

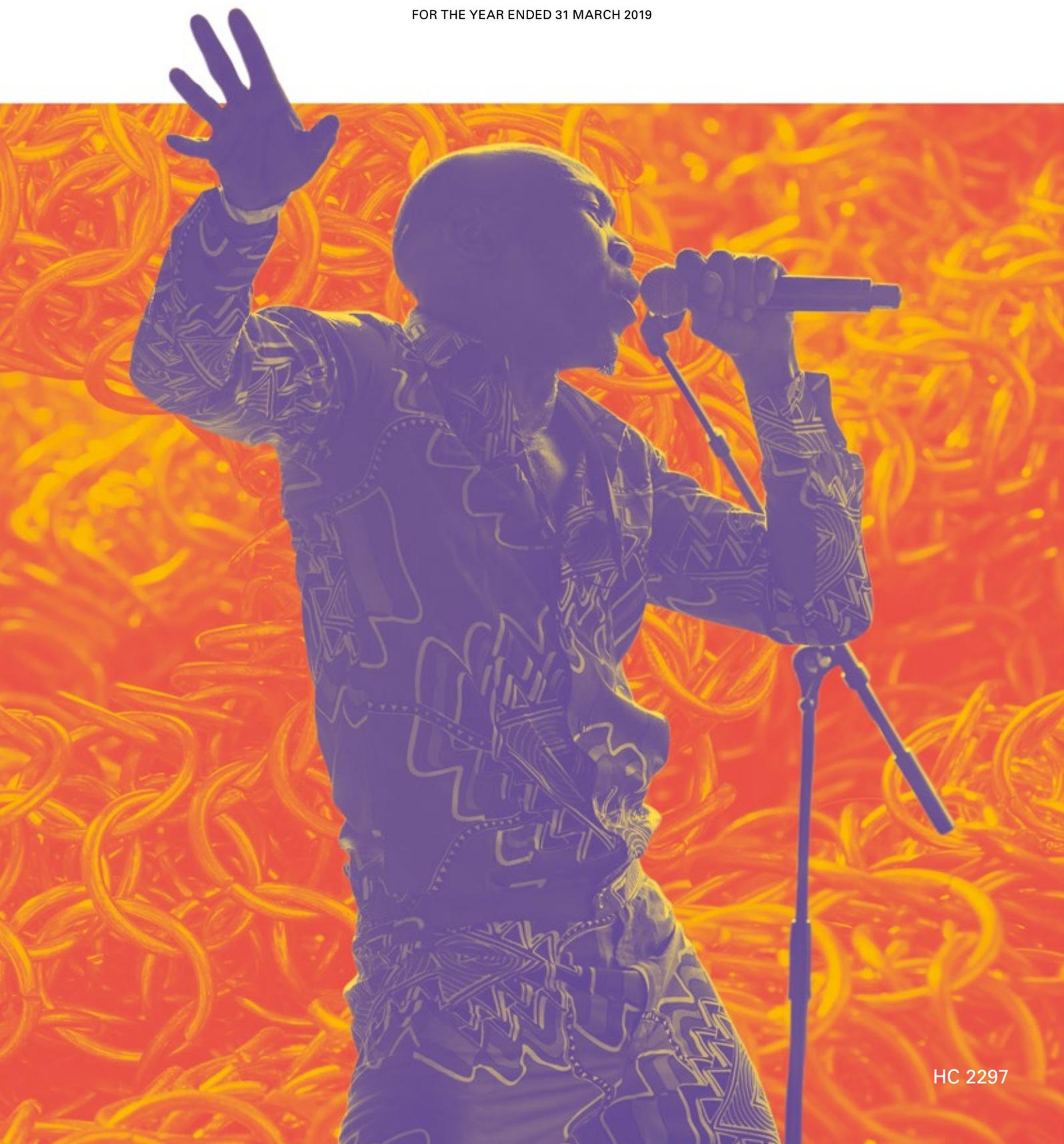
Arts Council England,  
Grant-in-Aid and National Lottery Distribution 2018/19

---



# Annual Report & Accounts

FOR THE YEAR ENDED 31 MARCH 2019



HC 2297



ARTS COUNCIL ENGLAND GRANT-IN-AID  
AND NATIONAL LOTTERY DISTRIBUTION  
ANNUAL REPORT AND ACCOUNTS 2018/19

Presented to Parliament pursuant to sections  
34(3) and 35(5) of the National Lottery Act 1993  
(as amended by the National Lottery Act 1998  
and National Lottery Act 2006).

Ordered by the House of Commons  
to be printed on 10 July 2019

HC 2297





This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit [nationalarchives.gov.uk/doc/open-government-licence/version/3](http://nationalarchives.gov.uk/doc/open-government-licence/version/3).

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at:  
[www.gov.uk/official-documents](http://www.gov.uk/official-documents).

Any enquiries regarding this publication should be sent to us at:

Arts Council England  
The Hive  
49 Lever Street  
Manchester  
M1 1FN

Website: [www.artscouncil.org.uk](http://www.artscouncil.org.uk)  
Phone: 0845 300 6200  
Email: [enquiries@artscouncil.org.uk](mailto:enquiries@artscouncil.org.uk)  
Textphone: +44(0) 161 934 4428

ISBN 978-1-5286-1379-8  
CCS0619386320

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the APS Group on behalf of the Controller of Her Majesty's Stationery Office.

# Contents

<b>01. Chair's report</b>	<b>02</b>
<b>02. Chief Executive's report</b>	<b>06</b>
<b>03. Achieving great art and culture</b>	<b>10</b>
<b>04. Remuneration report</b>	<b>32</b>
<b>05. Sustainability report</b>	<b>40</b>
<b>06. Trustees' report &amp; management commentary</b>	<b>50</b>
<b>07. Strategic report</b>	<b>78</b>
<b>08. Grant-in-Aid accounts</b>	<b>92</b>
<b>09. National Lottery distribution accounts</b>	<b>138</b>
<b>10. National Lottery report</b>	<b>172</b>
<b>Image credits</b>	<b>186</b>



# Chair's report



# 01.

## Sir Nicholas Serota CH

CHAIR, ARTS COUNCIL ENGLAND



### The continuing debate about our relationship with Europe and our place in the world has inevitable implications for the international activity and profile of our arts and cultural organisations.

Historically, our cultural organisations have given us a distinctive and influential presence on the international stage. Two thirds of the Arts Council's National Portfolio Organisations (NPOs) now operate internationally. This activity makes a major contribution to the resilience and outlook of organisations and is good for the UK economy. In 2017-18, NPOs reported £69.8m of international income. Arts activity is growing in areas that are also significant for other British interests, with North America as the single biggest market and East Asia the fastest growing one. In new markets, the arts can pave the way for stronger economic ties.

In recent times, we've worked in partnership with the British Council on projects focused on India and South Korea – in the latter case co-investing with Arts Council Korea. We have supported showcasing at key international events and market places, including the Frankfurt Book Fair; the Venice Biennale for visual arts; Push and Cinars in Canada for performance; Avignon and Auch Festivals for circus; South by South West in Texas for art and technology.

This international momentum has been maintained in the last year. Working with the Department for International Trade and the British Council, we invested in a producer development programme centred on the

Under the Radar Festival in New York. We're funding an exchange of best practice between Argentinian and UK organisations that lead on arts and social transformation. Through National Lottery Project Grants, we are supporting international exchange, inward touring and market development. In the last year, around a third of funds awarded for the new Developing Your Creative Practice Programme have been made for international travel and partnerships.

Last autumn, we hosted meetings of the Board of the International Federation of Arts Councils and Culture Agencies (IFACCA) in Manchester, and of the European Chapter in Liverpool, introducing the cultural offer of both cities to more than 40 delegates from around the globe. In March 2019, we supported – along with British Council – the IETM (the international platform for performing arts) meeting in Hull.

We know we can do more internationally; and that more of this activity would further enhance the reputation of the UK, and bring more benefit to audiences at home. In our international arts activity we punch well above our weight, but still below the potential that could be realised with additional investment. We are currently talking with colleagues in government about how we can further strengthen our international relationships, encouraging new ventures and exchanges with partners who seek to promote and work closely with our talent.

Last summer I had the pleasure of speaking at the international cultural gathering on the Swedish island of Almedalen. This was the starting point for more active partnerships with the Nordic nations, and collaboration is taking

shape between Manchester and two Danish cities – Aalborg and Aarhus. The Danes want to know about building cultural infrastructure and investment beyond a capital city and looked to Manchester. This July, on the eve of the Manchester International Festival, we will be signing a Memorandum of Understanding between Arts Council England and the Danish Agency of Culture and Palaces, underlining our commitment to future work together.

In a world in which cultural organisations are proving adept at developing their financial resilience, many are now looking to revenue from international work to pay for work at home. Hence, public funding returns value to the public several times over, in terms of an international cultural presence, growing exports, and bringing back exciting new work to our own audiences.

However, for organisations and individual artists the most powerful motive for working internationally remains artistic exchange and collaboration. It contributes to the vitality of the cultural sector, energises change, and offers people across England the fruits of world-class arts and culture. It is the means to establish dialogue and build bridges – between people from different sides of the world and between people from neighbouring streets.

We are a young, increasingly diverse and talented nation. This diversity is one of our strengths and is especially evident in the work of young people. Last year, in partnership with the Department for Education, Arts Council England supported seven National Youth Music Organisations, including the South Asian Music Youth Orchestra, the National Youth Jazz Collective and Music for Youth, that collectively enabled more than 65,000 young people to perform in venues around the country. Alongside the musicians, the National Youth Dance Company has been increasing access and diversity for underrepresented groups – a third of new dancers recruited into the 2018/19 company came from Black and minority ethnic (BME) backgrounds.

In January, within this wider context of international and youthful achievement, we published our final diversity report from the 2015-18 National Portfolio, covering the period

2017/18. This revealed mixed progress; good with respect to gender, steady in terms of ethnicity and poor on disability. We have to ensure all our communities can see themselves reflected in the work of the cultural sector. We have to be more daring by extending our creative practice, making it culturally rich and offering more opportunities for diverse talent. That cultural shift remains the purpose of the Creative Case for Diversity.

But we also need changes in representation within the governance, management and staff of our cultural organisations. Our current National Portfolio is the most diverse ever, with new organisations and fresh leadership; but we need to see much more effort to drive change within our established organisations, especially among museums. The Arts Council is itself embarking on ambitious changes to its recruitment processes as it seeks to diversify its own workforce. We hope to see real progress reflected in future diversity surveys.

In the course of the next year we will publish our next ten-year strategy, covering the period 2020-30. The strategy grows from an extensive process of consultation and debate. It is clear that there will be an increased focus on the cultural sector's engagement with its audiences and communities, and more support for individual creative practitioners from every background.

At this uncertain time, it is vital that we maintain our leadership role on the national and international stage, championing diversity and the power of international exchange by supporting work that inspires audiences at home and enhances our reputation abroad. Arts Council England continues to use public investment in the arts as a catalyst for activity that reaches, stimulates and nourishes people from all backgrounds and from across the country. We also have to sustain those artists, writers, performers and other practitioners whose work captures and defines the hopes and anxieties of our times. This annual report tells a story of success, showing how we are building on the progress of the past decade. But with proper support in place, we know we can do even more in the next ten years.



# Chief Executive's report



# 02

## Darren Henley OBE

CHIEF EXECUTIVE AND ACCOUNTING OFFICER,  
ARTS COUNCIL ENGLAND



### **New technology unlocks powerful creative tools, offering us fresh opportunities to open up arts and culture to the public, both as audiences and as participants.**

The past year has underlined how the UK is a leader in the creative use of technology. Individual artists and cultural organisations recognise the potential, both for their own creative processes and for reaching new audiences. There have been stand-out success stories that show the way. Event cinema has been a huge growth area – attendance at screenings was up 44% in comparison to the previous year – while major organisations such as the Philharmonia Orchestra, the RSC, and the National Theatre have been experimenting with making virtual reality and augmented reality part of the audience experience.

The extraordinary social and ethical implications of technology were demonstrated earlier this year by the launch of the Forever Project at the National Holocaust Centre in Nottinghamshire (which has joined our National Portfolio). This has preserved the memories of Holocaust survivors, as 3D holograms that can be asked questions. Their knowledge will always be alive for future generations.

But in general the sector still needs better digital skills, along with access to resources, so that we can free the talent we have. This was underlined by the recommendations of DCMS' Culture is Digital report. We need to get ahead of the game and show how technology can be used to thrill and inform audiences.

In the last year, we have looked at how we can change our own structures to offer fresh, appropriate support to the sector, and have formed three innovation teams covering Enterprise & Innovation, Audience Insight & Innovation, and Arts, Technology & Innovation.

We've also established a Digital Culture Network – with a team of nine new 'tech champions' in each of our offices across England. They will encourage and assist the arts and culture sector to become better equipped to embrace the benefits of technology so they can achieve their digital ambitions. This includes new ways of reaching and engaging audiences and of developing sustainable business models. They will broker partnerships and opportunities with the tech sector, share best practice and provide signposting and practical on-the-ground support with digital expertise.

The potential of this technology – and the talent that is available – is apparent from our work with Digital Catapult on CreativeXR, a programme dedicated to supporting the development of virtual reality and augmented reality products and their application within the creative industries. In 2018, CreativeXR received more than 1,000 registrations of interest and more than 250 applications from its Open Call. The selection process saw 20 teams create prototypes and five teams receive further funding to complete their projects.

This spring the CreativeXR programme held a successful showcase of these five immersive experiences. They included an interactive theatre experience using real-time motion capture and VR technology bringing to life the

journey of a son and father coming to terms with dementia; an immersive journey into the history of the Aylesbury Estate in South East London, using stereoscopic 360 video, photogrammetry and 3D modelling; a two-player interactive high stakes thriller, combining VR with live action; an epic journey through the history of the cosmos; and Immersive Histories, a VR experience allowing the audience to experience the famous 'Dambusters' mission from on board Guy Gibson's Lancaster. The latter is now installed in the RAF museum at Hendon.

Works created with support from the programme are gaining international recognition. For example, at the recent Tribeca Film Festival in New York, three of the 22 pieces programmed in the festival's 'VR Arcade' came through CreativeXR – 'Common Ground' by VR City, 'The Collider' by Anagram, and 'Traitor' by Pilot Theatre. All three were critically well received and showcased the diversity that the UK's sector can offer.

Earlier this year we launched a new Open Call for the next development round, for which 20 successful applicants will receive up to £20,000 of early stage investment along with mentoring from industry leaders, and access to Digital Catapult's nationwide network of Immersive Labs.

Also this spring, we partnered with British Underground to present the Future Art and Culture programme at the South by Southwest Interactive Festival in Austin, Texas. This featured virtual and mixed reality experiences from the Royal Shakespeare Company, BBC VR Hub, Andy Serkis' Imaginarium Studios and immersive innovators Magic Leap. Alongside these was a host of other events including a live coded electronic music showcase, a public art installation using smart city technology by Naho Matsuda, and panel discussions on the future of arts and technology with participants including Google Creative Lab and Zombies, Run!

These projects create crucial partnerships between the cultural sector and the wider creative industries, which are increasingly a key driver of the UK economy and world leaders in growth in many areas. The UK's VR industry is

expected to grow by 76% to reach £801 million by 2021, making it the largest and fastest-growing VR industry of any country in Europe, the Middle East and Africa.

The importance of the creative industries to towns and cities across England was highlighted by the launch this year of the UK-wide Cultural Cities Enquiry. This independently chaired enquiry supported by Arts Council England demonstrated how business and cultural sectors can work together to plan and support local growth through culture, based on their shared interests in promoting creative and digital innovation, capturing external investment and attracting and nurturing talent.

In recent years, we have seen some great success stories involving placemaking, culture and creativity. At the end of 2017 we learned that in 2021 Coventry will become will become the UK's third City of Culture after Derry-Londonderry and Hull. Coventry's offer prioritised community led creative programming, accessibility and learning, and arts led capacity building to ensure that 2021 creates a sustainable legacy.

The evaluation of Hull's year showed what this award can do with audiences of 5.3 million enjoying 2,800 cultural events and activities. Tourism alone brought in some £300 million to the local economy.

We want to see culture and creativity spread prosperity. But we also have to ensure that the artists who are the source of that prosperity are not priced out by their own success. Over the last year, we have been working with the Mayor of London, Bloomberg Philanthropies and Outset Contemporary Art Fund on the Creative Land Trust. This is an independent entity set up to attract public, philanthropic and social investment funds to enable the purchase of property (buildings and land) to provide affordable workspace across London.

As we develop our new ten-year strategy, we will look to balance good business practice with the needs of individual artists and the future of all our communities, with our eyes on a creative future that benefits everybody.



# Achieving great art and culture



# 03.



# Our key numbers for 2018/19

## Number of grants

### NATIONAL PORTFOLIO ORGANISATIONS (NPOs)

These grants support a diverse range of arts and culture organisations across England

693<sup>1</sup>

### MUSIC EDUCATION HUBS

A network of organisations supporting music education across England

121

### ARTS COUNCIL NATIONAL LOTTERY PROJECT GRANTS

These grants are to individuals and organisations in a variety of artforms

4,318

### CAPITAL

Support for large and small scale capital projects

43

### DEVELOPMENT FUNDS

Targeted funds aiding strategic development within the arts and culture sector

669

### OTHER RESTRICTED

Restricted funds grants are grants set out for specific purposes outside of our other funding streams

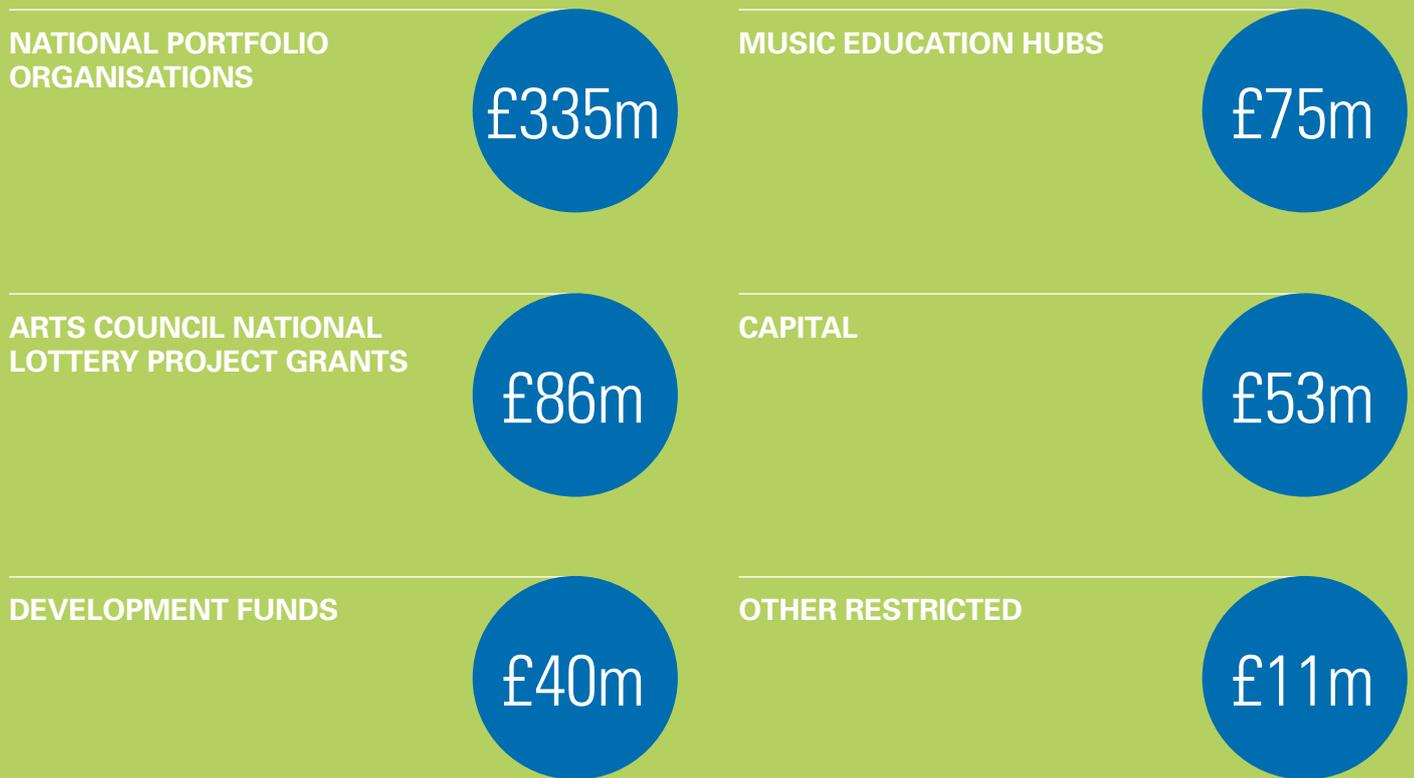
56



<sup>1</sup> NOTE: there were 829 NPOs in total in 2018/19. The difference between total NPOs and the grants made is due to the remaining 136 NPOs being in receipt of National Lottery funding. As per National Lottery accounting requirements, these grants are presented in accounts the year they're announced – so these 136 grants, for the 2018-22 National Portfolio, are present in our 2017/18 accounts.

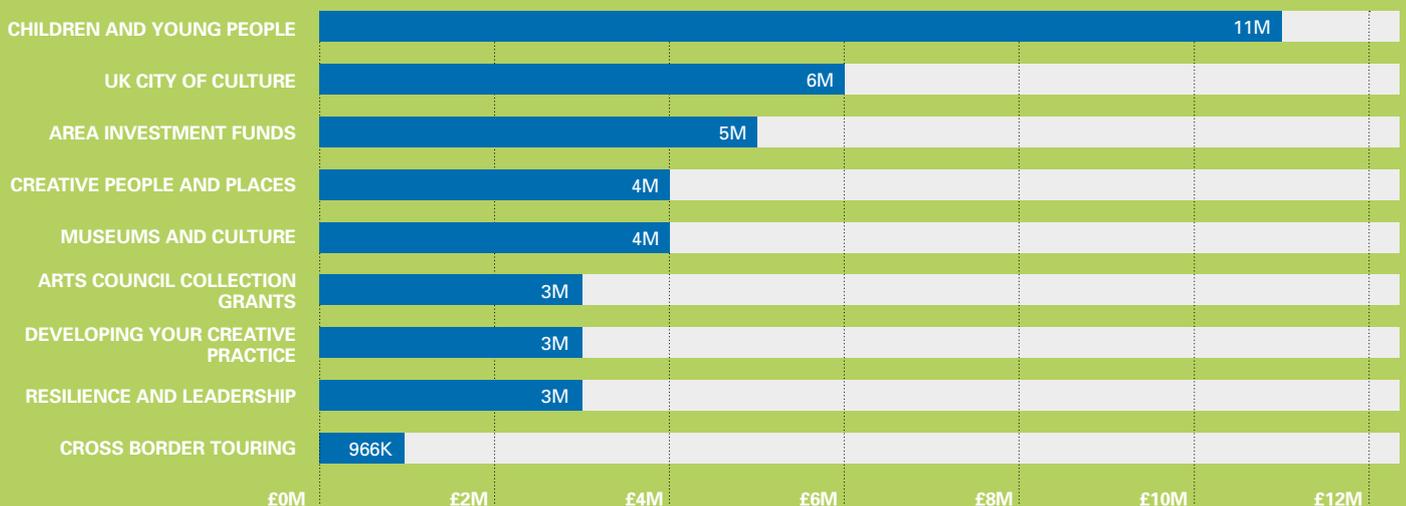
## The chart below shows Arts Council programme expenditure during 2018/19:

### Grant investments we make



### Investment and development funds

The Investment and Development Funds awarded by Arts Council England during 2018/19 were as follows:



## The value and number of grant awards by funding source and high-level budget category are set out below:

ARTS COUNCIL PROGRAMME EXPENDITURE DURING 2018/19	2018/19 £Ms	NUMBER OF GRANTS	AVERAGE VALUE £Ms
<b>GRANT IN AID</b>			
NATIONAL PORTFOLIO ORGANISATIONS	335	693	2.07
ARTS COUNCIL PROJECT GRANTS	1	56	56.00
DEVELOPMENT FUNDS	12	513	42.75
CAPITAL	33	38	1.15
MUSIC EDUCATION HUBS	75	121	1.61
OTHER RESTRICTED	11	56	5.09
<b>LOTTERY</b>			
ARTS COUNCIL NATIONAL LOTTERY PROJECT GRANTS	85	4262	50.14
DEVELOPMENT FUNDS	28	156	5.57
CAPITAL	20	5	0.25
<b>TOTAL</b>	<b>600</b>	<b>5,900</b>	<b>9.83</b>



# Our organisation

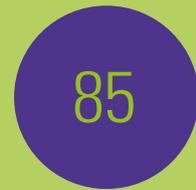
## HOW WE MAKE THINGS HAPPEN



**FTE EMPLOYEES**



**OFFICES**



**GOVERNANCE BODY MEMBERSHIP**

**84%**  
Number of staff who rate Arts Council England as a "Good" or "Great" place to work

**(0.6%)**  
Median Gender pay Gap

IIP Gold Award

**8.58m<sup>2</sup>**  
space per FTE

Regional presence

Roll-out "Smart Working" project, increasing flexibility and reducing costs

**15**  
National Council members

**5**  
Area Councils

Area Councils make decisions on NPO awards up to **£800k** and review NPO investment decisions over **£800k** for National Council approval



# Goals

## 01

## Excellence is thriving and celebrated in the arts, museums and libraries



### HIGHLIGHTS

- Launched new fund for individuals, Developing Your Creative Practice
- 51% of NPOs were rated as 'Good' for Creative Case
- Tullie House Museum and Art Gallery's Natural Science collections added to our list of Designated collections
- International collaboration projects such as GREAT and SxSW

**We want artists, arts organisations, museums and libraries to deliver artistic work and cultural experiences that represent the height of ambition, talent and skill and promote England as a centre of cultural excellence. We also want to help artists export their work internationally and showcase the best of our art and culture.**

On 13 March 2018, we launched Developing Your Creative Practice, a new programme designed to support independent artists and creative practitioners by giving them the time and space needed to focus on their work. This fund will create more pathways for individuals looking to advance their practice and further raise standards in the sector. We have already seen huge enthusiasm for the fund with almost 3,000 applications in the first three rounds. Of these, we have awarded 349 applicants a total of £2.9 million. While its popularity means that the overall success rate for the fund is 12.7 per cent, analysis of the first three rounds shows a comparably strong rate of 17 per cent for Black and minority ethnic applicants. The success rate for disabled applicants is also on a par with the overall success rate for the fund at 12.7 per cent.

National Portfolio Organisations have continued to respond positively to the Creative Case for Diversity, recognising how important it is that arts and culture in England reflects the talent

and stories from across all our communities. In 2017/18, 51 per cent of National Portfolio Organisations were rated as 'good', the highest possible rating, up from a third in 2015/16.

For 2018/19 we have introduced a revised Creative Case for Diversity rating framework, moving from a three-point rating scale of 'not met', 'met' and 'good' to 'not met', 'met', 'strong' and 'outstanding'. This year for the first time, museums have also been required to evidence how they are contributing to making the Creative Case for Diversity.

This year saw the fruition of a number of projects that were supported under our Ambition for Excellence programme, which has now closed. FACT (Foundation for Art and Creative Technology) were awarded a £250,000 Ambition for Excellence grant to create Aurora, an immersive installation in Liverpool that took place in September 2018. Set within the cavernous walls of Toxteth reservoir, it explored our changing relationship with water



in the context of environmental changes and used state-of-the-art interactive technologies, soundscapes, lasers and ice sculptures to capture the beauty and power of water. The artwork was a box office success and one of the highlights of Liverpool's Capital of Culture 10-year anniversary programme.

The Arts Council's Designation scheme is a mark of distinction awarded to the finest cultural collections housed in museums, libraries and archives across England. In 2018, Tullie House Museum and Art Gallery's Natural Science collections were added to our list of Designated collections. The collection includes an extraordinary variety of items from different disciplines including insects, taxidermy, bird eggs, botanical pressed sheets and rocks, minerals and fossils. The Tullie House collections are currently informing a research project involving Imperial College London and the Natural History Museum, looking at how bumblebees, vital pollinators for our crops, are responding to land-use change.

International collaboration is a key contributor to excellence in arts and culture. In 2018/19, we continued to support international market development across a range of territories and artforms in partnership with others. We are co-investing with the GREAT campaign in growing the market for work in Hong Kong, drawing on strengths in the visual arts and museums sector. Together with the British Council, we invested in a producer development programme centred around the Under the Radar Festival in New York. We again worked with British Underground in leading a future arts and technology mission to SxSW in Austin, Texas, in partnership with the Arts and Humanities Research Council. We are funding: an exchange of best practice between Argentinian and UK organisations who lead on arts and social transformation; a city-to-city cultural exchange programme between Manchester and Aarhus and Aalborg in Denmark; a creative collaboration programme with Canada led by Farnham Maltings; and an enhanced presence for UK dance at international showcases such as CINARS (Canada) and Tanzmesse (Germany) led by Dance 4 in Nottingham.

In autumn 2018, we hosted a meeting of the International Federation of Arts Councils and Culture Agencies (IFACCA) board in Manchester and the European Chapter in Liverpool, showcasing the cultural offer of both cities to more than 40 delegates from around the globe. In March 2019, we supported – along with the British Council – the IETM (the international platform for performing arts) meeting in Hull, taking place across the projected date of our exit from the European Union. With almost 60 per cent of our internationally active National Portfolio Organisations working in and with Europe, we have continued our research and advocacy work with the sector and with government in seeking to understand and to mitigate any potential negative impacts of leaving the EU. An evaluation drawing together the lessons learnt from our investment in international market development work to date was published in April 2019.

**CASE STUDY:****Developing Your Creative Practice**

Mahila Amatina describes herself as 'an Abstract Colourist, a visionary and neurodiverse artist with an international background that inspires her passionate abstract art. With roots from lands afar, my artistic inspiration stems from the varied landscape and flavours of my global travels.' This year, Mahila received a Developing Your Creative Practice (DYCP) award. We asked her what this funding allowed her to do, what difference it has made to her work and why she thinks DYCP is important for artists like her and others.

DYCP allowed me to take myself away to a completely new environment to pursue my work around neurodiversity. I was able to run collaborative workshops and explore the theme of '*Women and Autism*', meet other autistic artists who acted as my mentors, while visiting centres and art spaces that support autistic artists – and to write up my findings in a weekly blog. In addition, I had a shared studio space where I was able to work on a new body of work and connect with artists each and every day. The opportunity was phenomenal!

I have made such fantastic connections with many types of neurodiverse artists and art spaces, as well as discovering new ways of working: in terms of technique, methods and perspectives. I have four solo shows in the UK in 2019-20 based on the work and discoveries that I undertook in New York, and additionally, I've been invited to take part in an 'Autism for Work' auction and made it onto the 'Top 50 Neurodivergent Women' list! Though my time in New York was primarily based around collaborating and making connections, it seems that this has very

naturally led to future work, and I look forward to what else may come out of these explorations.

DYCP is vital for individual artists and consequently the sector as a whole. How else would your average artist have such an opportunity? As an artist, your job is to make change, to challenge and shift conceptions and the status quo. To do this, you need to be continually trying out new ideas, having different types of discussions with people you wouldn't normally speak with – and changing directions. But this is truly tricky in reality, and you do need a certain element of freedom (both monetary and time) to achieve this – and this is precisely what DYCP enables artists to do. The sector reaps the benefits, but so does society and the economy at large.



MAHLIA AMATINA

## 02

## Everyone has the opportunity to experience and to be inspired by the arts, museums and libraries



### HIGHLIGHTS

- Six libraries added to our National Portfolio for the first time from April 2018
- New Creative People and Places Programme launched
- Significant increases in older people engaging in creative activities
- 64 Million Artists supported to publish guide to cultural democracy

**Goal 2 sets out our ambition to reach more people, including people from both wider and less engaged groups, and to improve the depth and quality of the experience for everyone. While there is always more to be done, we have made some real strides in this area of our work.**

### More people

All the indicators suggest that more people are engaging in arts and culture. Across our National Portfolio, the increase stands at between 15 and 16 per cent,<sup>1</sup> and some areas such as the North and South East experienced particular growth in audiences. Our Project Grant data also suggests substantial increases in audiences across the board.<sup>2</sup> Film screenings have had a noticeable audience increase of 43 per cent in comparison to the previous year.

### Least engaged groups

We have continued to support and invest in programmes such as Creative People and

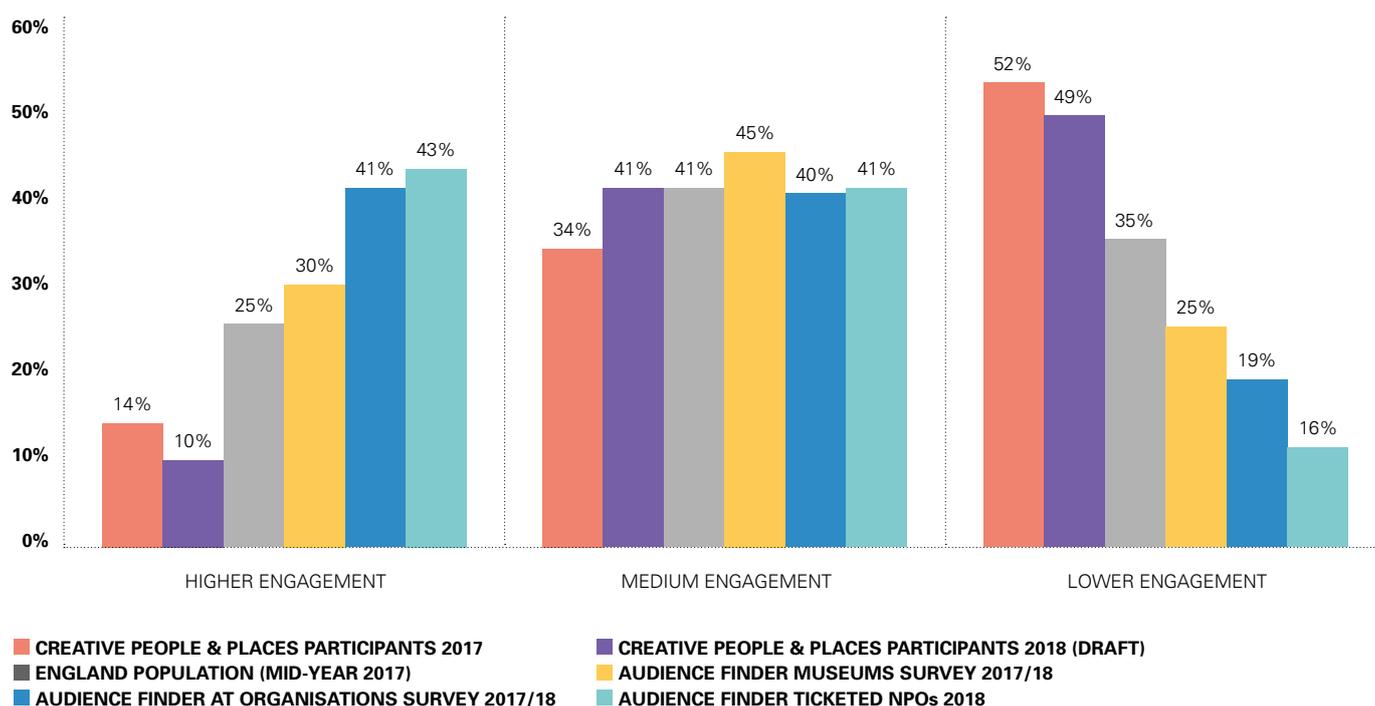
Places, targeting some of the least engaged places in England. In 2018/19 we have committed an additional £31 million to the programme; this includes Creative People and Places programmes applying to extend their activity over an additional three years and a process to extend the peer learning activity associated with the programme. To date there have been approximately 3 million engagements across this programme.<sup>3</sup> This year we also launched an entirely new £24 million Creative People and Places programme targeting an additional 79 low engaged places, and we delivered roadshows to community and cultural sector partners in all our areas to promote the programme, broker partnerships and share our learning to date. Our commitment to this programme over the 10 years to 2022 now stands at £93 million. Creative People and Places appears to be having a particular impact on who engages. A comparison of National Portfolio Organisation and Creative People and Places reach in terms of low, medium and high engaged groups can be seen below.<sup>4</sup>

<sup>1</sup> Dependent on whether you take a constant or full range sample of National Portfolio Organisations year on year.

<sup>2</sup> 27 per cent increase in live audiences reported in activity report forms submitted in 2018/19.

<sup>3</sup> Includes digital figures as well as actuals/estimated from monitoring reports.

<sup>4</sup> The Audience Agency data report, 2018.



From April 2018 we also expanded our National Portfolio to include six library services, with all the opportunity that brings to reach a wider range of people. This includes one in every area of our operations, with some covering particularly rural locations. We continue to work with The Audience Agency to ensure all National Portfolio Organisations are collecting and submitting data in order to better understand their current audiences and how to reach new ones.

### Older people

We have taken active steps to ensure we deliver age friendly and inclusive programmes. We continue to fund 32 projects through the Celebrating Age programme, now in its third year (in partnership with the Baring Foundation). This programme seeks to engage older people in arts and culture and give them the opportunity to decide on the kind of arts and culture they want to experience. In Kent, older people have been commissioning new music to explore their local maritime heritage; in Liverpool they have been producing their own creative journey. Taking Part data for the year ending March 2018 suggests there have been statistically significant increases in older people doing a creative, artistic, theatrical or

music activity or a craft, particularly among over 85-year-olds. This is encouraging and something we can build on as we develop our new strategy.

### Touring

Touring is funded through National Portfolio Organisation funding and Projects Grants. Touring takes place within Areas and nationally. We support National tours through the National Activities strand of Project Grants via the Over £100,000 and Under £100,000 funds.

Our National Portfolio projected data for 2018/19 showed 207 National Portfolio Organisations planning a total of 5,300 venue visits across England. These visits equate to 16,177 days of activity. The North is receiving the most activity and London generates and distributes the most activity across all the Arts Council areas.

For the under £100,000 National Activities, a total of 148 awards have been supported with a value of £6.8 million awards made. Theatre accounted for 44 per cent of applications and 42 per cent of the offers. This year has seen an improvement in volume and success rates for Literature, and Dance has again performed very well with a 59 per cent success rate.

Particularly encouraging has been the increase in disabled led applications, moving from 5.4 per cent of total investment in 2017/18 to 9.9 per cent in 2018/19 which builds on a three-year upward trend.

This was the first year after the cessation of Strategic Touring and transition to Project Grants. Due to the expression of interest (EOI) process, the first awards were not made until Quarter 2 of the year and to date, 10 National Tours have been awarded funding, equating to £4.1 million of investment.

### Depth and Quality of Experience

Programmes such as Creative People and Places focus on empowering the public and giving them a voice in shaping the activity. Ongoing evidence suggests this has a powerful impact on the quality of experience for participants. We also supported 64 Million Artists to produce a practical guide to Cultural Democracy – to help funded organisations ensure more people have a say in the type of cultural experiences they want to see, experience or create. The Celebrating Age programme has a core requirement for older people to shape the activity and we have been working this year on developing the Impact and Insight Toolkit as a peer and public reviewed approach to measuring the quality of experience.

- [1] Dependent on whether you take a constant or full range sample of NPOs year on year
- [2] 27% increase in live audiences reported in activity report forms submitted in 2018/19
- [3] Includes digital figures as well as actuals/estimated from monitoring reports
- [4] The Audience Agency data report 2018

### CASE STUDY: Celebrating Age

Leeds Playhouse was awarded £99,950 from our Celebrating Age joint fund with The Baring Foundation to stage Every Third Minute – a festival of theatre, dementia and hope – which was co-produced with people living with dementia and their supporters.

Rosa Peterson got involved in creative sessions at the Playhouse after a diagnosis of vascular dementia. She is one of nine Festival Curators who programmed shows, created their own performances, and in Rosa's case, has co-written her own play, which toured care homes.

It's been a lifesaver for me, it gives you hope. What else would I do? Sit at home and twiddle my thumbs all day and make myself worse? I've never done theatre before so I love going, it's a change to do something like this. It's a real team effort, I've made new friends and people talk to me more.

I've found out I can write. I couldn't get the words at first, but I shocked myself, I still can't believe I've done it. It showed me I can still do things. I'm hoping it helps people understand about dementia and that every one of us is different. I liked it in the care homes. I was arm in arm with a lady, she couldn't say much but we sat together.

When people came up to me after the play, I didn't believe them at first when they said it was good! One of the actors sent me a card saying my words were better than Shakespeare – that made me smile so I've kept it in my memory box.

And I want to write more while I can. It got the word out that we shouldn't just give up, you've got this illness but you carry on.

## 03



## The arts, museums and libraries are resilient and environmentally sustainable

### HIGHLIGHTS

- 17/18 earned income for funded organisations grew by 8%
- 57 new Sector Support Organisations joined the National Portfolio
- Creation of a Digital Culture Network with nine tech champions recruited across our areas
- Restated our commitment to environmental sustainability with a new four year funding agreement with Julie's Bicycle
- Non grant investments such as Arts Impact Fund supported over 20 arts organisations with social impact loan financing

The arts and cultural sector is responding positively to a challenging environment for funding. The Annual Return for 2017/18 indicates earned income across the National Portfolio Organisations and Major Partner Museums grew to £943 million from £873 million in the previous year, up 8.1 per cent. Contributed income showed an increase of 5.8 per cent from £215 million to £227 million.

### Diversifying finance

The Arts Impact Fund supported more than 20 arts organisations with social impact loan financing. The Arts Council has now agreed to support a new larger fund, Arts & Culture Impact Fund, with £3 million which will leverage a further £17 million from public and private investors. This new fund will allow more organisations from across the arts and culture sector to benefit from low interest loans to diversify their income streams and support their resilience.

The Building Resilience programme, which provides long term organisational development to cultural organisations, will conclude at the end of this year, having

supported more than 100 organisations to strengthen their business models and develop new income streams. The research we commissioned around resilience from Golant Media Ventures – *What is resilience anyway?* – was published in autumn 2018. More than 1,000 people responded to the survey, providing a rich data source that has been core to the insights of the final report.

In 2018/19, we supported 247 organisations through Catalyst Evolve and small grants, changing thinking about their fundraising strategies and confidence, capacity and income. We ran the Private Investment in Culture Survey for a second time, with 877 responses. Results will be published in spring 2019.

We have worked with the Mayor of London, Bloomberg Philanthropies and Outset Contemporary Art Fund to establish the Creative Land Trust. The CLT is an independent entity set up to attract public, philanthropic and social investment funds to enable the purchase of property to provide affordable workspace for artists and creative producers in perpetuity across London.

## Sector Support Organisations

This has been a busy first year for the new Sector Support Organisations helping to deliver on Goal 3. MeWe 360 developed their role as an incubator for the creative industries while delivering the relaunched Deutsche Bank Awards for Creative Entrepreneurship. The Association for Cultural Enterprises (who train and connect entrepreneurs working in the cultural sector) have begun work on their online skills academy and plan to launch retail skills modules in spring 2019. Cause4 (training, networking opportunities, and developing fundraising capacity) have delivered more than 100 events through the Arts Fundraising and Philanthropy programme. The Institute of Fundraising are rolling out peer-to-peer support for individuals working in the arts, museums and libraries via the Raise programme.

## Creative technology

Throughout the year we have followed through on the key recommendations of DCMS' *Culture is Digital* report, creating a Digital Culture Network (nine 'Tech Champions' recruited into our area offices) alongside self-help tools for the sector including a Digital Culture Code and a Digital Maturity Index.

The rapidly evolving world of technology offers new ways to develop and distribute creative content and has enormous potential for cultural organisations. Working with Digital Catapult we supported five virtual reality projects through CreativeXR, demonstrating a range of practice, artform and distribution models. We have now launched a second round of CreativeXR and will identify a further 20 prototypes to invest in.

Arts Council England has restated its commitment to environmental sustainability by awarding a new four-year contract to Julie's Bicycle for the 2018-22 period. Since 2012, we have worked with Julie's Bicycle to save £16.5 million in energy costs and help reduce energy usage by 23 per cent across the National Portfolio. A quarter of our National Portfolio Organisations are now on a Green Tariff for energy, 65 per cent of them are producing creative work with an environmental theme, and 75 per cent of organisations report that their environmental policy is useful in business planning. In October 2018, the Small Capital Grants programme offered 36 grants totalling £11.6 million. Environmental sustainability was a major factor in our consideration of applications.

## Museums and libraries

The new National Portfolio also marks a significant development in our relationship with public libraries. Six library services have been added to the Portfolio and Libraries Connected (formerly SCL, Society of Chief Librarians) is now a Sector Support Organisation, strengthening the development aspect of the Arts Council's work. In addition, we have taken over the work of the Libraries Taskforce with funding transferred from DCMS. This will bring a more joined-up approach to our work around shaping the future of public libraries.

A streamlined Accreditation Standard for museums and galleries was launched in November 2018, and has been well received by the sector. The Accreditation Scheme supports resilience and sustainability. There are currently 1,322 accredited museums in England and engagement with the scheme remains high.

## Encouraging local growth

This year also saw the publication of a report by the Cultural Cities Enquiry, of which we were a founding partner. The report demonstrated how business and cultural sectors can work together to plan and support local growth through culture, based on their shared interests in promoting creative and digital innovation, capturing external investment and attracting and nurturing talent. The enquiry has developed proposals that will help cities deliver this vision through City Cultural Compacts, Corporate Social Venture Funds, Creative Talent Pathways and Cultural property assets.

We have continued to support the nine Creative Local Growth programme projects, investing £3.9 million as match funding for EU Structural and Investment Funds, leveraging in £8.3 million from that source and £6.5 million additional match funding. And we prioritise culture's contribution to growth in the tourist economy via the Cultural Destinations programme, now in its second round, supporting 18 local partnerships between the cultural and tourism sectors.

### CASE STUDY: Building Resilience

Through our Building Resilience programme we awarded £1.8 million to four cohorts of cultural organisations. One cohort is led by People Make It Work, who have designed and delivered the Change Creation programme, building resilience across the sector. One of the participants on this programme was FutureEverything, an innovation lab and cultural agency in Manchester which brings people together to discover, share and experience new ideas through art and participatory experiences. FutureEverything's Feimatta Conteh told us about her experience on the programme, and the impact it's had on her organisation as they go through their own transition period from an annual festival cycle to broader year-round activity with a new participatory design element and new creative leadership:

Being part of the Change Creation programme has had many deep and positive impacts. There have been two big shifts, one in the scope of my strategic thinking, building and trusting in a flexible framework for the future shape of our organisation. The other is acknowledging that periods of change

can be unsettling and sometimes it's better to go through the discomfort rather than not address, or smooth over, it. Not to mention the hugely supportive and inspirational cohort we're sharing the journey with!



FEIMATTA CONTEH

## 04

## The leadership and workforce in the arts, museums and libraries are diverse and appropriately skilled



### HIGHLIGHTS

- Launched the £6 million Transforming Leadership development fund
- Our latest report into the diversity of our funded organisations' workforce and leadership was published
- New Sector Support Organisations that helped address this goal included SCL, CC Skills and Screen Skills

Working in a safe, happy workplace where we can make a difference and fulfil our potential is a goal for most of us in our working lives. Ensuring representation and progression routes into happy workplaces for all our communities underpins Goal 4 and the long-term success of the arts, museums and libraries.

Increasingly we use data to understand the progress we're making and where we need to put more effort. In February 2019, we analysed and published data collected from our National Portfolio Organisations in 2017/18. This is the last to focus on our 2015-18 portfolio and shows some improvements in data collection; for example, our gender data reflects a decrease in unknown responses. However, there continues to be high levels of 'unknown' data for disabled contractual and voluntary workers at National Portfolio Organisations and this trend is repeated across levels of 'unknowns' for sexual orientation. We will continue to work with the sector to highlight the importance and benefits of capturing and reporting their data and to ensure mechanisms are being put in place to enable people to respond to all questions. We will also seek explanations from National Portfolio Organisations where they are

consistently returning high levels of 'unknown' responses.

Analysis of the data we were able to collect demonstrates that there has been progress across the workforce and leadership. Overall, there were moderate increases in the proportion of Black and minority ethnic (BME), disabled, LGB and female workers within the total National Portfolio and Major Partner Museum workforce. However, people from a BME background and disabled people are under-represented across the workforce and leadership of the sector, compared to the total working population. The percentage of disabled people on National Portfolio boards remains static at 7 per cent. We have also seen a decrease from 4 to 2 per cent in disabled people sitting on the boards of Major Partner Museums. We must accelerate progress, and our collective ambition across the sector must be to see progress that is not confined to single percentage-point improvements. This ambition will be reflected in both our future priorities and the distribution of funding.

This year, we have begun to work more closely with Creative Industries Council on policies related to the workforce, education



and skills of the sector. We have supported the delivery of the Creative Industries Sector Deal, including contributing to the development of new apprenticeship standards which will help to open up entry routes into the cultural sector. Over the next two years, our new Sector Support Organisations, CC Skills and Screen Skills (formerly Skillset), will be working with the Creative Industry Federation on the DCMS funded Creative Careers campaign, intended to showcase the richness and diversity of creative careers. We will be helping them to build capacity and understanding of arts museums and libraries in the careers service as well as schools and further education as part of the Creative Industries Sector Deal.

As a member of the UK Museums Workforce Steering Group which brings together organisations across the UK, we have supported the Character Matters Delivery Plan, a two year project which will end next year. The Delivery Plan aims to develop effective recruitment, attitudes, behaviour, skills, and knowledge, and

develop organisational culture in the museum sector so that the workforce can better meet the needs of the organisations and audiences they serve. Alongside National Lottery Heritage Fund, the Gulbenkian Foundation and a number of sector umbrella organisations, we have also been a founding member of the Cultural Governance Alliance, a new initiative launched in November 2018. The Alliance is convened by Clore Leadership Programme and will promote best practice in governance, bringing together practical resources and sharing news, opportunities and foresight through an open access online platform.

In January, we launched the £6 million Transforming Leadership development fund, an exciting new fund through which we intend to ensure that arts and cultural leaders are appropriately skilled and from diverse backgrounds. We are also making targeted investments where there are particular opportunities to support leadership development. In 2018/19, we committed

£250,000 of funding to support a series of development and training opportunities for staff belonging to Music Education Hubs. We also worked with Music Mark to provide leadership and organisational resilience training for Music Education Hub leaders.

This year we've provided further practical resources to support others looking for change in their organisations: commissioning a new Recruitment Guide which will be available to all organisations in 2019; publishing supporting guidance for museum constitutional and governance arrangements to sit alongside the refreshed Museum Accreditation Scheme; and running sessions exploring good governance, data, diversity and finance for our new National Portfolio Organisations and Music Education Hubs.

### CASE STUDY: Museum development

As part of our Goal 4 work, the Arts Council awarded funding for the Chartered Institute of Library and Information Professionals (CILIP) and the Society of Chief Librarians (now Sector Support Organisation), Libraries Connected (LC), to develop the *Public Library Skills Strategy* (PLSS), published in July 2017. One of the strategy's nine core aims is promoting leadership at every level. The Arts Council provided £71,000 funding for CILIP and LC (Libraries Connected) to develop and pilot a public library leadership programme, which took place this year. It consisted of a two-day residential in Oxford in April 2018 for a cohort of 15 followed by a day in Manchester in May 2018. The learning activity was delivered by Jo Walley, a Clore alumna and an independent coaching expert with extensive experience and knowledge of the library and information sector. It focused on a range of topics, including self-discovery, confidence, networking, inspiration and creativity.

Having taken their learning back into the workplace, they came together a short time later to discuss progress. One participant, Rebecca Gediking, said:

The PLSS course, designed for emerging leaders in public libraries, was a wonderful experience. The course allowed to me to develop and understand my own authentic leadership abilities and style whilst also teaching me about other leadership styles. It was reflective and inspiring. Since attending the course, I have changed the way I work and engage with others and am more confident in my abilities.



PUBLIC LIBRARY LEADERSHIP COURSE COHORT,  
APRIL TO MAY 2018

## 05

## Every child and young person has the opportunity to experience the richness of the arts, museums and libraries



### HIGHLIGHTS

- Department for Education renewed its partnership with us for the management of a range of music and cultural education programmes.
- Over 68,000 Arts Awards have been earned in a variety of settings both in school and outside
- £75.5 million grants awarded to 120 Music Education Hubs across the country
- 1.7 million pupils attending an Artsmark school and over 900 schools have been awarded for championing art and culture

Every child can be creative. We believe that the opportunity to realise this potential should be available to all, regardless of background.

Across the country this year we continued to work in partnership with cultural organisations, government departments, Bridge Organisations, Music Education Hubs, schools and local authorities to create a joined-up approach to cultural provision and address barriers to access. Quality principles are being embraced and embedded in work we support through our funding streams, raising standards across the wide variety of projects being produced by, with and for children and young people.

This year, the Department for Education renewed its partnership with Arts Council England for the management of a range of music and cultural education programmes. These programmes particularly target young people in locations classified as areas of high deprivation. Museums and Schools is one such programme which provides over 75,000 pupils with visits to local museums and galleries, supporting the curriculum across a range of subject areas. An independent evaluation of

the programme commissioned by Arts Council England this year revealed that it has resulted in an 83 per cent increase in the number of visits as well as bringing a more diverse audience into museum spaces. By taking part in the Museums and Schools Programme young people are able to relate their learning within the classroom directly to the heritage of the area where they live and, when surveyed, 96 per cent of participating schools agreed that their visits had a positive impact on pupil achievement.

Our partnership supported the National Saturday Clubs, which give 13-to-16-year-olds 100 hours of high quality art and design tuition for free over the course of a year; in many cases they enjoy opportunities that they would not have elsewhere. We also continued to support the In Harmony programme which each year engages more children in immersive music-making with professional musicians, enhancing their learning, self-esteem, well-being and aspirations. In 2017/18 the programme reached 6,714 young people and in 2018/19 this figure is expected to exceed 7,500.

In 2018/19 with the Department for Education we also continued to support programmes that give talented young people from all backgrounds the chance to develop high-level skills to progress into professional careers. Seven National Youth Music Organisations (including the South Asian Music Youth Orchestra, the National Youth Jazz Collective and Music for Youth) collectively enable over 65,000 young people to perform in venues around the country. The National Youth Dance Company has been developing regional activities and increasing access and diversity for underrepresented groups, including young people with disabilities and those facing financial disadvantage. This year the company has focused on reaching more young people from Black and minority ethnic (BME) backgrounds. This focus has been hugely successful as 33 per cent of new dancers recruited into the 2018/19 company come from Black or minority ethnic backgrounds.

As part of our remit, Arts Council England acts as fund holder for a grant to 120 Music Education Hubs which, between them, cover every local authority area in England, ensuring consistency of provision and equality of opportunity. In 2018/19 this grant was slightly increased to £75,490,000. Music Education Hubs are currently working with 88 per cent of all state-funded schools as well as supporting work in Early Years settings – successfully delivering the core and extension roles set out in the National Plan for Music Education by drawing on a range of local, national and regional music and arts providers.

Across England, 10 Bridge Organisations provide an important link between schools and arts and cultural organisations. Between them, Bridge Organisations have now led the development of over 100 Local Cultural Education Partnerships (LCEP), many of which are already driving a joined-up local art and cultural offer in support of our Cultural Education Challenge. For example, in the West Midlands, a 'Tamworth Cultural Passport' is being developed by the LCEP which will provide an opportunity for children

and young people to have a taster of different arts and cultural activities. In Torbay effective partnership working has led to a new model for commissioning arts and cultural activity developed to support mental health in young people.

Bridge Organisations have continued to drive engagement with Artsmark and Arts Award. In 2018/19 over 68,000 Arts Awards have been earned in a variety of settings both in school and outside, through National Portfolio Organisations and cultural education programmes such as Museums and Schools, National Youth Dance Company and Saturday Clubs. There are now 1.7 million pupils attending an Artsmark school and over 900 schools have been awarded for championing art and culture. This year has also seen twice the number of organisations recruited to our Artsmark Partnership Programme which will help develop long-term, meaningful relationships across cultural and educational sectors and support schools on their Artsmark journeys.

In April 2018, we launched our National Portfolio for 2018-22 with 607 organisations (73 per cent) delivering work in support of Goal 5. There is a wide range of relevant cultural offers, from internationally-renowned organisations such as the Royal Shakespeare Company, whose programmes annually reach over 500,000 young people of all ages, to newly-joined carnival arts organisation Kinetika Bloco, which engages young people from South London in music, dance, design and leadership activities.

We also continued our close strategic partnership with Youth Music which, as a delegated distributor of National Lottery funding, invests over £9 million each year in musical learning and participation projects. Youth Music funding is targeted at those who don't get to make music because of who they are, where they live or what they're going through and last year it reached more than 80,000 children and young people around the country. 2019 marks Youth Music's 20th anniversary and this year of planned

celebrations and events will give us an opportunity to explore what a truly musically inclusive 21st century could look like.

In January we launched Talent25, a long-term study with De Montfort University that will look at the impact that sustained arts experiences have from birth to adulthood. The Arts Council has also been collaborating with Durham University on The Durham Commission, researching the wider topic of creativity and creative thinking within and beyond the education system. In 2018/19 we received an additional £5 million from DCMS which enabled us to establish Youth Performance Partnerships in each of our five areas. This new initiative will provide opportunities for thousands of 8-to-18-year-olds, particularly those from areas of low cultural engagement and high levels of deprivation, to develop a range of theatre skills from set, costume, lighting and sound design to writing, directing and performance.

### CASE STUDY: Music for young people

Open Up Music became part of our National Portfolio in 2018. For the past six years this Bristol-based charity has been supporting Music Education Hubs, arts organisations and schools to create accessible orchestras. Now, 54 'Open Orchestras' delivered by 34 partner organisations are giving an ever-growing number of disabled young people around the country an opportunity to experience the joy of playing and performing for the very first time. In September 2018 Open Up Music launched the National Open Youth Orchestra (NOYO) in partnership with the Barbican and Guildhall School, Bournemouth Symphony Orchestra and Bristol Music Trust, following a successful pilot of the South-West Open Youth Orchestra launched in 2015.

Sherwin joined the National Open Youth Orchestra in September. Before joining the orchestra, Sherwin already had a keen interest in music. He took keyboard

lessons and wanted to learn to compose music but was restricted because he couldn't use his left hand and could only play with one finger on the keyboard. It was also hard to teach himself to compose on his own.

After attending a South West Open Youth Orchestra performance, Sherwin was inspired to audition for NOYO and was successful. He joined the South West training centre and found his instrument, the Clarion. This is an instrument developed by Open Up Music that can be played with any part of the body, including by moving the eyes. It works with assistive technology that young disabled people use as part of their everyday lives. He has been receiving one-to-one Clarion lessons since October and has participated in two group rehearsals, looking forward to when NOYO performances start in 2020.

Sherwin has also participated in the beta testing and launch of the Clarion Lite, an online introduction to the Clarion that uses Artificial Intelligence and the Chrome web browser to enable people at home to play music by moving their body. As this was developed through a partnership between Open Up Music and Google, he was able to give his feedback to the Google team and help them to improve the Clarion Lite. He said: 'I always liked music and when I found out about NOYO, I thought I could be a part of something bigger. And I found an instrument, the Clarion, that I can actually play and get good at.'



# Remuneration and staff report 1 April 2018 – 31 March 2019

PART-AUDITED INFORMATION



04.



**The remuneration report covers the whole organisation and the costs have been apportioned to both Grant-in-Aid and Lottery distribution accounts. The salary and pension disclosures for senior staff and the disclosures required by the Hutton Review have been audited.**

### THE REMUNERATION COMMITTEE

Arts Council England has a Remuneration Committee for specific matters relating to the remuneration and performance of its Chief Executive and Executive Directors. The committee operates within written terms of reference, and usually meets once during the year to agree annual pay increases and performance bonuses for the Executive Board. The Chief Executive makes reward recommendations to the committee in respect of those staff on Executive Board who report directly to him, but any salary increases and bonus payments to the CEO and Executive Directors must be approved by the Remuneration Committee. At the meeting which took decisions in respect of 2018/19 Executive Board and CEO remuneration, the members of the committee were Sir Nicholas Serota, Paul Roberts (Chair), Catherine Mallyon, Kate Willard and Michael Eakin.

### COUNCIL MEMBERS' REMUNERATION

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

Members of National Council, who are also chairs of Area Council, were entitled to remuneration of £6,400 each per annum during 2018/19 (2017/18: £6,400). During 2018/19 a total of seven members of National Council served as Area Council Chairs for some or all of the year. The Chair's salary for the period 2018/19 was £40,000.

### EXECUTIVE DIRECTORS' REMUNERATION

For 2018/19 the Remuneration Committee awarded the CEO and Executive Directors a consolidated salary increase of 1.5 per cent – in line with the annual cost of living pay increase for all other Arts Council staff under the constraints of the Government's public sector pay cap.

All performance payments to Executive Directors are normally earned on the basis of exceeding performance objectives and overall contribution to the effective leadership of Arts Council England. This is assessed formally through an annual appraisal process. The Executive Directors were each awarded a bonus payment of £2,000 in respect of their performance in 2017/18.

The Chief Executive was awarded a bonus payment of £17,499. He chose to donate £10,000 of this to the First Generation scholarship fund at Manchester Metropolitan University and the remainder to the staff development fund. The First Generation scholarship fund is a scheme which supports young people from backgrounds who do not usually enter higher education.

## EXECUTIVE BOARD REMUNERATION REPORT

MEMBER		SALARY £000s	SALE OF ANNUAL LEAVE £000s	VARIABLE PERFORMANCE PAYMENT £000s	EMPLOYERS' PENSION CONTRIBUTIONS £000s	TOTAL REMUNERATION £000s
Darren Henley OBE Chief Executive and Accounting Officer	2018/19	147	5	–	32	<b>184</b>
	2017/18	145	3	–	30	<b>178</b>
Laura Dyer Deputy CEO (Places & Engagement)	2018/19	121	–	2	26	<b>149</b>
	2017/18	119	2	–	24	<b>145</b>
Simon Mellor Deputy CEO (Arts & Culture)	2018/19	121	5	2	26	<b>154</b>
	2017/18	119	2	–	24	<b>145</b>
Elizabeth Bushell Executive Director and Chief Financial Officer	2018/19	108	1	2	23	<b>134</b>
	2017/18	106	1	–	22	<b>129</b>
Mags Patten Executive Director (Public Policy & Communications)	2018/19	108	–	2	23	<b>133</b>
	2017/18	106	2	–	22	<b>130</b>
Francis Runacres Executive Director (Enterprise & Innovation)	2018/19	108	–	2	23	<b>133</b>
	2017/18	106	–	–	22	<b>128</b>
Richard Russell Executive Director and Chief Operating Officer	2018/19	108	–	2	23	<b>133</b>
	2017/18	106	–	–	22	<b>128</b>

The Hutton Review asks organisations to disclose the median remuneration of Arts Council England's staff and the ratio between this and the remuneration of the highest paid director. The following calculation is based on the full time equivalent staff number at the reporting period end date on an annualised basis and compares this to the normal annual remuneration of the Arts Council's CEO, Darren Henley.

	2018/19 £	2017/18 £
Highest paid director's remuneration	<b>146,800</b>	144,630
Median remuneration	<b>31,348</b>	30,885
Ratio	<b>4.68</b>	4.68

THE RANGE OF STAFF REMUNERATION DURING THE YEAR WAS £17,951 TO £146,800 (2017/18: £17,685 TO £144,630). THE 'HIGHEST PAID DIRECTOR'S REMUNERATION' AND THE MEDIAN PAY BOTH INCREASED BY 1.5 PER CENT COMPARED TO 2017/18, AS A RESULT OF THE ANNUAL PAY AWARD. NO STAFF RECEIVE ANY BENEFITS IN KIND.

## COMPENSATION SCHEME – EXIT PACKAGES

Details of redundancies and other exit packages agreed during 2018/19 are as follows:

EXIT PACKAGE COST BAND	2018/19			2017/18		
	NUMBER OF COMPULSORY REDUNDANCIES	NUMBER OF OTHER DEPARTURES AGREED	TOTAL EXIT PACKAGES DURING 2017/18	NUMBER OF COMPULSORY REDUNDANCIES	NUMBER OF OTHER DEPARTURES AGREED	TOTAL EXIT PACKAGES DURING 2016/17
< £9,999	1	–	<b>1</b>	1	–	1
£10,000 – £24,999	1	–	<b>1</b>	1	–	1
£25,000 – £49,999	–	–	–	–	–	–
£50,000 – £99,999	–	–	–	1	–	1
£100,000 – £149,999	–	–	–	1	–	1
<b>Total number of exit packages by type</b>	<b>2</b>	<b>–</b>	<b>2</b>	<b>4</b>	<b>–</b>	<b>4</b>
<b>Total resource cost £000s</b>	26	–	<b>26</b>	235	–	235

Redundancy and other departure costs have been paid in accordance with the provisions of the Arts Council's job security policy. The Arts Council pays exit costs when employment ends but provides for exit costs at the point when there is sufficiently detailed information to do so.

## TAX ARRANGEMENTS OF PUBLIC SECTOR APPOINTEES

In accordance with HM Treasury guidance on disclosure, the following disclosures set out the number of interim staff and the assurances given about tax status.

There were no new off-payroll engagements during 2018/19 for more than £245 per day and that had lasted for longer than six months.

There were no existing off-payroll engagements which reached six months in duration, between 1 April 2018 and 31 March 2019, for more than £245 per day.

It is Arts Council England's policy to only employ people off-payroll once the relevant assurances have been received. There were no off-payroll engagements of board members and/or senior officials with significant financial responsibility between 1 April 2018 and 31 March 2019.

Number of off-payroll engagements of Board members and/or senior officials with significant financial responsibility, during the financial year	–
Number of individuals that have been deemed 'Board members and/or senior officials with significant financial responsibility', during the financial year	8

### TRANSFER VALUES

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

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

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



## INCREASE IN TRANSFER VALUE (NET OF INFLATION)

MEMBER	ACCRUED PENSION (LUMP SUM) AT 31 MARCH 2019 £000s	INCREASE IN PENSION (LUMP SUM) IN YEAR (NET OF INFLATION) 2018/19 £000s	TRANSFER VALUE AT 31 MARCH 2019 £000s	INCREASE IN TRANSFER VALUE (NET OF INFLATION) 2018/19 £000s	TRANSFER VALUE AT 31 MARCH 2018 £000s
<b>Darren Henley OBE</b> Chief Executive and Accounting Officer	16 (49)	2 (5)	287	18	232
<b>Laura Dyer</b> Deputy CEO (Places & Engagement)	46 (138)	1 (3)	901	10	804
<b>Simon Mellor</b> Deputy CEO (Arts & Culture)	18 (53)	1 (4)	387	19	332
<b>Elizabeth Bushell</b> Executive Director and Chief Financial Officer	27 (80)	1 (4)	456	10	388
<b>Mags Patten</b> Executive Director (Public Policy & Communications)	8 (23)	1 (4)	138	15	104
<b>Francis Runacres</b> Executive Director (since 1st November)	24 (72)	1 (3)	509	15	449
<b>Richard Russell</b> Executive Director and Chief Operating Officer	40 (119)	1 (3)	775	10	692

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

**Darren Henley OBE**  
**Chief Executive and**  
**Accounting Officer**

**Sir Nicholas Serota CH**  
**Chair**

DATE: 19 JUNE 2019

DATE: 19 JUNE 2019

# Sustainability report

05.



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

This year's report reflects the full-year effects of the reduction in occupied floor space in Cambridge through a relocation into shared space with Historic England of 424m<sup>2</sup> and a slight increase in space at the new Bristol office by 35m<sup>2</sup>, bringing the net change to 389m<sup>2</sup>.

Our overall office utilisation was also improved by an increase in average staff numbers (up from 492 to 523), which means we ended the year with an occupational density of 8.58m<sup>2</sup>/FTE – a slight improvement on the previous year.

## **KEY ACHIEVEMENTS IN 2018/19**

We relocated the Bristol office into a BREAM 'Excellent' building with an EPC rating of 'A', the highest level of energy performance achievable.

## **PERFORMANCE COMMENTARY**

Emissions arising from the operational property estate have remained largely unchanged as expected due to the reduction in estate changes.

However, we have noticed significant improvements elsewhere because of changes in the way we work through the adoption of smarter working practices – we're seeing the impact of the use of technology in the following areas:

**Print:** We've seen a 26 per cent reduction in print overall compared to 2017/18 figures. The 71 per cent reduction in print at Cambridge is attributable to reducing their reliance on paper by making greater use of collaboration software.

**Travel:** In 2017/18 we achieved a 5 per cent reduction in travel to internal meetings and set an ambitious target of a further 5 per cent reduction. We achieved a 5.7 per cent reduction. It is also important to note most of our travel is by the most sustainable source – by rail.



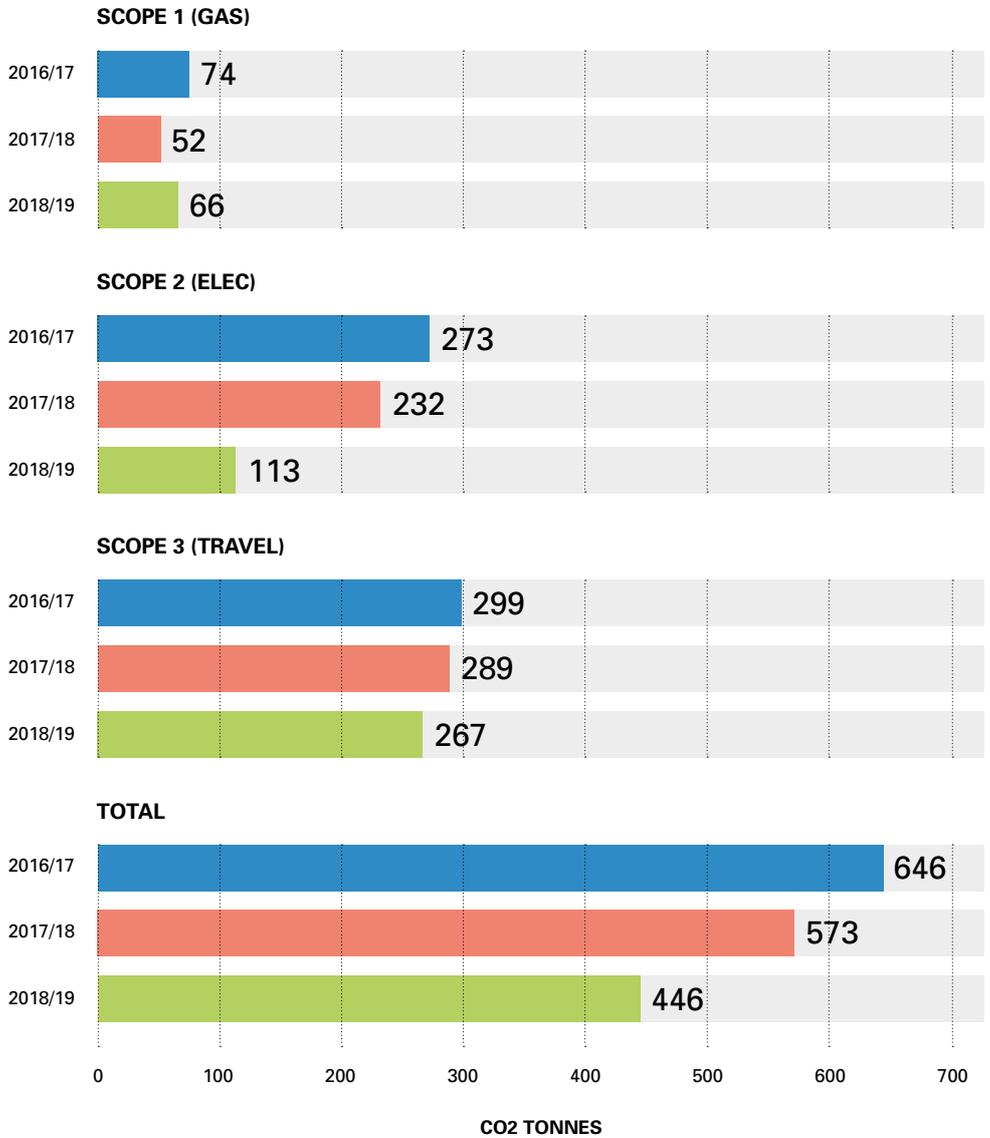
TRAVEL		2016/17	2017/18	2018/19
CO <sub>2</sub> (tonnes)	Rail	159	152	<b>157</b>
	Air	34	30	<b>54</b>
	Car	106	107	<b>57</b>
	<b>Total</b>	<b>299</b>	<b>289</b>	<b>267</b>
Cost (£)	Rail	713,038	838,816	<b>822,069</b>
	Air	21,081	29,634	<b>34,767</b>
	Petrol	132,122	132,771	<b>72,535</b>
	<b>Total</b>	<b>866,241</b>	<b>1,001,221</b>	<b>929,371</b>
Miles	Rail	2,063,853	1,946,977	<b>2,199,887</b>
	Air	210,701	188,278	<b>271,405</b>
	Car	329,783	331,927	<b>181,337</b>
	<b>Total</b>	<b>2,604,336</b>	<b>2,467,182</b>	<b>2,652,629</b>

WASTE		2016/17	2017/18	2018/19
Non-financial indicators (tonnes)	<b>Total</b>	<b>183.82</b>	<b>331.24</b>	<b>326.67</b>
	Landfill	21.24	0.74	<b>0.40</b>
	Reused/ recycled	162.57	330.50	<b>326.27</b>
Financial indicators (£)	<b>Total</b>	<b>22,035</b>	<b>14,250</b>	<b>11,336</b>
	Landfill	1,310	2,122	<b>1,948</b>
	Reused/ recycled	20,725	12,127	<b>9,389</b>

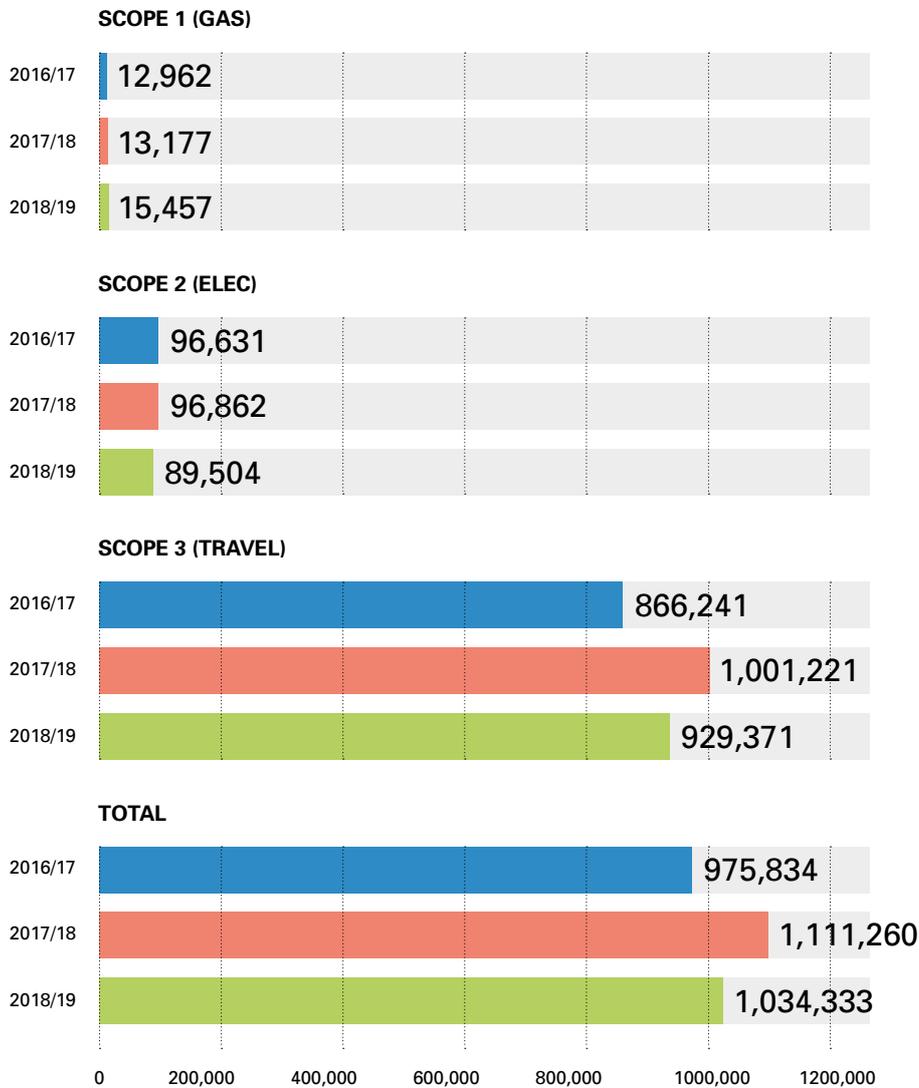
GREENHOUSE GAS EMISSIONS		2016/17	2017/18	2018/19
CO <sub>2</sub> (tonnes)	Total Gross Emissions (CO <sub>2</sub> )	347	284	<b>179</b>
	Gross Emissions Scope 1 (Direct)	74	52	<b>66</b>
	Gross Emissions Scope 2 (Indirect)	273	232	<b>113</b>
Energy Consumption (kWh)	Electricity	661,602	562,831	<b>397,788</b>
	Gas	403,285	284,711	<b>359,287</b>
Financial Indicators (£)	Expenditure Energy	109,593	110,039	<b>104,962</b>

FINITE RESOURCE CONSUMPTION		2016/17	2017/18	2018/19
Non-financial (m <sup>3</sup> )	Supplied	3,898.32	4,315.16	<b>4,705.77</b>
	Per Full Time Equivalent (FTE)	8.66	8.77	<b>9.00</b>
Financial Indicators (£)	Water Supply Costs (Office Water)	10,336	12,355	<b>10,534</b>

CO2 WHOLE ESTATE (TONNES)

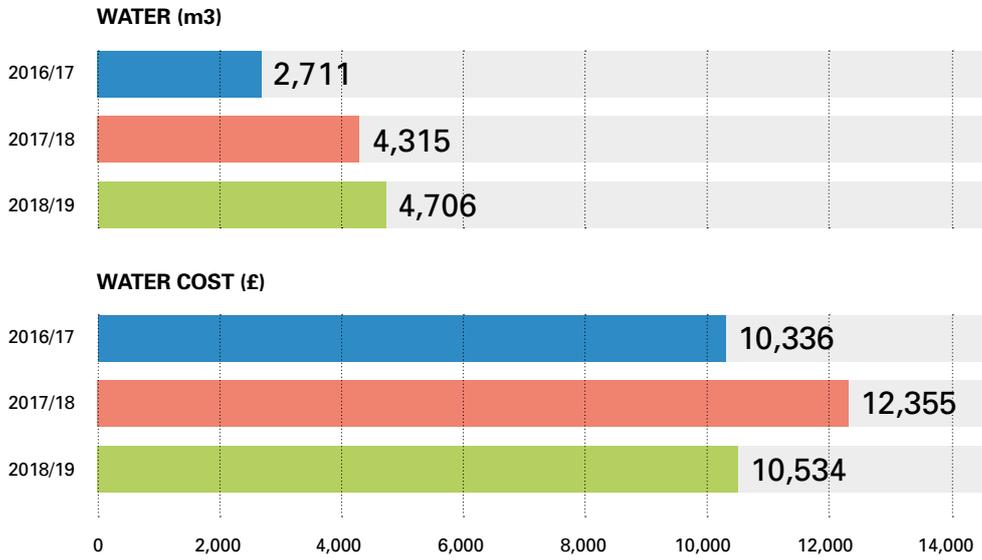


## FINANCIAL EXPENDITURE (£)

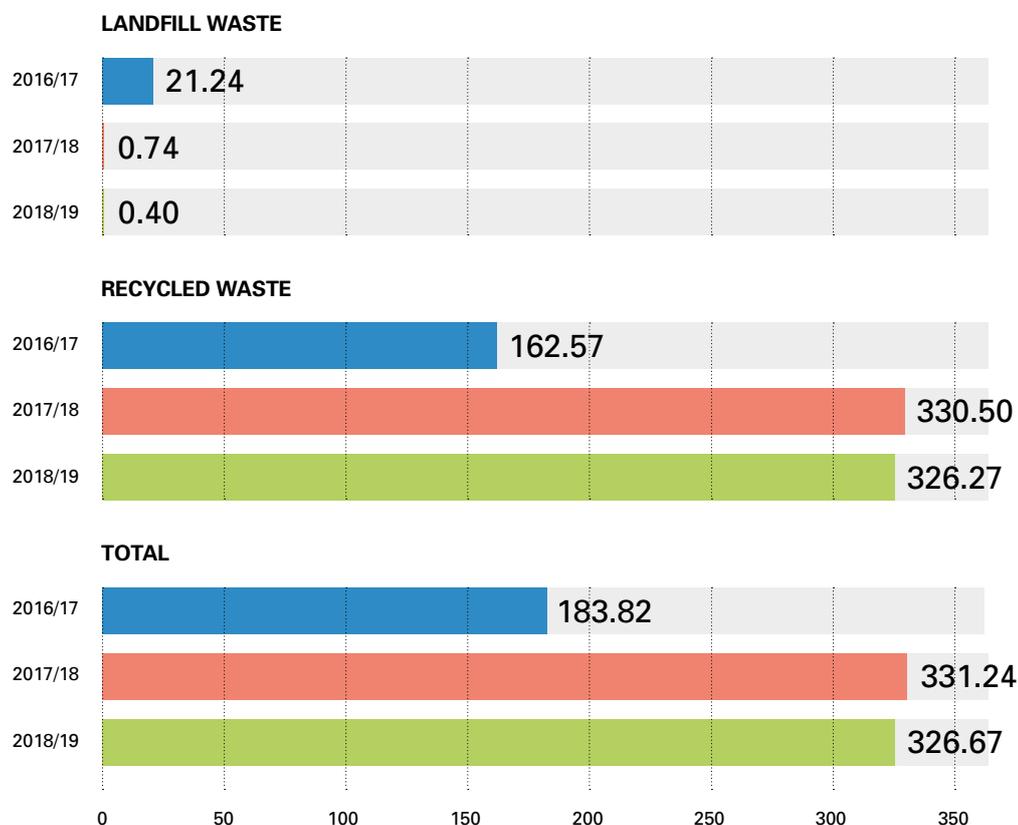


## WATER USAGE (m3) AND EXPENDITURE (£)

---



## WASTE – NON FINANCIAL (TONNES)



The majority of the data used in preparation of this report is based on the information provided by our suppliers. However, at the time of writing (April 2019) data for some of the locations was not available. In line with HM Treasury guidance, estimates have been made based on the previous quarters' actuals and, in limited circumstances, estimates have been made using 2017/18 data. All conversion factors used to produce CO<sub>2</sub> outputs for travel have been taken from those produced by DEFRA.

We will continue to monitor and report progress on KPIs that have a direct impact on carbon emissions and our efficiency targets (eg office space utilisation).

# Trustees' report and management commentary



06.



## GOVERNANCE STATEMENT

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

This is a single trustees' report and management commentary which covers the requirements for both the Grant-in-Aid accounts and the Lottery distribution accounts during the period 1 April 2018 to 31 March 2019.

## ROLE, MISSION, OBJECTIVES AND ACTIVITIES FOR THE PUBLIC BENEFIT

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

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

The Royal Charter is at the core of our mission as reflected in our strategic framework, *Great Art and Culture for Everyone*.

Information about our strategic framework, our goals and activities to achieve these, as well as our funding programmes can be found on pages 10 to 31.

## ARTS COUNCIL ENGLAND GOVERNANCE FRAMEWORK

Arts Council England is an arm's length non-departmental public body. It is also a registered charity. Accountability to Ministers is managed through the usual control mechanisms for arm's length bodies.

Arts Council England is regulated in accordance with a management agreement with the Secretary of State for Digital, Culture, Media and Sport. This is supplemented by an agreement for the Provision of Services in Relation to Cultural Objects outlining the statutory framework for delivering the cultural property functions on behalf of the Secretary of State for Digital, Culture, Media and Sport. The management agreement was revised in 2017/18 in light of the new obligations on Arts Council England following the Tailored Review.

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

Arts Council England is fully compliant with relevant principles around governance best practice for public service and charitable bodies as set out in the *Corporate governance in central government departments: Code of good practice 2017*.



# Arts Council England's Non-Executive Governance Structure

Arts Council England's governance framework consists of a National Council, 5 Area Councils, an Executive Board, and a number of committees and panels that National Council has delegated responsibilities to Area Councils, panels and committees as shown below:

## National Council

(15 members including the Chair)

### ROLE

- govern and hold overall authority for Arts Council England
- retain overall responsibility for the work and conduct of the organisation
- make decisions on Arts Council England's mission, objectives, priorities and strategies
- make decisions on grants above a certain threshold
- monitor delivery of 10-year strategic framework
- approve corporate plan
- approve Grant-in-Aid and Lottery accounts
- advocate for arts and culture and Arts Council England

## 5 Area Councils

(Chairs sit on National Council, 14 other members, including local authority reps, artists, and arts and culture practitioners)

### ROLE

- advise on policy and strategy
- make decisions and recommendations on National Portfolio applications

## Museums Accreditation Committee

(16-20 members)

### ROLE

- make decisions on Accreditation status and applications from museums and galleries in the UK
- provide quality assurance
- advocate for the scheme

## Performance and Audit Committee

(Chair sits on National Council, 4 National Council members and 3 independent members)

### ROLE

- assess and advise on the organisation's financial risk, performance management, governance and value for money
- perform the responsibilities of an Audit and Risk Assurance Committee

## Designation Scheme Panel

(10 members)

### ROLE

- make decisions on Designation applications from museums, libraries and archives
- provide quality assurance
- advocate for the scheme



## Remuneration Committee

(Chair sits on National Council,  
4 other National Council members)

### ROLE

- make decisions on senior executive salaries, bonuses and other terms and conditions

## Acceptance in Lieu Panel

(6-24 members)

### ROLE

- advise on items offered to the nation in lieu of Inheritance Tax or through the Cultural Gifts Scheme, on Conditional Exemption and on Immunity from Seizure

## Arts Council Collection Acquisition Committee

(8 members)

### ROLE

- advise on new additions to the Arts Council Collection with reference to the Acquisitions and Disposal and Collections Development policy



# Non-Executive Governance

## NATIONAL COUNCIL

### MEMBERSHIP OF NATIONAL COUNCIL

Members of National Council are appointed by the Secretary of State for Digital, Culture, Media and Sport who seeks to ensure that National Council has an appropriate range of knowledge, skills and experience.

The composition of National Council in 2018/19 was as follows:

#### Sir Nicholas Serota CH

(CHAIR)

#### Professor Roni Brown

(SOUTH EAST AREA COUNCIL CHAIR)

#### Kate Willard

(NORTH AREA COUNCIL CHAIR)

#### Dame Rosemary Squire

(SOUTH WEST AREA COUNCIL CHAIR – UNTIL 5 DECEMBER 2018)

#### Helen Birchenough

(SOUTH WEST AREA COUNCIL CHAIR – FROM 6 DECEMBER 2018)

#### Sukhy Johal MBE

(MIDLANDS AREA COUNCIL CHAIR)

#### Veronica Wadley

(LONDON AREA COUNCIL CHAIR UNTIL 30 JUNE 2018)

#### Ruth Mackenzie CBE

(LONDON AREA COUNCIL CHAIR FROM 1 JULY 2018)

#### Michael Eakin

#### Ciara Eastell OBE

#### David Joseph CBE

#### Catherine Mallyon

(FROM 26 APRIL 2018)

#### Andrew Miller

#### George Mpanga

#### Elisabeth Murdoch

#### Paul Roberts OBE

#### Tessa Ross CBE

## HIGHLIGHTS OF NATIONAL COUNCIL MEETINGS IN 2018/19

During 2018/19, National Council and its committees considered key strategic issues and routine business planning; the topics considered included:

- Our programme budgets for 2018/19 to 2021/22
- Impact and Insight Toolkit
- UK City Of Culture – Coventry, Core Funding Commitment
- Cultural Development Fund
- Planning the 10-year strategy for 2020-30
- Arts Council England's approach to libraries and the Libraries Taskforce
- Stakeholder Research Findings
- Risk Registers and Reports
- The contents of the *Equality, Diversity and the Creative Case* Annual Report
- Preparing for Brexit
- Approval of a number of grants including capital grants of around £20.1 million to organisations under the Arts Council's Lottery capital programme

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

## SUMMARY OF NATIONAL COUNCIL'S REVIEW OF ITS EFFECTIVENESS

National Council conducted a review of its effectiveness in 2018/19 at its May meeting, and as part of this members considered the terms of reference for National Council, and the way National Council operates in practice.

National Council concluded that as a non-executive board it had worked well in 2018-2019. Two new members, Helen Birchenough and Ruth Mackenzie CBE had joined during the year. 2018-2019 was also the first full year of membership for most of the members of National Council. Members felt that a strong, effective and open relationship had been established between members of National Council and with the Executive Board.

National Council's main focus over the year had been the shaping of the new strategy, advised by the Executive and drawing on feedback from Area Councils, the public, the sector and other stakeholders. Members welcomed the opportunity to shape the future direction of the Arts Council.

Members commented positively on the improvements to agendas and papers, responding to issues identified in the previous year. Members welcomed the decision to hold meetings in Plymouth and Sheffield. It was noted that National Council had held a joint session with its five Area Councils in Sheffield in November; changes had been made to the format of agendas of National Council meetings; and Area Councils had also had the opportunity to review how they work.

For 2019-2020, members reiterated the need to continue to focus on the length of meeting papers and work closely with Area Councils in developing and implementing the new strategy. There were also some suggestions on how to change the format and focus of meetings, as National Council shifts from the strategy development to strategy implementation/oversight phase.

In his absence, National Council considered the performance of the Chair. The unanimous view was that the Chair was playing an effective role in leading the non-executive board, representing the Arts Council at meetings and events up and down the country and chairing the National Council meetings.

NATIONAL COUNCIL ATTENDANCES	NATIONAL COUNCIL	PERFORMANCE & AUDIT COMMITTEE	REMUNERATION COMMITTEE
Sir Nicholas Serota CH	6/6	–	–
Helen Birchenough	2/2	–	–
Roni Brown	5/6	–	–
Michael Eakin	6/6	5/5	1/1
Ciara Eastell OBE	5/6	–	–
Sukhy Johal MBE	6/6	–	–
David Joseph CBE	3/6	–	–
Ruth Mackenzie	2/4	–	–
Catherine Mallyon	5/6	3/5	1/1
Andrew Miller	6/6	–	–
George Mpanga	4/6	–	–
Elisabeth Murdoch	6/6	–	–
Paul Roberts OBE	5/6	5/5	1/1
Tessa Ross CBE	5/6	–	–
Dame Rosemary Squire	2/4	–	–
Veronica Wadley	2/2	–	–
Kate Willard	6/6	5/5	1/1
OTHER MEMBERS OF PERFORMANCE & AUDIT COMMITTEE			
Christopher Yates	–	5/5	–
Anne McMeel	–	2/3	–
Claire Ashby	–	4/5	–
Clive Parritt	–	2/2	–
Tracy Staines	–	2/2	–

PLEASE NOTE THAT THE ATTENDANCE FOR THE NATIONAL AND AREA COUNCIL CONFERENCE IN SEPTEMBER IS NOT INCLUDED IN THE ABOVE DATA.

## COMMITTEES AND SUB-COMMITTEES

### Area Councils

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

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

Each Area Council consists of 15 members including the Chair who is also a member of National Council. Area Councils meet five times a year.

### Performance and Audit Committee

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

The Performance and Audit Committee is chaired by Paul Roberts, a member of National Council. Performance and Audit Committee comprises of four National Council members and four co-opted independent members with expertise in audit and accounting matters. Two new independent members, Clive Parritt and Tracy Staines, were recruited in 2018. All National Council members receive papers and minutes of Performance and Audit Committee meetings. The Chair of the Performance and Audit Committee provides a report to National Council following each meeting, and as he deems necessary. The Performance and Audit Committee also provide a full report to National Council on their performance once a year.

The key areas scrutinised by the Performance and Audit Committee during 2018/19 included findings from internal audit reviews, the external audit of the annual report and accounts and the Governance Statement, and the Arts Council's risk management processes. The Committee also agreed a programme for

internal audit, considered the strength of our information security, discussed the progress of the implementation of the recommendations in the Tailored Review, and was given regular feedback on our organisational risks.

The Performance and Audit Committee undertook a self-evaluation of its effectiveness in March 2019. They noted that since the previous year's evaluation, progress had been made to ensure that the performance elements of the committee's role were being given a greater priority. They also asked management to consider whether there should be space for somebody with legal expertise in future Performance and Audit Committee recruitment rounds. However, overall they were very satisfied with the committee's performance over the year.

### Remuneration Committee

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

### Executive management

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

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

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

Executive Board meets formally regularly throughout the year to consider key policy, strategic and operational matters and provide advice to National Council, and it also oversees the financial performance and risk management of Arts Council England as a whole. Appropriate management structures have been created

throughout the organisation to assist Executive Board members to oversee their respective departments and areas of responsibility.

Executive Board is supported by a Management Committee, a National Investment Panel whose membership includes the two Deputy Chief Executives and the five area directors, and other panels and decision-making groups.

There are written terms of reference and procedures for National Council and its sub-committees and Executive Board.

## MEMBERSHIP OF EXECUTIVE BOARD IN 2018/19

NAME	JOB TITLE
1 Darren Henley OBE	Chief Executive and Accounting Officer
2 Laura Dyer	Deputy Chief Executive, Places and Engagement
3 Simon Mellor	Deputy Chief Executive, Arts and Culture
4 Elizabeth Bushell	Executive Director and Chief Financial Officer
5 Mags Patten	Executive Director, Communication and Public Policy
6 Richard Russell	Executive Director and Chief Operating Officer
7 Francis Runacres	Executive Director, Enterprise and Innovation

## RISK MANAGEMENT AND INTERNAL CONTROL

### Risk management

National Council ensures there are effective arrangements for internal control including risk management at Arts Council England. The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of Arts Council England's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and yet economically.

The Arts Council takes the view that the absolute mitigation of all risk is neither possible nor desirable. We believe that it is important that we support and encourage innovation and can take managed risks in support of our mission: Great art and culture for everyone.

We identify and manage risk at three levels:

- Strategic: The principal risks, opportunities and uncertainties affecting the achievement of our mission and five goals
- Operational: Risks to the delivery of our area or departmental plans
- Programmes/Projects/Thematic Risk: Risks to the delivery of individual programmes, projects and to particular areas of our work.

Our system of risk management and internal control is designed to manage risk to an acceptable level rather than eliminate all risk of failure to achieve requirements and objectives.

The Arts Council's appetite for risk varies according to the nature of the activity. The level of risk that we are willing to take is one of the key factors we consider when making decisions on how best to invest, develop and champion the arts, museums and libraries.

We seek to minimise exposure to financial, legal, compliance and reputational risk.

The Arts Council has a high appetite for artistic and creative risk. We value creativity, originality

and ambition. Our 10-year strategy sets out our commitment to excellence and extending our reach. Neither can be achieved without experimentation and innovation. We want to offer artists and arts and culture organisations the commitment and freedom that allows them to experiment and take risks. In our investment decisions we carefully weigh the opportunities and potential benefits of projects alongside possible risks.

Acceptance of risk is always subject to ensuring that potential benefits and risks are fully understood before decisions are made, and that sensible measures to mitigate risk are established.

### System for managing risk

The Department for Digital, Culture, Media and Sport (DCMS) has designated the Chief Executive of Arts Council England as Accounting Officer, with clear responsibility and accountability for maintaining a sound system of internal control within the organisation. Internal audit provides the Accounting Officer with an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. Risk management forms part of the organisation's ongoing activity and is addressed as a matter of standard practice in its corporate programme and project plans. It continues to be a key element of how Arts Council England monitors its corporate policies and initiatives and is integrated into business planning across the organisation.

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

Arts Council England operates a range of controls over the funding programmes it operates to ensure the grant funding provided is used for the purposes intended. These

controls are designed to be commensurate with the level of risk associated with each funding programme and the organisation's appetite for risk. The controls include ensuring signed funding agreements are in place, monitoring payment conditions before payments are released, reviewing activity returns and regularly monitoring risks to funded organisations.

The risk management process is facilitated and monitored by the Governance and Planning Department. The management of key risks is subject to independent review and assurance through the internal audit process, which reports to management as well as the Performance and Audit Committee. National Council reviews the strategic risk register annually.

During 2018/19, Arts Council England continued to manage risk at the strategic, operational, and individual project and programme levels. Strategic risks are identified through periodic

workshops with senior staff, through escalation from operational risk registers, or as they arise. They are then agreed by Executive Board and assigned an Executive Board lead and risk owner or 'manager' who manages mitigating actions and controls thereafter.

We report quarterly to Executive Board and the Performance and Audit Committee on progress in implementing relevant controls and mitigating actions on strategic risks. Operational risks are also monitored on a quarterly basis, with progress on implementing relevant controls and mitigating actions reported to the Management Committee. Programme and project level risks are monitored by the relevant programme lead or project board on a timescale appropriate to the programme or project.



The major residual risks which National Council considers most significant are:

### The uncertainty around the basis on which Britain will exit from the EU

As well as the general economic uncertainty, there is uncertainty around the arts and culture sector's continued access to European funds and future arrangements for touring and exporting to EU countries, cultural exchanges and ensuring that English audiences continue to benefit from EU arts and organisations.

We continue to work closely with Government and with sector bodies on 'no deal' preparations. In January 2019 we published the *Arts Council England EU Exit Guide* and we are monitoring the need for further support on the range of effects of leaving the EU as well as facilitating meetings with arts and cultural organisations hosted by DCMS to identify gaps in 'no deal' preparedness.

### Spending review

A reduction in our Grant-in-Aid income from 2020 would result in us having insufficient funding to meet our commitments and deliver our plans. While we have agreed funding for the 2018-22 National Portfolio Organisations, we may have to revise agreements for the final two years if the spending review settlement renders the allocation unaffordable.

We are taking steps to prepare for the spending review, including engagement with DCMS, commissioning relevant research and data gathering to evidence the value of public funding for arts and culture, and modelling future income scenarios to understand the possible outcomes.

### The possibility of further reductions in local authority investment in arts and culture remains a major risk to the achievement of our goals

Local government is the largest investor in the arts and culture sector in England. However, since 2010 its investment has dropped considerably, and further cuts could destabilise the arts and culture ecology and impinge on the achievement of our strategic goals. We are working with arts organisations, museums and libraries, to make the case to government about the value that arts and culture have on local places and communities, and on the country's economy and international impact.

We continue to advocate for the value of arts and culture to local decision makers, including the Cultural Cities Enquiry, the Centre For Towns, rural evidence review and position statement, the Ministry of Housing, Communities and Local Government (MHCLG), the Future High Street Fund and the Local Enterprise Partnership (LEP) network, and we engage with local authorities (including combined authorities) and the Mayor of London to promote cultural opportunities.

We worked with DCMS to launch the £20 million Cultural Development Fund to invest in local initiatives aimed at contributing to culture-led economic growth. We continue to support local government through a programme of leadership development for local government officials, the first session of which was held in January 2019 to help build capacity in local government leadership.

## **New 10-year strategy**

We are in the process of developing our new 10-year strategy for 2020-30. This strategy will set the strategic direction for the Arts Council for the next 10 years and it is therefore important that we get it right and that it addresses the needs and challenges facing our sector such as improving diversity and socio-economic reach.

It is also crucial that we develop a vision that resonates with the public and stakeholders so that they can work with us to deliver it.

Our approach to developing our new strategic outcomes has been to build an evidence-based case for change and consult widely at each stage of development so that the public and stakeholders understand, participate in and support the development of our strategy.

## **Data security and personal data**

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

There were no major security incidents involving data at the Arts Council during 2018/19. There were 29 minor incidents where there was no adverse impact on, or damage to, individuals in relation to personal data. No personal data breaches were reported to the ICO. The Arts Council dealt with all incidents immediately; each was investigated to see if any changes needed to be made to the Arts Council's systems and processes.

During 2018/19 we introduced an online GDPR training course which all members of staff are expected to complete, and we have seen an increased awareness of data protection issues from our staff body following this training. Our Senior Information Risk Owner chairs a quarterly meeting of the Information Governance Subcommittee which oversees the framework and processes in place to monitor

information assets and associated risks along with developing a culture of awareness among all staff. The Subcommittee is supported in its work by the Data Protection Officer (DPO) who assists the organisation to monitor internal GDPR compliance and inform and advise on our data protection obligations.

## **Whistleblowing policy**

Arts Council England's whistleblowing policy is derived from the Public Interest Disclosure Act 1998 (PIDA) which exists to protect any members of staff who make disclosures in good faith about wrongdoing or activity which is against the public interest. The policy is made available to all permanent and temporary staff and is published on our intranet. One whistleblowing case was reported and investigated during 2018/19.

## **Conflicts of Interest**

As a public body we have a code of ethics that makes sure all staff adhere to the Seven Principles of Public Life, the Bribery Act 2010 and the Government rules on code of conduct in non-departmental public bodies (NDPBs). In particular, staff are required:

- to act, and be seen to act, with independence and impartiality while working for the Arts Council
- to take steps to avoid conflicts of interest, by registering and declaring any conflicts between personal interests and the work of the Arts Council as they arise

## **Internal audit**

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

by the Performance and Audit Committee. The internal auditors receive all Performance and Audit Committee papers and attend the Performance and Audit Committee meetings.

They provide periodic progress reports including the findings of follow-up reviews, building up to an annual report on internal audit activity. This annual report includes the internal auditors' opinion on the overall adequacy and effectiveness of the systems that internal audit have reviewed. The Performance and Audit Committee reviews and discusses the progress report and the annual assurance report. Internal audit services are being provided by RSM.

In their annual report RSM stated that, in their opinion:

The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal controls to ensure that it remains adequate and effective

### **Review of effectiveness of internal control**

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

### **Assessment of the effectiveness of internal control during 2018/19**

Progress in achieving objectives set out in the Arts Council's 10-year strategy is monitored by the Executive Board and National Council.

During 2018/19 Internal Audit completed a range of reviews. The majority of these were given the rating "substantial assurance" but there were recommendations in areas of cultural property, Business Continuity, and Cashflow Management that we will address.

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

Throughout 2018/19 we monitored our strategic, operational and project risks in accordance with our risk management policy. We also continued to revise and refine our risk management policies and procedures.

**Darren Henley OBE**  
Chief Executive and  
Accounting Officer

19 JUNE 2019

**Sir Nicholas Serota CH**  
Chair

19 JUNE 2019

## People update 2018/19

At the beginning of 2018, our staff headcount was 521 (or a full time equivalent of 490). By the end of the year this had grown to 581 (or a full time equivalent of 541). Approximately 65 staffing posts are on Fixed term Contracts and the majority of these are outside London.

Our voluntary staff turnover rate remains low, at 6.9 per cent (or 40 staff from 581). This compares with 9.6 per cent (50 staff from 521) in 2017/18 and is a good indicator of our employee engagement. There were no team restructures in the year, which warranted the redeployment or redundancy of significant numbers of staff colleagues. Of the 17 staff who left in the year for other reasons, 14 of these were due to fixed term employment contracts expiring. Our overall leaver rate of 9.8 per cent this year compares to 11.9 per cent from the previous year. Sickness absence rates also remain low, at 1.52 per cent in 2018/19 (2.03 per cent in 2017/18). This equates to 3.1 days per employee in 2018/19 (2017/18: 5.0 days)

Major new job roles which were introduced in the year included:

- A Senior Manager and Communications officer to work in the Midlands in support of the Coventry City of Culture 2021
- A Digital Culture Network-led by our Director of Audience Insight and Innovation,

Owen Hopkin, and a new senior manager role, comprising nine new 'tech champions' in each of our areas. Their role is to offer the arts and culture sector support to harness the benefits of technology and achieve their digital ambitions, including new ways to reach and engage audiences and develop sustainable business models. They will broker partnerships and opportunities with the tech sector, share best practice and provide signposting and practical on-the-ground support in a range of different forms of digital expertise.

- An Economist – to assist the organisation in making a case and impact assessment for the development of arts and culture on the national economy
- A further addition to the group of joint specialism Senior Manager roles introduced to the Arts Council last year in the form of Combined Arts and Environmental Sustainability. The Combined Arts aspect of the role was previously coupled with Arts and Technology, but we took the decision to separate Arts and Technology into a 100 per cent role in view of its strategic importance and, in its place, introduce Senior Manager cover for Environmental Sustainability, in view of our ongoing strategic commitment to that area.
- A bespoke Learning and Development manager to enhance the staff access to development opportunities
- Four posts which will run until spring 2020 to look after the work of the Libraries Taskforce, which we took on this year from DCMS
- A new Director of Arts Technology and Innovation, completing our team of three Directors leading our work on supporting the arts and cultural sector to become 'fit for purpose' for the digital economy. The role will lead our policy work in supporting the arts and cultural sector to use new technologies to create new forms of art and culture and enhance existing creative practice





These additional posts reflect a range of skills and expertise, building on areas that represent real opportunities for the sector and us.

The year 2018/19 also saw us complete the outsourcing of our payroll function and introduction of a new internal self-service system for our staff to manage their personal details and leave arrangements – Access Select.

Our annual staff engagement survey was conducted in September. Most organisation-wide ‘agree/strongly agree’ scores on the standard engagement questions were up on last year or broadly the same. While there were some significant variations in these between areas and departments, there was a general upward trend from the 2017 survey on the same questions. The great majority of colleagues said Arts Council England is a good place to work and that they understand and believe in its goals, but a number cite ambitions

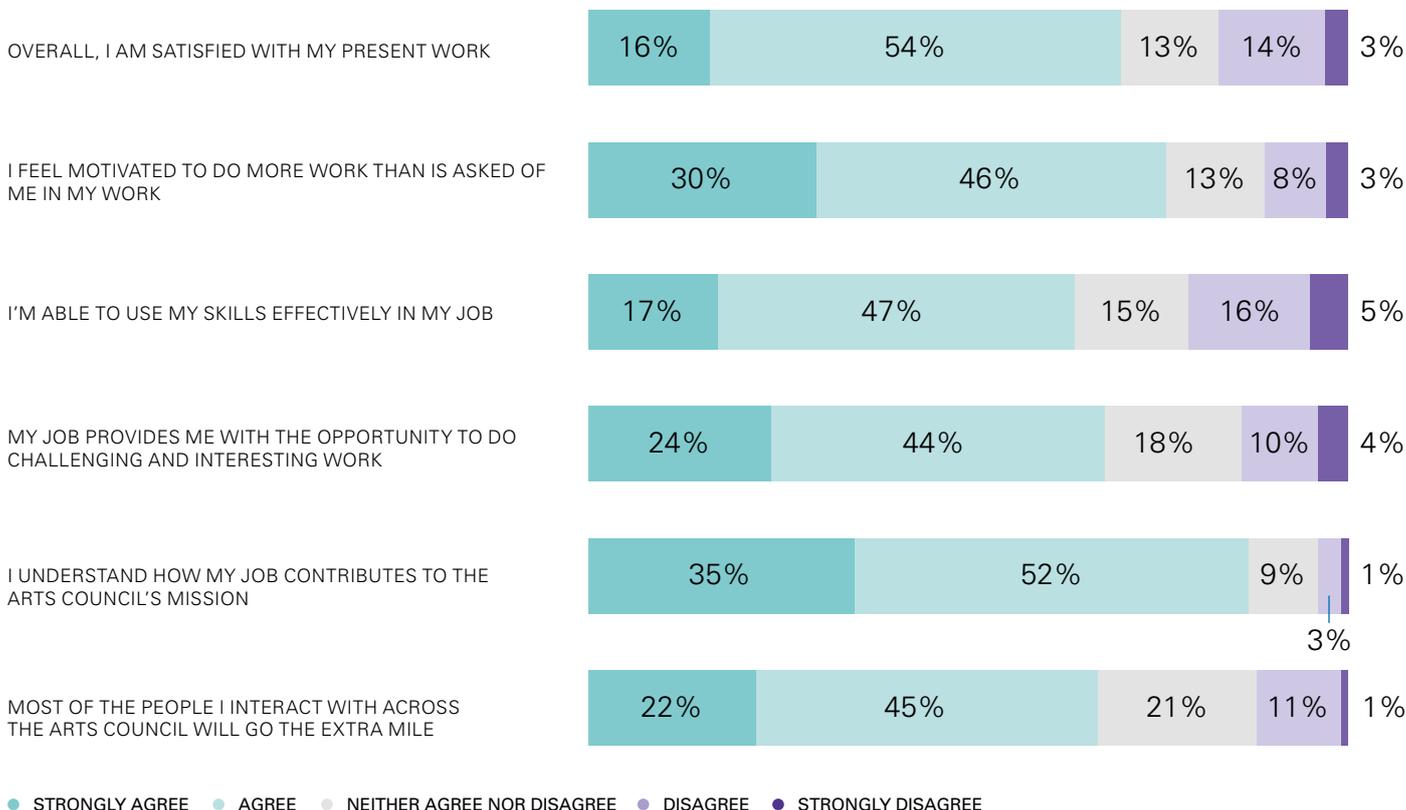
to do more and think their skills could be used more effectively or fully.

Also in the survey, staff perceptions of the meaning and effectiveness of our performance management processes improved from 2017. Workload was cited an issue in the free text comments but only 16 per cent of the multiple-choice respondents said they were unhappy with it being very demanding or overwhelming. Most staff reported that there is a good work-life balance, although there’s a significant minority view that deadlines are not always realistic.

The great majority of managers were viewed as:

- open
- honest
- clear
- effective
- receptive/interested

## YOUR WORK



In 2018/19 the Arts Council also underwent its triennial assessment for the Investors in People standard. We were once again recognised as a 'Gold' standard workplace by Investors in People.

Investors in People is a standard for people management, offering accreditation to organisations that adhere to its set of standards. This means that the Arts Council has been recognised for excellence in the ways that we lead, manage and develop our workforce.

While our previous IIP review three years ago also awarded us "Gold", we are very pleased to retain this status as, in the intervening years, the standard has been refreshed and made more challenging.

Our review took place between November 2018 and January 2019 and included an all staff survey, which was completed by 61 per cent of our staff. A further 43 staff took part in one-to-one interviews with the external assessors.

Some highlights from the review included:

- acknowledgement of our considerable commitment to investment in the leadership and management of people through a variety of activities including MBAs, Henley Business School's Executive Coaching Course for our Directors and the appointment of a Learning and Development Manager
- our clear focus – which incorporates our vision, values, organisational, area and team objectives. These were shown to resonate with employees at all levels and to help create an atmosphere of openness and trust
- our continuing work on delivering an appreciative culture through our reward and recognition initiatives, including Star Awards, secondments and career progression

- our drive to innovate and improve the way we operate, including ways in which individuals, teams and working groups get together to improve their processes and procedures. For example, the delivery of the National Portfolio Organisation review in 2017/18, which was well received by the sector, and the smart working pilot in our Cambridge office
- our ongoing investment in staff progression and in learning and development opportunities
- our continuing engagement with staff on our developing 10-year strategy

### Trade union facility time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 took effect on 1 April 2017 and means that public sector employers are now required to publish certain information on trade union officials and facility time in their annual report.

Facility time covers duties carried out for the trade union or as a union learning representative, for example, accompanying an employee to a disciplinary or grievance hearing. It will also cover training received and duties carried out under the Health and Safety at Work Act 1974.

The information for Arts Council England is as follows:

### Relevant union officials

What was the total number of Arts Council England employees who were relevant union officials during the relevant period?

NUMBER OF EMPLOYEES WHO WERE RELEVANT UNION OFFICIALS DURING THE RELEVANT PERIOD	FULL TIME EQUIVALENT EMPLOYEE NUMBER
21	19.5

### Percentage of time spent on facility time

How many of Arts Council England employees who were relevant union officials employed during the relevant period spent a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time?

PERCENTAGE OF TIME	NUMBER OF EMPLOYEES
0%	–
1-50%	21
51%–99%	–
100%	–

### Percentage of pay bill spent on facility time

The figures below show the percentage of Arts Council England's total pay bill spent on paying employees who were relevant union officials for facility time during the relevant period.

Total cost of facility time	£44,968
Total pay bill	£18,424,000
Percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	0.24%

### Paid trade union activities

As a percentage of total paid facility time hours, how many hours were spent by employees who were relevant union officials during the relevant period on paid trade union activities?

Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as: (total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100	100%
--	------

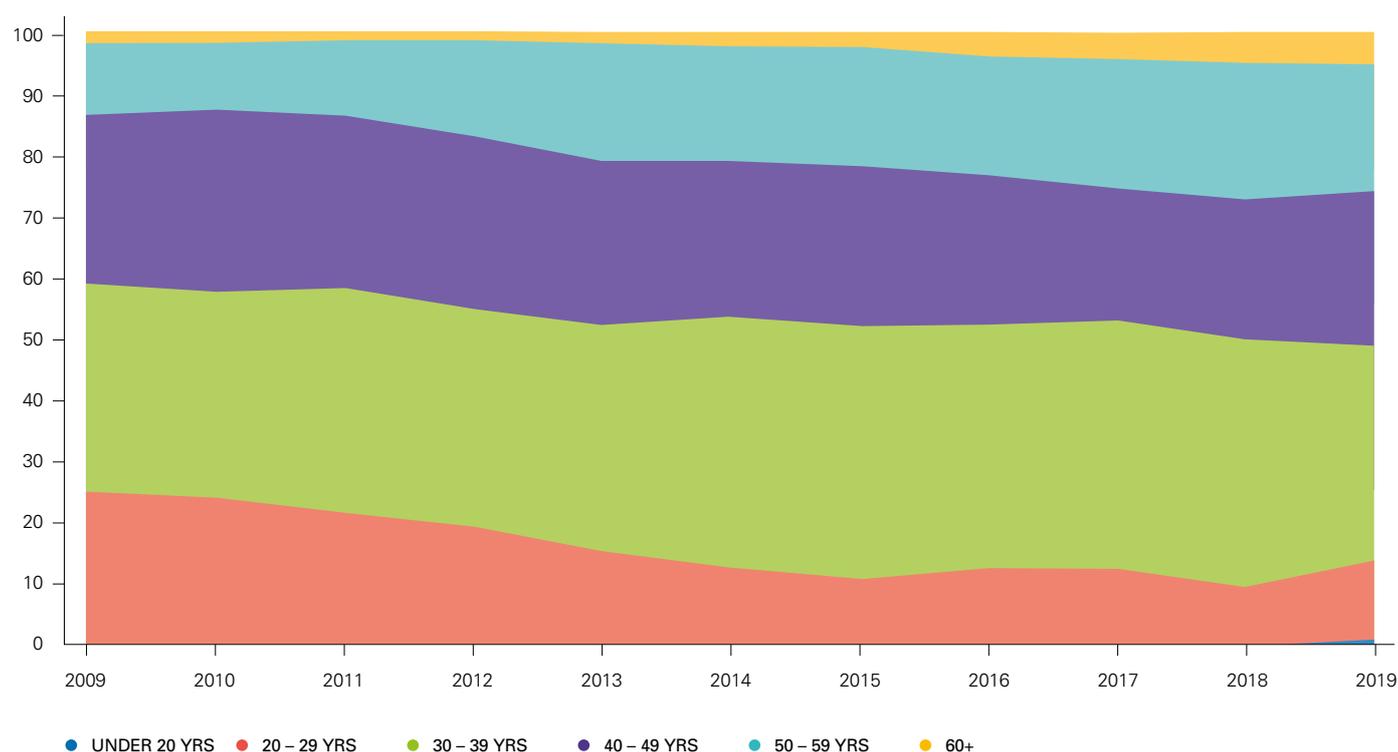
## DIVERSITY UPDATE

The Arts Council is committed to diversity within the Arts Council staff base and its governing bodies. The diversity profile of our staff as at the end of 2018/19 is shown in the tables below. The graphs show the trends for each group over the last 10 years:

AGE OF EMPLOYEES	<20	20-29	30-39	40-49	50-59	60+	TOTAL
<b>Total</b>	5	75	200	146	123	32	581
<b>%</b>	0.9%	12.9%	34.4%	25.1%	21.2%	5.5%	100.0%

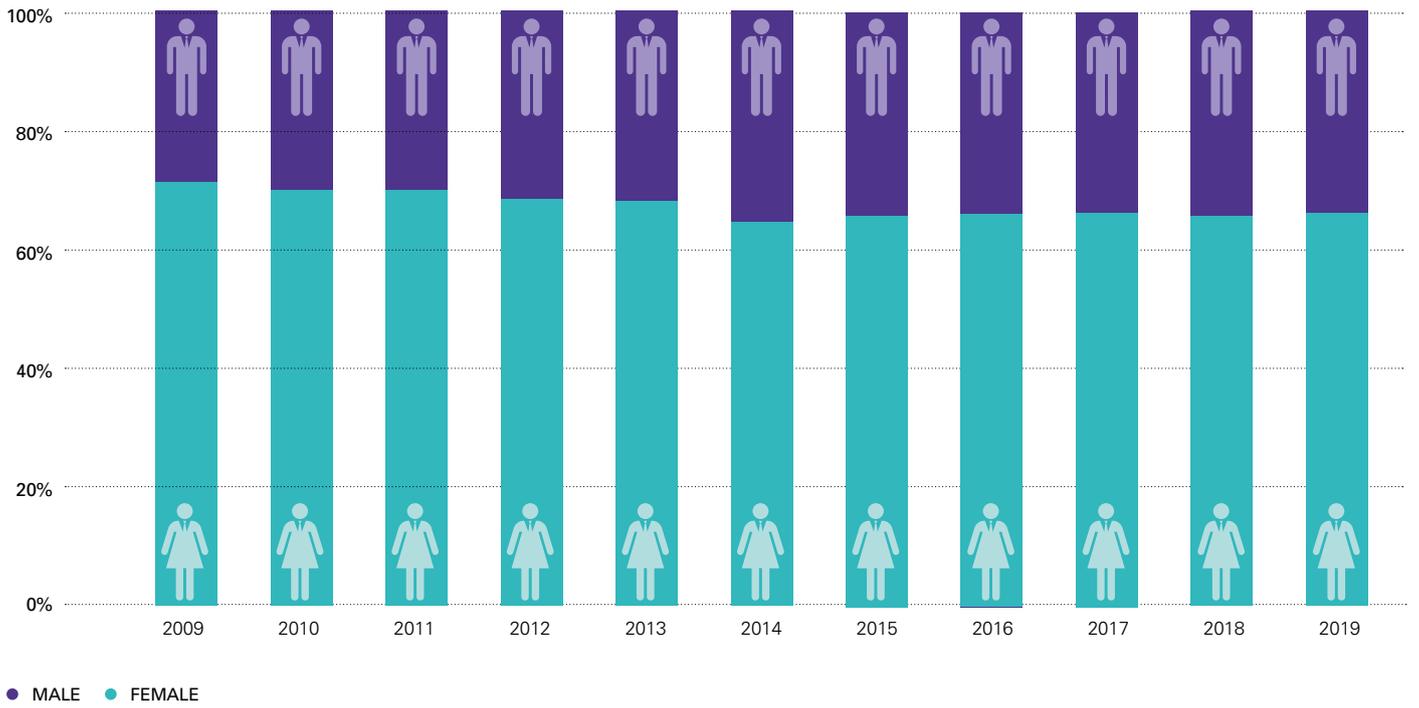
AGE	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Under 20</b>	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	1%
<b>20-29 yrs</b>	24%	23%	21%	19%	16%	14%	11%	13%	12%	10%	13%
<b>30-39 yrs</b>	34%	34%	36%	35%	36%	40%	41%	39%	39%	40%	34%
<b>40-49 yrs</b>	28%	31%	29%	28%	27%	26%	27%	25%	23%	23%	25%
<b>50-59 yrs</b>	12%	11%	13%	16%	19%	19%	19%	19%	21%	22%	21%
<b>60+</b>	2%	2%	1%	2%	2%	2%	3%	4%	5%	5%	6%

## AGE PROFILE OF STAFF



GENDER OF EMPLOYEES	MALE	FEMALE	TOTAL
<b>Total</b>	199	382	581
<b>%</b>	34.3%	65.7%	100.0%

## GENDER COMPARISON



SEXUAL ORIENTATION OF EMPLOYEES	LESBIAN, GAY OR BISEXUAL	HETEROSEXUAL	PREFER NOT TO SAY	TOTAL
Total	80	414	87	581
%	13.8%	71.3%	15.0%	100.0%

### % OF STAFF WHO IDENTIFY AS LGB



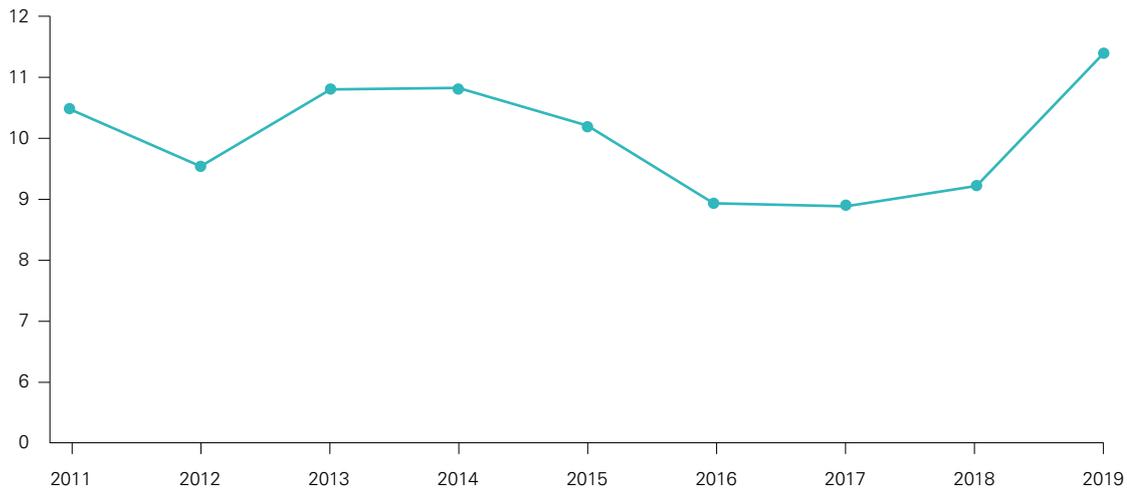
LEVEL OF DISABLED EMPLOYEES	DISABLED	NOT DISABLED	PREFER NOT TO SAY	TOTAL
Total	40	511	30	581
%	6.9%	88.0%	5.2%	100.0%

### % OF STAFF WHO IDENTIFY AS DISABLED



ETHNIC ORIGIN OF EMPLOYEES	BME (2)	NON-BME	NO DATA	TOTAL
<b>Total</b>	66	505	10	581
<b>%</b>	11.4%	86.9%	1.7%	100.0%

### % OF STAFF WHO IDENTIFY AS BME

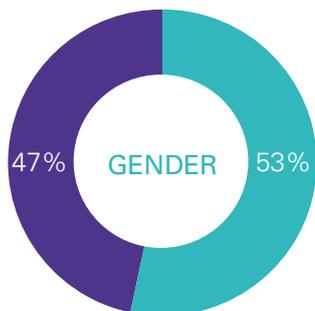


At 11.4 per cent, our level of Black and minority ethnic staff representation is at its highest this decade (up 2 per cent on the 2017/18 figure). Our numbers of declared disabled and LGB colleagues are at their highest since we began our recording 11 years ago. For both Black and minority ethnic and disabled staff representation in particular though, we realise there is more work to be done.

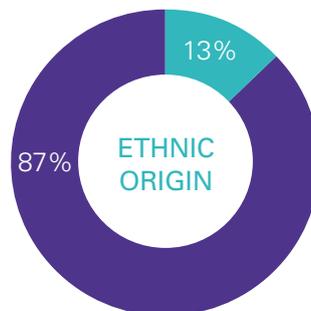
A major initiative, introduced in the latter part of this year, which was aimed at improving our staff diversity, was the overhaul of our recruitment process. Key changes made here included a move to advertise all permanent posts internally and externally at the same time, removing the requirement for applicants to list their educational institutions attended and criminal convictions, simplifying our application form and rolling out refreshed recruitment training for managers, with a focus on reducing the potential for unconscious bias.

Our male to female staff ratio is 34 per cent to 66 per cent – a figure broadly in line with the profile we've had since 2014. The male to female ratio at Director and Executive level was 45 per cent to 55 per cent respectively. A key related variable here was our gender pay ratio. As at 31 March 2018 the mean difference between the hourly pay of male and female staff remained static at 6.7 per cent but the median pay gap fell to -0.6 per cent. Changes to our workforce – and the creation of new posts – meant that more women moved into grade A (Director) and B (Senior Manager) roles in 2017/18, helping to drive the changes to the median pay gap to a figure which is now of near enough parity with male staff. Membership of Executive Board and grade A+ Director grade posts has remained relatively stable. This explains why the mean ordinary pay gap of 6.7 per cent (in favour of male staff) was unchanged from the previous year.

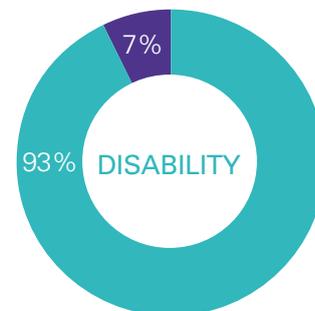
## DIVERSITY STATISTICS FOR NATIONAL COUNCIL



MALE  
FEMALE



NON BME  
BME



YES  
NO

## GRANTS TO LOCALLY GOVERNED ORGANISATIONS

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

## PUBLIC SECTOR INFORMATION

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

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

## BETTER PAYMENT PRACTICE CODE

We attempt to abide by the Better Payment Practice Code, and in particular pay bills in accordance with our contracts. Invoices are normally settled within our suppliers' standard terms, usually 30 days, and we aspire to settle valid invoices within 10 days. During 2018/19, 100 per cent of invoices were paid within 30 days (2017/18: 100 per cent) and we paid 94.1 per cent of invoices within five days (2017/18: 99.4 per cent).

## CORPORATE INFORMATION

### **Principal address as at 31 March 2018**

21 Bloomsbury Street  
London WC1B 3HC

### **Banker**

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

### **Auditor**

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

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

Hyman Robertson LLP  
20 Waterloo Street  
Glasgow G2 6DB

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

Aon Hewitt  
25 Marsh Street  
Bristol  
BS1 4AQ

### **Solicitors**

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



# Strategic report

07.



## DCMS KPIS

The Secretary of State for Digital, Culture, Media and Sport (DCMS) sets priorities for the Arts Council which sit alongside our key performance indicators. These performance indicators may be reviewed over the duration of the Arts Council's management agreement with DCMS.

### KPI 1: Sustained attendance and visitor numbers in National Portfolio Organisations and Major Partner Museums (000's)

Total audience/visitor numbers<sup>1</sup>

2016/17	2017/18	DIFFERENCE
87,647	101,072	15%

The figures reported are based on all annual survey data submitted with outliers removed. A year on year comparison is included for ease of reference, but direct year on year comparisons are not recommended due to the different number of organisations included. Taking Part national data (2017/18) also points to gradual increases in people engaging with the arts in the last year; at 78.9 per cent, it's the highest since 2005 when the survey started. This would suggest a broad picture of increasing engagement.

### Breakdown by five Arts Council areas

AREA	2016/17	2017/18	DIFFERENCE
London	43,317	42,606	-2%
Midlands	9,540	11,042	16%
North	19,995	26,956	35%
South East	9,404	13,512	44%
South West	5,389	6,955	29%

If you cut the audience engagement by area, our National Portfolio statistics suggest that all areas except London had audience increases, with particular growth in the South East and North over the last few years.

### KPI 2: Proportion of National Portfolio Organisation and Major Partner Museum board members who identify with the following characteristics<sup>2</sup>:

	2016/17	2017/18
BME	13%	14%
LGB	5%	6%
Female	46%	46%
Disabled	7%	6%

<sup>1</sup> The KPI data is based on all annual survey data submitted (with outliers removed) rather than a constant sample, therefore year on year comparisons are not recommended due to the different number of organisations included.

Area is based on the home area of the organisation, and not necessarily the area in which the activities took place.

Total audience figures include both known and estimated attendance data. Estimated attendance is the section of the annual submission with the greatest potential for error. Different organisations will use different methods in assessing and reporting their estimated attendances, and their methods can vary on a year-by-year basis. These changes in methods of measuring audiences can include audiences which were estimated one year being recorded as 'known' the following year or vice versa; therefore, 'known attendances' can also be affected by these variations. It is particularly difficult to estimate attendances at non-ticketed events such as carnivals.

For 2017/18 there has been an expected increase in total audience/visitor numbers in the North, potentially due to Hull's status as the UK City of Culture in 2017.

<sup>2</sup> The KPI data is based on all annual survey data submitted, in line with the approach taken for 'Equality, Diversity and the Creative Case: A Data Report, 2017-2018'.

We have seen a slight increase in BME representation at board level from 13 per cent in 2016/17 to 14 per cent in 2017/18 compared to 16 per cent BME representation across the working age population in England. 6 per cent of the NPO/MPM board members define as LGB compared to 2 per cent of the working age population in England, we introduced our question for sexual orientation during 2016/17. Female representation on boards remained static at 46 per cent which is below the female working age population of England which is just above 50 per cent. The number of disabled board members has decreased from 7 per cent in 2016/17 to 6 per cent in 17/18 compared to approximately 20 per cent of the working age population that defines as disabled in England.

### KPI 3: The proportion of National Portfolio Organisations producing at least one screening or broadcast in the reporting year

AREA	2016/17	2017/18	DIFFERENCE
Total	293	306	4%
% of portfolio	45%	46%	

The proportion of National Portfolio Organisations producing at least one screening or broadcast in the reporting year has remained relatively stable year on year (46 per cent in 2017/18 versus 45 per cent in 2016/2017). A commitment to understanding the challenges and opportunities in this area continues with convening sector workshops as part of DCMS' *Culture is Digital* paper and New Creatives, a joint initiative with the BBC to increase the pipeline of new artists in video, audio and immersive experiences.

### KPI 4: An increase in contributed and earned income in National Portfolio Organisations and Major Partner Museums

AREA	2016/17	2017/18	DIFFERENCE
Earned	£872,545,625	£943,276,386	8.1%
Contributed	£214,967,433	£227,367,830	5.8%
Total	£1,087,513,058	£1,170,644,216	7.6%

AREA	2016/17	2017/18	DIFFERENCE
London	£519,512,189	£552,889,911	6.4%
Midlands	£203,285,666	£199,343,155	-1.9%
North	£185,383,134	£210,684,457	13.6%
South East	£95,111,513	£123,648,740	30.0%
South West	£84,219,556	£84,077,953	-0.2%
<b>TOTAL EARNED + CONT</b>	<b>£1,087,512,058</b>	<b>£1,170,644,216</b>	<b>7.6%</b>

The Annual Return for 2017/18 indicates earned income across the National Portfolio Organisations and Major Partner Museums continues to grow, reaching £943 million from £873 million in the previous year, a growth of 8.1 per cent. Contributed income showed an increase of 5.8 per cent from £215 million to £227 million.

### KPI 5: Proportion of National Portfolio Organisations undertaking international activities in the reporting year

	2016/17	2017/18
% touring internationally	15%	21%
% with international dimension	61%	57%

The percentage of National Portfolio Organisations touring internationally has increased by 5 per cent, demonstrating both the demand for English artists in markets overseas and the ambitions of artists and organisations here to show their work abroad, particularly in emerging markets in Asia. However, the percentage of National Portfolio Organisations whose work has an international dimension has undergone a small decrease (4 per cent) over the same period, which may be due to uncertainties surrounding our exit from the EU, as 59 per cent of the companies working internationally do so in or with our European neighbours.

### KPI 6: Total number of schools engaged in meaningful contact by Arts Council funded Bridge Organisations

Total number of schools* engaged in meaningful contact by Bridge Organisations in 2018/19	5,153
---	-------

\* Includes all state-funded nursery, primary, secondary, and special schools (included NMSS and independent special schools), and PRU/Alternative provision schools. Does not include sixth form colleges, sixth form centres, so-called 'all through' schools, and independent schools.

Bridge Organisations had 'meaningful contact' with 23 per cent of (or 5,153) schools across England during 2018/19. 'Meaningful contact' is defined as either an active responder, enquirer, or attendee, or working together through dialogue or formal agreement. This figure is in line with expectations as Bridge Organisations continue to work to engage with 50 per cent of schools in their regions by 2022. By supporting the development of Local Cultural Education Partnerships and driving engagement with programmes such as Artsmark and Arts Award, Bridge Organisations are helping to ensure that every school in the country has opportunities to enrich the arts and cultural experience they offer their pupils.

### KPI 7: The proportion of grant applications processed within the Arts Council published time frame

YEAR		A	B	C
2014/15	ACTUAL	99.58%	98.26%	99.32%
2015/16	ACTUAL	99.50%	98.71%	99.37%
2016/17	ACTUAL	99.83%	99.13%	99.73%
2017/18	ACTUAL	95.50%	97.07%	95.74%
2018/19	ACTUAL	96.44%	96.19%	96.40%
2018/19	TARGET	90%	90%	90%

- A** % of applications for up to £15,000 processed in six weeks or less
- B** % of applications for over £15,001 processed in 12 weeks or less
- C** Overall % of applications processed within target time

9,479 PG applications processed during 2018/19, compared to 10,296 in 2017/18 – the slight decrease is due to the introduction of Developing Your Creative Practise.

The performance has increased from 2017/18 in which 95.7 per cent were processed on time.

The figures provided for each KPI are the latest figures available.

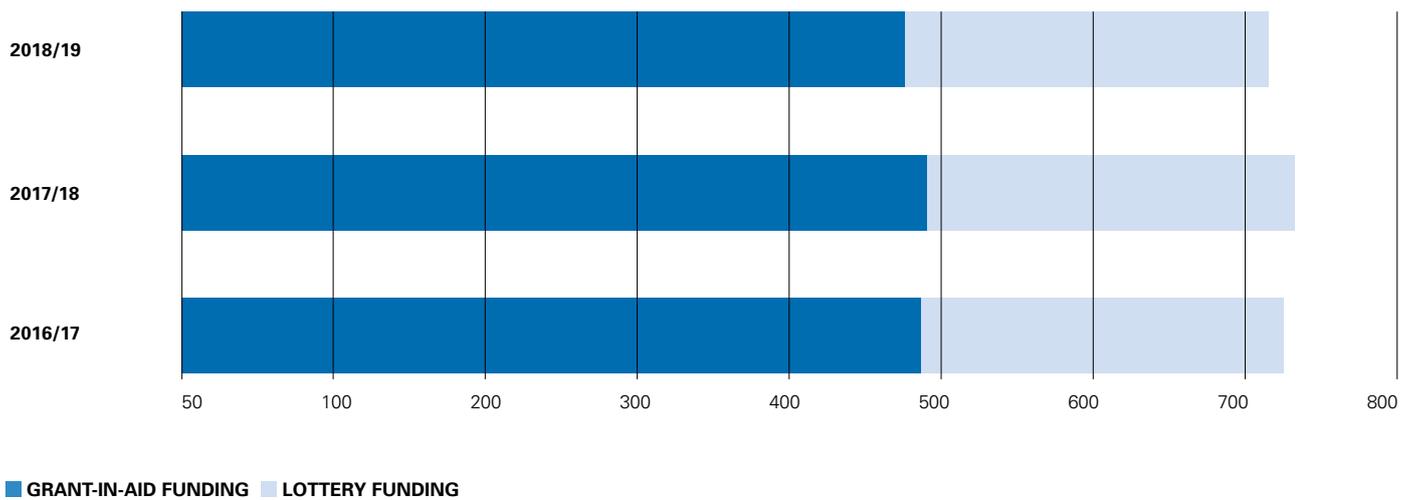


## FINANCIAL REVIEW, GRANT-IN-AID

### Our income

Arts Council England receives Grant-in-Aid from the Department for Digital, Culture, Media and Sport (DCMS). DCMS provided Grant-in-Aid of £487 million for the year (2017/18: £497 million), which included £32.4 million of capital funds to allocate as grants. It also included funding via the Department for Education of £79.3 million (2017/18: £78.8 million) to support plans for music and cultural education.

### OUR INCOME



## GRANT-IN-AID RESTRICTED INCOME

The Arts Council received funding specifically for the following projects during 2018/19:

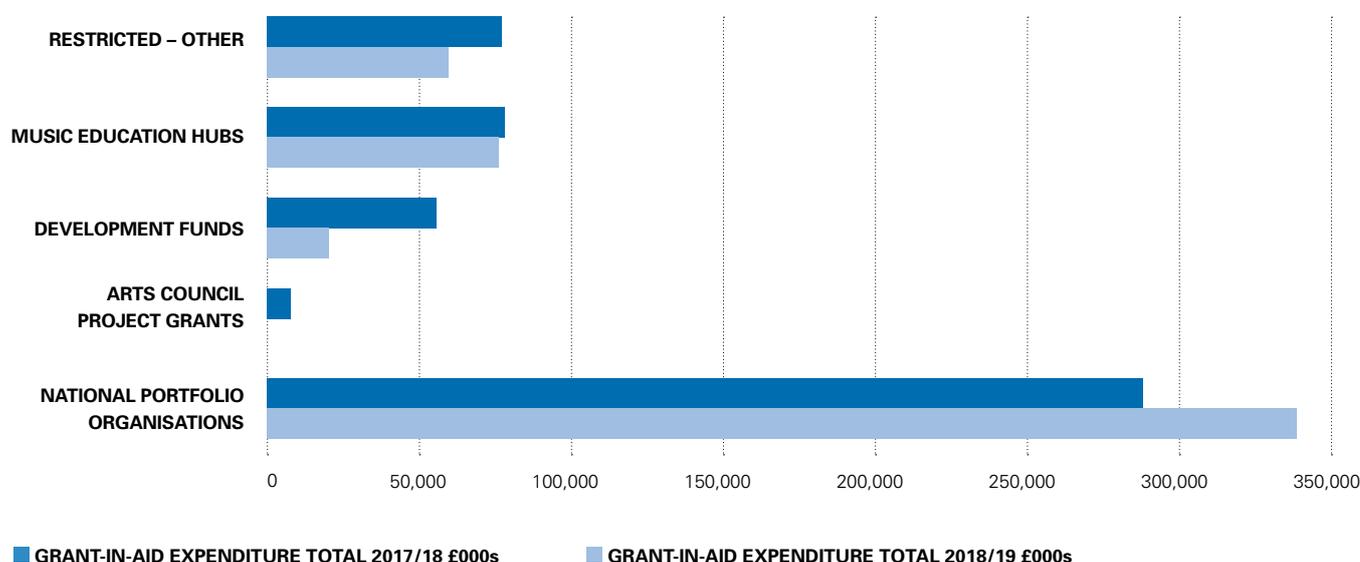
	REVENUE FUNDING £MILLION	CAPITAL FUNDING £MILLION
RSC China	0.290	
Factory Manchester	8.250	20.700
Shakespeare's Globe – training	0.156	
Southbank Centre – festival	0.200	
Plymouth Visual Arts Mayflower Anniversary	0.500	
RSA Pilot in Schools	0.300	
Cultural Development Fund	1.810	
Youth Performance Partnerships	5.000	
Digital Culture Network	0.200	
Libraries Taskforce	0.052	
Benefits Transfer Studies	0.030	
Export Licensing	0.050	
GREAT Festival in Hong Kong	0.060	

## GRANT-IN-AID EXPENDITURE

In 2017 the Arts Council announced allocations for its National Portfolio Organisations for the period 2018-22. £327 million of grants relating to the 2018/19 financial year, the first year of this new portfolio, are included in these accounts (2017/18: £278 million).

In addition, we spent £12 million (2017/18: £47 million) through grants and direct expenditure on development and investment programmes and £76 million (2017/18: £76 million) on restricted activities, mainly Music Education Hubs.

## GRANT-IN-AID EXPENDITURE



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

Our out-turn against our revenue DEL budgets, set by DCMS, is a £0.26 million underspend (2017/18: £0.18 million underspend). However, the statement of financial activities shows net income for the year of £1,051,000 (2017/18: £1,548,000).

The difference between performance against our DEL and the net income for the year of £1,051,000 is attributable to adjustments related to pension costs, the treatment of provisions (which include the West Yorkshire Pension Fund liability) – ie new provisions and unutilised provisions are not included within our DEL totals until they are utilised. This does not match the accounting treatment but is consistent with HM Treasury's consolidated budgeting guidance.

At 31 March 2019, Arts Council England had unrestricted reserves of £12.8 million (2017/18: £12.7 million) together with £1.2 million (2017/18: £0.9 million) restricted income funds and endowment capital funds reserves. Our policy on reserves has been to ensure that we hold sufficient funds to maintain liquidity, to cover unforeseen short-term cash requirements and to cover planned future expenditure. We review this policy and our reserves position annually. However, our use of reserves is restricted by the Government's budgetary controls, which means that we would require DCMS approval to use our reserves if it were necessary to do so.

Fees paid to the National Audit Office for Grant-in-Aid audit services during 2018/19 were £69,900 including VAT (2017/18: £69,900 including VAT). Full details in relation to financial instruments are given in note 26 to the Grant-in-Aid accounts.

## LOTTERY EXPENDITURE

Arts Council England is one of the bodies designated to distribute funds from the National Lottery by the National Lottery etc Act 1993 (as amended by the National Lottery Act 1998). New Lottery grant commitments in the year totalled £133 million (2017/18: £465 million).

At year-end, a total of £422 million (2017/18: £516 million) accepted grant commitments remained outstanding and awaiting payment. This compares with a balance in the National Lottery Distribution Fund, plus bank balances, of £287 million (2017/18: £305 million). This reduction of £18 million is part of a planned approach to reduce the National Lottery cash balance to the levels agreed by National Council in 2016/17. We monitor levels of Lottery income closely, and the level of outstanding grant commitments is considered sensible, based on past and projected income flows, given that our £422 million of Lottery grant commitments are known to be spread over a four-year period from 1st April 2017 to 31 March 2021.

Actual proceeds from the National Lottery received in 2018/19 were £224 million. This was slightly less than the £229 million received in 2017/18 but £12 million more than originally forecast.

Our Lottery balance policy was updated by National Council in 2017. Based on an assessment of the relevant risks, National Council approved that our Lottery budgets should preserve a balance of at least £50 million in each year over the period to 2021/22. This is the equivalent of approximately three months' worth of income, which we feel is sufficient to mitigate the risks involved while ensuring that we commit to as high a value of Lottery grant programmes as possible. We may also choose to build up our Lottery balance for a particular reason, for example to enable the launch of a new programme where a significant budget is required in one financial year. However, our aim is to maintain a balance that does not exceed £150 million. We review this policy annually and may either revise this figure upward or downward based on our assessment of the risks.

Our Lottery balance exceeds this principle this year because we took a decision in previous years to build up a Lottery reserve. Our National Council has therefore agreed in principle that we can now release this reserve to bring down our Lottery balance over our next budget setting period to a level more in line with the minimum balance noted above. Further details of the activities and policies of Arts Council England are included in the National Lottery report 2018/19 (see pages 161 to 173).

Full details in relation to financial instruments are given in note 19 of the notes to the Lottery distribution accounts.

Fees payable to the National Audit Office for Lottery external audit services during 2018/19 were £58,250 (2017/18: £58,250).

## CONSOLIDATED ACTIVITIES

We prepare separate accounts for our Grant-in-Aid and Lottery distribution as required by the Secretary of State for Digital, Culture, Media and Sport. We do not prepare a full set of consolidated accounts due to the differing accounting policies we are required to follow under the two separate accounts directions. However, to give a better understanding of our activities, we have prepared the following illustrative results for the two accounts combined for the 2018/19 and 2017/18 financial years.

	2018/19 £000s	2017/18 £000s
<b>INCOME</b>		
Grant-in-Aid income	<b>486,914</b>	497,030
Share of the National Lottery Distribution Fund	<b>223,296</b>	228,192
Investment returns on the Distribution Fund	<b>1,144</b>	660
Other income	<b>2,023</b>	1,605
<b>Total income</b>	<b>713,377</b>	727,487
<b>EXPENDITURE</b>		
Net Grant-in-Aid grant commitments	<b>465,996</b>	477,941
Other Grant-in-Aid arts expenditure	<b>4,520</b>	4,089
Net Lottery grant commitments	<b>130,498</b>	460,922
Lottery Invoiced Arts Expenditure	<b>971</b>	
Support costs	<b>33,388</b>	30,734
<b>Total expenditure</b>	<b>635,373</b>	973,686
Net gains/(losses) on investments	<b>34</b>	(5)
<b>Net income/(expenditure)</b>	<b>78,038</b>	(246,204)
Gain on revaluation of heritage assets	<b>71,542</b>	5,375
Actuarial gains/(losses) on defined benefit pension schemes	<b>(142)</b>	765
	<b>71,400</b>	6,140
<b>Net movement in funds</b>	<b>149,438</b>	(240,064)
<b>Consolidated reserves brought forward</b>	<b>176,572</b>	416,636
<b>Consolidated reserves carried forward</b>	<b>326,010</b>	176,572



Administration costs in 2018/19 for Grant-in-Aid and Lottery combined totalled £33 million compared with £30 million in 2017/18. Overall, administration costs are 5.54 per cent of income (2017/18: 5.15 per cent). Grant-in-Aid administration (excluding one-off IT costs) totalled £16.01 million, which is 4.46 per cent of income (2017/18: 3.88 per cent). Lottery administration (excluding one-off IT costs) totalled £16.3 million, which is 7.26 per cent of income (2017/18: 7.1 per cent). Grant-in-Aid one-off IT costs in 2018/19 were £543,473 (2017/18: £386,716), and Lottery one-off IT costs were £486,067 (2017/18: £436,435). The split over the two income streams continues to reflect the level of activity in Lottery investment compared to Grant-in-Aid.

## PLANS FOR THE FUTURE

The year 2019 will see the publication of our next strategy, which will span the decade from 2020-30. The strategy and its accompanying delivery plan will form a central and vital framework, setting out the outcomes we want to achieve by 2030, and how we intend to realise those ambitions.

We began the development process on the strategy in 2017 and have already conducted an extensive data and evidence review, commissioned a horizon-scanning report, undertaken a high-level Conversation with the public, sector and staff, and tested our emerging thinking and approach in a first round of consultation in 2018.

This evidence-based approach, using a theory of change methodology, has been well-received so far, but constructive contributions from our National and Area Councils, staff, sector and the public have challenged and strengthened our thinking.

The first part of 2019/20 will see us undertake the following work:

- An analysis and report on a set of deliberative workshops with the public, where we tested our strategy and explored ways to realise our ambitions

- A period of further refinement of the content of the draft strategy and ideas and plans for delivering it, including a consideration of feedback and ideas generated through the first period of consultation
- A second phase of consultation, to test the proposed strategy and to test and develop the accompanying plans and ideas for delivering it
- Once we have completed these stages, we will refine and finalise the strategy and work up a plan for the first phase of delivery, which starts in April 2020. We intend to publish the strategy in the autumn of 2019

## STATEMENT OF TRUSTEES' AND CHIEF EXECUTIVE'S RESPONSIBILITIES

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

The Grant-in-Aid accounts are also prepared so as to comply with the Charities SORP 2015 and the Lottery distribution accounts are prepared in line with the Government Financial Reporting Manual. Both sets of accounts are also expected to:

- observe the accounts directions issued by the Secretary of State which set out accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis, and make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the Charity

Statement of Recommended Practice or Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements

- be prepared on a going concern basis, unless it is inappropriate to presume that Arts Council England will continue in operation

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

The Accounting Officer signing off these accounts has gained assurance in the following ways:

- a meeting with the Chief Finance Officer to go through the financial controls
- receiving feedback from Management Committee on review of internal audit reports and other internal control matters
- discussing the annual review and accounts at an Executive Board meeting attended by Executive Board colleagues, including the Chief Financial Officer
- attending Performance & Audit Committee where matters are scrutinised

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

The Accounting Officer confirms that, as far as he is aware, the annual report and accounts as a whole is fair, balanced and understandable and he takes responsibility for the annual report

and accounts and the judgement required for determining that it is fair, balanced and understandable.

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

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

**Darren Henley OBE**  
**Chief Executive and**  
**Accounting Officer**

DATE: 19 JUNE 2019

**Sir Nicholas Serota CH**  
**Chair**

DATE: 19 JUNE 2019

# Grant-in-Aid accounts



08.



## THE REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE TRUSTEES OF THE ARTS COUNCIL ENGLAND

### OPINION ON FINANCIAL STATEMENTS

I have audited the financial statements of Arts Council England, Grant-in-Aid for the year ended 31 March 2019 under the Royal Charter and the Secretary of State Directions thereunder. The financial statements comprise: the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Generally Accepted Accounting Practice. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Arts Council England's Grant-in-Aid affairs as at 31 March 2019 and of its net income for the year then ended; and
- the financial statements have been properly prepared in accordance with the Royal Charter and Secretary of State directions issued thereunder.

### OPINION ON REGULARITY

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

### BASIS OF OPINIONS

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the

United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Arts Council England in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### CONCLUSIONS RELATING TO GOING CONCERN

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Arts Council England's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

### RESPONSIBILITIES OF THE TRUSTEES AND ACCOUNTING OFFICER

As explained more fully in the Statement of Trustees' and Chief Executive's Responsibilities, the Trustees and the Chief Executive, as Accounting Officer,

are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

My responsibility is to audit the financial statements in accordance with the Royal Charter and Secretary of State directions issued thereunder.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Arts Council England's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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



## OTHER INFORMATION

The Trustees and the Accounting Officer are responsible for the other information. The other information comprises information included in the Annual Report, other than the parts of the Remuneration Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## OPINION ON OTHER MATTERS

In my opinion:

- the parts of the Remuneration Report to be audited have been properly prepared in accordance with Secretary of State directions made under the Royal Charter;
- in the light of the knowledge and understanding of the Arts Council England and its environment obtained in the course of the audit, I have not identified any material misstatements in the Annual Report; and
- the information given in the Trustees' Report and Management Commentary which I provide a positive consistency opinion on for the financial year for which the financial statements are prepared is consistent with the financial statements.

## MATTERS ON WHICH I REPORT BY EXCEPTION

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

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

**Gareth Davies**  
**Comptroller and Auditor General**

DATE: 1ST JULY 2019

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



## STATEMENT OF FINANCIAL ACTIVITIES FOR THE PERIOD ENDING 31 MARCH 2019

	NOTE	UNRESTRICTED FUNDS £000s	RESTRICTED FUNDS £000s	ENDOWMENT FUNDS £000s	TOTAL 2018/19 £000s	TOTAL 2017/18 £000s
<b>INCOME AND ENDOWMENTS FROM:</b>						
Donations and legacies	2a	<b>358,418</b>	<b>128,544</b>	<b>108</b>	<b>487,070</b>	497,046
Investments	2b	<b>228</b>	<b>-</b>	<b>12</b>	<b>240</b>	73
Charitable activities	3	<b>352</b>	<b>425</b>	<b>-</b>	<b>777</b>	500
Other : Lottery distribution accounts	4b	<b>16,834</b>	<b>-</b>	<b>-</b>	<b>16,834</b>	16,697
<b>Total income and endowments</b>		<b>375,832</b>	<b>128,969</b>	<b>120</b>	<b>504,921</b>	514,316
<b>EXPENDITURE ON:</b>						
Charitable activities (including Governance costs)	4	<b>358,305</b>	<b>128,765</b>	<b>-</b>	<b>487,070</b>	496,066
Other: Support costs attributable to Lottery distributions accounts	4B	<b>16,834</b>	<b>-</b>	<b>-</b>	<b>16,834</b>	16,697
<b>Total expenditure</b>		<b>375,139</b>	<b>128,765</b>	<b>-</b>	<b>503,904</b>	512,763
Net gains/(losses) on investments	9	<b>-</b>	<b>-</b>	<b>34</b>	<b>34</b>	(5)
<b>Total income/(expenditure) before other recognised gains and losses</b>	8	<b>693</b>	<b>204</b>	<b>154</b>	<b>1,051</b>	1,548
<b>OTHER RECOGNISED GAINS/LOSSES</b>						
Gain on revaluation of heritage assets	10	<b>71,197</b>	<b>346</b>	<b>-</b>	<b>71,543</b>	5,375
Actuarial gains/(losses) on defined benefit pension schemes	7	<b>(142)</b>	<b>-</b>	<b>-</b>	<b>(142)</b>	765
<b>Net movement in funds</b>	31	<b>71,748</b>	<b>550</b>	<b>154</b>	<b>72,452</b>	7,688
<b>RECONCILIATION OF FUNDS</b>						
Balance brought forward at 1 April		<b>177,480</b>	<b>5,469</b>	<b>442</b>	<b>183,391</b>	175,703
<b>Total funds carried forward at 31 March</b>	17	<b>249,228</b>	<b>6,019</b>	<b>596</b>	<b>255,843</b>	183,391

ALL AMOUNTS STATED IN THE STATEMENT OF FINANCIAL ACTIVITIES RELATE TO CONTINUING ACTIVITIES. THE NOTES ON PAGES 101 TO 137 FORM PART OF THESE ACCOUNTS.

## BALANCE SHEET AS AT 31 MARCH 2019

	NOTE	UNRESTRICTED FUNDS £000s	RESTRICTED FUNDS £000s	ENDOWMENT FUNDS £000s	TOTAL 31 MARCH 2019 £000s	TOTAL 31 MARCH 2018 £000s
<b>FIXED ASSETS</b>						
Tangible assets	10	3,007	–	–	3,007	3,342
Heritage assets – works of art	10	235,626	5,386	–	241,012	169,121
Investments	9	–	–	596	596	442
<b>Total fixed assets</b>		<b>238,633</b>	<b>5,386</b>	<b>596</b>	<b>244,615</b>	<b>172,905</b>
<b>CURRENT ASSETS</b>						
Debtors	12	4,368	40,417	–	44,785	65,185
Due from Arts Council Lottery accounts		–	1,595	–	1,595	2,068
Grants paid in advance	13	904	–	–	904	400
Cash and cash equivalents	20	26,204	67,060	–	93,264	49,933
<b>Total current assets</b>		<b>31,476</b>	<b>109,072</b>	<b>–</b>	<b>140,548</b>	<b>117,586</b>
<b>LIABILITIES:</b>						
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>						
Grants outstanding	26e	14,772	107,450	–	122,222	98,734
Creditors	15	3,044	989	–	4,033	4,821
<b>Total creditors: amounts falling within one year</b>		<b>17,816</b>	<b>108,439</b>	<b>–</b>	<b>126,255</b>	<b>103,555</b>
<b>Net current assets</b>		<b>13,660</b>	<b>633</b>	<b>–</b>	<b>14,293</b>	<b>14,031</b>
<b>Total assets less current liabilities</b>		<b>252,293</b>	<b>6,019</b>	<b>596</b>	<b>258,908</b>	<b>186,936</b>
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>						
Provisions for liabilities and charges	16	871	–	–	871	815
<b>Net assets excluding pension liability</b>		<b>251,422</b>	<b>6,019</b>	<b>596</b>	<b>258,037</b>	<b>186,121</b>
Defined benefit pension scheme liability	7	2,194	–	–	2,194	2,730
<b>Net assets including pension liability</b>		<b>249,228</b>	<b>6,019</b>	<b>596</b>	<b>255,843</b>	<b>183,391</b>
<b>THE FUNDS OF THE CHARITY</b>						
Represented by income funds	17	–	–	–	–	–
Unrestricted funds		12,787	–	–	12,787	12,738
Restricted funds		–	633	–	633	476
Represented by capital funds	17	–	–	–	–	–
Endowment funds		–	–	596	596	442
Designated funds		235,628	–	–	235,628	164,130
Donated asset reserve		–	5,386	–	5,386	4,993
Capital reserve		3,007	–	–	3,007	3,342
Pension reserve	17	(2,194)	–	–	(2,194)	(2,730)
<b>Total charity funds</b>		<b>249,228</b>	<b>6,019</b>	<b>596</b>	<b>255,843</b>	<b>183,391</b>

THE NOTES ON PAGES 101 TO 137 FORM PART OF THESE ACCOUNTS.

**Darren Henley OBE**  
Chief Executive and  
Accounting Officer

19 JUNE 2019

**Sir Nicholas Serota CH**  
Chair

19 JUNE 2019

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

	NOTE	2018/19 £000s	2017/18 £000s
<b>CASH FLOWS FROM OPERATING ACTIVITIES :</b>			
Funds received from the Department for Digital, Culture, Media and Sport		<b>508,138</b>	462,427
Other cash receipts		<b>17,418</b>	18,403
Grants paid to arts organisations and other bodies		<b>(443,012)</b>	(445,603)
Cash paid to and on behalf of employees		<b>(24,938)</b>	(22,748)
Other cash payments		<b>(13,397)</b>	(11,983)
<b>Net cash provided by/(used in) operating activities</b>	18	<b>44,209</b>	496
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received on short-term cash deposits	2b	<b>228</b>	60
Dividends received	2b	<b>12</b>	13
Purchase of tangible fixed assets		<b>(998)</b>	(635)
Sale of tangible fixed assets		-	-
<b>Net cash provided by/(used in) investing activities</b>		<b>(758)</b>	(562)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Endowment income/(investments)		<b>(120)</b>	(13)
<b>Net cash provided by/(used in) financing activities</b>		<b>(120)</b>	(13)
<b>Change in cash and cash equivalents in the reporting period</b>	19/20	<b>43,331</b>	(79)
Cash and cash equivalents at the beginning of the reporting period		<b>49,933</b>	50,012
Change in cash and cash equivalents due to exchange rate movements		-	-
Cash and cash equivalents at the end of the reporting period		<b>93,264</b>	49,933

THE NOTES ON PAGES 101 TO 137 FORM PART OF THESE ACCOUNTS.

## NOTES TO THE GRANT-IN-AID ACCOUNTS

### 1a. BASIS OF ACCOUNTS

We have prepared these accounts in accordance with the Accounts Direction issued by the Secretary of State for Digital, 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 Charities SORP 2015 issued by the Charity Commission in 2014.

The accounts are prepared on a going concern basis and a historic cost basis. The Accounts Direction requires the inclusion of fixed assets at their value to the business by reference to current costs. However, for 2018/19, the values of fixed assets expressed in current cost terms, with the exception of the Works of Art Collection, are not materially different to historic costs. Therefore these fixed assets are shown at historic cost on the balance sheet. Assets held in the Works of Art Collection are disclosed at market value.

Arts Council England no longer owns any freehold land and buildings. All of our offices are leased. The lease commitments are disclosed within Note 21 of the Grant-in-Aid accounts.

Separate accounts have been prepared for Arts Council England's Lottery distribution, in accordance with the directions issued by the Secretary of State, which follow different accounting policies. Due to the different accounting policies used in the preparation of Grant-in-Aid and Lottery accounts, in the opinion of the Trustees, it is not possible to prepare full consolidated accounts covering both Grant-in-Aid and Lottery activities as it would not provide a fair view of the application of Arts Council England's resources. In this respect, we have not been able to comply with paragraph 24.5 of the SORP issued by the Charity Commission in 2014. However, we have included a summary of the consolidated figures for our combined activities in the management commentary on page 88.

### 1b. INCOME

Grant-in-Aid from the Department for Digital, Culture, Media and Sport is taken to the statement of financial activities in the year to which it relates. All other income is accounted for once entitlement is probable.

### 1c. EXPENDITURE

Grant expenditure is charged to the statement of financial activities in the year in which the grant is offered and in which funding for the grant is received from DCMS. In most circumstances this will be the same as the year in which the funded activities take place. However, in some cases grant expenditure is recognised in the accounts where the funded activity is due to take place in future years. Any amounts unpaid from grants at the year end are shown in the balance sheet as creditors. Grant commitments made in the year relating to future years' activity as disclosed in note 14 of the accounts are not charged to the statement of financial activities, as we cannot recognise Grant-in-Aid income to match against these commitments before we have received it. In this respect, we have not been able to comply with paragraph 7.19 of the SORP issued by the Charity Commission in 2014. The Trustees do not believe this would provide a true and fair view of Arts Council England's resources. Any advance payments to funded organisations in anticipation of grants to be charged in the following financial year are shown as assets in the balance sheet.

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

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

## 1d. DEPRECIATION AND FIXED ASSETS

### Tangible fixed assets excluding heritage assets

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

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

A full year's depreciation is provided in the year of an asset's acquisition, and none in the year of its disposal. Software costs are written off in full in the year of acquisition. Except for heritage assets, all individual assets valued greater than £2,000 are capitalised. There is no de minimis limit for heritage assets.

### Heritage assets

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

### Works of art

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

## 1e. LEASES

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

## 1f. TAXATION

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

## 1g. PENSIONS

We provide a defined benefit pension scheme for our employees (the Arts Council Retirement Plan 1994) and are a participating employer in the West Yorkshire Pension Fund. The Arts Council Retirement Plan is a multi-employer scheme and we cannot identify our share of the underlying assets and liabilities. We have therefore accounted for this scheme as if it were a defined contribution scheme, in accordance with Charities SORP (FRS102), with the costs of the scheme charged to the statement of financial activities. The West Yorkshire Pension Fund is also a multi-employer scheme, but, as a local government pension scheme, we are able to identify our share of the underlying assets and liabilities and have therefore accounted for this scheme as a defined benefit scheme in line with Charities SORP (FRS102).

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

### 1h. APPORTIONED COSTS

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

In accordance with the Charities SORP we have apportioned administration costs between our different activities. We have recharged both pay and non-pay expenditure using staff time as a basis for calculating the apportionment. The notes to the statement of financial activities will show the costs apportioned to Arts Council England Lottery distribution accounts where appropriate.

### 1i. CHANGE IN ACCOUNTING POLICY

There were no changes in accounting policy during 2018/19.

Two new accounting standards came into force during 2018/19. These were IFRS9 (Financial Instruments) and IFRS15 (Revenue from contracts with customers). Neither of these standards will have an impact on our accounts.

## 2 INCOME

### 2a. VOLUNTARY INCOME

For organisations which prepare their accounts under IFRS a new accounting standard, IFRS16 (Leases), has been issued and will come into effect during 2019/20. As our Grant-in-Aid accounts are prepared under Charities SORP (FRS102) we do not have to comply with this Standard and are required to continue using IAS17 instead.

### 1j. FINANCIAL INSTRUMENTS

We have adopted Charities SORP (FRS102) on financial instruments. There has been no impact on the accounts. Further information on our financial instruments is disclosed within Note 26.

### 1k. SECURITY FOR CAPITAL GRANTS

Since January 2018, the standard conditions for Grant-in-Aid and Lottery capital grants for building projects of between £500,000 and £5 million give the Arts Council the option to seek security over land or buildings to prevent the assets being sold, mortgaged or put to an alternative use without the Arts Council's consent. For grants below £1 million, Arts Council England would request a deed of covenant and restriction on title. For grants above £1 million, Arts Council England would register a legal charge over the asset.

	UNRESTRICTED FUNDS £000s	RESTRICTED FUNDS £000s	ENDOWMENT FUNDS £000s	TOTAL 2018/19 £000s	TOTAL 2017/18 £000s
<b>DONATIONS AND LEGACIES</b>					
<b>CASH GRANT-IN-AID VOTED BY PARLIAMENT AND PAID IN FULL</b>					
Core funding – revenue	<b>341,747</b>	–	–	<b>341,747</b>	335,858
Administration	<b>15,701</b>	<b>1,220</b>	–	<b>16,921</b>	15,321
Core capital	<b>970</b>	–	–	<b>970</b>	635
Ring-fenced funds	–	<b>127,276</b>	–	<b>127,276</b>	145,217
	<b>358,418</b>	<b>128,496</b>	–	<b>486,914</b>	497,031
<b>OTHER DONATIONS AND LEGACIES</b>					
Donations/Bequests	–	<b>48</b>	<b>108</b>	<b>156</b>	15
<b>Donations and Legacies income</b>	<b>358,418</b>	<b>128,544</b>	<b>108</b>	<b>487,070</b>	497,046

## 2b. INVESTMENT INCOME

	UNRESTRICTED FUNDS £000s	RESTRICTED FUNDS £000s	ENDOWMENT FUNDS £000s	TOTAL 2018/19 £000s	TOTAL 2017/18 £000s
<b>INVESTMENT INCOME</b>					
Bank interest received	<b>228</b>	–	–	<b>228</b>	60
Dividend income	–	–	<b>12</b>	<b>12</b>	13
<b>Investment income</b>	<b>228</b>	–	<b>12</b>	<b>240</b>	<b>73</b>

## 3. INCOME FROM CHARITABLE ACTIVITIES

	UNRESTRICTED FUNDS £000s	RESTRICTED FUNDS £000s	TOTAL 2018/19 £000s	TOTAL 2017/18 £000s
<b>GRANTS, SPONSORSHIP AND DONATIONS RECEIVED</b>				
Local Authorities	<b>23</b>	<b>204</b>	<b>227</b>	191
Other central Government bodies	<b>202</b>	<b>217</b>	<b>419</b>	203
Other grants, sponsorship and donations	<b>10</b>	–	<b>10</b>	60
Sundry	<b>117</b>	<b>4</b>	<b>121</b>	46
<b>Net incoming/(outgoing) resources for the year</b>	<b>352</b>	<b>425</b>	<b>777</b>	<b>500</b>



## 4a. EXPENDITURE ON CHARITABLE ACTIVITIES

	ACTIVITIES UNDERTAKEN DIRECTLY £000s	GRANT FUNDING OF ACTIVITIES £000s	NET SUPPORT COSTS £000s	TOTAL 2018/19 £000s	TOTAL 2017/18 £000s
National Portfolio Organisations and Major Partner Museums	–	335,385	6,688	<b>342,073</b>	283,382
Arts Council Project grants	–	682	25	<b>707</b>	7,505
Development and investment funds	2,642	11,936	8,305	<b>22,883</b>	57,696
Music Education Hubs	544	75,490	614	<b>76,648</b>	75,938
Restricted – Other	1,334	44,201	922	<b>46,457</b>	75,948
Lapsed and revoked commitments	–	(1,698)	–	<b>(1,698)</b>	(4,403)
	<b>4,520</b>	<b>465,996</b>	<b>16,554</b>	<b>487,070</b>	496,066

National Portfolio Organisations are those organisations of strategic importance with which the Arts Council has long-term, multi-year funding agreements. Development 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.

Project Grants are an open-access programme offering grants of between £1,000 – £100,000 for arts, museums and libraries projects, replacing Grants for the Arts. The programme sets out to achieve the Arts Council's mission, 'Great art and culture for everyone'. Project Grants supports a broad range of projects that create new work and sustain quality to help new audiences across England to engage with arts and culture.

Music Education Hubs are groups of organisations – such as local authorities, schools, other hubs, art organisations, community or voluntary organisations – working together to create joined-up music education provision, respond to local need and fulfil the objectives of the hub. Hubs are coordinated by the hub lead organisation, which takes on responsibility for the funding and governance of the hub. The total amount of funding from the Department for Education in 2018/19 was £76.02 million (2017/18: £75.53 million).

Other restricted funds are those specific projects delivered through funds provided by partners as detailed in notes 2a and 3.

#### 4b. ANALYSIS OF SUPPORT COSTS

Directions issued by the Secretary of State require that costs incurred which relate to both Grant-in-Aid and Lottery activities should be apportioned between the two in accordance with good accounting practice. Consequently, we have apportioned them accordingly, based on an assessment of time spent on each activity. As a proxy for this, we use the proportion of Grant-in-Aid and Lottery payments during the year as the basis of the apportionment.

	TOTAL £000s	LESS CHARGED TO LOTTERY £000s	GRANT-IN-AID 2018/19 £000s	TOTAL 2017/18 £000s
Staff costs	22,249	(11,533)	<b>10,716</b>	8,178
Indirect staff costs	733	(338)	<b>395</b>	322
Premises	1,775	(904)	<b>871</b>	1,126
Supplies & Services	2,667	(1,266)	<b>1,401</b>	1,497
Travel & Subsistence	1,705	(808)	<b>897</b>	710
Professional Fees	1,791	(834)	<b>957</b>	948
Central Costs	454	(135)	<b>319</b>	361
Depreciation	984	–	<b>984</b>	887
Other recharges	–	(530)	<b>(530)</b>	(379)
IT project costs	1,030	(486)	<b>544</b>	387
	<b>33,388</b>	<b>(16,834)</b>	<b>16,554</b>	14,037
Corporate governance costs included above			<b>1,007</b>	498



## 4c. ANALYSIS OF GRANTS BY RECIPIENT

	GRANTS TO INSTITUTIONS £000s	GRANTS TO INDIVIDUALS £000s	TOTAL 2018/19 £000s	TOTAL 2017/18 £000s
National Portfolio Organisations and Major Partner Museums	335,385	–	<b>335,385</b>	278,423
Arts Council Project grants	302	380	<b>682</b>	6,849
Development and investment funds	8,901	3,035	<b>11,936</b>	47,368
Music Education Hubs	75,490	–	<b>75,490</b>	75,000
Restricted – Other	44,201	–	<b>44,201</b>	74,703
Lapsed and revoked commitments	(1,698)	–	<b>(1,698)</b>	(4,403)
	<b>462,581</b>	<b>3,415</b>	<b>465,996</b>	477,940

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

**[www.artscouncil.org.uk/governance/spending](http://www.artscouncil.org.uk/governance/spending)**

## 5a. STAFF COSTS

	TOTAL £000s	RESTRICTED £000s	LESS CHARGED TO LOTTERY £000s	TOTAL GRANT-IN-AID 2018/19 £000s	TOTAL 2017/18 £000s
<b>STAFF COSTS COMPRISE</b>					
Salaries and wages	18,424	852	8,869	<b>8,703</b>	8,376
Employer's National Insurance	1,895	85	867	<b>943</b>	866
Employer's pension contributions	3,588	165	1,628	<b>1,795</b>	(228)
Redundancy costs	27	–	13	<b>14</b>	120
Agency staff	326	21	156	<b>149</b>	263
	<b>24,260</b>	<b>1,123</b>	<b>11,533</b>	<b>11,604</b>	9,397

The figure for 'Employer's Pension Contributions' was negative in 2017/18 due to technical adjustments in relation to the West Yorkshire Pension Fund scheme.

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

	PERMANENT STAFF	AGENCY STAFF	2018/19	2017/18
Direct delivery of programmes	17	–	<b>17</b>	21
Support & corporate governance	496	9	<b>505</b>	471
	<b>513</b>	<b>9</b>	<b>522</b>	<b>492</b>

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

	PERMANENT STAFF	AGENCY STAFF	2018/19	2017/18
Direct delivery of programmes	18	1	<b>19</b>	24
Support & corporate governance	535	13	<b>548</b>	514
	<b>553</b>	<b>14</b>	<b>567</b>	<b>538</b>

#### 5b. EMOLUMENTS BY BANDS

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

EMOLUMENTS FOR THE YEAR	PENSION SCHEME			TOTAL 2018/19	TOTAL 2017/18
	DEFINED BENEFIT	DEFINED CONTRIBUTION	NO PENSION		
£60,000-£69,999	<b>11</b>	–	–	<b>11</b>	8
£70,000-£79,999	<b>4</b>	–	–	<b>4</b>	6
£80,000-£89,999	<b>6</b>	–	–	<b>6</b>	1
£90,000-£99,999	–	–	–	–	–
£130,000-£139,999	–	–	–	–	1
£190,000-£199,999	–	–	–	–	1
	<b>21</b>	–	–	<b>21</b>	<b>17</b>

## 6. COUNCIL MEMBERS' EXPENSES

It is part of Council members' duties to assess artistic work. The cost of their tickets for attendance at performance and events is met by the Arts Council. In 2018/19, the total cost of tickets purchased for this purpose was £1,664 (2017/18: £2,347). All our Council members are able to claim back their travel and subsistence costs. The total amount reimbursed for travel and subsistence in the year is shown in note 8.

## 7. PENSIONS

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

All transactions generated as a result of the FRS102 report are charged initially to the Grant-in-Aid accounts. The costs are then recharged across to the Lottery accounts in the same ratio as other salary costs. This ensures that both Grant-in-Aid and Lottery are correctly charged with their proportion of the overall pension charges. However, the assets and liabilities of the West Yorkshire Pension Fund are shown only in the Grant-in-Aid accounts.

## WEST YORKSHIRE PENSION FUND

We are an admitted member of the West Yorkshire Pension Fund. This fund provides pensions to over 286,000 members in 443 mainly local government organisations. The actuaries of the fund are Aon Hewitt. In the year ending 31 March 2019, nine Arts Council staff participated in the scheme. The scheme is a defined benefit scheme and is accounted for in accordance with Charities SORP (FRS102).

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

## Assumptions

The latest actuarial valuation of The Arts Council of England's liabilities took place as at 31 March 2016. Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the roll-forward approach. The principal assumptions used by the actuary in updating the latest valuation of the Fund for FRS 102 purposes were:

## PRINCIPAL FINANCIAL ASSUMPTIONS

	31 MARCH 2019	31 MARCH 2018	31 MARCH 2017
Discount rate	<b>2.4%</b>	<b>2.6%</b>	2.5%
RPI inflation	<b>3.3%</b>	<b>3.2%</b>	3.1%
CPI inflation	<b>2.2%</b>	<b>2.1%</b>	2.0%
Rate of increase to pensions in payment	<b>2.2%</b>	<b>2.1%</b>	2.0%
Rate of increase to deferred pensions	<b>2.2%</b>	<b>2.1%</b>	2.0%
Rate of general increase in salaries	<b>3.45%</b>	<b>3.35%</b>	3.25%

## ASSET ALLOCATION

	VALUE AT 31 MARCH 2019 %	VALUE AT 31 MARCH 2018 %
Equities	<b>74.0%</b>	77.3%
Property	<b>4.7%</b>	4.5%
Government bonds	<b>11.2%</b>	9.4%
Corporate bonds	<b>4.0%</b>	3.7%
Cash	<b>2.3%</b>	1.8%
Other	<b>3.8%</b>	3.3%
<b>Total</b>	<b>100%</b>	100%

## RECONCILIATION OF FUNDED STATUS TO BALANCE SHEET

	VALUE AS AT 31 MARCH 2019 £millions	VALUE AS AT 31 MARCH 2018 £millions	VALUE AS AT 31 MARCH 2017 £millions
Fair value of assets	<b>41.401</b>	38.801	36.000
Present value of funded liabilities	<b>43.595</b>	41.531	41.137
<b>Pension liability recognised on the balance sheet</b>	<b>(2.194)</b>	(2.730)	(5.137)

## AMOUNTS RECOGNISED IN INCOME STATEMENT

	PERIOD ENDING 31 MARCH 2019 £millions	PERIOD ENDING 31 MARCH 2018 £millions
<b>OPERATING COST:</b>		
Current service cost	<b>0.110</b>	0.112
<b>FINANCING COST:</b>		
Interest on net defined benefit liability/(asset)	<b>0.060</b>	0.127
<b>Pension expense recognised in other comprehensive income</b>	<b>0.170</b>	0.239

## AMOUNTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	PERIOD ENDING 31 MARCH 2019 £millions	PERIOD ENDING 31 MARCH 2018 £millions
Asset gains/(losses) arising during the period	<b>1.938</b>	1.093
Liability gains/(losses) arising during the period	<b>(2.080)</b>	(0.328)
<b>Total amount recognised in other comprehensive income</b>	<b>(0.142)</b>	(0.765)

## CHANGES TO THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION DURING THE ACCOUNTING PERIOD

	PERIOD ENDING 31 MARCH 2019 £millions	PERIOD ENDING 31 MARCH 2018 £millions
Opening defined benefit obligation	<b>41.531</b>	41.137
Current service cost	<b>0.110</b>	0.112
Interest expense on defined benefit obligation	<b>1.064</b>	1.015
Contributions by participants	<b>0.025</b>	0.025
Actuarial (gains)/losses on liabilities	<b>2.080</b>	0.328
Net benefits paid out	<b>(1.215)</b>	(1.086)
<b>Closing defined benefit obligation</b>	<b>43.595</b>	41.531

## CHANGES TO THE FAIR VALUE OF ASSETS DURING THE ACCOUNTING PERIOD

	PERIOD ENDING 31 MARCH 2019 £millions	PERIOD ENDING 31 MARCH 2018 £millions
Opening fair value of assets	<b>38.801</b>	36.000
Interest income on assets	<b>1.004</b>	0.888
Remeasurement gains/(losses) on assets	<b>1.938</b>	1.093
Contributions by the employer*	<b>0.848</b>	0.098
Contributions by participants	<b>0.025</b>	0.025
Net benefits paid out**	<b>(1.215)</b>	(1.086)
Net increase in assets from disposals/acquisitions***	–	1.783
<b>Closing fair value of assets</b>	<b>41.401</b>	<b>38.801</b>

\* FOR 2018/19 THIS INCLUDES AN ADDITIONAL £750K LUMP SUM DEFICIT REDUCTION PAYMENT INTO THE FUND BY THE EMPLOYER.

\*\* CONSISTS OF NET BENEFITS CASH-FLOW OUT OF THE FUND IN RESPECT OF THE EMPLOYER, INCLUDING AN APPROXIMATE ALLOWANCE FOR THE EXPECTED COST OF DEATH IN SERVICE LUMP SUMS.

\*\*\* CONSISTS OF PAYMENT OF £1.783 MILLION FROM GREATER MANCHESTER PENSION FUND IN RESPECT OF THE BULK TRANSFER OF STAFF FROM THE FORMER REGIONAL ARTS BOARDS.

## ACTUAL RETURN ON ASSETS

	PERIOD ENDING 31 MARCH 2019 £millions	PERIOD ENDING 31 MARCH 2018 £millions
Interest income of assets	<b>1.004</b>	0.888
Gain/(loss) on assets	<b>1.938</b>	1.093
<b>Total amount recognised in other comprehensive income</b>	<b>2.942</b>	<b>1.981</b>

The 2016 valuation results included the transferred liabilities for 49 members who transferred from the former Arts Boards but made no allowance for any bulk transfer payments to or from Surrey (11 members) or Staffordshire (13 members) Pension Funds. With respect to the 25 members who transferred from Greater Manchester, an interim payment of £1,000,000 was paid by Greater Manchester Pension Fund to West Yorkshire Pension Fund in October 2014 and a final payment of £1,783,000 was received on

28 March 2018. These payments have been included in the above calculations. As at 31st March 2019 there were 8 active members of the West Yorkshire Pension Fund.

How the transfer payments should be calculated is still under discussion between those funds where payments are still outstanding: the West Yorkshire Pension Fund and Arts Council England. The actuary has made no allowance for any transfer payments in our disclosures. We have, however, made

allowance for the bulk transfers in relation to the other 131 members who transferred from the former Arts Boards at the same time.

Amounts due to the fund at 31 March 2019 were £nil (31 March 2018: £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, the deferred and pensioner members remained with their legacy pension provider as detailed below:

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

Arts Council England did not believe it was responsible for meeting any further liabilities relating to Regional Arts Board employees in respect of these funds following lump sum payments to four schemes. However, two funds have indicated previously that liabilities exist in respect of the deferred pensioner members that they retained within their respective funds. No provision has been made in these accounts.

**ARTS COUNCIL RETIREMENT PLAN (1994)**

The scheme is a defined benefit scheme. Other employers contributing to the scheme are the Arts Council of Wales, Creative Scotland, the Crafts Council, Tŷ Cerdd – Music Centre Wales and Creativity, Culture and Education. Because it is a multi-employer scheme, we are unable to identify our share of the underlying assets and liabilities. Consequently, we have accounted for the scheme as if it were a defined contribution scheme, in accordance with Charities SORP (FRS102). The actuaries of the fund are Hymans Robertson.

The scheme is financed by payments made by Arts Council England and employees, together with those by the other employers and their employees, into a trustee-administered fund independent of Arts Council England's finances. These contributions are invested by leading fund management companies. The net market value of the scheme's assets at 31 March 2019 was £178.1 million (2018: £165 million).

An actuarial valuation of the pension fund takes place at least every three years. At the last valuation on 31 March 2016, the actuarial value of the assets using the projected unit method was sufficient to cover 84 per cent of the value accrued to members, a deficit of £25,500,000. On the advice of the actuary, with effect from 1 April 2017, we are paying employer's contributions of 21.8 per cent of pensionable salary for Arts Council England employees and 26.4 per cent of pensionable salary for employees who transferred to Arts Council England from Museums, Libraries and Archives. No further contributions are due from Arts Council England in respect of its share of the funding deficit.

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

Consumer prices inflation rate	Bank of England RPI curve, less 1.0% pa
Long term rate of pay increases	Bank of England RPI curve
Short term rate of pay increases	1.5% pa
Rate of pension increases	In line with consumer prices inflation
Discount rate	Bank of England gilt yield curve, plus 1.2% pa

Arts Council England is a participating employer in the Arts Council Retirement Plan (1994) together with five other separate organisations. There is no legal separation of the plan's assets or liabilities and as such there is a certain amount of inevitable cross subsidy between participating employers depending on the experience of their own members. Under the plan's rules there is also no requirement or discretion to segregate the assets of the scheme in the event of the cessation of a participating employer. As such it is a 'last man standing' arrangement and the remaining employers would become liable for meeting the pension obligations of other participating employers who cease participation.

Amounts due to the fund at 31 March 2019 were £nil (31 March 2018: £nil).

The Arts Council Retirement Plan and The People's Pension are both treated as defined contribution schemes for the purposes of the accounts. Payments to both schemes are charged to the I&E account as and when they fall due. Employers contributions into the Arts Council Retirement Plan during 2018/19 were £3,400,010 (2017/18: £3,169,016) and employer contributions to The People's Pension were £79,858 (2017/18: £70,816).

## 8. NET INCOME FOR THE YEAR

Net income of £1,051,243 (2017/18: £1,547,622) is stated after charging:

	TOTAL 2018/19 £000s	TOTAL 2017/18 £000s
Auditors' remuneration	<b>70</b>	70
Operating leases	<b>960</b>	1,235
Council members' travel, subsistence and hospitality for the 15 serving members during the year	<b>30</b>	25
Insurance: trustees' and senior officers' indemnity	<b>2</b>	2
Depreciation	<b>984</b>	887
Impairment	<b>524</b>	–

NO FEES WERE PAID TO OUR AUDITORS FOR NON-AUDIT SERVICES.

## 9. LEGACY BEQUESTS

Arts Council England is the beneficiary of three legacies: the Compton Poetry Fund, the Thornton Fund, and the McCann Fund. The Compton Poetry Fund bequest was made in 1964 and the Thornton Fund bequest was made in 1950. Both legacies consist of a mixture of stocks and shares and cash; the Compton Poetry Fund consists of £331,000 in shares and £33,000 cash, the Thornton fund consists of £71,000 in shares and £53,000 cash. Both legacies were incorporated into

Arts Council England's accounts during 2013/14; the values of the stocks and cash are disclosed on the balance sheet and the dividends received during the year disclosed within Note 2b (investment income).

During 2018/19 the Arts Council received a bequest from the Estate of Eileen McCann. The value of this was £108,000 and consisted entirely of cash. No conditions were attached to the donation.

	COMPTON POETRY FUND £000s	THORNTON FUND £000s	MCCANN FUND £000s	TOTAL £000s
Opening balance – 1 April 2018	323	119	–	<b>442</b>
Income received in-year	8	4	108	<b>120</b>
Gains/(losses) on investments	33	1	–	<b>34</b>
Expenditure	–	–	–	–
<b>Closing Balance – 31 March 2019</b>	<b>364</b>	<b>124</b>	<b>108</b>	<b>596</b>

## 10. HERITAGE ASSETS AND TANGIBLE FIXED ASSETS

	FREEHOLD LAND AND BUILDINGS £000s	LEASEHOLD IMPROVEMENTS £000s	EQUIPMENT, FIXTURES AND FITTINGS £000s	TOTAL TANGIBLE ASSETS £000s	HERITAGE ASSETS: WORKS OF ART £000s	TOTAL FIXED ASSETS £000s
Cost or valuation at 1 April 2018	–	8,372	3,665	<b>12,037</b>	169,121	<b>181,158</b>
Additions	–	237	413	<b>650</b>	348	<b>998</b>
Revaluations	–	–	–	–	72,095	<b>72,095</b>
Less: disposals	–	(65)	(10)	<b>(75)</b>	(28)	<b>(103)</b>
<b>Cost or valuation at 31 March 2019</b>	–	<b>8,544</b>	<b>4,068</b>	<b>12,612</b>	<b>241,536</b>	<b>254,148</b>
Depreciation at 1 April 2018	–	5,570	3,125	<b>8,695</b>	–	<b>8,695</b>
Less depreciation on disposals	–	(65)	(9)	<b>(74)</b>	–	<b>(74)</b>
Impairment	–	–	–	–	524	<b>524</b>
Provided for 2018/19	–	691	293	<b>984</b>	–	<b>984</b>
<b>Depreciation at 31 March 2019</b>	–	<b>6,196</b>	<b>3,409</b>	<b>9,605</b>	<b>524</b>	<b>10,129</b>
<b>Net book value at 31 March 2019</b>	–	<b>2,348</b>	<b>659</b>	<b>3,007</b>	<b>241,012</b>	<b>244,019</b>
<b>Net book value at 31 March 2018</b>	–	<b>2,802</b>	<b>540</b>	<b>3,342</b>	<b>169,121</b>	<b>172,463</b>

## WORKS OF ART – ARTS COUNCIL COLLECTION

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

The Works of Art Collection has been built up since 1946 and consists of 7,942 items at 31 March 2019. The purpose of the collection is to broaden the appreciation and public awareness of contemporary British art and to encourage good practice relating to painting, sculpture, photography, drawing, printmaking, mixed and new media, film and video. The collection is based in London and at Longside in Yorkshire (located at the Yorkshire Sculpture Park). The collection is managed on our behalf by the Southbank Centre through the Hayward Gallery.

### Valuation

The collection has been valued by the Director of the Collection at £241,012,000 at 31 March 2019 (31 March 2018: £169,121,185). Valuation of the Collection is undertaken on a rolling programme using current knowledge of prices, the market and, where necessary, the Director seeks the advice of other experts. The policy is that the top 100 most valuable items are valued on an annual basis as are any items that are out on long-term loan and works required for exhibitions. Any works selected for exhibition or loan or for the Arts Council's touring exhibitions are valued when they go out on loan as this provides the valuation for insurance requirements. A register of works is maintained by the Curator of the Collection which is amended to reflect acquisitions and items removed from the register, such as pieces damaged beyond repair, throughout the year and records the year end valuation figure. The register supports the entries in the Arts Council's annual accounts and is provided to the auditors for review.

### Acquisition and disposal policy

The collection purchases innovative work by artists living in Britain with a focus on the work of younger and emerging artists. Acquisitions are made through the Acquisitions Committee

comprising six individuals who are the Director of the Arts Council Collection, Director of Visual Arts, Arts Council England, Director of the Hayward Gallery, plus external advisers who are usually an artist, a writer and a curator. The committee is currently chaired by a member of the Arts Council's National Council. The external advisors to the committee are appointed for a fixed two-year tenure. Additionally, a representative from each of the Collection's National Partner Galleries sits for one year on a rotating basis. Artists may apply to have their work considered for acquisition. Otherwise works are acquired through the recommendations of the committee members. To be eligible artists must live in Britain (or their work must demonstrate a relevance to British contemporary art practice), cannot be students and have to be able to demonstrate their commitment over several years by providing information about the exhibitions of their work that have taken place and are planned. The acquisitions are funded from an allocation within the Arts Council England budget.

Any offers of gifts to the collection are brought to the attention of the Acquisitions Committee which decides on their suitability. The procedure for the loss or destruction of works of art is implemented if an item is irretrievably lost or damaged beyond repair. This requires the Director of the Arts Council Collection to report details to the Director of the Hayward Gallery (in cases of vandalism or theft), and the Director, Visual Arts, of the Arts Council who then seeks approval from the Arts Council England National Council to write off the item. The write-off in accounting records is implemented by the Director of Finance of Arts Council England who takes into account any insurance claims. Funds claimed in this way are paid into the Arts Council Collection acquisition allocation and earmarked to replace the lost items depending on the advice of the current purchasers. If it is not possible to replace a work because the artist is deceased, there are no suitable replacements or equivalent works have become too expensive, the funds are transferred into the acquisition fund.

## Preservation

The condition of the works is checked on receipt, before going out on loan and on return from loan. Master condition files are maintained and kept at Winchester House and Longside (for sculpture) and copies of the latest version are made when loans go out. Normally, required restoration is carried out by fully accredited conservators, either at their studios or at Longside or Winchester House. Any unfitting of frames or restoration carried out away from Winchester House or Longside must be authorised by the Director of the Collection, the Senior Curator or an appropriate curator. Artists are consulted and involved in restoration when possible and practical. Each year a number of works on paper, photographs, paintings and sculpture are conserved as a matter of course. All conservation is reported annually to the Arts Council England National Council in the form of the Collection's annual report on activities.

## Collection management

The Director of the Arts Council Collection reports to the Director of the Hayward Gallery on day-to-day matters and is responsible to the Director, Visual Arts, at Arts Council England on policy. Arts Council Collection staff salaries are paid by the Southbank Centre from the grant from Arts Council England to the Southbank Centre as part of the Hayward Gallery budget. A ring-fenced fund within the Southbank Centre and Arts Council England covers the operational costs of the Collection's activities.

## Access

Public access to the works of art is achieved through items being part of the extensive Arts Council Collection touring exhibitions, the National Partners Programme and Select Programme by being loaned to other institutions and galleries both at home and abroad. It also lends work to public institutions such as universities, libraries and hospitals. The Collection also aims to increase the diversity of its audience through digital engagement on its website and via social media.

## PARTNERSHIPS

The National Partners Programme (NPP), launched in 2016, is a three-year programme which allows four galleries in England to curate exhibitions drawn directly from the Arts Council Collection. Some of these exhibitions will tour amongst the partners to encourage collaborative working and sharing of resources. The NPP is supported by outreach and digital activities with the specific aims of engaging children and young people, Black and minority ethnic people, people from low socio-economic backgrounds and the over 75s. The four regional partners for 2016-19 were Birmingham Museums Trust, The Towner Eastbourne, Walker Art Gallery Liverpool, and existing partner Yorkshire Sculpture Park. The partners for 2019-22 are Firstsite Colchester, Newlyn Art Gallery, Penzance and Sunderland Culture.

Priority is given to national needs. The project to digitise the Collection has progressed with only 365 sculptures remaining to be photographed. Following the appointment of a Digital Manager in 2016, the collection website was relaunched in July 2017, with the aim of improving accessibility to the collection with more engaging content on artists, exhibitions, outreach and learning projects as well as the activities of our national partners. This is supported by the use of social media such as Twitter, Instagram and Facebook to highlight Arts Council Collection events and activities across the country.

The Arts Council Works of Art Collection heritage assets are reported at valuation on the following table:

	2018/19 £000s	2017/18 £000s	2016/17 £000s	2015/16 £000s	2014/15 £000s
Cost or valuation at 1 April	<b>169,121</b>	163,388	156,195	137,520	134,287
Additions	<b>348</b>	358	628	682	238
Donations	–	–	127	35	6
Revaluations	<b>71,543</b>	5,375	6,438	17,958	2,989
Less: impairment	–	–	–	–	–
Less: disposal	–	–	–	–	–
<b>Cost or valuation at 31 March</b>	<b>241,012</b>	169,121	163,388	156,195	137,520

There has been a significant increase in the value of the Collection during 2018/19 due primarily to the increase of two paintings by David Hockney increasing in value by £30 million and £25 million respectively, and a painting by Peter Doig increasing £15 million.

## 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. We have recharged both pay and non-pay expenditure between Grant-in-Aid and Lottery using staff time as a basis for calculating the apportionment.

## 12. DEBTORS

	31 MARCH 2019 £000s	31 MARCH 2018 £000s
Trade debtors	<b>113</b>	147
DCMS debtors	<b>42,638</b>	63,861
Other debtors	<b>268</b>	253
Prepayments and accrued income	<b>1,766</b>	924
	<b>44,785</b>	65,185

### 13. GRANTS PAID IN ADVANCE

The Arts Council permits organisations to draw down cash from a future year's funding agreement to cover short-term cash flow requirements. Payments totalling £903,910 were made during 2018/19 (2017/18: £400,000).

### 14. GRANT OFFERS – FUTURE YEARS

The Arts Council has entered into four-year funding agreements with 829 National Portfolio Organisations commencing in 2018/19. Commitments are recognised for each year, with the funding agreements making clear that continued funding is dependent on Grant-in-Aid being available to Arts Council England in those future years and that the organisation continues to deliver its agreed programme of activity as set out in the funding agreement. Forward funding at 31 March 2019 mainly represents allocations for National Portfolio Organisations and Music Education Hubs and the figures disclosed are the cash value; they have not been discounted to present value.

FORWARD FUNDING:	31 MARCH 2019 £000s	31 MARCH 2018 £000s
2018/19	–	433,039
2019/20	<b>424,890</b>	412,446
2020/21	<b>336,479</b>	337,402
2021/22	<b>336,577</b>	337,500
	<b>1,097,946</b>	1,520,387

### 15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

FORWARD FUNDING:	31 MARCH 2019 £000s	31 MARCH 2018 £000s
Trade creditors	<b>1,631</b>	1,981
Other creditors including taxes and social security	<b>23</b>	64
Accruals	<b>1,605</b>	2,019
Deferred income	<b>774</b>	757
	<b>4,033</b>	4,821

## 16. PROVISIONS FOR LIABILITIES AND CHARGES

	DILAPIDATIONS £000s	TAX £000s	TOTAL £000s
At 31 March 2018	811	4	<b>815</b>
Arising during the year	90	2	<b>92</b>
Used during the year	–	–	–
Reversed unused	(36)	–	<b>(36)</b>
<b>At 31 March 2019</b>	<b>865</b>	<b>6</b>	<b>871</b>
<b>EXPECTED TIMING OF CASH FLOWS</b>			
Provisions due within one year	195	6	<b>201</b>
Provisions due in more than one year	670	–	<b>670</b>

### DESCRIPTION OF PROVISIONS

#### a) Dilapidations

Provision for dilapidations for leased premises (to cover the costs of any necessary reinstatement and repairs to the property at the termination of the lease).

#### b) Tax

Provision for payroll taxes owed to HMRC for any expenses and benefits paid to employees where tax has not been deducted at source.

## 17. RECONCILIATION OF MOVEMENT IN FUNDS

	AT 31 MARCH 2018 £000s	INCOME £000s	EXPENDITURE £000s	GAINS AND LOSSES £000s	TRANSFERS £000s	AT 31 MARCH 2019 £000s
<b>Endowment funds</b>	442	120	-	34	-	596
<b>Restricted funds</b>	476	128,922	(128,765)	-	-	633
<b>Unrestricted income funds</b>	12,738	374,862	(374,452)	(678)	317	12,787
<b>CAPITAL FUNDS</b>						
Designated funds	7,639	-	301	-	-	7,940
Revaluation reserve	156,491	-	-	71,197	-	227,688
Donated asset reserve	4,993	47	-	346	-	5,386
Capital reserve	3,342	970	(988)	-	(317)	3,007
<b>Pension reserve</b>	(2,730)	-	-	536	-	(2,194)
	183,391	504,921	(503,904)	71,435	-	255,843

## DESCRIPTION OF FUNDS

**Endowment funds**

Arts Council England is the beneficiary of three legacies: the Compton Poetry Fund, the McCann Fund, and the Thornton Fund.

**Restricted funds**

The Arts Council receives specific ring-fenced Grant-in-Aid as well as grants, sponsorship and donations from various other sources for specific activities. Any such income and associated expenditure is identified separately.

**Unrestricted income funds**

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

**Capital funds****a) Designated funds**

This fund relates to capital expenditure on works of art allocated from the unrestricted fund.

**b) Revaluation reserve**

This fund shows the difference between the original purchase cost (which is shown within Designated Funds above) and the current market value of the Arts Council Collection.

**c) Donated asset reserve**

This fund relates mainly to donations received by the Arts Council for obtaining Works of Art for our Collection.

**d) Capital reserve**

The capital reserve represents the balance of tangible assets.

**e) Pension reserve**

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

## 18. CASH FLOW RECONCILIATION

RECONCILIATION OF NET INCOME TO NET CASH INFLOW FROM OPERATING ACTIVITIES	2018/2019 £000s	2017/2018 £000s
Net income/(expenditure)	<b>1,051</b>	1,548
Interest receivable	<b>(228)</b>	(60)
(Profit)/Loss on disposal of Fixed Assets	<b>1</b>	–
Dividends received	<b>(12)</b>	(13)
Depreciation and impairment charges	<b>984</b>	887
Revaluation of (gains)/losses on fixed assets	–	–
Actuarial (gains)/ losses on defined benefit pension schemes	–	–
(Gains)/losses on investments	<b>(34)</b>	5
Decrease/(increase) in debtors and prepayments	<b>20,873</b>	(33,415)
Decrease / (Increase) in grants paid in advance	<b>(504)</b>	207
Increase/(decrease) in grants outstanding	<b>23,488</b>	32,132
(Decrease)/increase in creditors	<b>(788)</b>	834
(Decrease)/Increase in provisions	<b>56</b>	13
(Decrease)/Increase in defined benefit liability	<b>(678)</b>	(1,642)
<b>Net cash provided by/(used in) operating activities</b>	<b>44,209</b>	496

## 19. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN CASH

	2018/2019 £000s	2017/2018 £000s
(Decrease)/increase in cash and cash equivalents in the year	<b>43,331</b>	(79)
Cash at 1 April	<b>49,933</b>	50,012
<b>Cash at 31 March 2019</b>	<b>93,264</b>	49,933

## 20. ANALYSIS OF NET CASH

	1 APRIL 2018 £000s	CASH FLOW £000s	31 MARCH 2019 £000s
Cash in hand	49,933	43,331	<b>93,264</b>

## 21. LEASES

At 31 March 2019 the Arts Council had annual commitments under non-cancellable operating leases as set out below.

LAND AND BUILDINGS OPERATING LEASES WHICH EXPIRE:	31 MARCH 2019 £000s	31 MARCH 2018 £000s
within one year	<b>1,751</b>	1,757
within two and five years inclusive	<b>3,143</b>	3,955
over five years	<b>530</b>	–
	<b>5,424</b>	5,712

THE LEASES RELATE PRIMARILY TO THE NINE OFFICES THAT ARE OCCUPIED BY ARTS COUNCIL ENGLAND.

## 22. SOUTHBANK CENTRE LEASE

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

## 23. ROYAL NATIONAL THEATRE LEASE

The Arts Council owns the freehold of the Royal National Theatre, which is leased to and occupied by the Royal National Theatre Board Limited. Since the lease is long term and we derive no income from the freeholding, the value of the asset is immaterial and has therefore not been included in these accounts.

## 24. CAPITAL COMMITMENTS

As at 31 March 2019 the total value of capital commitments was £nil (2017/18: £nil).

## 25. SPECIAL PAYMENTS

Special payments are payments which would not normally be made in the course of business. Examples of such payments are lease exit payments, compensations payments or ex-gratia payments. There were no such payments during 2018/19.

	2018/2019 £000s	2017/2017 £000s
Total value of special payments	–	3
Total number of special payments	–	1

## 26. FINANCIAL INSTRUMENTS

FRS 102 has a concept of basic financial instruments (such as cash, trade debtors and trade creditors) and other financial instruments (such as interest rate swaps and forward foreign currency contracts). All Arts Council England's financial instruments are categorised as basic.

As the cash requirements of the Arts Council are met largely through Grant-in-Aid received from the Department for Digital, Culture, Media and Sport (99.79 per cent) (2017/18: 99.88 per cent), financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts to buy non-financial items in line with the Arts Council's expected purchase and usages requirements, or the issue of grants (96.66 per cent) (2017/18: 96.74 per cent). This means the Arts Council is exposed to little credit, liquidity or market risk.

Arts Council England is the beneficiary of three legacies: the Compton Poetry Fund, the McCann Fund and the Thornton Fund. The total value of these legacies is £596,000 and is held in a mixture of cash and stock market investments managed by Investec Wealth & Investment Ltd. Details of both legacies are disclosed in note 9.

### 26a. LIQUIDITY RISK

The Arts Council signed a new management agreement with the Department for Digital, Culture, Media and Sport in 2018.

In the past 12 months, 0.16 per cent of funding was received from sources other than DCMS and 0.05 per cent was generated from cash balances. This means that 99.79 per cent of funding is sourced through cash drawn down and agreed monthly with the DCMS, based on the predicted need for the month ahead.

### 26b. INTEREST RATE RISK

The cash balance of £93,264,000 at 31 March 2019 was held in instant access variable rate bank accounts with the Co-Operative Bank, which carried an average interest rate of 0.22 per cent below base rate. The Arts Council does not place money on deposit with any other bank, financial institution or investment product.

### 26c. FOREIGN CURRENCY RISK

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

## 26d. FINANCIAL ASSETS BY CATEGORY

	31 MARCH 2019 £000s	31 MARCH 2018 £000s
DCMS debtor	<b>42,638</b>	63,861
Trade debtors	<b>113</b>	147
Other debtors	<b>268</b>	253
Accrued income	<b>1,766</b>	924
Due from Arts Council Lottery accounts	<b>1,595</b>	2,068
Cash at bank and in hand	<b>93,264</b>	49,933
	<b>139,644</b>	117,186

In our view the book value of the assets is the same as the fair value.

## 26e. FINANCIAL LIABILITIES BY CATEGORY

	31 MARCH 2019 £000s	31 MARCH 2018 £000s
Grants outstanding	<b>122,222</b>	98,734
Trade creditors	<b>1,631</b>	1,981
Other creditors including taxes and social security	<b>23</b>	64
Accruals	<b>1,605</b>	2,019
Deferred income	<b>774</b>	757
	<b>126,255</b>	103,555

INCLUDED WITHIN THE FINANCIAL LIABILITIES ARE AMOUNTS SUCH AS GRANTS OUTSTANDING, TAX AND NATIONAL INSURANCE, AND DEFERRED INCOME. WHILE THESE LIABILITIES ARE NOT CONTRACTUAL THEY HAVE BEEN DISCLOSED ABOVE IN THE INTERESTS OF COMPLETENESS.

## 27. RELATED PARTIES

## 27a. COUNCIL MEMBERS

We maintain publicly available registers in which council members declare their interests, including any direct interests, in

grant applications made to, and commercial relationships with, the Arts Council. The declared interests in grant recipients along with amounts awarded for the year ended 31 March 2019 are detailed on the following table.

COUNCIL MEMBER	GRANT FOR THE YEAR ENDED 31 MARCH 2019 £000s	BALANCE UNPAID AS AT 31 MARCH 2019 £000s	ORGANISATION	RELATIONSHIP TYPE
Sir Nicholas Serota CH	52	–	BBC	Board Member
	–	50	Cornubian Arts and Science Trust	Partner is a Board Member
Catherine Mallyon (appointed 26 April 2018)	16,494	13,736	Royal Shakespeare Company	Board Member
	17	67	Creative Industries Federation	Board Member (until 1 March 2018)
	3	–	City of Birmingham Symphony Orchestra	Partner is a Board Member
Dame Rosemary Squire (resigned 5 December 2018)	377	884	The Hall for Cornwall Trust	Director and Co-Chair
Helen Birchenough (appointed 5 December 2018)	–	10	Salisbury Arts Theatre Ltd	Board Member
Andrew Miller	36	26	TheSpace CIC	Board Member
	141	141	Corby Cube Theatre Trust	Executive Associate (until 31 December 2017)

COUNCIL MEMBER	GRANT FOR THE YEAR ENDED 31 MARCH 2019 £000s	BALANCE UNPAID AS AT 31 MARCH 2019 £000s	ORGANISATION	RELATIONSHIP TYPE
Elisabeth Murdoch	2	7	Baltic Centre for Contemporary Arts	Chair of Freelands Foundation, which funded this organisation
	1	297	Kettle's Yard Gallery	Chair of Freelands Foundation, which funded this organisation
	1,008	1,027	Nottingham Contemporary	Chair of Freelands Foundation, which funded this organisation
	315	314	Site Gallery	Chair of Freelands Foundation, which funded this organisation
	669	669	Turner Contemporary	Chair of Freelands Foundation, which funded this organisation
	90	68	Open School East	Chair of Freelands Foundation, which funded this organisation
	1,407	1,406	The Hepworth Wakefield Trust	Chair of Freelands Foundation, which funded this organisation
	1,340	1,253	Ikon Gallery	Chair of Freelands Foundation, which funded this organisation
	1,486	1,312	Yorkshire Sculpture Park	Chair of Freelands Foundation, which funded this organisation
Sukhy Johal MBE	853	426	New Art Exchange Ltd	Chair (until 30 March 2018)
Paul Roberts OBE	1,008	1,027	Nottingham Contemporary	Board Member
	593	450	Nottingham Music Service	Board Member (until 31 December 2017)
	145	–	Innovation Unit	Chair

COUNCIL MEMBER	GRANT FOR THE YEAR ENDED 31 MARCH 2019 £000s	BALANCE UNPAID AS AT 31 MARCH 2019 £000s	ORGANISATION	RELATIONSHIP TYPE
Professor Roni Brown	209	5	Artswork Limited	Board Member (until 31 January 2018)
	669	669	Turner Contemporary	Deputy VC of the University for the Creative Arts which has a service agreement with this organisation
	400	400	Creative Foundation	Deputy VC of the University for the Creative Arts which has a service agreement with this organisation
Michael Eakin	2,413	2,077	Royal Liverpool Philharmonic Society	Director
Ciara Eastell OBE	–	20	Devon Libraries	CEO
Tessa Ross CBE	17	67	Creative Industries Federation	Board Member (until 31 December 2017)

The declared interests in grant recipients along with amounts awarded for the year ended 31 March 2018 were as follows:

COUNCIL MEMBER	GRANT FOR THE YEAR ENDED 31 MARCH 2018 £000s	BALANCE UNPAID AS AT 31 MARCH 2018 £000s	ORGANISATION	RELATIONSHIP TYPE
Sir Nicholas Serota CH	399	–	Britten Sinfonia	Partner is a member of Advisory Council
	500	343	Cornubian Arts and Science Trust	Partner is a Chair
	–	6	BBC	Board Member
Maria Balshaw CBE	2,084	–	Hallé Concerts Society	Board Member (until 28 April 2017)
	34,816	51,302	Manchester City Council	Director of Culture, Manchester Council (until 31 May 2017)
	2,143	37	Manchester City Galleries	Director of Manchester City Galleries, linked to MMC (until 31 May 2017)
	992	9	Horniman Museum and Gardens	Husband is a Director
	33	3	Tate Gallery	Director
	57	57	The Whitworth Art Gallery	Director (until 31 May 2017)
Dame Rosemary Squire	2,376	1,221	The Hall for Cornwall Trust	Director and Co-Chair of both the main Trust, and the Property Trust.
Veronica Wadley	322	–	Film London	Employed by GLA until 5 May 2016, which co-funds Film London
	1,452	19	Museum of London	Employed by GLA until 5 May 2016, which co-funds Museum of London
	150	–	Thames Festival Trust	Employed by GLA until 5 May 2016, which co-funds Thames Festival Trust
	75	–	The London Design Festival Ltd	Employed by GLA until 5 May 2016, which co-funds LDF Ltd
Andrew Miller (from 15 November 2017)	141	–	Corby Cube Theatre Trust	Executive Associate (until 1 December 2017)
	766	–	Northampton Theatres Trust	Executive Associate (until 1 December 2017)
	10	1	TheSpace CIC	Board Member

COUNCIL MEMBER	GRANT FOR THE YEAR ENDED 31 MARCH 2018 £000s	BALANCE UNPAID AS AT 31 MARCH 2018 £000s	ORGANISATION	RELATIONSHIP TYPE
Elisabeth Murdoch (from 15 November 2017)	750	–	Arnolfini Gallery Ltd	Chair of Freelands Foundation, which funded this organisation
	3,158	5	Baltic Centre for Contemporary Arts	Chair of Freelands Foundation, which funded this organisation
	920	–	Camden Arts Centre	Chair of Freelands Foundation, which funds this organisation
	1,010	–	Ikon Gallery Limited	Chair of Freelands Foundation, which funded this organisation
	1,160	36	Nottingham Contemporary	Chair of Freelands Foundation, which funds this organisation
	1,111	30	South London Gallery	Chair of Freelands Foundation, which funded this organisation
	982	13	The Hepworth, Wakefield	Chair of Freelands Foundation, which funds this organisation
	57	57	The Whitworth Art Gallery	Chair of Freelands Foundation, which funded this organisation
	33	3	Tate Gallery	Chair of Freelands Foundation, which funded this organisation
	500	343	Cornubian Arts and Science Trust	Chair of Freelands Foundation, which funded this organisation
	575	–	Turner Contemporary	Chair of Freelands Foundation, which funded this organisation
	511	–	mima	Chair of Freelands Foundation, which funds this organisation
	2	–	The Hepworth Wakefield	Chair of Freelands Foundation, which funds this organisation

COUNCIL MEMBER	GRANT FOR THE YEAR ENDED 31 MARCH 2018 £000s	BALANCE UNPAID AS AT 31 MARCH 2018 £000s	ORGANISATION	RELATIONSHIP TYPE
<b>Kate Willard</b> (from 15 November 2017)	1,650	–	Liverpool Everyman and Playhouse	Deputy Chair
<b>Paul Roberts OBE</b> (from 15 November 2017)	1,160	36	Nottingham Contemporary	Board Member
	588	2	Nottingham Music Service	Board Member (until 31 December 2017)
	12	–	Innovation Unit	Chair
<b>Professor Roni Brown</b> (from 15 November 2017)	155	10	Artswork Limited	Board Member (until 31 January 2018)
	786	–	Farnham Maltings Association Limited	Deputy VC of the University for the Creative Arts which has a service agreement with this organisation, and partner is Director/CEO
	575	–	Turner Contemporary	Deputy VC of the University for the Creative Arts which has a service agreement with this organisation
	4	–	Artswork Ltd	Board Member until (31 January 2018)
	1	–	Creative Foundation	Deputy VC of the University for the Creative Arts which has a service agreement with this organisation

## 27b. DIRECTORS AND SENIOR MANAGERS

Executive directors and senior managers in Arts Council England are also required to declare any direct interests in grant applications made to, and commercial relationships with, the Arts Council.

DIRECTOR OR SENIOR MANAGER	GRANT FOR THE YEAR ENDED 31 MARCH 2019 £000s	BALANCE UNPAID AS AT 31 MARCH 2019 £000s	ORGANISATION	RELATIONSHIP TYPE
Peter Knott	1,914	1,914	Leicester Theatre Trust	Partner is Head of Learning
Simon Mellor	48	–	International Federation of Arts	Board Member

The declared interests in grant recipients along with amounts awarded for the year ended 31 March 2018 are detailed below.

DIRECTOR OR SENIOR MANAGER	GRANT FOR THE YEAR ENDED 31 MARCH 2018 £000s	BALANCE UNPAID AS AT 31 MARCH 2018 £000s	ORGANISATION	RELATIONSHIP TYPE
Peter Knott	650	–	Dance UK	Partner is Chair of Young People's panel
	1,914	–	Leicester Theatre Trust	Partner is Head of Learning
Phil Gibby	107	–	Theatre Bristol Ltd	Partner is Director of Business Development
Simon Mellor	34,816	51,302	Manchester City Council	Was seconded to Project Director of 'The Factory' at MCC until 30 April 2016
	729	46	Manchester International Festival	MIF was awarded the contract to run the 'The Factory' of which he was Project Director from 1 September 2015 to 30 April 2016

The declared interests of National Council members and Executive Board are available on the following link;

<https://www.artscouncil.org.uk/national-council/national-council-register-interests>

**27c. OTHER GOVERNMENT BODIES**

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

	CREDITOR 31 MARCH 2019 £000s	DEBTOR 31 MARCH 2019 £000s	CREDITOR 31 MARCH 2018 £000s	DEBTOR 31 MARCH 2018 £000s
Balances with other DCMS government bodies	<b>407</b>	<b>44,233</b>	996	63,912
Balances with other central government bodies	<b>22</b>	–	–	–
Balances with academies	<b>3</b>	<b>19</b>	–	14
Balances with local authorities	<b>75,870</b>	<b>28</b>	62,469	39
Balances with NHS Trusts	–	–	–	–
Balances with public corporations and trading funds	<b>6</b>	–	11	–

During 2018/19 Arts Council England had the following transactions with other government bodies:

	EXPENDITURE Y/E 31 MARCH 2019 £000s	INCOME Y/E 31 MARCH 2019 £000s	EXPENDITURE Y/E 31 MARCH 2018 £000s	INCOME Y/E 31 MARCH 2018 £000s
Transactions with other DCMS government bodies	<b>696</b>	<b>487,044</b>	2,308	497,087
Transactions with other central government bodies	<b>2,370</b>	<b>147</b>	6,343	9
Transactions with academies	–	<b>134</b>	–	138
Transactions with local authorities	<b>39,928</b>	<b>37</b>	85,740	182
Transactions with NHS Trusts	–	–	–	–
Transactions with public corporations and trading funds	<b>62</b>	–	–	–

The Arts Council retirement Plan and the West Yorkshire Pension Fund are both considered as related parties to Arts Council England.

**28. RECONCILIATION OF OPERATING SURPLUS TO DEPARTMENTAL EXPENDITURE LIMIT**

The government budget that is allocated to and spent by government departments is known as the departmental expenditure limit, or DEL. The Arts Council is not allowed to exceed its annual DEL budget. Due to differing accounting

treatments there are certain transactions which are included in these accounts but do not have an impact on our DEL budget. The Arts Council has a reported surplus of £72,452,000 but our overall DEL underspend for the year was £256,000 and the following table shows a reconciliation of the two amounts.

	£000s AT 31 MARCH 2019
Underspend as per SOFA	(72,452)
<b>EXCLUDE NON-DEL TRANSACTIONS</b>	
Revaluation on Heritage Assets	71,543
FRS17 Surplus	536
Gain on investments	34
Depreciation	(984)
Capital expenditure	941
Provisions adjustments	(42)
Legacy income	12
Donations	156
<b>DEL Underspend (excluding Depreciation)</b>	<b>(256)</b>
<b>REPRESENTED BY :</b>	
RDEL underspend	(117)
CDEL underspend	(139)
	(256)

## 29. CONTINGENT LIABILITIES

As at 31 March 2019, Arts Council England had the following contingent liability:

On 28th June 2018 a judicial review took place. The claimant had previously sought an export licence from Arts Council England to export a painting to Switzerland from the UK. The Arts Council (in consultation with DCMS) refused to grant the licence on the basis that it was not the authority for the purposes of the relevant EU legislation competent to grant the claimant a licence, and it was not satisfied that the painting was in the UK following 'lawful and definitive dispatch from another Member State'. The claimant challenged this decision by way of judicial review. The potential

liability is not quantifiable. The Judicial review found in favour of the Arts Council, however the claimant is appealing the decision. The potential liability is not quantifiable.

## 30. POST BALANCE SHEET EVENTS

In accordance with the requirements of Charities SORP (FRS102), events after the balance sheet date, post balance sheet events are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the independent auditor's report to the trustees of Arts Council England. There are no post balance sheet events to report.

## 31 STATEMENT OF FINANCIAL ACTIVITIES – PRIOR YEAR COMPARATORS

	UNRESTRICTED FUNDS £000s	RESTRICTED FUNDS £000s	ENDOWMENT FUNDS £000s	TOTAL 2018/19 £000s	UNRESTRICTED FUNDS £000s	RESTRICTED FUNDS £000s	ENDOWMENT FUNDS £000s	TOTAL 2017/18 £000s
<b>INCOME AND ENDOWMENTS FROM:</b>								
Donations and legacies	<b>358,418</b>	<b>128,544</b>	<b>108</b>	<b>487,070</b>	351,149	145,897	–	497,046
Investments	<b>228</b>	–	<b>12</b>	<b>240</b>	21	39	13	73
Charitable activities	<b>352</b>	<b>425</b>	–	<b>777</b>	191	309	–	500
Other: Lottery distribution accounts	<b>16,834</b>	–	–	<b>16,834</b>	16,697	–	–	16,697
<b>Total income and endowments</b>	<b>375,832</b>	<b>128,969</b>	<b>120</b>	<b>504,921</b>	368,058	146,245	13	514,316
<b>EXPENDITURE ON:</b>								
Charitable activities (including Governance costs)	<b>358,305</b>	<b>128,765</b>	–	<b>487,070</b>	349,871	146,195	–	496,066
Other: Support costs attributable to Lottery distributions accounts	<b>16,834</b>	–	–	<b>16,834</b>	16,697	–	–	16,697
<b>Total expenditure</b>	<b>375,139</b>	<b>128,765</b>	–	<b>503,904</b>	366,568	146,195	–	512,763
Net gains/(losses) on investments	–	–	34	34	–	–	(5)	(5)
<b>Total income/ (expenditure) before other recognised gains and losses</b>	<b>693</b>	<b>204</b>	<b>154</b>	<b>1,051</b>	1,490	50	8	1,548
<b>OTHER RECOGNISED GAINS/LOSSES</b>								
Gain on revaluation of heritage assets	<b>71,197</b>	<b>346</b>	–	<b>71,543</b>	5,179	196	–	5,375
Actuarial gains/(losses) on defined benefit pension schemes	<b>(142)</b>	–	–	<b>(142)</b>	765	–	–	765
<b>Net movement in funds</b>	<b>71,748</b>	<b>550</b>	<b>154</b>	<b>72,452</b>	7,434	246	8	7,688
<b>RECONCILIATION OF FUNDS:</b>								
Balance brought forward at 1 April	<b>177,480</b>	<b>5,469</b>	<b>442</b>	<b>183,391</b>	170,046	5,223	434	175,703
<b>Total funds carried forward at 31 March</b>	<b>249,228</b>	<b>6,019</b>	<b>596</b>	<b>255,843</b>	177,480	5,469	442	183,391

## 32. BALANCE SHEET – PRIOR YEAR COMPARATORS

	UNRESTRICTED FUNDS £000s	RESTRICTED FUNDS £000s	ENDOWMENT FUNDS £000s	TOTAL 31 MARCH 2019 £000s	UNRESTRICTED FUNDS £000s	RESTRICTED FUNDS £000s	ENDOWMENT FUNDS £000s	TOTAL 31 MARCH 2018 £000s
<b>FIXED ASSETS:</b>								
Tangible assets	3,007	–	–	3,007	3,342	–	–	3,342
Heritage assets – works of art	235,626	5,386	–	241,012	164,128	4,993	–	169,121
Investments			596	596			442	442
<b>Total fixed assets</b>	<b>238,633</b>	<b>5,386</b>	<b>596</b>	<b>244,615</b>	<b>167,470</b>	<b>4,993</b>	<b>442</b>	<b>172,905</b>
<b>CURRENT ASSETS</b>								
Debtors	4,368	40,417	–	44,785	24,706	40,479	–	65,185
Due from Arts Council Lottery accounts	0	1,595	–	1,595	–	2,068	–	2,068
Grants paid in advance	904	–	–	904	–	400	–	400
Cash and cash equivalents	26,204	67,060	–	93,264	6,059	43,874	–	49,933
<b>Total current assets</b>	<b>31,476</b>	<b>109,072</b>	<b>–</b>	<b>140,548</b>	<b>30,765</b>	<b>86,821</b>	<b>–</b>	<b>117,586</b>
<b>LIABILITIES</b>								
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>								
Grants outstanding	14,772	107,450	–	122,222	13,207	85,527	–	98,734
Due to Arts Council Lottery accounts	–	–	–	–	–	–	–	–
Creditors	3,044	989	–	4,033	4,003	818	–	4,821
<b>Total creditors: amounts falling due within one year</b>	<b>17,816</b>	<b>108,439</b>	<b>–</b>	<b>126,255</b>	<b>17,210</b>	<b>86,345</b>	<b>–</b>	<b>103,555</b>
<b>Net current assets</b>	<b>13,660</b>	<b>633</b>	<b>–</b>	<b>14,293</b>	<b>13,555</b>	<b>476</b>	<b>–</b>	<b>14,031</b>
<b>Total assets less current liabilities</b>	<b>252,293</b>	<b>6,019</b>	<b>596</b>	<b>258,908</b>	<b>181,025</b>	<b>5,469</b>	<b>442</b>	<b>186,936</b>
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>								
Provisions for liabilities and charges	871	–	–	871	815	–	–	815
<b>Net assets excluding pension liability</b>	<b>251,422</b>	<b>6,019</b>	<b>596</b>	<b>258,037</b>	<b>180,210</b>	<b>5,469</b>	<b>442</b>	<b>186,121</b>
Defined benefit pension scheme liability	2,194	–	–	2,194	2,730	–	–	2,730
<b>Net assets including pension liability</b>	<b>249,228</b>	<b>6,019</b>	<b>596</b>	<b>255,843</b>	<b>177,480</b>	<b>5,469</b>	<b>442</b>	<b>183,391</b>
<b>THE FUNDS OF THE CHARITY:</b>								
<b>REPRESENTED BY INCOME FUNDS</b>								
Unrestricted fund	12,787	–	–	12,787	12,738	–	–	12,738
Restricted fund	–	633	–	633	–	476	–	476
<b>REPRESENTED BY CAPITAL FUNDS</b>								
Endowment funds	–	–	596	596	–	–	442	442
Designated fund	235,628	–	–	235,628	164,130	–	–	164,130
Donated asset reserve	–	5,386	–	5,386	–	4,993	–	4,993
Capital reserve	3,007	–	–	3,007	3,342	–	–	3,342
Pension reserve	(2,194)	–	–	(2,194)	(2,730)	–	–	(2,730)
<b>Total charity funds</b>	<b>249,228</b>	<b>6,019</b>	<b>596</b>	<b>255,843</b>	<b>177,480</b>	<b>5,469</b>	<b>442</b>	<b>183,391</b>

CHARITIES SORP (FRS102) REQUIRES PRIOR COMPARATIVE FIGURES TO BE SHOWN FOR EACH TYPE OF FUND FOR THE BALANCE SHEET AS WELL AS THE STATEMENT OF FINANCIAL ACTIVITIES. THIS NOTE DISCLOSES THE PRIOR YEAR COMPARATIVE FIGURES FOR ALL THREE TYPES OF FUNDS.

# Lottery distribution accounts

09.

The background of the lower half of the page features a complex, abstract geometric pattern. It consists of numerous overlapping triangles in various shades of blue and orange, creating a textured, crystalline effect. The pattern is set against a solid orange background that transitions into the patterned area.



## THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

### OPINION ON FINANCIAL STATEMENTS

I certify that I have audited the financial statements of the Arts Council England's Lottery Distribution for the year ended 31 March 2019 under the National Lottery etc. Act 1993. The financial statements comprise: the Statements of Comprehensive Net Income, Financial Position, Cash Flows, Changes in Equity; and the related notes, including the significant accounting policies. 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.

In my opinion:

- the financial statements give a true and fair view of the state of the Arts Council England's Lottery Distribution affairs as at 31 March 2019 and of total comprehensive income for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Lottery etc. Act and Secretary of State directions issued thereunder.

### OPINION ON REGULARITY

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

### BASIS OF OPINIONS

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Arts Council England in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### CONCLUSIONS RELATING TO GOING CONCERN

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Arts Council England's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

## RESPONSIBILITIES OF THE BOARD AND ACCOUNTING OFFICER FOR THE FINANCIAL STATEMENTS

As explained more fully in the Statement of the Trustees' and Chief Executive's Responsibilities, the Chief Executive, as Accounting Officer, is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

My responsibility is to audit, certify and report on the financial statements in accordance with the National Lottery etc. Act 1993.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Arts Council England's internal control.
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
- In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

## OTHER INFORMATION

The Board and the Accounting Officer are responsible for the other information. The other information comprises information included in the Annual Report, other than the parts of the Remuneration Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## OPINION ON OTHER MATTERS

In my opinion:

- the parts of the Remuneration Report to be audited have been properly prepared in accordance with Secretary of State directions made under the National Lottery etc. Act 1993;
- in the light of the knowledge and understanding of the Arts Council England and its environment obtained in the course of the audit, I have not identified any material misstatements in the Annual Report; and
- the information given in the Trustees' Report and Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

## MATTERS ON WHICH I REPORT BY EXCEPTION

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

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

## REPORT

I have no observations to make on these financial statements.

**Gareth Davies**  
**Comptroller and Auditor General**

DATE: 1ST JULY 2019

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



## STATEMENT OF COMPREHENSIVE NET INCOME FOR THE YEAR ENDED 31 MARCH 2019

	NOTE	2018/19 £000s	2017/18 £000s
<b>INCOME</b>			
Share of proceeds from the National Lottery Distribution Fund	2	<b>223,296</b>	228,192
Investment returns on the Distribution Fund	2	<b>1,144</b>	660
		<b>224,440</b>	228,852
Other income	3	<b>820</b>	1,007
<b>Total income</b>		<b>225,260</b>	229,859
<b>EXPENDITURE</b>			
<b>Grant expenditure:</b>			
Grant commitments made in the year	10	<b>132,973</b>	464,805
Less: lapsed and revoked commitments	10	<b>(2,475)</b>	(3,883)
Net grant commitments		130,498	460,922
<b>Other expenditure:</b>			
Invoiced Arts Expenditure		<b>971</b>	–
Costs apportioned from Grant-in-Aid accounts	6	<b>16,834</b>	16,697
<b>Total expenditure</b>		<b>148,303</b>	477,619
<b>Net (expenditure)/income</b>		<b>76,957</b>	(247,760)
Interest receivable		<b>28</b>	8
<b>Net (expenditure)/income after interest</b>		<b>76,985</b>	(247,752)
<b>Total comprehensive (expenditure)/income for the year ended 31 March</b>		<b>76,985</b>	(247,752)

ALL INCOME AND EXPENDITURE DISCLOSED ABOVE RELATES TO CONTINUING ACTIVITIES. THE NOTES ON PAGES 147 TO 171 FORM PART OF THESE ACCOUNTS.

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	NOTE	31 MARCH 2019 £000s	31 MARCH 2018 £000s
<b>CURRENT ASSETS</b>			
Trade and other receivables	9	<b>52</b>	12
Investments: balance in the National Lottery Distribution Fund	2	<b>282,630</b>	298,105
Cash and cash equivalents	14	<b>4,635</b>	6,671
<b>Total current assets</b>		<b>287,317</b>	304,788
<b>CURRENT LIABILITIES</b>			
Grant liabilities due within one year	10	<b>238,897</b>	232,869
Trade and other payables	11	<b>183</b>	101
Due to Grant-in-Aid accounts	19e	<b>1,595</b>	2,068
<b>Total current liabilities</b>		<b>240,675</b>	235,038
<b>Net current assets</b>		<b>46,642</b>	69,750
<b>NON-CURRENT LIABILITIES</b>			
Grant liabilities due in more than one year	10	<b>183,464</b>	283,557
<b>Net (liabilities)/assets</b>		<b>(136,822)</b>	(213,807)
<b>EQUITY</b>			
General reserve		<b>(138,939)</b>	(215,924)
Fair value reserve		<b>2,117</b>	2,117
		<b>(136,822)</b>	(213,807)

THE NOTES ON PAGES 147 TO 171 FORM PART OF THESE ACCOUNTS.

**Darren Henley OBE**  
Chief Executive and  
Accounting Officer

19 JUNE 2019

**Sir Nicholas Serota CH**  
Chair

19 JUNE 2019

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	NOTE	2018/19 £000s	2017/18 £000s
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Funds received from the National Lottery Distribution Fund	2	<b>239,915</b>	245,261
Other cash receipts		<b>780</b>	1,211
Grants paid	10	<b>(224,563)</b>	(224,460)
Cash paid to Grant-in-Aid accounts		<b>(17,306)</b>	(17,955)
Other cash payments		<b>(890)</b>	(24)
<b>Net cash inflow/(outflow) from operating activities</b>	12	<b>(2,064)</b>	4,033
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		<b>28</b>	8
<b>Net cash inflow from investing activities</b>		<b>28</b>	8
<b>Net increase/(decrease) in cash and cash equivalents</b>	13/14	<b>(2,036)</b>	4,041
<b>Cash and cash equivalents at beginning of period</b>		<b>6,671</b>	2,630
<b>Cash and cash equivalents at end of period</b>		<b>4,635</b>	6,671

THE NOTES ON PAGES 147 TO 171 FORM PART OF THESE ACCOUNTS.

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

	GENERAL RESERVE 2018/19 £000s	FAIR VALUE RESERVE 2018/19 £000s	TOTAL RESERVES 2018/19 £000s	TOTAL RESERVES 2017/18 £000s
Closing reserve position 31 March	(215,924)	2,117	<b>(213,807)</b>	33,945
Transferred (to)/from the statement of comprehensive net expenditure	76,985	–	<b>76,985</b>	(247,752)
Closing reserve position 31 March	(138,939)	2,117	<b>(136,822)</b>	(213,807)

THE NOTES ON PAGES 147 TO 171 FORM PART OF THESE ACCOUNTS.

## NOTES TO THE LOTTERY DISTRIBUTION ACCOUNTS

### 1. ACCOUNTING POLICIES

#### 1a. BASIS OF PREPARATION

We have prepared these accounts in accordance with the National Lottery etc Act 1993 (as amended) and directions issued thereunder by the Secretary of State for Digital, Culture, Media and Sport with the consent of HM Treasury and the 2018/19 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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

The accounts are prepared on a going concern basis. Last year the Statement of Financial Position showed a deficit of £214 million. This year the position has moved to a deficit of £137 million. The reason for this is that, unlike Grant-in-Aid, the full amount of Lottery grant commitments are shown in the accounts in the year when the commitment is made. In 2017/18 we entered into our new four-year investment round, which meant those National Portfolio Organisations which are being funded through the Lottery distribution accounts showed the full four-year commitment in 2017/18 of £464 million, for activity and payments which will take place over the period 2018-22. The deficit from last year has reduced by £77 million and will decrease further over the next two years as we make further payments against the grants that were

committed in 2017/18. The grant commitments have been entered into after consideration of the cash requirements of grant recipients and after taking account of income projections provided by the Department for Digital, Culture, Media and Sport.

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

#### 1b. RECOGNITION OF INCOME AND EXPENDITURE

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

#### 1c. NATIONAL LOTTERY DISTRIBUTION FUND

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

#### 1d. TAXATION

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

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

#### 1e. PENSIONS

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

The Arts Council Retirement Plan is a multi-employer scheme and we cannot identify our share of the underlying assets and liabilities. We have therefore accounted for this scheme as if it were a defined contribution scheme, in accordance with FRS102, with the costs of the scheme being charged to the statement of financial activities. The West Yorkshire Pension Fund is also a multi-employer scheme, but, as a local government pension scheme, we are able to identify our share of the underlying assets and liabilities and have therefore accounted for this scheme in line with FRS102.

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

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

#### 1f. APPORTIONED COSTS

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

It should be noted that Grant-in-Aid accounts are prepared under the FRS102 and the Charity SORP, and as such are not impacted by IFRS. There is no material impact on the recharge to Lottery were IFRS a requirement for adoption for the Grant-in-Aid accounts.

#### 1g. FINANCIAL INSTRUMENTS

In accordance with the Lottery accounts direction, unrealised profits and losses on investments are recognised within the Statement of Comprehensive Net Expenditure (SoCNE).

#### 1h. POLICY ON RESERVES

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

#### 1i. STATEMENT OF FINANCIAL POSITION

The statement of financial position reports the revaluation reserve on the National Lottery Distribution Fund balance as a fair value reserve.

#### 1j. ADOPTION OF INTERNATIONAL REPORTING STANDARDS

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

Two new accounting standards came into force during 2018/19. These were IFRS9 (Financial Instruments) and IFRS15 (Revenue from contracts with customers). Neither of these standards will have an impact on our accounts.

For organisations which prepare their accounts under IFRS a new accounting standard, IFRS16 (Leases), has been issued and will come into effect during 2019/20. This will not have an impact on the Lottery distribution accounts due to the fact that there are no leases held on the Statement of Financial Position.

## 2. NATIONAL LOTTERY DISTRIBUTION FUND

	2018/2019 £000s	2017/2018 £000s
Balance at 1 April	<b>298,105</b>	314,514
Share of proceeds from the National Lottery Distribution Fund	<b>223,296</b>	228,192
Investment returns on the Distribution Fund	<b>1,144</b>	660
Cash drawn down	<b>(239,915)</b>	(245,261)
<b>Balance at 31 March</b>	<b>282,630</b>	<b>298,105</b>

THE BALANCE IN THE NATIONAL LOTTERY DISTRIBUTION FUND AT 31 MARCH 2019 IS BASED ON THE INTERIM CERTIFICATE ISSUED BY DCMS.

## 3. OTHER INCOME

GRANTS AND SPONSORSHIP RECEIVED	2018/2019 £000s	2017/2018 £000s
Other central government bodies	<b>382</b>	518
Public corporations	<b>250</b>	200
Sundry	<b>188</b>	289
	<b>820</b>	<b>1,007</b>

Grants, sponsorship and donations are analysed as follows:

	2018/2019 £000s	2017/2018 £000s
<b>OTHER CENTRAL GOVERNMENT BODIES</b>		
Arts Council of Northern Ireland	<b>79</b>	100
Arts Council of Wales	<b>116</b>	150
Creative Scotland	<b>137</b>	175
Home Office	–	66
Heritage Lottery Fund	<b>8</b>	25
Visit Britain	<b>42</b>	–
HM Courts and Tribunals Service	–	2
<b>PUBLIC CORPORATIONS</b>		
British Council	<b>250</b>	200
	<b>632</b>	<b>718</b>

#### 4. STAFF COSTS

No operating costs are directly charged to the Lottery accounts; all costs are initially charged to Grant-in-Aid and then recharged to Lottery based on the amount of time spent on Lottery-related activities. These are disclosed in Note 6 below.

#### 5. PENSIONS

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

All transactions generated as a result of the FRS102 report are charged initially to the Grant-in-Aid accounts. The costs are then recharged across to the Lottery accounts in the same ratio as other salary costs. This ensures that both Grant-in-Aid and Lottery are correctly charged with their proportion of the overall pension charges. However the assets and liabilities of the West Yorkshire Pension Fund are shown only in the Grant-in-Aid accounts.

#### WEST YORKSHIRE PENSION FUND

We are an admitted member of the West Yorkshire Pension Fund. This fund provides

pensions to over 286,000 members in 443 mainly local government organisations. The actuaries of the fund are Aon Hewitt. In the year ending 31 March 2019, nine Arts Council staff participated in the scheme. The scheme is a defined benefit scheme and is accounted for in accordance with Charities SORP (FRS102).

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

#### Assumptions

The latest actuarial valuation of The Arts Council of England's liabilities took place as at 31 March 2016. Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the roll-forward approach. The principal assumptions used by the actuary in updating the latest valuation of the Fund for FRS102 purposes were:

PRINCIPAL FINANCIAL ASSUMPTIONS	31 MARCH 2019	31 MARCH 2018	31 MARCH 2017
Discount rate	<b>2.4%</b>	2.6%	2.5%
RPI inflation	<b>3.3%</b>	3.2%	3.1%
CPI inflation	<b>2.2%</b>	2.1%	2.0%
Rate of increase to pensions in payment	<b>2.2%</b>	2.1%	2.0%
Rate of increase to deferred pensions	<b>2.2%</b>	2.1%	2.0%
Rate of general increase in salaries	<b>3.45%</b>	3.35%	3.25%

## ASSET ALLOCATION

	VALUE AT 31 MARCH 2019 %	VALUE AT 31 MARCH 2018 %
Equities	<b>74.0%</b>	77.3%
Property	<b>4.7%</b>	4.5%
Government bonds	<b>11.2%</b>	9.4%
Corporate bonds	<b>4.0%</b>	3.7%
Cash	<b>2.3%</b>	1.8%
Other	<b>3.8%</b>	3.3%
<b>Total</b>	<b>100%</b>	100%

## RECONCILIATION OF FUNDED STATUS TO BALANCE SHEET

	VALUE AS AT 31 MARCH 2019 £millions	VALUE AS AT 31 MARCH 2018 £millions	VALUE AS AT 31 MARCH 2017 £millions
Fair value of assets	<b>41.401</b>	38.801	36.000
Present value of funded liabilities	<b>43.595</b>	41.531	41.137
<b>Pension liability recognised on the balance sheet</b>	<b>(2.194)</b>	(2.730)	(5.137)

## AMOUNTS RECOGNISED IN INCOME STATEMENT

	PERIOD ENDING 31 MARCH 2019 £millions	PERIOD ENDING 31 MARCH 2018 £millions
<b>OPERATING COST:</b>		
Current service cost	0.110	0.112
<b>FINANCING COST:</b>		
Interest on net defined benefit liability/(asset)	0.060	0.127
<b>Pension expense recognised in other comprehensive income</b>	<b>0.170</b>	0.239

## AMOUNTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	PERIOD ENDING 31 MARCH 2019 £millions	PERIOD ENDING 31 MARCH 2018 £millions
Asset gains/(losses) arising during the period	<b>1.938</b>	1.093
Liability gains/(losses) arising during the period	<b>(2.080)</b>	(0.328)
<b>Total amount recognised in other comprehensive income</b>	<b>(0.142)</b>	0.765

## CHANGES TO THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION DURING THE ACCOUNTING PERIOD

	PERIOD ENDING 31 MARCH 2019 £millions	PERIOD ENDING 31 MARCH 2018 £millions
Opening defined benefit obligation	<b>41.531</b>	41.137
Current service cost	<b>0.110</b>	0.112
Interest expense on defined benefit obligation	<b>1.064</b>	1.015
Contributions by participants	<b>0.025</b>	0.025
Actuarial (gains)/losses on liabilities	<b>2.080</b>	0.328
Net benefits paid out	<b>(1.215)</b>	(1.086)
<b>Closing defined benefit obligation</b>	<b>43.595</b>	41.531

## CHANGES TO THE FAIR VALUE OF ASSETS DURING THE ACCOUNTING PERIOD

	PERIOD ENDING 31 MARCH 2019 £millions	PERIOD ENDING 31 MARCH 2018 £millions
Opening fair value of assets	<b>38.801</b>	36.000
Interest income on assets	<b>1.004</b>	0.888
Remeasurement gains/(losses) on assets	<b>1.938</b>	1.093
Contributions by the employer*	<b>0.848</b>	0.098
Contributions by participants	<b>0.025</b>	0.025
Net benefits paid out**	<b>(1.215)</b>	(1.086)
Net increase in assets from disposals/acquisitions***	–	1.783
<b>Closing fair value of assets</b>	<b>41.401</b>	38.801

\*FOR 2018/19 THIS INCLUDES AN ADDITIONAL £750,000 LUMP SUM DEFICIT REDUCTION PAYMENT INTO THE FUND BY THE EMPLOYER.

\*\* CONSISTS OF NET BENEFITS CASH-FLOW OUT OF THE FUND IN RESPECT OF THE EMPLOYER, INCLUDING AN APPROXIMATE ALLOWANCE FOR THE EXPECTED COST OF DEATH IN SERVICE LUMP SUMS.

\*\*\*CONSISTS OF PAYMENT OF £1.783 MILLION FROM GREATER MANCHESTER PENSION FUND IN RESPECT OF THE BULK TRANSFER OF STAFF FROM THE FORMER REGIONAL ARTS BOARDS.

## ACTUAL RETURN ON ASSETS

	PERIOD ENDING 31 MARCH 2019 £millions	PERIOD ENDING 31 MARCH 2018 £millions
Interest income of assets	<b>1.004</b>	0.888
Gain/(loss) on assets	<b>1.938</b>	1.093
<b>Total amount recognised in other comprehensive income</b>	<b>2.942</b>	1.981

The 2016 valuation results included the transferred liabilities for 49 members who transferred from the former Arts Boards but made no allowance for any bulk transfer payments to or from Surrey (11 members) or Staffordshire (13 members) Pension Funds. With respect to the 25 members who transferred from Greater Manchester, an interim payment of £1,000,000 was paid by Greater Manchester Pension Fund to West Yorkshire Pension Fund in October 2014 and a final payment of £1,783,000 was received on 28 March 2018. These payments have been included in the above calculations. As at 31st March 2019 there were 8 active members of the West Yorkshire Pension Fund.

How the transfer payments should be calculated is still under discussion between those funds where payments are still

outstanding: the West Yorkshire Pension Fund and Arts Council England. The actuary has made no allowance for any transfer payments in our disclosures. We have, however, made allowance for the bulk transfers in relation to the other 131 members who transferred from the former Arts Boards at the same time.

Amounts due to the fund at 31 March 2019 were £nil (31 March 2017: £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, the deferred and pensioner members remained with their legacy pension provider as detailed below:

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

Arts Council England did not believe it was responsible for meeting any further liabilities relating to Regional Arts Board employees in respect of these funds following lump sum payments to four schemes. However, two funds have indicated previously that liabilities exist in respect of the deferred pensioner members that they retained within their respective funds. No provision has been made in these accounts.

#### ARTS COUNCIL RETIREMENT PLAN (1994)

The scheme is a defined benefit scheme. Other employers contributing to the scheme are the Arts Council of Wales, Creative Scotland, the Crafts Council, Tŷ Cerdd – Music Centre Wales and Creativity, Culture and Education. Because it is a multi-employer scheme, we are unable to identify our share of the underlying assets and liabilities. Consequently, we have accounted for the scheme as if it were a defined contribution scheme, in accordance with Charities SORP (FRS102). The actuaries of the fund are Hymans Robertson.

The scheme is financed by payments made by Arts Council England and employees, together with those by the other employers and their employees, into a trustee-administered fund independent of Arts Council England's finances. These contributions are invested by leading fund management companies. The net market value of the scheme's assets at 31 March 2019 was £178.1 million (2018: £165 million).

An actuarial valuation of the pension fund takes place at least every three years. At the last valuation on 31 March 2016, the actuarial value of the assets using the projected unit method was sufficient to cover 84 per cent of the value accrued to members, a deficit of £25,500,000. On the advice of the actuary, with effect from 1 April 2017, we are paying employer's contributions of 21.8 per cent of pensionable salary for Arts Council England employees and 26.4 per cent of pensionable salary for employees who transferred to Arts Council England from Museums, Libraries and Archives. No further contributions are due from Arts Council England in respect of its share of the funding deficit.

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

Consumer prices inflation rate	Bank of England RPI curve, less 1% pa
Long term rate of pay increases	Bank of England RPI curve
Short term rate of pay increases	1.5% pa
Rate of pension increases	In line with consumer prices inflation
Discount rate	Bank of England gilt yield curve, plus 1.2% pa

Arts Council England is a participating employer in the Arts Council Retirement Plan (1994) together with five other separate organisations. There is no legal separation of the plan's assets or liabilities and as such there is a certain amount of inevitable cross subsidy between participating employers depending on the experience of their own members. Under the plan's rules there is also no requirement or discretion to segregate the assets of the scheme in the event of the cessation of a participating employer. As such it is a 'last man standing' arrangement and the remaining employers would become liable for meeting the pension obligations of other participating employers who cease participation.

Amounts due to the fund at 31 March 2019 were £nil (31 March 2018: £nil).

The Arts Council Retirement Plan and The People's Pension are both treated as defined contribution schemes for the purposes of the accounts. Payments to both schemes are charged to the I&E account as and when they fall due. Employers contributions into the Arts Council Retirement Plan during 2018/19 were £3,400,010 (2017/18: £3,169,016) and employer contributions to The People's Pension were £79,858 (2017/18: £70,816).

## 6. COSTS APPORTIONED FROM ARTS COUNCIL ENGLAND GRANT-IN-AID ACCOUNTS

	2018/2019 £000s	2017/2018 £000s
Staff costs	<b>11,533</b>	11,121
Indirect staff costs	<b>338</b>	350
Premises	<b>904</b>	1,161
Supplies and Services	<b>1,752</b>	2,085
Travel and Subsistence	<b>808</b>	789
Professional Fees	<b>834</b>	691
Central Costs	<b>135</b>	121
Other Recharges – contribution to depreciation	<b>530</b>	379
	<b>16,834</b>	16,697
Corporate governance costs included above	<b>996</b>	489

## 7. INCREASE/DECREASE IN LOTTERY FUNDS

	2018/2019 £000s	2017/2018 £000s
Stated after charging:		
(a) Auditors' remuneration	<b>58</b>	58
(b) Staff travel, subsistence and hospitality	<b>808</b>	789

The statutory audit fee for 2018/19 is £58,250 (2017/18: £58,250). There were no fees payable to the auditors for non-audit services.

## 8. NON-CURRENT ASSETS

Lottery accounts are charged their share of the depreciation of assets employed across all Arts Council activities. All tangible fixed assets are recognised on the Grant-in-Aid balance sheet and it is not possible to allocate them across accounts.

## 9. RECEIVABLES

	31 MARCH 2019 £000s	31 MARCH 2018 £000s
Prepayments and accrued income	–	–
Other receivables	<b>52</b>	12
Provision for doubtful debts	–	–
	<b>52</b>	12

## 10. GRANT COMMITMENTS

Prior to 2014/15, commitments accounted for were limited to those where there had been written acceptance from the grant recipient.

In line with the 2014/15 Lottery Directions, issued by the Secretary of State, commitments are now accounted for when the decision to award grants has been made and communicated to the grant recipient.

	31 MARCH 2019 £000s	31 MARCH 2018 £000s
Grant liabilities brought forward	<b>516,426</b>	279,964
Grant commitments made	<b>132,973</b>	464,805
Less: lapsed and revoked commitments	<b>(2,475)</b>	(3,883)
Grant liabilities paid	<b>(224,563)</b>	(224,460)
<b>Balance of grant liabilities outstanding carried forward</b>	<b>422,361</b>	516,426

AGEING OF GRANT LIABILITIES:	31 MARCH 2019 £000s	31 MARCH 2018 £000s
2018/19	<b>N/A</b>	232,869
2019/20	<b>238,897</b>	118,562
2020/21	<b>98,547</b>	86,436
2021/22	<b>80,728</b>	77,346
2022/23	<b>4,189</b>	1,213
	<b>422,361</b>	516,426

## 11. CURRENT LIABILITIES

	31 MARCH 2019 £000s	31 MARCH 2018 £000s
Trade payables	<b>166</b>	101
Other payables	<b>17</b>	–
	<b>183</b>	101

## 12. CASH FLOW RECONCILIATION

RECONCILIATION OF OPERATING SURPLUS/(DEFICIT) TO NET CASH FLOW FROM OPERATING ACTIVITIES	2018/2019 £000s	2017/2018 £000s
Operating surplus/(deficit)	<b>76,985</b>	(247,752)
Interest receivable	<b>(28)</b>	(8)
Decrease in receivables and prepayments	<b>15,435</b>	16,611
Increase/(decrease) in payables	<b>(94,456)</b>	235,182
<b>Net cash inflow/(outflow)</b>	<b>(2,064)</b>	4,033

## 13. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN FUNDS

	2018/2019 £000s	2017/2018 £000s
Increase/(decrease) in cash and cash equivalents in the year	<b>(2,036)</b>	4,041
Funds at 1 April	<b>6,671</b>	2,630
Funds at 31 March	<b>4,635</b>	6,671

## 14. CASH AND CASH EQUIVALENTS

	1 APRIL 2018 £000s	CASH FLOW £000s	31 MARCH 2019 £000s
Cash and cash equivalents	6,671	(2,036)	<b>4,635</b>
	6,671	(2,036)	<b>4,635</b>

## 15. LEASES

There were no commitments under non-cancellable operating leases at 31 March 2019 (31 March 2018: £nil).

## 16. CAPITAL COMMITMENTS

There were no contracted capital commitments as at 31 March 2019 (31 March 2018: £nil).

## 17. CHARGES ON ASSETS

Since January 2018, the standard conditions for Grant-in-Aid and Lottery capital grants for building projects of between £500,000 and £5 million give the Arts Council the option to seek security over land or buildings to prevent the assets being sold, mortgaged or put to an alternative use without the Arts Council's consent. For grants below £1 million, Arts Council England would request a deed of covenant and restriction on title. For grants above £1 million, Arts Council England would register a legal charge over the asset.

## 18. RECONCILIATION OF TRANSACTIONS WITH DELEGATE BODY

### 18a. NATIONAL FOUNDATION FOR 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:

TRANSACTIONS IN ARTS COUNCIL ENGLAND ACCOUNTS:	2018/2019 £000s	2017/2018 £000s
Grant commitments in the year	–	–
NFYM payables balance as at 31 March	–	2,413
THIS RECONCILES TO NFYM'S ACCOUNTS FOR THE YEAR ENDED 31 MARCH AS FOLLOWS:		
Balance at 1 April	<b>1,305</b>	1,337
INCOMING FUNDS:		
Arts Council England grant	<b>9,651</b>	9,651
other funds	<b>706</b>	706
OUTGOING FUNDS:		
grant expenditure	<b>(8,906)</b>	(8,954)
other expenditure	<b>(1,295)</b>	(1,435)
<b>Balance at 31 March</b>	<b>1,461</b>	1,305
Arts Council England receivables balance as at 31 March	–	2,413

The 2018/19 figures were unaudited at the date of signing these accounts. The 2017/18 figures have been adjusted to reflect the audited accounts.

**18b. NATIONAL SKILLS ACADEMY**

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

TRANSACTIONS IN ARTS COUNCIL ENGLAND ACCOUNTS:	2018/2019 £000s	2017/2018 £000s
Grant commitments in the year	–	–
National Skills Academy payables balance as at 31 March	–	–

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

TRANSACTIONS IN ARTS COUNCIL ENGLAND ACCOUNTS:	2018/2019 £000s	2017/2018 £000s
Balance at 1 April	–	1,944
<b>INCOMING FUNDS:</b>		
Arts Council England grant	–	–
other funds	–	–
<b>OUTGOING FUNDS:</b>		
grant expenditure	–	(50)
other expenditure	–	(1,894)
<b>Balance at 31 March</b>	<b>–</b>	<b>–</b>
Arts Council England receivables balance as at 31 March	–	–

The 2018/19 figures were unaudited at the date of signing these accounts. The 2017/18 figures have been adjusted to reflect the audited accounts.

### 18c. PERFORMING RIGHTS SOCIETY FOR MUSIC FOUNDATION

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

TRANSACTIONS IN ARTS COUNCIL ENGLAND ACCOUNTS:	2018/2019 £000s	2017/2018 £000s
Grant commitments in the year – Grant-in-Aid	–	–
Grant commitments in the year – Lottery	–	–
PRSMF payables balance as at 31 March – Grant-in-Aid	–	1
PRSMF payables balance as at 31 March – Lottery	<b>120</b>	120

This reconciles to the PRSMF accounts for the year ended 31 March as follows:

	GRANT-IN-AID 2018/19 £000s	LOTTERY 2018/19 £000s	GRANT-IN-AID 2017/18 £000s	LOTTERY 2017/18 £000s
Balance at 1 April	(1)	<b>(120)</b>	(1)	(120)
<b>INCOMING FUNDS:</b>				
Arts Council England grant	1	–	–	495
other funds	–	–	–	379
<b>OUTGOING FUNDS:</b>				
grant expenditure	–	–	–	(765)
other expenditure	–	–	–	(109)
<b>Balance at 31 March</b>	–	<b>(120)</b>	(1)	(120)
Arts Council England receivables balance as at 31 March	–	<b>120</b>	1	120

The 2018/19 figures were unaudited at the date of signing these accounts. The 2017/18 figures have been adjusted to reflect the audited accounts.

## 19. FINANCIAL INSTRUMENTS

Cash requirements for Lottery expenditure are met by drawing down against weekly forecasts of need from the balances held on behalf of the Arts Council by the National Lottery Distribution Fund. At 31 March 2018 the fund balance was £298 million. This had decreased to £283 million by 31 March 2019, at which point there were £422 million of grant commitments yet to be paid out.

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

### 19a. LIQUIDITY RISK

In 2018/19, 99.64 per cent of Arts Council England's income was derived from the National Lottery and the investment returns from the balances held with the National Lottery Distribution Fund.

£000s	
At the balance sheet date, Arts Council England had net assets of:	(136,822)

We do not believe that we are exposed to significant liquidity risks, and are satisfied that we have sufficient current liquid resources to cover our projected payments of £239 million over the next financial year.

LIQUID ASSETS AS AT 31 MARCH 2019:	£000s
Market value of National Lottery Distribution Fund investments	282,630
Cash and cash equivalents	4,635

**19b. INTEREST RATE RISK**

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

of the Commissioners for the Reduction of National Debt on a regular basis to manage the risks associated with the investment of these monies.

At the balance sheet date, the market value of the Arts Council's share of the National Lottery Distribution Fund was £282,630,023

In the year, the average return on these investments was 0.67 per cent (2017/18: 0.35 per cent).

	FUND BALANCE £000s	INVESTMENT RETURN £000s	AVERAGE RETURN	PROPORTION OF TOTAL INCOME
2018/19	282,630	1,144	0.67%	0.51%
2017/18	298,105	660	0.35%	0.29%
2016/17	314,514	741	0.34%	0.32%
2015/16	334,285	1,095	0.50%	0.41%
2014/15	325,697	1,101	0.50%	0.40%
2013/14	286,613	1,083	0.50%	0.47%
2012/13	282,192	1,445	0.78%	0.53%
2011/12	194,490	1,515	2.26%	0.71%
2010/11	125,457	2,092	1.13%	1.15%
2009/10	97,363	1,396	0.58%	0.81%

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

The cash balance at the year end was £4,634,856.

**19c. FOREIGN CURRENCY RISK**

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

**19d. FINANCIAL ASSETS BY CATEGORY**

TRANSACTIONS IN ARTS COUNCIL ENGLAND ACCOUNTS:	2018/2019 £000s	2017/2018 £000s
<b>RECEIVABLES DUE WITHIN ONE YEAR</b>		
Accrued income	–	–
Other receivables	<b>52</b>	12
	<b>52</b>	12
<b>INVESTMENTS</b>		
National Lottery Distribution Fund	<b>282,630</b>	298,105
<b>CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents	<b>4,635</b>	6,671
<b>Total financial assets</b>	<b>287,317</b>	304,788

In our view the book value of the assets is the same as the fair value.

**19e. FINANCIAL LIABILITIES BY CATEGORY**

	2018/2019 £000s	2017/2018 £000s
Trade payables	<b>166</b>	101
Other payables	<b>17</b>	–
Due to Arts Council Grant-in-Aid accounts	<b>1,595</b>	2,068
Grant payables falling due within one year	<b>238,897</b>	232,869
Grant payables falling due over one year	<b>183,464</b>	283,557
<b>Total financial liabilities</b>	<b>424,139</b>	518,595

Included within the financial liabilities are amounts such as grants outstanding and deferred income. While these liabilities are not contractual they have been disclosed above in the interests of completeness.

**20a. COUNCIL MEMBERS**

We maintain publicly available registers in which council members declare their interests, including any direct interests in grant applications made to, and commercial relationships with, the Arts Council. The declared interests in grant recipients along with amounts awarded for the year ended 31 March 2019 are detailed on the following table.

COUNCIL MEMBER	GRANT FOR THE YEAR ENDED 31 MARCH 2019 £000s	BALANCE UNPAID AS AT 31 MARCH 2019 £000s	ORGANISATION	RELATIONSHIP TYPE
Sir Nicholas Serota CH	–	50	Cornubian Arts and Science Trust	Partner is Chair
	–	1,244	Kneehigh Theatre Trust Ltd	Partner is a Board Member
Michael Eakin	–	32	Royal Liverpool Philharmonic Society	Director
Andrew Miller	–	65	Corby Cube Theatre Trust	Executive Associate (until 31 December 2017)
	–	2,100	TheSpace CIC	Board Member
Elisabeth Murdoch	–	175	Kettle's Yard Gallery	Chair of Freelands Foundation, which funds this organisation
	–	63	Nottingham Contemporary	Chair of Freelands Foundation, which funds this organisation
	–	221	Site Gallery	Chair of Freelands Foundation, which funds this organisation
	–	885	Spike Island Art Space Ltd	Chair of Freelands Foundation, which funds this organisation
	219	454	Turner Contemporary	Chair of Freelands Foundation, which funds this organisation
	–	85	Yorkshire Sculpture Park	Chair of Freelands Foundation, which funds this organisation
	–	36	mima	Chair of Freelands Foundation, which funded this organisation
Paul Roberts OBE	–	63	Nottingham Contemporary	Board Member
	–	80	Nottingham Music Service	Board Member (until 31 December 2017)

COUNCIL MEMBER	GRANT FOR THE YEAR ENDED 31 MARCH 2019 £000s	BALANCE UNPAID AS AT 31 MARCH 2019 £000s	ORGANISATION	RELATIONSHIP TYPE
<b>Professor Roni Brown</b>	–	140	Creative Foundation	Deputy VC of University for the Creative Arts which has a service agreement with organisation
	–	2,543	Farnham Maltings Association Ltd	Partner is a Director
	219	454	Turner Contemporary	Deputy VC of University for the Creative Arts which has a service agreement with organisation
	–	4,558	Artswork	Board Member (until 31 January 2018)
<b>Dame Rosemary Squire</b> (resigned 5 December 2018)	93	6,735	Rambert Dance Company	Partner is Chair
<b>Catherine Mallyon</b> (appointed 26 April 2018)	137	2,176	Royal Shakespeare Company	Board Member
<b>Sukhy Johal MBE</b>	–	446	The New Art Exchange	Chair (until 30 March 2018)

The declared interests in grant recipients along with amounts awarded for the year ended 31 March 2018 are detailed below.

COUNCIL MEMBER	GRANT FOR THE YEAR ENDED 31 MARCH 2018 £000s	BALANCE UNPAID AS AT 31 MARCH 2018 £000s	ORGANISATION	RELATIONSHIP TYPE
<b>Sir Nicholas Serota CH</b>	–	175	Cornubian Arts and Science Trust	Partner is Chair
	1,800	1,874	Kneehigh Theatre Trust Ltd	Partner is a Board Member
<b>Maria Balshaw CBE</b>	131	151	Manchester City Council	Director of Culture at Manchester City Council (until 31 May 2017)
	–	4,840	Hallé Concerts Society	Board Member (until 28 April 2017)
	60	60	Manchester City Galleries	Director of Manchester City Galleries, linked to MCC (until 31 May 2017)
<b>Veronica Wadley</b>	45	18	Greater London Authority	Senior Advisor to the Mayor, Member of Music Education Steering Group (until 5 May 2016)
	–	20	Royal College of Music	Board Member
	129	64	Thames Festival Trust	Employed by GLA which co-funds Festival (until 5 May 2016)
<b>Andrew Miller</b> (from 15 November 2017)	3,000	3,570	The Space CIC	Board Member
<b>Elisabeth Murdoch</b> (from 15 November 2017)	150	123	Nottingham Contemporary	Chair of Freelands Foundation, which funds this organisation
	–	175	Cornubian Arts and Science Trust	Chair of Freelands Foundation, which funds this organisation
	724	544	Turner Contemporary	Chair of Freelands Foundation, which funded this organisation
<b>Paul Roberts OBE</b> (from 15 November 2017)	–	93	Nottingham Music Service	Board Member
	150	123	Nottingham Contemporary	Board Member

COUNCIL MEMBER	GRANT FOR THE YEAR ENDED 31 MARCH 2018 £000s	BALANCE UNPAID AS AT 31 MARCH 2018 £000s	ORGANISATION	RELATIONSHIP TYPE
Professor Roni Brown (from 15 November 2017)	6,077	6099	Artwork Limited	Board Member (until 31 January 2018)
	15	231	Creative Foundation	Deputy VC of University for the Creative Arts which has a service agreement with organisation
	724	544	Turner Contemporary	Deputy VC of University for the Creative Arts which has a service agreement with organisation
Dame Rosemary Squire	9,005	9,170	Rambert Dance Company	Partner is Chair
David Bryan (to 30 September 2017)	2,869	2,869	Oval House	Chair
	–	527	Writers Centre Norwich	Board Member
Sheila Healy (to 30 September 2017)	1,800	1,874	Kneehigh Theatre Trust Ltd	Board Member
Sukhy Johal MBE (from 15 November 2017)	650	798	The New Art Exchange	Chair



## 20b DIRECTORS AND SENIOR MANAGERS

Executive directors and senior managers in Arts Council England are also required to declare any direct interests in grant applications made to, and commercial relationships with, the Arts Council. The declared interests in grant recipients along with amounts awarded for the year ended 31 March 2019 are detailed below.

DIRECTOR OR SENIOR MANAGER	GRANT FOR THE YEAR ENDED 31 MARCH 2019 £000s	BALANCE UNPAID AS AT 31 MARCH 2019 £000s	ORGANISATION	RELATIONSHIP TYPE
Peter Knott	–	39	Dance UK	Partner is chair of Young Peoples' Panel
	–	10	Leicester Theatre Trust Ltd	Partner is Head of Learning
Kate Bellamy	–	25	PM Gallery and House	Board Member

The declared interests in grant recipients along with amounts awarded for the year ended 31 March 2018 are detailed below.

DIRECTOR OR SENIOR MANAGER	GRANT FOR THE YEAR ENDED 31 MARCH 2018 £000s	BALANCE UNPAID AS AT 31 MARCH 2018 £000s	ORGANISATION	RELATIONSHIP TYPE
Simon Mellor	–	64	Manchester International Festival	MIF was awarded the contract to run 'The Factory' of which he was Project Director from 1 Sep 2015 to 30 April 2016.
	131	151	Manchester City Council	Was seconded to Project Director of 'The Factory' at MCC until 30 April 2016

The declared interests of National Council members and Executive Board are available on the following link;

<https://www.artscouncil.org.uk/national-council/national-council-register-interests>

**20c. OTHER GOVERNMENT BODIES**

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

	PAYABLES 31 MARCH 2019 £000s	RECEIVABLES 31 MARCH 2019 £000s	PAYABLES 31 MARCH 2018 £000s	RECEIVABLES 31 MARCH 2018 £000s
Balances with other DCMS government bodies	<b>2,784</b>	–	2,893	–
Balances with other central government bodies	<b>1,693</b>	–	91	–
Balances with academies	<b>46</b>	–	29	–
Balances with local authorities	<b>36,586</b>	–	33,804	–
Balances with NHS Trusts	<b>121</b>	–	56	–
Balances with public corporations and trading funds	<b>8</b>	–	8	–

	EXPENDITURE Y/E 31 MARCH 2019 £000s	INCOME Y/E 31 MARCH 2019 £000s	EXPENDITURE Y/E 31 MARCH 2018 £000s	INCOME Y/E 31 MARCH 2018 £000s
Transactions with other DCMS government bodies	3,401	50	44	–
Transactions with other central government bodies	937	312	984	518
Transactions with academies	78	–	64	–
Transactions with local authorities	11,063	–	17,646	–
Transactions with NHS Trusts	65	–	196	–
Transactions with public corporations and trading funds	–	250	79	200

## 21. CONTINGENT LIABILITY

There were no contingent liabilities as at 31 March 2019.

## 22. CONTINGENT ASSETS

The National Lottery distributors are entitled to receive a share of receipts from the sale of land on Queen Elizabeth Olympic Park in return for their contribution of an additional £675 million to the funding of the London 2012 Olympic and Paralympic Games. This was announced in 2007. The arrangements are set out in a legal agreement between the Secretary of State and the Greater London Authority (GLA) dated 29 March 2012 which sets out the distribution of funds between the GLA and the Lottery distributors (via DCMS). Land sales are likely to take place over a lengthy period, estimated to be from 2016/17 to 2036/37. DCMS estimates the first payments to the Lottery distributors to come through around 2020/21.

## 23. EVENTS AFTER THE REPORTING PERIOD

In accordance with the requirements of IAS 10 Events after the Reporting Period, these events after the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the certificate and report of the Comptroller and Auditor General. There are no events after the reporting period to report.

## 24. LOSSES AND SPECIAL PAYMENTS

Losses and special payments are payments which would not normally be made in the course of business. Examples of such payments are lease exit payments, compensation payments or ex-gratia payments. The number and value of losses during 2018/19 were as follows:

	2018/2019 £000s	2017/2018 £000s
Total value of losses and special payments	<b>4</b>	53
Total number of losses and special payments	<b>3</b>	3

THE THREE LOSSES WHICH OCCURRED DURING THE FINANCIAL YEAR ALL RELATE TO FUNDED ORGANISATIONS WHICH HAD GONE INTO LIQUIDATION.

# National Lottery report



# 10.



**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. The Policy Directions were updated in October 2016 and 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**

Our 10-year strategy for the arts, libraries and museums, *Great Art and Culture for Everyone*, guides all of our investment, development and advocacy work. The strategy has been shaped by the views of artists, arts and cultural organisations, the public and our many other stakeholders and partners.

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

*Great Art and Culture for Everyone* sets out our commitment to our mission and our five goals. It also brings together our responsibilities across the arts and the wider cultural sector. It describes what success looks like, and how we measure progress towards our goals.

With its focus on long-term collaborative action, this strategy directs Arts Council England to work with its partners to bring about positive change throughout the arts, museums and libraries. It helps create the conditions in which great art and culture can be presented and produced, experienced and appreciated by as many people as possible. It enables us to focus our investment where it can achieve the

greatest impact. It supports the development of world-class museums and great libraries that engage diverse audiences. It sustains us as we work to maintain and enhance England's status as a leading cultural force in the world.

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

Evidence demonstrates that some communities are engaging very little with the arts. This may be through lack of opportunities to attend and participate or because of barriers like socio-economics factors, physical accessibility, or a limited offer. We believe that everyone has the right to access the arts and we want to transform the opportunities open to people in these places. Our vision for the Creative People and Places programme is to support the public in shaping local arts provision and, in doing so, to increase attendance and participation in excellent art, and existing Creative People and Places delivery organisations are working to a 10-year vision to achieve this. The new funding awarded in 2018/19 will allow a selection of the places currently in receipt of Creative People and Places grants to build on their achievements and continue to develop approaches that support learning across the wider arts and culture sector. This will enable new outcomes over and above those supported as part of the original programme.

Creative Barking & Dagenham is a Creative People and Places project managed by Studio 3 Arts. It has been awarded £500,000 for a third phase of the programme which will be delivered over three years. This programme will lay the groundwork for a radical transition to a fully connected and embedded, civic-led, and sustainable model that will continue to maximise reach, build localised capacity and lead to a high quality, innovative and progressive local cultural ecology. This will be achieved by harnessing partnerships across cultural, voluntary, community and education sectors and placing local people at their heart.



Working with volunteers, Creative Barking & Dagenham will develop and deliver an artistically ambitious and socially engaged programme of live events, workshops and training that will create a blueprint to share with the sector.

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

One of our goals in *Great Art and Culture* outlines our commitment to high quality arts, museums and libraries provision for children and young people. We have a number of Lottery funded programmes that support our priorities around children and young people.

In 2018/19, through our Arts Council National Lottery Project Grants and Grants for the Arts programmes, we have invested £29,437,035<sup>1</sup> into 1,403 projects focused on activities with, for and by children and young people.

Find Your Voice was awarded £13,288 to develop a programme of singing projects, one of which, Xplore, was a parent and child multisensory singing programme that took place in Children's Centres. The work was aimed at family groups identified as being the least likely to engage and most likely to benefit from a cultural activity. The intention was to engage children in singing and performance for the very first time in familiar settings.

During a pilot programme, Find Your Voice identified cost as a key barrier experienced by young family groups living in areas of low engagement. They wanted to offer opportunities for engagement free of charge, enabling more children to take part in creating songs. The programmes were delivered in 15 Children's Centres across a wide geographical area, including Macclesfield, Crewe, Nantwich, Worksop, Merton, Ellesmere Port, and Harrow, reaching a total of 456 family groups.

Alongside the programme the project also had an element of artist training, to enable local facilitators to upskill in community learning delivery and continue inspiring children after the project had concluded.

#### **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. We have funded a range of projects that have been produced by, for and with communities across the country, presented in spaces from theatres to village halls and shopping centres.

The first Chapel Allerton Arts Festival (CAAF) took place in 1997 in response to a consultation event held to identify ways to increase the sense of community in the area. It has now established itself as a successful street festival, offering a programme of music, poetry, arts and crafts, children's activities and film. The 2018 festival built on the success of the previous year's community engagement programme and introduced new opportunities for the community. One of the key aims for 2018 was to involve and engage more of the local community in creating and experiencing the artistic content of the festival, and developing links with the wider business community and local arts venues throughout Chapel Allerton to involve them in the activities and widen engagement outside of their pre-existing audiences.

CAAF used their Arts Council National Lottery Project Grants award of £11,986 to extend and diversify their main festival activity and continue to build on and develop their community arts engagement programme. This included introducing new community fringe activities such as jazz and folk roots performances,

<sup>1</sup> This and subsequent figures includes award volumes and values for decisions made between 1 April 2018 and 31 March 2019. Associated payments and activity may take place over subsequent years. Figures are correct at time of issue, but are subject to change as a result of instances such as, but not limited to, non-acceptance of grants or project budget underspend. Figures may differ from alternative datasets that may be based upon actual payments released in the financial year.

a poetry festival, music workshops, an arts trail and developing a community ukulele band. The Fringe activities supported the main festival in developing scope and range by holding events in the public realm.

The programme was delivered in partnership with Leeds City Council, and several local arts organisations. This partnership worked to integrate the new genres of music and arts into the festival and bring together different audiences and artists, with the aim of developing lasting creative partnerships to enhance its the diversity and appeal.

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

We encourage high quality experiences for people participating in the arts. Voluntary and community groups are eligible to apply for funding and we aim to support participation through the programme.

*Beneath the Blue Rinse* is a dark comedy with a serious message, discussing how society views older people. When a dubious salesman enters (supposedly gullible) Flora Parkin's house, he's convinced he can worry her into buying an alarm system. Little does he know he's been lured into a trap. He starts to learn what it is like to be vulnerable, exploited, ignored, and subject to the care of others. It's comedy with a vicious bite.

Living the Drama Ltd received £3,964 through Project Grants to take the show on a short tour where it was performed by a cast made up of professionals and volunteers from Third Act, their playwriting group for older people. There were six performances in four venues.

AgeUK Oxfordshire were a key partner in the project. They helped to raise media and audience awareness of the plight of many elderly people who are dependent on the care and goodwill of others, as well as offering meaningful volunteering opportunities to older people through creative participation as well as backstage and box office roles.

This project aimed to develop the company's range and ambition as a theatre company as this is the first work they have taken on tour. They wanted to ensure that the voluntary, non-professional members also gained from this development. As a small company they have often benefited from voluntary support, but also acknowledge the mutual benefits of volunteering, and know that volunteering isn't just a catalyst for young artists to get experience. The relative scarcity of roles for older actors means that voluntary opportunities for older performers are difficult to secure. Living the Drama hope to take the play on tour in 2019 and turn the initial volunteering experiences into paid employment for the cast and crew, some of whom are over 65.

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

Subject Specialist Networks exist to develop the museum sector's curatorial knowledge by capturing and sharing expertise associated with collections in a sustainable way. The Subject Specialist Networks fund, launched in 2018/19, will support the Networks to develop, maintain and share expertise associated with specialist collections alongside their contribution to public engagement, education and enjoyment.

We expected applications to anticipate and adapt to economic, environmental and social change by seizing opportunities, identifying and mitigating risks, and deploying resources effectively in order to continue delivering work in line with the applicant's mission. This included thinking about and planning for organisational performance, financial and environmental sustainability, the skills and knowledge of the workforce, as well as equality and diversity.

Through this programme, the Society for Museum Archaeology has been awarded £49,413 for the delivery of the Society for Museum Archaeology Resources and Training (SMART) Project. The SMART Project will deliver a number of activities that will enable

museum staff and volunteers to develop the skills to work with archaeological collections proactively and confidently across collections care, interpretation and public access. It will connect museum staff and volunteers with subject specialist expertise in order to facilitate knowledge exchange and strengthen expertise in museum archaeology. This 16-month project will also ensure toolkits and guidelines are updated, and readily accessible to museum staff and volunteers.

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

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

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

In the year under review, we made a Capital award of £4.6 million to Lakeland Arts to undertake the first phase of a masterplan. This includes complete refurbishment of its Grade I listed Abbott Hall art gallery and development of the site to create a more permeable and accessible resource for use by the local community and tourists. The site is located in the heart of Kendal in the Lake District and is set in parkland adjacent to the river Kent. The old stable block houses the award-winning Museum of Lakeland Life. The plans include a 'fit for purpose' education space enabling the development of the organisation's cross generational education programme as well as a new build café. The intention is to encourage more informal engagement with the gallery and museum, opening it up to a broader range of visitors both in terms of age and socio-economic background.

Sustainability has been a core consideration during design development within the restrictions of the Grade I listed building fabric.

The project includes a range of measures to reduce the carbon footprint of Abbot Hall and the wider site including:

- a ground source heat pump that will provide both low carbon heating and cooling and will reduce energy use and operating costs on a permanent basis
- double glazing throughout
- thermal insulation to external walls
- natural ventilation (to non-gallery spaces)
- high efficiency LED lighting

In addition:

- the new café will have high thermal performance, be naturally ventilated and include an area of solar array
- a more sustainable approach to surface water drainage is to be implemented, as recommended by the Environment Agency

The site is prone to flooding which in 2015 caused closure of the gallery and damage to some works in the collection and the site works will go a considerable way towards mitigating this risk.

The opportunities to enhance revenue generation from the improved café, hire spaces and a vastly improved visitor experience will improve the financial resilience of the organisation and provide a major visitor attraction for the town, making a considerable additional contribution to local economic development.

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

We know that where people live is likely to have a profound impact on the likelihood of them attending or participating in the arts. There are considerable differences in engagement levels for regions, local authority areas and neighbourhoods across England and

one of the factors that affects engagement is economic and social deprivation. In 2018/19, 24 per cent of the total value of Lottery grants awarded have been channelled into the 20 most deprived local authorities in England.<sup>1</sup>

This year for example, Badapple Theatre Company was awarded £13,690 towards a rural tour of *The Thankful Village* by established playwright Kate Bramley – a comic, all female cast drama for three actors that celebrates feminism through the lens of spiralling social changes affecting a rural household in the advent of the first world war.<sup>1</sup>

*The Thankful Village* toured to 24 rural venues, providing a vital arts service of high quality bespoke performances for audiences isolated geographically and demographically. A key part of this project, and all of Badapple's work, is the desire to place theatre at the heart of rural community life. They have been touring professionally for 20 years, and more recently they have focused on bringing a complete theatre experience to some of the smallest rural halls across England. They aim to push the boundaries of what can be created in small spaces in pursuit of excellence. In addition, they have created a network of small halls who partner with the Theatre On Your Doorstep scheme, and for over a decade Badapple have been a central part of their volunteer-led community events that bring villagers closer together.

This Project Grants-funded tour presented an opportunity for Badapple to reach many new audiences in new areas with the intention of inspiring community audiences to attend theatre at their local village hall or rural venue, while not compromising on creativity or feminist debate in their work. The national tour reached 1,400 people as audience members, over 60 per venue. Most attendees at the performances were over 60 years of age. Through their pre-application planning, Badapple were very aware that their audiences

would be predominantly local to venues (usually within 5 miles), and would be unlikely to be regular theatre goers, largely due to the simple fact that rural transport networks do not serve urban centres at night.

The grant covered fees for taking three performers and a stage manager on tour as the small-scale capacity of the halls meant that they would not be able to cover such costs without grant support. Badapple was also committed to keeping ticket prices low throughout the tour to ensure that economic deprivation was not a barrier.

The long term goal of the project is to encourage new audiences to become regular audiences who return to see more touring arts events in the future, placing the arts at the heart of rural community life.

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

In 2018/19, we focused some of our investment on addressing the significant underrepresentation of disabled and Black and minority ethnic leaders across the arts and cultural sector. The Clore Leadership Programme received a National Lottery grant of £500,000 to identify and develop a diverse cohort of emerging and potential leaders across the arts and cultural sector. The activity they will be delivering throughout 2018/19 and 2019/20 focuses on identifying the skills and competencies these future leaders will need, developing mechanisms to help the cohort increase those skills, and working with the existing leadership community to support their ongoing professional development needs. The activity will also contribute to building the evidence base around leadership development for the arts and culture sector, driving a greater understanding of the importance of resilient, diverse leadership.

<sup>1</sup> Based on 2015 IMD ranking of applicant local authority.

During 2018/19 we have also developed and launched a new Lottery funding programme – [Transforming Leadership](#) – that will make investments from 2019/20 with a total budget of £6,000,000. This programme will support a number of providers to design and deliver a broad range of evidence-based leadership development interventions, and we will be looking to invest in projects that take a rigorous approach to developing interventions based on the growing body of evidence. We will also be focused on supporting projects that contribute to moving the practice of leadership development forward.

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

We recognise that through partnership working and alignment of our activities at local and national level, greater benefits can be realised for the economy, as well as increasing the effectiveness and impact of our Lottery funded activity. We continue to meet regularly with the other distributors to explore and discuss the best ways to get the most out of Lottery money for good causes.

We have also developed close relationships with a number of organisations.

2018 saw the final round of the [Artists' International Development Fund](#) (AIDF), a programme jointly funded and delivered in collaboration with the British Council since 2012. The programme supported the shared objectives of the British Council and Arts Council England by awarding small grants of up to £5,000 to individuals to work with international partners and other organisations, and benefit from mentoring and collaborative opportunities that they couldn't access at home.

The final round of the programme saw the British Council investing an additional £250,000 into the budget ensure that the programme ended with as many artists as possible being able to take up timely opportunities. One artist who was funded through AIDF in 2018/19

was Sian Berry, who travelled to Chicago and Seattle with her access support worker so she could work with and learn from disability positive circus performers, and learn how to use her skills to make work that celebrated and creatively incorporated her disability. Another successful AIDF recipient in the final round was Javaad Alipoor, whose work has won awards at the Edinburgh Fringe. Javaad applied to AIDF to enable him to take the first step in international working. The award of £4,975 meant Javaad could take up a residency at The National Theatre of Parrammata in Australia.

While a number of our other joint working initiatives have been achieved this year through use of our Grant-in-Aid funds (the [CreativeXR programme](#), for example), we have also made some investments through the National Activities strand of our Arts Council National Lottery Project Grants programme that have allowed our grant holders to take up opportunities offered by strategic partner organisations. For example, we have supported five organisations to take up the opportunity to be part of the BBC's New Creatives initiative to become a national network of centres for artist-led creative media work for broadcast, which involved liaison with the BBC throughout the process as a significant co-funder.

We have continued to meet and share best practice with a range of grant giving, Lottery distributing and sector specialist organisations throughout the year and continue to explore ways of working jointly.

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

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

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

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

**o) The need (a) to support projects which are for a specific, time-limited purpose, (b) to ensure that Arts Council England has the necessary information and expert advice to make decisions on each application and (c) for applicants to demonstrate the financial viability of projects**

We use our National 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. Applicants are always asked to provide information about the financial viability of their projects (including how they will raise match funding, whether in cash or in kind) and to describe how their projects will be managed (including how they will evaluate their work and learn/share lessons).

Lottery funding is allocated through two main channels:

**1.** Arts Council National Lottery Project Grants launched in March 2018 as a successor programme to Grants for the Arts. The decision-making process for the two programmes overlapped for the first four weeks of 2018/19. Project Grants is our flagship open application programme that provides Lottery funding to individuals and organisations and for national activities.

Grants range from £1,000 to £100,000 (although we may fund activities to a higher value in exceptional circumstances) and can cover activities lasting up to three years. 2018/19 saw a total of 4,246 awards made (213 Grants for the Arts, 4,033 Project Grants) with a total value of £85,568,936 (over £6 million Grants for the Arts, over £79 million Project Grants).

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

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

Our Development funds are used to target particular challenges, opportunities or funding gaps, creating the environment for further development to take place in the arts and culture sector. Ultimately, they help us meet our mission of 'Great Art and Culture for Everyone'. In 2018/19 147 awards were made with a total value of £16,097,657.

In 2018/19, £71,292,916 supported 149 of our National Portfolio Organisations to deliver touring activity and work with, for and by children and young people.

## FINANCIAL DIRECTIONS

Under section 26(3), (3a) and 4 of the National Lottery etc Act 1993 (as amended by the National Lottery Act 1998), the Secretary of State issued Financial Directions to the Arts Council England, as set out below:

The Arts Council of England ('the Council') shall comply with the requirements contained within the attached Statement of Financial Requirements, which have the status of Directions under section 26 of the National Lottery etc Act 1993, as amended ('the Act'). The Statement of Financial Requirements complements the Council's Management Statement and Financial Memorandum (MS/FM), which deals with corporate management 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 2018/19. A copy of the Statement of Financial Requirements is publicly available.

## 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.

From 2018/19 DCMS approved a revised methodology for calculating Lottery administration. The target is for administration costs to be below 8 per cent of Lottery income, calculated on a rolling three-year average of current year income and the two prior years. This is a change from the previous methodology where the target administration costs were a proportion of income for a single year. The data below shows that our administration costs for 2018/19 were approximately £1.35 million less than the target and approximately £0.09 million more than last year.

### 1. ACTUAL LOTTERY ADMINISTRATION COSTS

	2014/15 £M ACTUAL	2015/16 £M ACTUAL	2016/17 £M ACTUAL	2017/18 £M ACTUAL	2018/19 £M ACTUAL	2018/19 £M TARGET
ACTUAL ADMINISTRATION COSTS*	17.74	17.25	17.85	16.26	16.35	17.70

\* EXCLUDES EXCEPTIONAL ITEMS AND ONE-OFF IT DEVELOPMENT COSTS

## 2. ADJUSTED LOTTERY ADMINISTRATION COSTS

The figures in this table are for illustration only and show administration costs adjusted for inflation using inflation rates as defined by the Treasury's GDP deflators.

	2014/15 £M ACTUAL	2015/16 £M ACTUAL	2016/17 £M ACTUAL	2017/18 £M ACTUAL	2018/19 £M ACTUAL	2018/19 £M TARGET
ACTUAL ADMINISTRATION COSTS*,**	17.49	16.89	15.02	15.31	15.14	16.63

\* EXCLUDES EXCEPTIONAL ITEMS AND ONE-OFF IT DEVELOPMENT COSTS

\*\* FIGURES HAVE BEEN ADJUSTED FOR INFLATION USING 2014/15 AS THE BASE YEAR

## 3. ACTUAL LOTTERY ADMINISTRATION COSTS AS A PROPORTION OF LOTTERY INCOME

	2014/15 ACTUAL	2015/16 ACTUAL	2016/17 ACTUAL	2017/18 ACTUAL	2018/19 ACTUAL
ACTUAL ADMINISTRATION COSTS AS % OF LOTTERY INCOME*	6.51%	6.40%	7.82%	7.07%	7.00%

\* EXCLUDES EXCEPTIONAL ITEMS AND ONE-OFF IT DEVELOPMENT COSTS. 2018/19 PERCENTAGE CALCULATED AS AN AVERAGE OF THREE YEARS' INCOME

## GRANTS PROCESSING TIMES

Since the start of our flagship Lottery programme, Grants for the Arts in April 2003, we have undertaken to process applications to decision within the following turnaround times:

SIZE OF APPLICATION	TURNAROUND TIME
Applications for funding up to and including £15,000:	6 weeks
Applications for funding for £15,001 and above:	12 weeks

Since 2009/10 we have adopted a target of processing 90 per cent of all applications within our stated turnaround times. The thresholds were increased on 1 July 2013 from £10,000 to £15,000.

YEAR		A	B	C
2013/14	Actual*	77.40%	89.00%	86.40%
2013/14	Actual**	99.60%	98.50%	99.40%
2014/15	Actual	99.58%	98.26%	99.32%
2015/16	Actual	99.50%	98.71%	99.37%
2016/17	Actual	99.83%	99.13%	99.73%
2017/18	Actual	95.50%	97.07%	95.74%
<b>2018/19</b>	<b>Actual</b>	<b>96.44%</b>	<b>96.19%</b>	<b>96.40%</b>
<b>2018/19</b>	<b>Target</b>	<b>90%</b>	<b>90%</b>	<b>90%</b>

\* GRANT THRESHOLDS OF £10,000 AND UNDER, AND £10,001 AND OVER

\*\* GRANT THRESHOLDS OF £15,000 AND UNDER, AND £15,001 AND OVER

- A** % of applications for up to £15,000 processed in six weeks or less (£10,000 prior to 1 July 2013)
- B** % of applications for over £15,001 processed in 12 weeks or less (£10,001 prior to 1 July 2013)
- C** Overall % of applications processed within target time

Please note that for the years 2004/05 to 2009/10 the target time was six weeks for applications for up to £5,000 and 12 weeks for applications over £5,000.

## POLICY ON ADDITIONALITY

Arts Council England and the organisations that distribute Lottery funds on its behalf recognise and respect the additionality principles of Lottery funding. Lottery funding enables us to extend the reach and increase the impact of the activity that we could undertake if only Exchequer funds were available. Together with the other Lottery distributors who make up the Lottery Forum, we have agreed to share the following common definition of additionality:

Lottery funding is distinct from government funding and adds value. Although it does not substitute for Exchequer expenditure, where appropriate it complements government and other programmes, policies and funding.

We and our delegates will have regard to the principles of additionality and this policy when we set the strategic objectives of our Lottery-funded programmes and when we decide how each programme will operate. We have, and will continue to use, Lottery funding to fund specific time-limited activity that would not take place without the support of the Lottery.

# Image credits

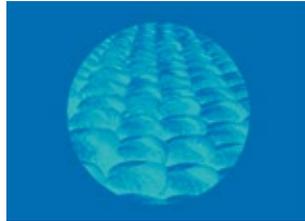


# Image credits

## *In order of appearance*



BARBICAN CENTRE –  
WALTHAMSTOW GARDEN  
PARTY 2018. PHOTO © GAR  
POWELL-EVENS



GATHERING BY SUSIE  
MACMURRAY.  
PHOTO © BEN BLACKALL  
(PAGES 1, 6)



NATIONAL YOUTH THEATRE  
OF GREAT BRITAIN –  
SUMMER COURSES.  
PHOTO © ALESSANDRA  
DAVIDSON



IMITATING THE DOG'S  
PRODUCTION HEART OF  
DARKNESS.  
PHOTO © ED WARING



GATHERING BY SUSIE  
MACMURRAY.  
PHOTO © BEN BLACKALL  
(FRONT AND BACK COVER,  
PAGES 2, 16, 163)



IMPROBABLE – STILL NO IDEA  
(2018). PHOTO © CAMILLA  
GREENWELL



IMPROBABLE – THE PAPER MAN.  
PHOTO © CAMILLA GREENWELL



MATT'S GALLERY – JUAN CRUZ,  
I DON'T KNOW WHAT I'M DOING  
BUT I'M TRYING VERY HARD.,  
2018. PHOTO © JONATHAN  
BASSETT



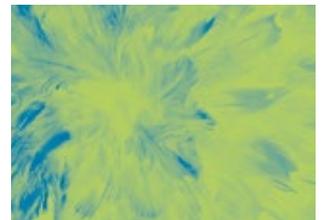
BOY BLUE, R.E.B.E.L.  
PHOTO © NICOLE GUARINO



PHOTO © HUGO GLENDENNING



PHOTO © SUNDERLAND ECHO



GATHERING BY SUSIE  
MACMURRAY.  
PHOTO © BEN BLACKALL  
(PAGES 10, 35)



MATT'S GALLERY –  
RICHARD GRAYSON,  
BY OUR OWN HAND, 2018.  
PHOTO © CARMEN VALINO 2018



ST GEORGE'S BRISTOL.  
PHOTO © SIMON CAMPER



LIBRARIES UNLIMITED –  
LAUNCH OF THE SUMMER  
READING CHALLENGE.  
PHOTO © ANDY CASEY



NATIONAL YOUTH ORCHESTRA  
OF GREAT BRITAIN.  
PHOTO © JASON ALDEN



ADVENTURE PLAYGROUND LAURA  
KIRMAN AND NIALL RANSOME.  
PHOTO © TONY BARTHOLOMEW



GIANTS DAY 3.  
PHOTO © GARETH JONES



STAGE COMPANY.  
PHOTO © BECKY BAILEY



REOPENING OF MANCHESTER  
CENTRAL LIBRARY, MARCH 22ND  
2014. PHOTO © JOEL C. FILDES  
FOR ARTS COUNCIL ENGLAND



MANCHESTER DAY PRODUCED  
BY WALK THE PLANK.  
PHOTO © MARK WAUGH



WORLD HEART BEAT MUSIC  
ACADEMY. PHOTO © SOPHIA  
SCHORR-KON



OCKHAM'S RAZOR. PHOTO © N/A



NATIONAL YOUTH THEATRE OF  
GREAT BRITAIN – VICTORIA'S  
KNICKERS REHEARSAL...  
PHOTO © HELEN MURRAY



PHIZOGS BY BEDWYR WILLIAMS – ROYAL ALBERT MEMORIAL MUSEUM. PHOTO © ROB MACKENZIE



NATIONAL YOUTH ORCHESTRA OF GREAT BRITAIN. PHOTO © JASON ALDEN N



IMAGINE WATFORD 2018. PHOTO © STEVE EGGLETON



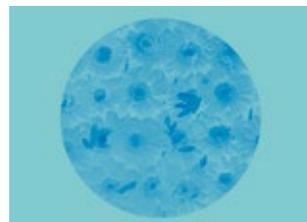
YORKSHIRE DANCE PRESENTS AN AFTERNOON OF MUSIC AND DANCING WITH YOUNG AT ARTS. PHOTO © DAVID LINDSAY



IMAGINE WATFORD 2018. PHOTO © STEVE EGGLETON



PROTEIN DANCE/MARCHE TEATRO – FOOD. PHOTO © GIULIA DI VITANTONIO



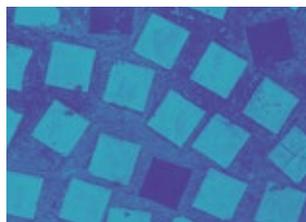
ATTENBOROUGH ARTS CENTRE. PLANT CULTURE EXHIBITION. PHOTO © DAVID WILSON CLARKE/ATTENBOROUGH ARTS CENTRE



SHAPE ARTS – NDACA. PHOTO © ANDY BARKER



GATHERING BY SUSIE MACMURRAY. PHOTO © BEN BLACKALL



VLADISLAV NIKONOV / UNSPLASH / IMAGE REFERENCE 1371927



MICHAEL CLARK COMPANY. PHOTO © HUGO GLENDINNING



MANDINGA ARTS – THEATRE DELI, DAY OF THE DEAD FESTIVAL 2018. PHOTO © JON LEE



WORKSHOPS BY WISE CHILDREN.  
PHOTO © STEVE TANNER



PROTEIN DANCE – THE LITTLE  
PRINCE. PHOTO © JANE HOBSON



PHILHARMONIA ORCHESTRA.  
PHOTO © CAMILLA GREENWELL



ARTSREACH.  
PHOTO © RACHEL DUNFORD



IMAGINE WATFORD 2018.  
PHOTO © ALEKSANDRA WARCHOL



RICARDO GOMEZ ANGEL  
UNSPASH IMAGE  
REFERENCE 402945



SHOBANA JEYASINGH – SCHOOL  
RESIDENCY. PHOTO © FOTEINI  
CHRISTOFILOPOULOU



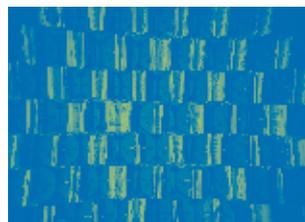
DAVID ROSS EDUCATION TRUST'S  
2018 DANCE FESTIVALS.  
PHOTO © JOHN ARON  
PHOTOGRAPHY/DAVID ROSS  
EDUCATION TRUST



ILUVLIVE. PHOTO © ABIGAIL SHII



INSPIRE LIBRARIES – CAULDWELL  
HOUSE. IMAGE(S) CREDIT /  
ACKNOWLEDGMENTINSPIRE:  
CULTURE, LEARNING AND  
LIBRARIES. PHOTO © RALPH  
BARKLAM



YOUNG DIRECTORS COURSE  
PHOTO © WESLEY STOREY.



CARNIVAL VILLAGE TRUST.  
PHOTO © TAM HOBSON



JEWISH MUSEUM.  
PHOTO © JON HOLLOWAY



WE DWELL BELOW BY OONI  
STUDIOS 2018 AT HANCOCK  
MUSEUM. PHOTO © MARK  
SAVAGE



THE DEMOCRATIC SET,  
BACK TO BACK THEATRE –  
IN BETWEEN TIME.  
PHOTO © PAUL BLAKEMORE



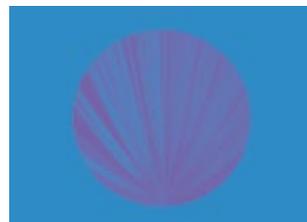
© SOPHIE MUTEVELIAN



IMAGE(S) CREDIT /  
ACKNOWLEDGMENT BAA  
HUMBUG – BLUE ELEPHANT  
THEATRE.  
PHOTO © LIDIA CRISAFULLI



CIRCO RUM BA BA PERFORM AT  
THE NATIONAL RURAL TOURING  
FORUM CONFERENCE 2015,  
HOSTED BY CREATIVE ARTS EAST.  
PHOTO © TRISH THOMPSON /  
CREATIVE ARTS EAST



SUKHMANNJEET SINGH.  
UNSPASH IMAGE  
REFERENCE1492124



MAX VAN DEN OETELAAR.  
UNSPASH IMAGE REFERENCE  
1255536



AT THE BEACH, ONCE THERE  
WAS... THE WONDERFUL WORLD  
OF OLIVER JEFFERS INTERACTIVE  
FAMILY EXHIBITION. PHOTO © MIKE  
MASSARO, DISCOVER CHILDREN'S  
STORY CENTRE



CANDOCO DANCE COMPANY  
IN THE STUDIO WITH ARLENE  
PHILLIPS. PHOTO © CAMILLA  
GREENWELL, 2018. THANKS TO  
STUDIO WAYNE MCGREGOR  
FREESPACE PROGRAMME.





## Contact & accessibility

---

Arts Council England  
The Hive  
49 Lever Street  
Manchester  
M1 1FN

**Website** [www.artscouncil.org.uk](http://www.artscouncil.org.uk)

**Phone** 0161 934 4317

**Email** [enquiries@artscouncil.org.uk](mailto:enquiries@artscouncil.org.uk)

**Textphone** 020 7973 6564

Arts Council England is the trading name of The Arts Council of England.

Charity registration number 1036733.

You can get this document in Braille, in large print, on audio CD, and in various electronic formats. Please contact us if you need any of these.

We are committed to being open and accessible. We welcome all comments on our work.

Please send these comments to our Enquiries Team at:

The Hive, 49 Lever Street,  
Manchester, M1 1FN. Or use the  
contact form on our website at:  
[www.artscouncil.org.uk/contact-us](http://www.artscouncil.org.uk/contact-us)

© Arts Council England, 2018

ISBN 978-1-5286-1379-8  
CCS0619386320

 Awarding funds from  
**THE NATIONAL LOTTERY®**

