	1,081	210
Employment entitlements	46	126
Redundancies	77	192
Building dilapidations	10	191
Cost of fundamental reorganisation	5,198	362
	<u>30,432</u>	<u>43,059</u>

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 both on the annual review process and the Arts Council's itself receiving the expected three year funding in its funding agreement with the DCMS. Assuming all current funding agreements remain as proposed, regular funding agreed for future years amounts to £343 million for 2009/10 and £353 million for 2010/11.

27 Exceptional items

As part of our funding agreement with the Department for Culture, Media and Sport, the Arts Council has a target to save 15% of the 2010/11 administration budget. A fundamental review of the whole organisation took place during 2008/09, with an announcement made in February 2009 to staff affected. Provision for the anticipated redundancy costs has been made.

	2008/09 £000s	2007/08 £000s
Redundancy and associated costs	3,190	720
	<u>3,190</u>	<u>720</u>

28 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.

	2008/09 £000s	2007/08 £000s
Cash at bank and in hand	390	337
Other debtors		0
Current assets	<u>390</u>	<u>337</u>
Other creditors	59	131
Amounts due to Arts Council England	244	28
Current liabilities	<u>303</u>	<u>159</u>
Net assets	<u>87</u>	<u>178</u>
Reserves	<u>87</u>	<u>178</u>
Summary profit and loss		
Income	1,100	
Income from DCMS	55	
Other income	<u>1,155</u>	
Expenditure	218	
Staff costs	933	
Operating costs	<u>1,151</u>	
Surplus for year	4	

29 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.

Lottery distribution accounts

- 105 Management commentary**
 - 116 Statement on internal control**
 - 119 The Certificate and Report of the Comptroller
and Auditor General to the Houses of Parliament**
 - 121 Income and expenditure account**
 - 122 Balance sheet**
 - 123 Cash flow statement**
 - 124 Notes to the Lottery distribution accounts**
-
- 139 National Lottery report**
 - 148 Council and regional council members
April 2008–March 2009**

Arts Council England Lottery accounts 1 April 2008–31 March 2009 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 principal 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. The charter sets out the new composition of the Council, which includes the chairs of the regional councils. A number of amendments were made to the charter in 2008, which granted the Mayor of London the power of appointment for the Chair of the London Regional Arts Council and the remuneration of future chairs of the Council.

The Arts Council 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. We prepare our accounts for grant-in-aid and Lottery separately to comply with accounts directions issued by the Secretary of State.

Structure

Arts Council England has nine regional offices, matching the government's regional boundaries, and a national office. Each region has a Council and the 17-strong national Council (details on pages 106 to 107) includes the chair of each of the regional councils.

Management commentary

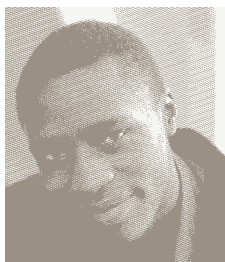
National Council

Council members are responsible for ensuring the achievement of Arts Council England's objectives, which are to develop and improve the knowledge, understanding and practice of the arts, and to increase the accessibility of the arts to the public. They do this by deciding on policy and priorities, and retain overall responsibility for the investment strategy of Arts Council England.

Our Council members are the trustees of Arts Council England. The national Council consists of 17 members, nine of whom also chair one of the regional councils as shown below.



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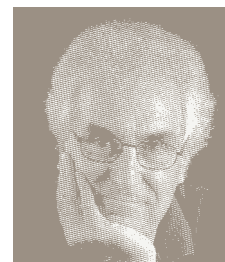
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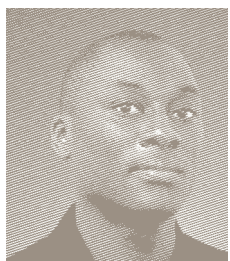
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	Member	National Council appointment	Renewal	End of appointment	Regional chair	Committee memberships
	Sir Christopher Frayling (Chair)	2 February 2004	2 February 2008	31 January 2009		
1	Dame Liz Forgan (Chair)	1 February 2009		31 January 2013		
2	Diran Adebayo	20 October 2004	19 October 2008	18 October 2011		
3	Janet Barnes	1 February 2005	31 January 2009	1 February 2013	Yorkshire	
	Tom Bloxham MBE	1 June 2002	31 May 2006	23 November 2008	North West	
	Professor Andrew Brewerton	6 August 2007		28 February 2009	South West	
4	Kentaké Chinyelu-Hope	1 October 2005		30 September 2009	South East	
5	Sir Chris Clarke	1 March 2009		1 October 2009	South West	
6	Professor Jon Cook	8 September 2008		7 September 2012	East	
7	Ekow Eshun	26 January 2009		25 January 2013		
8	Keith Khan	1 May 2006		30 September 2010		
	Sir Brian McMaster CBE	1 June 2002	31 May 2004	31 May 2008		Audit committee
9	François Matarasso	1 October 2005	30 September 2009	30 September 2013	East Midlands	
10	Elsie Owusu OBE	1 June 2002	31 May 2004	31 May 2009		Audit committee
11	Alice Rawsthorn	27 February 2007		31 January 2011		
12	Anil Ruia	24 November 2008		23 November 2012	North West	
13	Dr Tom Shakespeare	1 October 2004	30 September 2008	1 October 2012	North East	
14	Alistair Spalding	26 January 2009		25 January 2013		
15	Rosemary Squire	26 January 2009		25 January 2013		
	Professor Stuart Timperley	1 June 2002	31 May 2004	31 May 2008	East	Audit committee
16	Dorothy Wilson	1 June 2002	31 May 2005 31 May 2009	1 December 2009	West Midlands	Audit committee
17	Lady Sue Woodford Hollick	1 June 2002	31 May 2006 31 May 2008	30 September 2009	London	

Management commentary

Executive Board

The Executive Board is Arts Council England's strategic and executive decision-making body and comprises the Chief Executive and all national and regional executive directors. It provides the executive link between the national and regional offices. It is responsible for developing the long-term strategy for the Arts Council and for ensuring delivery of the Arts Council plan.



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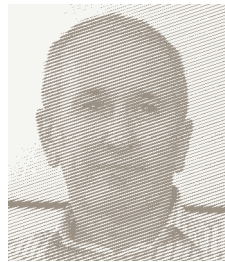
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	Member	Job title	Region
1	Alan Davey	Chief Executive	National Office
2	Andrea Stark	Executive Director	East
3	Laura Dyer	Executive Director	East Midlands
4	Moira Sinclair	Executive Director	London
5	Mark Robinson	Executive Director	North East
	Michael Eakin	Executive Director until October 2008	North West
6	Aileen McEvoy	Interim Executive Director from October 2008	North West
7	Felicity Harvest	Executive Director	South East
	Nick Capaldi	Executive Director until September 2008	South West
8	Chris Humphrey	Interim Executive Director from September 2008	South West
9	Sally Luton	Executive Director	West Midlands
10	Andy Carver	Executive Director	Yorkshire
	Elizabeth Bushell	Interim Executive Director, Resources until September 2008	National Office
11	Anupam Ganguli	Executive Director, Resources from September 2008	National Office
12	Althea Efunshile	Executive Director, Arts Planning and Investment	National Office
13	Andrew Whyte	Executive Director, Advocacy and Communications	National Office
14	Andrew Nairne	Executive Director, Arts Strategy from September 2008	National Office

Management commentary

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 is invited to consider and approve 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 Executive Board held 11 formal business meetings in the year.

The Council has approved the further delegation of powers to a Management Committee as a sub-committee of the Executive Board. Management Committee is responsible for overseeing the workload and programme of national office, operational issues delegated by Executive Board, monitoring organisation wide financial performance and management issues, taking an overview of HR issues, the overview of risk management, and monitoring the managed funds budget and contingency. Management Committee comprises two national executive directors, three non-London regional executive directors and the London regional Executive Director.

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. He is responsible to the Council for those matters. The Council has agreed and issued guidelines to the Chief Executive.

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 2008/09, 81% of undisputed Lottery invoices were paid within 30 days (2007/08: 62%).

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

Hewitt Bacon & Woodrow Limited
6 More London Place
London
SE1 2DA

Solicitors:

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

Responsibility towards the environment and sustainable development

Building on previous work and investments, we have supported initiatives and tools that will help the arts, and Arts Council England itself, move to a lower carbon economy. We have also developed initiatives that demonstrate the value of artists' creative insights in innovative ways.

English arts organisations are at the leading edge of creative change and Arts Council England is supporting that.

We fund a wide range of innovative artistic engagements with ecological issues, from RSA's Arts and Ecology programme and Cape Farewell's exploration of change in the high arctic, to Arcola, aiming to become the world's first carbon neutral theatre. As well as such relevant artistic engagements, we are supporting practical steps towards more sustainable practices.

We are working with the Carbon Trust and leading change organisation Julie's Bicycle, to improve our knowledge of the energy footprint of the arts in England and have developed tools to help reduce that energy use. We amended our conditions for grants for all regularly funded organisations, which obliges them to use best practice to manage their organisation's energy use. We also offer free use of a web-based toolkit that supports such best practice. The toolkit at artsenergy.org.uk helps arts organisations identify technical and behavioural improvements, the associated cost and energy savings and to build an action plan to implement change.

Concerning our own business process, we have extended staff training to all Arts Council staff, helping us improve energy efficiency throughout our estate. Furthermore we are reviewing our travel processes to improve reporting and efficiency. Other initiatives include:

- introducing display energy certificates to show the actual energy usage and the operational rating of buildings in compliance with regulations. These certificates help the public see the energy efficiency of a building
- setting up workplace groups to champion sustainable practices at each office and have identified a number of carbon reduction measures which have been incorporated into an action plan for each office
- installing multifunction devices to replace printers and copiers in an effort to reduce the amount of equipment used and printed material produced
- looking at new ways of working to reduce our carbon footprint, including use of video conference equipment as a replacement for travel and accommodation. All offices will have video conference capability by the end of May 2009
- complying with property benchmarking, which measures building performance in the context of both public and private benchmark averages and standards

We incorporate sustainable development into all new property acquisitions. The new building located in Manchester will be built to the highest standards, incorporating best practice for sustainable development to Breeam accreditation.

Championing diversity is one of our core ambitions. We want to create an environment where the arts reflect the full range and diversity of contemporary English society. The diversity team in the national office leads this work, with all regions and departments making this work a success. Key areas of work include:

- **race equality scheme** – this was implemented with a three-year action plan to ensure race equality was acted on internally and externally through our regularly funded organisations. We provided workshops, seminars and other support materials to our clients to help them devise their own race equality or diversity action plans. With the first race equality scheme action plan having been completed, work is now in progress to produce its successor for the period 2008–11. Our second race equality scheme will focus on taking strategic leadership and development of Black and minority ethnic artists and organisations. It will be informed by the evaluation of our first race equality scheme and by consultation with Black and minority ethnic artists throughout the country
- **disability equality scheme** – our disability equality scheme and action plan sets out our vision for disability equality in the arts. It seeks to change the way we approach disability equality, both internally and externally, as well as asking our clients and the arts industries that we fund to do the same. The disability equality scheme has spearheaded Arts Council's approach to equality impact assessment, ensuring that equality considerations are built into the development of all our policies, practices and procedures. Since undertaking the disability equality scheme, we have increased our performance in the Employers Forum on Disability's Disability Standard Survey by over 50 percent. Through the Disability equality scheme action plan 2007–2010 we will provide our clients with support and guidance to help them develop their own disability equality action plans to ensure that the barriers, which prevent access and participation to the arts are removed. Additionally we will ensure that disability arts and Deaf arts are supported through the production of a Deaf arts strategy and a disability arts strategy
- **gender equality scheme** – our gender equality scheme sets out our gender equality objectives, our vision for gender equality in the arts and the actions which we need to undertake to make that vision a reality. Our gender equality scheme is the third equality scheme that we have produced. In this respect it has benefited

Management commentary

from the learning from the race equality scheme and disability equality scheme, and should be seen as part of our overall commitment to diversity and equality. Our vision for gender equality within the organisation is for it to be driven by transformative and live work, which will act as a lever for change within our organisation and in the arts sector. Although the current legislation sets out a direction of travel, our ambition is to use the legislation as a platform from which to go beyond compliance into best practice through engagement, innovation and excellence. We will do this by developing a collaborative approach with our stakeholders, artists, arts organisations and other relevant contributors, working as equal partners, sharing and reinforcing best practice.

The vision for the programme of work developed and delivered through the gender equality scheme will draw on our priorities and commitments, as set out in the Arts Council plan, *Great art for everyone 2008–2011*, and various legislative drivers of the Gender Equality Duties. As gender equality work is inclusive it will support the delivery of our key mission – great art for everyone.

The scheme also allows for a broader consideration of all equality strands, which impacts upon everyone. Individuals are multifaceted, and at any one time may experience discrimination based on the different aspects of who they are. By looking beneath the surface of gender and further disaggregating along the other equality strands, it provides us with the opportunity to start considering some of these cross cutting and rather complex themes in more detail, ensuring that gender equality within the organisation is truly meaningful

— **a model for diversity** – our diversity agenda has been evolving over time in response to social changes and changes in contemporary discrimination. There is increasing evidence of widening inequality in life chances and opportunities related to social background, economic status and educational experience. Our definition of diversity encompasses responding to issues around race, ethnicity, faith, disability, age, gender, sexuality, class and economic disadvantage and any social and institutional barriers which prevent people from participating in and enjoying the arts. We are turning our focus from remedying past imbalances towards celebrating diversity positively, with all the artistic and creative opportunities it offers. In recognition of our approach to recruiting and managing disabled staff, we have been awarded the ‘Two Ticks’ symbol by Jobcentre Plus. We also have improved our performance in the annual Employers’ Forum on Disability standard benchmark survey in recent years

Transforming our support services

In 2008/9, a major review of the organisation’s professional support services in finance, information technology, human resources, facilities management, public enquiries and grant applications initial processing was implemented.

The aims of this transformation programme were to establish a new configuration of these functions to deliver high quality, value for money services at strategic, policy and operational levels for the Arts Council, in line with the Government’s efficiency agenda.

A national support centre for the operational and transactional aspects of these functions has been successful in Manchester, where around 60 staff are now based. In addition, HR partners are now working with staff across the organisation to provide people solutions to business issues. Expertise in systems, policy and the development of new initiatives, as well as the strategic leadership of all of these functions remain based at our national office.

Transformation of our support services will generate significant efficiency improvement and cost savings over the next few years.

Approach to human resources

Development work is now underway for a wider review of the organisation’s structure. This is in response to the Government’s requirement to find further efficiency savings and the need to refresh staff roles and structures to enable our people to fulfil Arts Council England’s mission and three year plan. This will inevitably lead to job losses, but the organisation’s leadership are committed to ensuring that a more fit for purpose, value for money structure is introduced by April 2010.

Our first ever three year people strategy was launched in 2008. It has four pillars: confidence of purpose, effective national leadership, high performing managers and talent attraction, development and retention. The new HR service, working in partnership with senior leaders and people managers, are leading the implementation of the strategy to enhance the organisation’s capability to achieve its mission and objectives through its people. This will include renewing our Investor in People status during 2009/10.

Internally, there are arrangements to promote effective communication and consultation with staff. Executive Board, Management Committee and Council decisions are disseminated through a system of team briefing meetings, our intranet and regularly emailed updates, supplemented from time to time by organisation-wide, region-wide and departmental meetings.

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 in each of the 10 workplaces.

We actively engage with Black, Asian and 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. Currently, 15 per cent of staff classify themselves as Black, Asian or minority ethnic, four per cent classify themselves as lesbian, gay or bisexual and three per cent classify themselves as disabled.

For example, consultation has taken place with all these staff representative groups on the equality impact assessment process for our employment policies.

During the organisation review process, there will be a formal internal consultation period for staff to feed in their views on the proposed structure. In addition, it has been agreed that instead of a bi-annual staff survey, last conducted in 2007, regular 'pulse' surveys will be issued to sample groups of staff to gauge levels of employee engagement and obtain an insight into staff opinion.

A new corporate health and safety policy has been implemented across all Arts Council England offices in 2008/09.

The average number of days per employee lost through sickness in 2008/09 was 2.0 (2007/08: 2.4).

Objectives and activities for the public benefit

The Royal Charter sets out the Arts Council's objectives:

- to develop and improve the knowledge, understanding and practice of the arts
- to increase accessibility of the arts to the public in England
- to advise and cooperate with government, local authorities, the Arts Councils for Scotland, Wales and Northern Ireland and other bodies on any matters related to the objects

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 will invest 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. We embarked on the arts debate for three primary reasons:

- a desire to widen and deepen public engagement with the arts
- a need for a framework to understand and measure value
- a drive to become more open

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. People mainly see the arts as valuable in:

- building people's capacity for understanding the world around them
- enriching people's experience of life and offering an important emotional connection
- creating links between different communities – one example of many wider benefits

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.

Management commentary

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

We have four development priority areas over the 2008–11 period:

Digital opportunity

Through digital media technologies we can now connect with audiences in new ways, bringing them into a closer relationship with the arts and creating new ways for them to take part. Responding to this change will lead to the development of new business models, new networks and new forms of creativity.

Visual arts

Turning Point is our ten-year strategy, launched in 2006, for strengthening the contemporary visual arts. It aims to increase the activity, reach and engagement of the visual arts and to secure a national network of venues and development agencies providing high-quality visual art programmes.

Children and young people

We want all children and young people in England to experience high quality arts – as participants and audience members, and practitioners. This will lead to a lifelong engagement with the arts and support the development of talent to creative industries.

London 2012

We believe the London 2012 Olympic and Paralympic Games offer an unprecedented opportunity to reinforce the UK's reputation as a world leader in culture and create new cultural opportunities around the country.

Delivery and partnerships

The three 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 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.

Regular funding for organisations

We regularly fund around 880 arts organisations on a three-year basis, investing £350 million per annum by 2010/11. Our support helps bring high quality work to a wide range of people – as both audience and participants.

Managed 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. Any private benefit is purely incidental to our work.

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 licence was renewed during 2009 and runs until 2019.

New Lottery grant commitments (offers made and accepted, less de-commitments) in the year totalled £118 million. At year-end, a total of £133 million accepted grant commitments remained outstanding and awaiting payment together with £9 million commitments offered but not accepted. This compares with a balance in the National Lottery Distribution Fund (NLDF), plus bank balances, of £141 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.

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 (OLDF) 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 £8 million to the OLDF during 2008/09, this contribution will increase to £30 million during 2009/10.

At 31 March 2009, our balance in the NLDF account was £130 million. This is more than the forecast balance £100 million due to delays on major capital projects and Lottery income exceeding the forecast. The cash balance at the same date stood at £11 million.

Further details of the activities and policies of Arts Council England are included in the National Lottery report 2008/09 (see pages 139 to 145).

Full details in relation to financial instruments are given in note 20 of the notes to the Lottery distribution accounts.

Fees paid to the National Audit Office (NAO) for Lottery external audit services during 2008/09 were £71,000 (2007/08: £61,000). So far as the Chief Executive is aware, there is no relevant audit information of which the NAO is unaware.

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 resources and 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 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, and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum, issued by HM Treasury.

Alan Davey
Chief Executive
9 July 2009

Dame Liz Forgan
Chair
9 July 2009

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

Statement on internal control

1. Scope of responsibility

As accounting officer and representative of the trustees, we are jointly responsible 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 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 2009 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

3. 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 the department 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 my review of the effectiveness of the system of internal control by the national Council, the audit committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

4. The risk and control framework

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

4.1 Role of accounting officer

The Department of 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.

4.2 Governance

National Council, which meets six times a year, considers the strategic direction of Arts Council England. 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 national office executive directors

Arts Council England's audit committee meets four times a year. Its terms of reference requires the committee to approve the internal audit work programme, endorse the risk register, and scrutinise the outcome of reports by internal and external auditors. The committee has two external members. The Chair of the committee reports to the national Council on matters discussed by the committee.

The remuneration committee provides oversight and approval of remuneration and performance of executive directors.

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.

4.3 Risk

During 2008/09, Arts Council England continued to manage risk at the strategic, operational, and individual project levels.

Capacity to handle risk

The Arts Council undertakes a quarterly review and reporting of its risk register to management committee. The register captures risks identified across the organisation and categorises them under strategic, financial, external, reputational, human resources or compliance risks. 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 against 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 audit committee every six months and is formally reported to the national Council in the annual audit committee report. National Council also receives a regular report covering key risks in relation to funded organisations.

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. The organisation has been aligning risk assessment with the corporate planning process since 2007/08.

During 2008/09 we revised and updated our policies and procedures, including a review of our risk appetite which will be finalised during 2009/10. We also rolled out a series of risk workshops across the organisation. Risk assessment workshops enable us to identify changes in risk our risk profile.

4.3.1 Strategic risks

A strategic risk workshop was held in October 2008 which was attended by a cross-section of executive directors and directors. The strategic risks identified at that workshop, which relate to the recession, the organisation review, and our IT infrastructure, have since been monitored and discussed at Executive Board level, and form part of our quarterly risk reporting process back to management committee.

4.3.2 Operational risks

The wider operational risk register has also been reviewed periodically during the year to ensure that it is up-to-date and relevant. A 'traffic light' system has been introduced to categorise risks:

- **red risks** are those which have been identified as high level and are in addition to the strategic risks specifically identified at the workshop. These are mostly current and are considered likely to have a high impact. Some examples are: consistency of planning and decision making processes, the Arts Council plan outcomes around engagement, and our ability to report on our impact to make an effective case at the next spending review
- **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. Some examples would be internal and external communications, training and skills development of staff, and relationship with partners and stakeholders, including consultation processes
- **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. Some good examples are: grant funding, enquiries, legal services, and health and safety

4.3.3 Programme and project risks

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. 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.

4.3.4 Grant funding risks

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.

4.4 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 approved by me and endorsed by the audit committee.

The internal auditors attend all audit committee meetings and 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 audit committee reviews and discusses the progress report and the annual assurance report.

The internal and external auditors meet with the audit committee annually with no officers present.

For 2008/09 internal audit reported that they are satisfied that sufficient internal audit work has been undertaken to allow them to provide a conclusion of 'moderate assurance' on the design, adequacy and effectiveness of the system of internal control. They arrived at this conclusion having reviewed the following processes: budgeting and management accounts, Grants for the arts, Creative Partnerships, key financial systems and information governance. Where weaknesses have been

Statement on internal control

identified during the course of internal audit's work, these are reported to the audit committee and an action plan agreed with management to implement the recommendations agreed as part of this process. In the 2008/09 a specific risk was highlighted during the review of information governance arrangements, relating to the safeguarding of assets. Management are currently taking steps to ensure this control risk is addressed as a priority in early 2009/10.

During the year, Arts Council England tendered for internal audit services in order to comply with best practice relating to rotation of service providers. Deloitte were successful in winning the contract and have taken over from Price Waterhouse Coopers with effect from 1 April 2009.

4.5 Policies

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.

4.6 Performance management

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

Quarterly management accounts are reviewed by Arts Council England's management committee. The audit committee receives Arts Council England's management accounts and monitors progress against financial targets. Summary management accounts are also being presented to and reviewed by national Council from April 2009.

4.7 Communications

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 emails from the Chief Executive, 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.

4.8 Data security

Arts Council England has controls and policies in place to ensure data integrity and these are being developed further in 2009/10. IT systems ensure that the physical security of data is tightly controlled. As far as we are aware, no loss of data occurred during the period under review.

5. Conclusion

The control framework as described above has operated throughout the year and no significant control weaknesses have been identified with the exception of the specific risk highlighted by internal audit in relation to the safeguarding of assets. As noted above, actions are underway to address this risk as a priority in early 2010.

Alan Davey
Chief Executive
9 July 2009

Dame Liz Forgan
Chair
9 July 2009

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

I certify that I have audited the financial statements of Arts Council England's Lottery distribution accounts for the year ended 31 March 2009 under the National Lottery etc Act 1993. These comprise the income and expenditure account, the balance sheet and the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the remuneration report that is described in that report as having been audited.

Respective responsibilities of the Council, Chief Executive and auditor

The Council and Chief Executive, as accounting officer, are responsible for preparing the Annual Review, which includes the remuneration report and the financial statements in accordance with the National Lottery etc Act 1993 and Secretary of State directions made thereunder, and for ensuring the regularity of financial transactions. These responsibilities are set out in the statement of the Council's and Chief Executive's responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the remuneration report to be audited have been properly prepared in accordance with the National Lottery etc Act 1993 and Secretary of State directions made thereunder. I report to you if, in my opinion, certain information given in the Annual Review, which comprises the management commentary, is consistent with the financial statements.

I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if Arts Council England has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the statement on internal control reflects Arts Council England's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of Arts Council England's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board.

My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the Council and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to Arts Council England's circumstances, consistently applied and adequately disclosed.

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

In forming my opinion, I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the remuneration report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the National Lottery etc Act 1993 and directions made thereunder by the Secretary of State, of the state of Arts Council England's Lottery distribution affairs as at 31 March 2009 and of its increase in funds, recognised gains and losses and cash flows for the year then ended
- the financial statements and the part of the remuneration report to be audited have been properly prepared in accordance with the National Lottery etc Act 1993 and Secretary of State directions made thereunder
- information given within the Annual Review, which comprises the management commentary, is consistent with the financial statements

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.

Report

I have no observations to make on these financial statements.

Amyas CE Morse
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria,
London
SW1W 9SS

14 July 2009

Income and expenditure account

For the year ended 31 March 2009

	Note	2008/09 £000s	2007/08 £000s
Share of proceeds from the National Lottery Distribution Fund	7	145,279	139,845
Investment returns on the Distribution Fund	7	7,122	11,272
Unrealised gain (loss) on revaluation of the Distribution Fund	7	157	342
Transfer of funds to the 2012 Olympics	7	(7,569)	
Interest received		269	421
Other income		103	143
Total income		145,361	152,023
Grant commitments made in the year	9	119,956	99,551
Less: lapsed and revoked commitments	9	(2,237)	(8,655)
Net grant commitments		117,719	90,896
General expenditure:			
Staff costs	2	630	636
Other operating costs	3a	1,773	1,987
Costs apportioned from grant-in-aid accounts	3b	14,150	14,705
Total operating costs		16,553	17,328
Total expenditure		134,272	108,224
Net resources gained before exceptional items and notional costs	8	11,089	43,799
Exceptional items			
Cost of fundamental reorganisation	21	(1,643)	(423)
Net resources gained after exceptional items before notional costs		9,446	43,376
Accumulated deficit brought forward		(2,236)	(45,612)
Accumulated surplus carried forward	17	7,210	(2,236)

Arts Council England has no recognised gains or losses other than those disclosed in the above income and expenditure account.

Consequently, no separate statement of recognised gains and losses has been prepared. There are no discontinued activities.

The notes on pages 124 to 138 form part of these accounts.

Balance sheet

As at 31 March 2009

	Note	31 March 2009 £000s	31 March 2008 £000s
Fixed assets			
Tangible assets	5	<u>0</u>	<u>0</u>
		0	0
Current assets			
Debtors	6	1,037	1,065
Investments: balance in the National Lottery Distribution Fund	7	129,622	155,552
Due from grant-in-aid accounts		459	2,475
Cash at bank and in hand		11,405	2,812
		<u>142,523</u>	<u>161,904</u>
Creditors: amounts falling due within one year			
Grant commitments	9	60,009	73,188
Creditors	10	1,958	1,499
Due to grant-in-aid accounts		0	0
		<u>61,967</u>	<u>74,687</u>
Net current assets		80,556	87,217
Total assets less current liabilities		80,556	87,217
Creditors: amounts falling due over one year			
Grant commitments	9	73,346	89,453
		<u>7,210</u>	<u>(2,236)</u>
Represented by			
Reserves	17	7,210	(2,236)
		<u>7,210</u>	<u>(2,236)</u>

The notes on pages 124 to 138 form part of these accounts.

Alan Davey
Chief Executive
9 July 2009

Dame Liz Forgan
Chair
9 July 2009

Cash flow statement

For the year ended 31 March 2009

	Note	2008/09 £000s	2007/08 £000s
Operating activities			
Funds received from the National Lottery Distribution Fund	7	170,919	140,038
Other cash receipts		104	143
Grants paid	9	(147,005)	(130,661)
Cash paid to and on behalf of employees		(630)	(636)
Transfer to Olympic Lottery Distribution Fund		(7,569)	0
Other cash payments		(14,617)	(21,154)
Net cash movements relating to exceptional items:		0	(423)
Net cash inflow from operating activities		1,202	(12,693)
Cash flows from investing activities			
Investment returns on the distribution fund		7,122	11,272
Interest received		269	443
Net cash used in investing activities		7,391	11,715
Cash flows from financing activities			
Loans repaid by other bodies		0	166
Loans made to other bodies		0	(423)
Net cash used in financing activities		0	(257)
Increase (decrease) in cash		8,593	(1,235)
Cash and cash equivalents at beginning of period		2,812	4,047
Cash and cash equivalents at end of period	14/15/16	11,405	2,812

The notes on pages 124 to 138 form part of these accounts.

Notes to the 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 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 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 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 9 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 (no 1036733), is exempt from taxation on its income and gains falling within Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that they are applied to its charitable objectives. 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 *FRS17 Retirement 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.

g) Notional costs

Arts Council England is required to calculate a notional cost of capital, which is disclosed in the income and expenditure account. These accounts cover the Lottery distribution activities of Arts Council England, and only funds from the National Lottery are included which bear a cost of capital of 0%.

h) Financial Instruments

We have adopted FRS 25, 26 and 29 in 2008/09 on financial instruments. There are no prior year adjustments. In accordance with the Lottery accounts directions, unrealised profits and losses on investments are recognised within the income and expenditure account

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.

2a) Staff costs

	2008/09	2007/08
	£000s	£000s
Salaries and wages	366	491
Employer's national insurance	31	37
Employer's pension contributions	61	66
Agency	172	42
	630	636

In addition to the cost of staff working directly on Lottery activities in the table above, £8,690,000 (2007/08: £9,063,000) of the costs apportioned from Arts Council England's grant-in-aid accounts relate to staff costs.

The average number of staff engaged directly on Lottery activities for the year ended 31 March 2009 was as follows:

	2008/09	2007/08
Management and operational	13	12

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, the Scottish Arts Council, and the Crafts Council. From 2009/10 Creativity, Culture and Education will become a contributor to the scheme on behalf of those staff transferring from Creative Partnerships to CCE. 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 2008 was £60.2 million.

An actuarial valuation of the pension fund takes place at least every three years. At the last valuation on 31 March 2008 the actuarial value of the assets using the projected unit method was sufficient to cover 75% of the value accrued to members, a deficit of £18,000,000. As a result, and on the advice of the actuary, we are now paying employer's contributions of 25% of pensionable salary or 23% for staff who started after 1 July 2006.

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

Price inflation rate	3.2%
Rate of pay increases	4.7%
Rate of pension increases	3.2%

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

West Yorkshire Pension Fund

The scheme is a defined benefit scheme. Other employers contributing to the scheme are – the Arts Council of Wales, the Scottish Arts Council, and the Crafts Council. From 2009/10 Creativity, Culture and Education will become a contributor to the scheme on behalf of those staff transferring from Creative Partnerships to CCE. 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 2009 was £5.9 billion (approx).

An actuarial valuation of the pension fund takes place every three years. At the last valuation on 31 March 2007, the actuarial value of the assets using the projected unit method was sufficient to cover 90% of the value accrued to members. From 1 April 2007, employer contributions were set at 15%.

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

Rate of inflation	3.1%
Rate of pay increases	4.9%
Rate of pension increases	3.1%

Amounts due to the fund at 31 March 2009 were £nil (31 March 2008: £nil).

Notes to the Lottery distribution accounts

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 three schemes have been addressed. 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.

3a) Other operating costs

	2008/09 £000s	2007/08 £000s
Depreciation	0	0
Travelling, subsistence and entertainment	41	36
Professional fees	382	426
Office and sundry	42	59
Irrecoverable Value Added Tax	167	207
External assessment costs	1,141	1,259
	1,773	1,987

3b) Costs apportioned from the grant-in-aid accounts

	2008/09	2007/08
	£000s	£000s
Staff costs	8,075	8,424
Agency staff costs	463	639
Depreciation	585	429
Travelling, subsistence and entertainment	571	525
Rent and rates	1,353	1,451
Professional fees	681	966
Office and sundry	1,653	1,762
Irrecoverable Value Added Tax	769	509
	14,150	14,705

4 Decrease in Lottery funds

	2008/09	2007/08
	£000s	£000s
Stated after charging:		
(a) Auditors' remuneration	71	61
(b) Staff travel, subsistence and hospitality	41	36

5 Tangible fixed assets

All fixed assets purchased directly from Lottery funds have been fully depreciated. As part of the re-charge from grant-in-aid (see note 3b above), Lottery accounts are charged their share of the depreciation of assets employed across all Arts Council activities.

6 Debtors

	31 March	31 March
	2009	2008
	£000s	£000s
Prepayments and accrued income	38	66
Other debtors	999	999
	1,037	1,065

Included in 'other debtors' are interest-free loans to the following organisation:

- Africa Centre loan was extended by £250,000 during 2007/08 to £999,000 and is repayable by 6 July 2009

Notes to the Lottery distribution accounts

7 Investments: balance in the National Lottery Distribution Fund

	2008/09 £000s	2007/08 £000s
Balance at 1 April 2008	155,552	155,403
Share of proceeds from the National Lottery Distribution Fund	145,279	139,845
Investment returns on the Distribution Fund	7,122	11,272
Unrealised gains (losses)	157	342
Diversion of Funds to the 2012 Olympics	(7,569)	0
Cash drawn down	(170,919)	(151,310)
Balance at 31 March 2009	<u>129,622</u>	<u>155,552</u>

The balance in the National Lottery Distribution Fund at 31 March 2009 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. Our current forecasts show that the balance is predicted to fall below £100 million during 2009/10.

The balance in the NLDF at 31 March 2009 fell significantly, but is above the prediction of below £100 million reported in the 2007/08 accounts. Once again, the primary cause is the unpredictability of the portfolio of capital projects spending to their aggregated cash flow forecast.

This is typically caused by delays relating to legal charges and to partnership funding.

8 Notional costs

The Arts Council is required to calculate a notional cost of capital, which is disclosed in the income and expenditure account. These accounts cover the Lottery distribution activities of Arts Council England, and only funds from the National Lottery are included which bear a cost of capital of 0%.

9 Soft and hard commitments

	31 March 2009 £000s	31 March 2008 £000s
Soft commitments brought forward	19,703	33,664
Soft commitments transferred to hard commitments	(119,956)	(99,551)
Soft de-commitments	(73)	(6)
Soft commitments made	108,948	85,596
Balance of soft commitments outstanding carried forward	8,622	19,703
Hard commitments brought forward	162,641	202,406
Hard commitments met in the last year	(147,005)	(130,661)
Hard de-commitments	(2,237)	(8,655)
Hard commitments made	119,956	99,551
Balance of hard commitments outstanding carried forward	133,355	162,641
Ageing of hard commitments:		
2008/09	n/a	73,188
2009/10	60,009	45,540
2010/11	37,340	43,913
Post 2011/12	36,006	
Total hard commitments	133,355	162,641

During 2008/09 no grants (2007/08: £650,000) were paid into the ESCROW account held by the Southbank Centre. At the year end the Southbank Centre had made no withdrawals (2007/08: £2.8 million) from this account, leaving a balance remaining of £382,000 (2007/08: £380,000) including interest paid on the balance held in the account.

10 Creditors

	31 March 2009 £000s	31 March 2008 £000s
Trade creditors	26	38
Accruals and deferred income	1,932	1,461
	1,958	1,499

Notes to the Lottery distribution accounts

11 Leases

There were no commitments under non-cancellable operating leases at 31 March 2009 (31 March 2008: £nil).

12 Capital commitments

There were no contracted capital commitments at 31 March 2009 (31 March 2008: £nil).

13 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.

14 Cash flow reconciliation

	2008/09 £000s	2007/08 £000s
Reconciliation of operating surplus/(deficit) to net cash flow from operating activities.		
Operating surplus/(deficit)	9,446	43,376
Decrease (increase) in debtors and prepayments	2,043	(2,685)
(Decrease) increase in creditors	(28,826)	(41,777)
Decrease (increase) in investments	25,930	(149)
Net cash inflow/(outflow)	<u>8,593</u>	<u>(1,235)</u>

15 Reconciliation of net cash flow to movement in funds

	2008/09 £000s	2007/08 £000s
Increase/(decrease) in cash in the year	8,593	(1,235)
Funds at 1 April 2008	2,812	4,047
Funds at 31 March 2009	<u>11,405</u>	<u>2,812</u>

16 Analysis of net cash

	1 April 2008 £000s	Cash flow £000s	31 March 2009 £000s
Cash	2,812	8,593	11,405
Total	2,812	8,593	<u>11,405</u>

17 Movement in Lottery funds

	2008/09 £000s	2007/08 £000s
Opening Lottery reserve at 1 April 2008	(2,236)	(45,612)
Transferred from the income and expenditure account	9,446	43,376
Lottery reserve at 31 March 2009	7,210	(2,236)

18 Reconciliation of transactions with delegate bodies**18a) 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:

	2008/09 £000s	2007/08 £000s
Transactions in Arts Council England accounts:		
Grant commitments in the year	10,000	10,000
NFYM creditor balance as at 31 March 2009	0	0
This reconciles to NFYM's accounts for the year ended 31 March as follows:		
Balance at 1 April 2008	3,913	2,566
Incoming funds: Arts Council England grant	10,000	10,000
other funds	10,613	10,222
Outgoing funds: grant expenditure	(17,474)	(16,145)
other expenditure	(3,426)	(2,730)
Balance at 31 March 2009	3,626	3,913
Arts Council England debtor balance as at 31 March 2009	0	0

The 2008/09 figures were unaudited at the date of signing these accounts

Notes to the Lottery distribution accounts

18b) 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:

	2008/09 £000s	2007/08 £000s
Transactions in Arts Council England accounts:		
Grant commitments in the year	0	0
UK Film Council creditor balance as at 31 March 2009	4,235	7,335
This reconciles to the UK Film Council's accounts for the year ended 31 March 2009 as follows:		
Balance at 1 April 2008	0	208
Incoming funds: grants received	0	0
Outgoing funds: grant expenditure		
other expenditure	0	(208)
Balance at 31 March 2009	<u>0</u>	<u>0</u>
Arts Council England debtor balance as at 31 March 2009	<u>4,235</u>	<u>7,335</u>

19 Related parties

19a) 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 following interests in grant recipients were declared for the year ended 31 March 2009:

Grant for the year ended 31 March 2009 £000s	Balance unpaid at 31 March 2009 £000s	Organisation	Council member	Relationship
30	108	The Artangel Trust	Alice Rawsthorn	Other (patron)
0	215	Whitechapel Art Gallery		Board member
0	10	University Of York Music Press Ltd	Janet Barnes	Board member
35	1	Africa Centre	Elsie Owusu	Other
35	35	Royal Society of Arts		Fellow
0	0	Belmont Arts Centre	Dorothy Wilson	Former board member
0	10	Motionhouse Dance Theatre		Board member
0	3	Music Leader West Midlands		Board member
211	61	Midlands Arts Centre		Employee
40	0	Art on the Underground	Keith Khan	Board member
16,500	5,010	Southbank Centre Limited		Former employee
0	8	The October Gallery	Lady Sue Woodford Hollick	Family member is a trustee
16,500	5,010	Southbank Centre Limited		Family member is former Chair
30	11	Liverpool Culture Company	Tom Bloxham MBE	Board member
26	26	Manchester Jewellers Network		Partner is member
75	38	Monster Productions	Dr Tom Shakespeare	Former board member
0	10	The British Museum	Dame Liz Forgan	Board member
69	6	Book Trust	Diran Adebayo	Former director
0	25	The X Press		Family member on board
40	129	New Writing Partnership	Professor Jon Cook	Non-voting observer on board, family member is employee
0	3	Egg Box Publishing		Director
0	114	Institute of Contemporary Arts	Ekow Eshun	Employee
35	35	Royal Society of Arts		Fellow
0	13	The Roundhouse	Kentaké Chinyelu-Hope	Trustee

Notes to the Lottery distribution accounts

Grant for the year ended 31 March 2009 £000s	Balance unpaid at 31 March 2009 £000s	Organisation	Council member	Relationship
93	93	Sadler's Wells Trust Ltd	Alistair Spalding	Chief Executive
370	0	Dance Umbrella Ltd	Rosemary Squire	Director

19b) 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 following interests in grant recipients were declared for the year ended 31 March 2009.

Grant for the year ended 31 March 2009 £000s	Balance unpaid at 31 March 2009 £000s	Organisation	Executive Director/ Senior Manager	Relationship
0	75	Modern Art Oxford	Andrew Nairne	Former employee
30	3	The Media Trust	Andrew Whyte	Non-pecuniary board member and trustee
50	5	North Music Trust	Paul Collard	Partner is employee
28	11	Look Ahead Housing & Care	Moira Sinclair	Board member
28	3	Tricycle Theatre Company		Former employee
30	27	Hastings Borough Council	Felicity Harvest	Family member is elected member
21	2	Stockton Borough Council	Alison Clark-Jenkins	Former employee
8	8	Georgian Theatre Royal		
25	3	New Writing North	Mark Robinson	Other
9	2	Andy Croft		Other
3	0	Culture South West	Nick Capaldi	Board member
0	103	New Art Exchange	Michaela Butter	Employee
0	71	Regeneration East Midlands		Board member

19c) 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:

	Creditor	Debtor
	31 March	31 March
	2009	2009
	£000s	£000s
Balances with other central government bodies*	118	129,622
Balances with local authorities	46,258	0
Balances with NHS Trusts	244	0
Balances with public corporations and trading funds	7	0

* The debtor figure relates to our balance in the National Lottery Distribution Fund

20 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' that Arts Council England faces in undertaking its activities. 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 2008 the fund balance was £156 million. This had reduced to £130 million by 31 March 2009, at which point there were £142 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.

20a) Liquidity risk

In 2008/09, 94.7% 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 5.0%, and from bank interest and other income of 0.3%.

At the balance sheet date, Arts Council England had net assets of £7,466,000.

20b) Cash flow projections over the next financial year

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.

Notes to the Lottery distribution accounts

20c) Liquid assets as at 31 March 2009

	£000s
Market value of NLDF investments	129,622
Cash	11,405

20d) 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 £129,622,000. In the year, the average return on these investments was 4.99% (2007/08: 6.05%).

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 £11,405,000. We consider that we are not exposed to significant interest rate risks on our cash balances.

20e) 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.

20f) Financial assets

	2008/09 £000s	2007/08 £000s
Sterling	11,405	2,812
Gross financial assets	<u>11,405</u>	<u>2,812</u>

The Arts Council does not hold investments, meaning that all sterling financial assets shown are held as cash at bank, meaning book value and fair value are the same.

20g) Financial assets by category

	2008/09 £000s	2007/08 £000s
Prepayments and accrued income	38	66
Other debtors	999	999
National Lottery Distribution Fund	129,622	155,552
Due from grant-in-aid accounts	459	2,475
Cash at bank and in hand	11,405	2,812
Total	142,523	161,904

20h) Financial liabilities by category

	2008/09 £000s	2007/08 £000s
Trade creditors	26	38
Accruals and deferred income	1,932	1,461
Grant creditors falling due within one year	60,009	45,540
Grant creditors falling due over one year	73,346	89,453
	135,313	136,492

20i) Soft commitments

	2008/09 £000s	2007/08 £000s
Grants offered but yet to be accepted	8,622	19,703

Commitments accounted for are limited to those where there has been written acceptance from the grant recipient. Those additional commitments offered, but not accepted are analysed in note 9 above.

20j) Olympic Lottery Distribution Fund contribution

	2008/09 £000s	2007/08 £000s
	104,930	112,500

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.

	£000s
2008/09	7,569
2009/10	30,276
2010/11	30,276
2011/12	30,276
2012/13	14,103
	112,500

Notes to the Lottery distribution accounts

21 Exceptional items

As part of our funding agreement with the Department for Culture, Media and Sport, the Arts Council has a target to save 15% of the 2010/11 administration budget. A fundamental review of the whole organisation took place during 2008/09, with an announcement made in February 2009 to staff affected. Provision for the anticipated redundancy costs has been made.

	2008/09 £000s	2007/08 £000s
Redundancy costs	1,643	423
	<u>1,643</u>	<u>423</u>

22 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 Certificate and Report of the Comptroller and Auditor General.

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 2007 we completed the arts debate, a major inquiry into how people value the arts and their priorities for public investment. The arts debate taught us a great deal about how the arts are perceived and experienced, the values that people think should underpin public funding of the arts, and how people would like to interact with the Arts Council.

Building on the arts debate and responding to the desire expressed for greater involvement we established the wider range of voices project. The aim is to improve the quality of the Arts Council's dialogue with the public and their involvement in setting priorities.

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

The Arts Council plan, *Great art for everyone 2008–2011*, sets out how we intend to achieve our mission and represents our assessment of the needs of the arts and our current priorities. Please see pages 10 to 13 for more on our plans.

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 met the needs of children and young people. In 2008/09 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

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

We believe that the arts have the power to change lives and communities and that outdoor arts of all types have a particular ability to engage, inform and entertain audiences that might not otherwise attend an arts event. The work may be intimate or spectacular and frequently offers opportunities to participate as well as to spectate. It is presented in public spaces and often supports local communities or highlights local agendas, eg neighbourhood renewal and urban regeneration.

In June 2008 we published *New Landscapes*, our outdoor arts development plan for 2008–11. There are specific areas of work within the overarching definition of outdoor arts, including (but in no way limited to): street arts, tented circus, carnival, celebratory and participatory arts, spectacle, community arts and art in the public realm.

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 anticipate supporting more community focused work through Grants for the arts from 2009 as we no longer contribute to Awards for All.

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.

National Lottery report

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.

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.

We continue to take into account environmental considerations, including sustainable development during the assessment and monitoring stages of our capital programmes. In March 2009, to further support applicants undertaking building-related projects, we jointly published *Building excellence in the arts* – a guide for clients with the Commission for Architecture and the Built Environment. This new resource for anyone renovating or constructing arts buildings identifies the issues that need to be addressed to ensure that the building is sustainable and the design improves the performance of the building over its lifetime.

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.

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

We welcome applications to Grants for the arts from organisations wishing to undertake capacity building and other activities that will strengthen their long-term viability. During 2008/09 with the worsening general economic conditions, we recognised the need to put into place a means by which successful organisations across the country could be helped to maintain their high standard of work at a time when

the environment in which they traded became much more difficult. This new programme, Sustain will start accepting applications in June 2009 and will offer one-off time-limited awards to enable successful organisations to maintain and secure their financial viability in the short and long term and to invest in organisational development to ensure their sustainability.

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 to 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 regular 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. During 2008/09 we undertook an exercise to contact all recipients of funding for major capital projects since the Lottery began in 1994 to provide them with new branding materials.

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 viability and the quality of management.

Where capital funding is sought, the need (a) for a clear business plan showing how any running and maintenance costs will be met for a reasonable period, and (b) to ensure that appraisal and management for major projects match the Office of Government Commerce's Gateway Review standards.

All applicants for capital funding must provide a detailed business plan that demonstrates how they will meet ongoing maintenance and running costs for a reasonable period following completion. In the case of major capital projects, we require a five-year business plan that we regularly reassess at a series of reviews we hold at key stages of the project's development. Modeled on the Office of Government Commerce's Gateway Review standards, these reviews allow us and the client to take a more flexible approach to the monitoring and management of risks that may vary during the lifetime of a complex construction or renovation project.

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.

Awards for All

Awards for All in England is a joint-distributor Lottery scheme funded by Arts Council England, Big Lottery Fund, Heritage Lottery Fund and Sport England. Overall management of the scheme is the responsibility of a programme board made up of representatives of the contributing distributors. The Big Lottery Fund undertakes day-to-day operations of the scheme, including monitoring and evaluation. The programme board receives regular reports on the operation of the scheme that have informed its development.

During 2008/09, we and the other distributors reviewed our involvement in Awards for All and how best we could support small-scale voluntary and community groups. We concluded that given that the established and successful track record of Grants for the arts it would be better for arts-related projects if we directed all of our small-scale funding through this programme. Consequently, we ceased funding to Awards for All in March 2009.

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; 2008/09 was the sixth 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 2008 we published new assessment criteria focusing on excellence and public engagement to deliver our mission of great art for everyone.

We are currently conducting a strategic review of Grants for the arts evaluating the first five years of the programme. This work will assess 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 how the programme can be improved in the future.

National Lottery report

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 visits to one in 20 projects funded and produce a written progress report. Projects are selected 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.

Further information on Youth Music's activities is available from Youth Music's website www.youthmusic.org.uk

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:

- capital programmes
- stabilisation and recovery

Details of how we monitor these programmes can be found in previous editions of this report.

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 2008/09. A copy of the Statement of Financial Requirements is available from us.

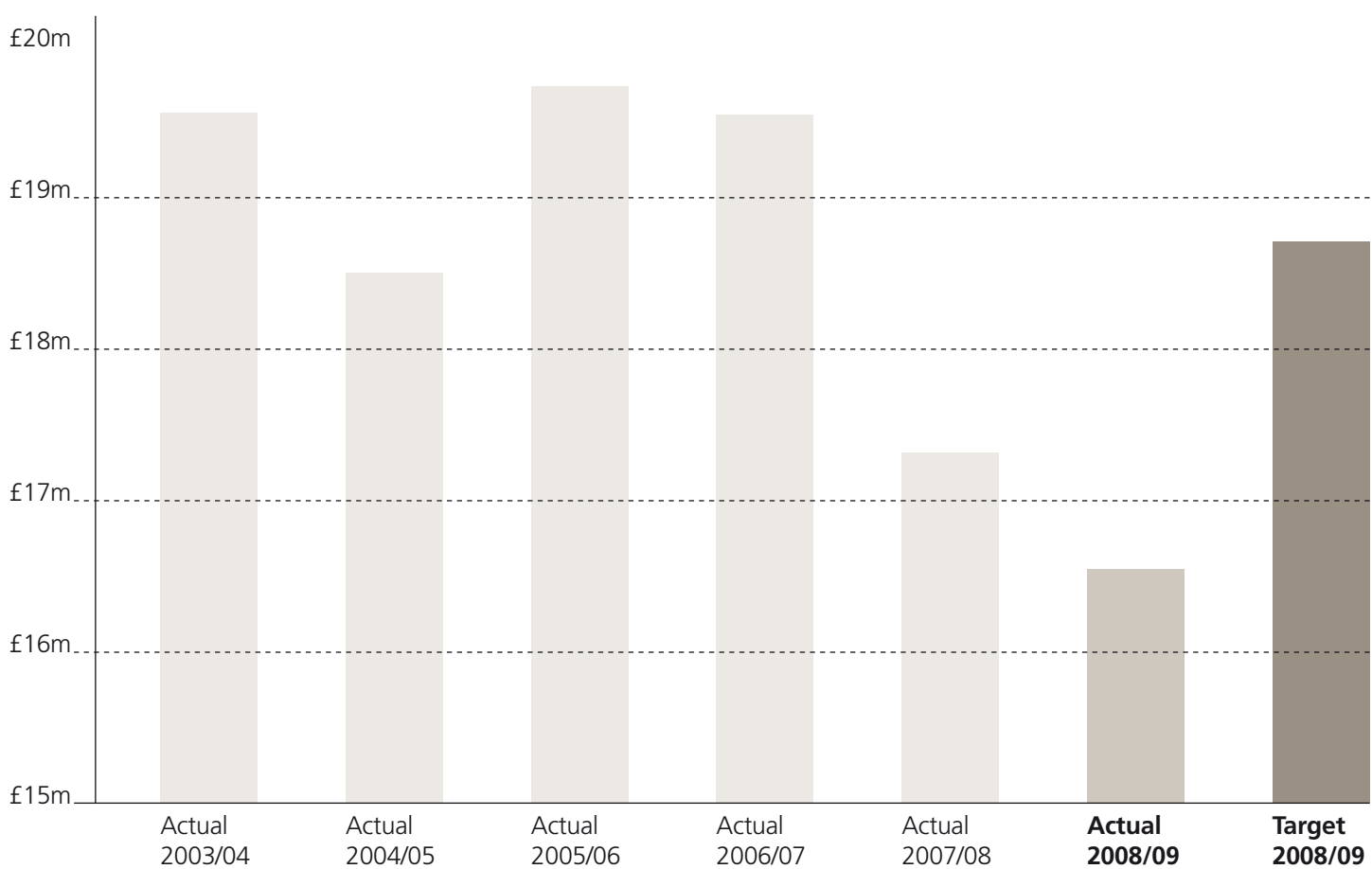
Performance against targets for administrative efficiency

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 £m Actual	2004/05 £m Actual	2005/06 £m Actual	2006/07 £m Actual	2007/08 £m Actual	2008/09 £m Actual	2008/09 £m Target
Actual administration costs*	19.57	18.54	19.77	19.49	17.33	16.55	18.68

* Excludes exceptional items and one-off IT development costs

National Lottery report

2 Adjusted Lottery administration costs

	2003/04 £m Actual	2004/05 £m Actual	2005/06 £m Actual	2006/07 £m Actual	2007/08 £m Actual	2008/09 £m Actual	2008/09 £m Target
Adjusted Lottery administration costs*,**	19.57	18.02	18.71	18.04	15.62	14.59	16.47

* 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 2008/09 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
Actual administration costs as % of Lottery income*	12.15%	10.96%	11.49%	13.05%	11.44%	10.92%

* Excludes exceptional items and one-off IT development costs

The figures in this table are for illustration only. The amount of Lottery income we receive each year varies for a number of factors that are beyond our control.

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:

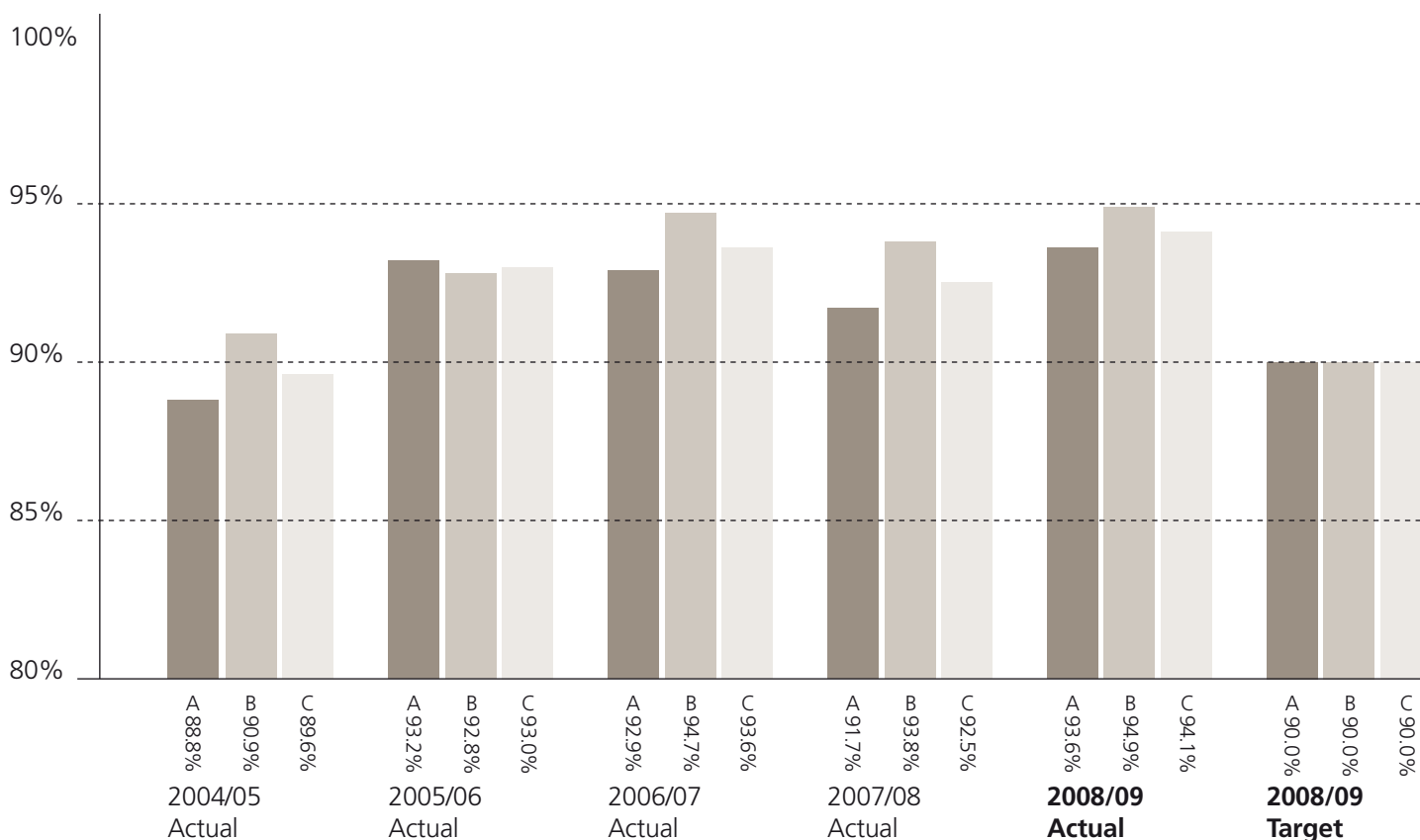
Size of application

Turnaround time

Applications for funding up to and including £5,000:	6 weeks
Applications for funding for £5,001 and above:	12 weeks

For 2008/09 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.

- A % of applications for up to £5,000 processed in 6 weeks or less
- B % of applications for £5,001 and above processed in 12 weeks or less
- C Overall % of applications processed within target time



National Lottery report

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 2008/09 was the first 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 13 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 2008 but fully paid during 2008/09 and those with outstanding balances at 31 March 2009. 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 2009
- B** projects completed and opened during 2008/09
- C** projects completed and opened in previous years but with final payments still outstanding at 1 April 2008

The awards are all for capital projects except for one award made under the stabilisation programme to the Royal Liverpool Philharmonic Society.

A Projects still to be completed at 31 March 2009

Colchester Borough Council

Award: £5,870,000

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 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. £4,331,274 paid (73.7% of the total award).

Birmingham City Council

Award: £8,682,497

In partnership with SAMPAD (South Asian Arts Development Agency) mac (Midlands Arts Centre) is developing a capital project, delivered by Birmingham City Council. The project will include 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. £3,411,804 paid (39.2% of the total award).

Nottingham City Council

Award: £5,080,000

This project will see the construction at the site known as Garners Hill of a building that will be the East Midlands' new 'flagship' contemporary arts space. Nottingham Contemporary will have five large galleries and a flexible space to include a social area and live art performance space. The performance element will be part of a broadly described contemporary visual arts programme. £890,392 paid (17.5% of the total award).

Royal Shakespeare Company

Award: £55,806,540

The Royal Shakespeare Company 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 is the redevelopment of the Royal Shakespeare Theatre in Stratford-upon-Avon to provide better facilities for audiences, performers and staff. £33,485,489 paid (60% of the total award).

Southampton City Council**Award: £5,844,000**

The fit-out of the shell of a mixed-use development for the arts in the Southampton New Arts Complex (SNAC). The arts shell will house Art Asia; the John Hansard Gallery; City Eye and a performing arts organisation set to complement existing provision in the City. The current buildings housing the arts organisations are not DDA compliant, are located away from the main areas of the town and are largely inadequate in terms of providing arts space for professional artists. £343,812 paid (5.8% of the total award).

Wakefield City Council**Award: £5,080,000**

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. £2,439,361 paid (48% of the total award).

B Projects completed and opened during 2008/09

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.

Leicester City Council**Award: £14,700,000**

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. £13,304,343 paid (90.5% of the total award).

The Public (previously c/PLEX)**Award: £32,290,703**

The Public opened in June 2008 and although the building was open for conferences and events, music and theatre usage, the interactive art gallery at the centre of the building was not complete.

In September 2008, we were made aware that unless we could provide an additional £500,000 investment, the board of Public Gallery Ltd would have to put the company into administration. After lengthy consideration of a revised business plan and due to the fact that the interactive gallery was still not open in

January 2009, a decision was reached that we could not support it. This decision was not reached lightly and in making it, we recognise the considerable efforts made by the team at The Public to realise their vision.

We are in discussions with Sandwell Metropolitan Borough Council, who own and operate the building, to offer up to £3 million to allow them to develop a revised integrated artistic and business plan and to bring the whole building fully into public use. £32,252,085 paid (99.8% of the total award).

C Projects completed and opened in previous years but with final payments still outstanding at 1 April 2008. 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.

De La Warr Charitable Trust Limited**Award: £5,915,172**

The De La Warr Pavilion in Bexhill-on-Sea, built in 1935, is recognised as one of the finest examples of a modern movement building in Britain and includes an auditorium, gallery space, bars, restaurant and multi-purpose rooms. The Grade One listed building has been restored to create a centre for the visual arts and architecture. It opened in October 2005. £5,915,172 paid (100% of the total award).

Junction CDC Limited**Award: £5,951,921**

A multi-purpose arts centre. The Junction programmes and develops contemporary Music, Comedy, Dance, Theatre, Live Art and Club nights over three spaces. The Junction is developing its learning and access programme to maximise opportunities for young people to experience live performance, create work and engage in learning, discussions and debate. It opened in February 2005. Junction received additional support to complete capital issues and to undertake review of the business model and to restructure to ensure sustainability. £5,943,921 paid (99.8% of the total award).

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).

National Lottery report

Lowry Centre (Salford City Council)

Award: £51,749,719

This project developed a major performing and visual arts centre as part of the regeneration scheme for Salford Quays. It was a joint award with the Millennium Commission (£15.65 million) and the Heritage Lottery Fund (£7.65 million). Significant partnership funding came from the European Regional Development Fund, Salford City Council and English Partnerships. The centre opened in May 2000. £51,749,719 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. £31,656,536 paid (98.6% of the total award).

Northampton Theatres Trust

Award: £7,998,725

This project is the refurbishment and reconfiguration of the Northampton Derngate and Royal Theatres. The two organisations merged in 1999 to form the Northampton Theatres Trust. The redevelopment provides an extended and renovated foyer, improved disabled access, improved air circulation, a new creativity centre (a home for the theatres' education and outreach activities) and a new rehearsal space bringing in-house produced shows into the heart of the building. It reopened in October 2006. £7,529,687 paid (94.1% of the total award).

Rich Mix Cultural Foundation

Award: £7,040,000

Rich Mix opened for a limited programme of activity in March 2006. In its first 12 months of operation it operated the three single screens in the cinema, ran a programme of community events and commercial hires in the café and fourth floor conference rooms and co-promoted a number of arts installation projects and exhibitions. £7,040,000 paid (100% of the total award).

Rivington Place

Award: £6,035,976

The project is a new building to house two culturally diverse visual arts agencies (InIVA and Autograph ABP) with a gallery, project spaces for small-medium enterprises, expanded multimedia, a library and research facilities. Rivington Place is situated in the heart of the diverse communities of east London, characterised by a dynamic city fringe economy and considerable deprivation. It opened in October 2007. £5,902,419 paid (97.7% of the total award).

Royal Liverpool Philharmonic Society

Award: £10,793,702

This is a stabilisation award to eliminate the accumulated deficit, to reach agreement with Liverpool City Council on the future funding of Philharmonic Hall, to recruit a new chief executive and other senior management posts, and to cover transitional operational costs. £10,793,702 paid (100% of the total award).

Southbank Centre

Award: £53,869,643

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. £48,859,567 paid (90.6% of the total award).

Unicorn Theatre

Award: £5,865,000

This project created a theatre for children in Southwark and formed an administrative base for the Unicorn. The building will also receive touring shows. Accommodation includes a 500-seat performance space, a second 100-seat space, an education studio, a workshop studio, a rehearsal studio, open and accessible front-of-house spaces, back-of-house accommodation and a meeting room. The Unicorn Theatre opened in December 2005. £5,865,000 paid (100% of the total award).

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11 top Sutton film workshop, Taking Part Place Project, 2008. Photo: John Nassari

11 bottom Gateshead College Public Art by Alex Charrington, 2008. Photo: Kevin Gibson

12 top Costume workshop, Taking Part Place Project in Kensington and Chelsea, 2008. Photo: John Nassari

12 bottom *Pulse FX*, Dance South West Cultural Olympiad launch project, 2008. Photo: Jim Wileman

13 (A Night Less Ordinary piece) Luke Treadaway (left) and Harry Treadaway in Mark Ravenhill's play *Over There*, Royal Court Theatre, 2009. Photo: Simon Annand

14 Hofesh Shechter, *Uprising*, 2008. Photo: Ben Rudick

15 left and centre Fireworks in Dover to celebrate the launch of the Cultural Olympiad, 2008. Photos: Matthew Andrews

15 right Marcus Moore leading the *Art from the Heart* project as part of Made in England, 2009. Photo: Ben Cavanna

16 left BBC Electric Proms at the Roundhouse

16 right Ben Cook, *The Pack 2008* at the Eden Project, Cornwall, 2008. Photo: Arts Council England

17 left *Lamsa*, Katriona Beales and Finoon Saleh, working with 10 young winners of the Shine competition. Part of Go Superlambananas, 2008. Photo: Brian Slater.

17 right Cape Farewell's Disko Bay Expedition, 2008. Photo: Nathan Gallagher/Courtesy Cape Farewell

18 Inua Ellams's *14th tale*, London Word Festival, 2009. Photo: Ed Collier

31 left Damian Lynch and Kate Ambler performing in *ZERO* at Theatre Absolute, 2008. Photo: Andrew Moore

31 right *In your rooms*, Hofesh Shechter Company, 2007. Photo: Ben Rudick

32 left Natasha Wood, *Rolling with Laughter*, 2008. Photo: Lara Nouri

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33 left The Little Red Flowers performing at EASTmeetsWEST – a twilight spectacle, by Walk the Plank, 2008. Photo: Pete Huggins

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42 *The Sultan's Elephant*, street performance by Artichoke and Royal de Luxe, London, 2006. Photo: Sophie Laslett

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44/45 *The Gainsborough Packet*, Matt Stokes, 2009. Photos: Nigel Davison/2tone Creative Photography. Courtesy Matt Stokes, BALTIC, and 176 Gallery

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