

Arts Council England,
Grant-in-Aid and National Lottery Distribution 2019/20



Annual Report & Accounts

FOR THE YEAR ENDED 31 MARCH 2020



ARTS COUNCIL ENGLAND GRANT-IN-AID
AND NATIONAL LOTTERY DISTRIBUTION
ANNUAL REPORT AND ACCOUNTS 2019/20

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 16 July 2020

HC 416





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ISBN 978-1-5286-1882-3
CCS0420457470

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.

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Chair's report



01.

Sir Nicholas Serota CH

CHAIR, ARTS COUNCIL ENGLAND



This spring our lives and our society have been threatened by a pandemic of unprecedented scale. The Arts Council was born in World War Two, a war of a different kind. However, now, as then, people have recognised the importance to their lives of creativity and culture as expressions of human endeavour.

The resilience and adaptability that people have shown in recent months is a clear demonstration of how an ability to think creatively is present in each of us. An understanding of the role of creativity in all our lives is the foundation of the Arts Council's work and therefore of our new 10-Year Strategy, *Let's Create*, which we published in January. It sets out how we intend to support creativity and culture in communities throughout England over the next decade. Of course, we now face a very different world, but the goals and the principles of that Strategy remain at the forefront of our minds as we seek to support the sector through this crisis and beyond.

The Strategy was two years in the making and was developed in close collaboration with the cultural sector, as well as communities and audiences across the country. It has its roots in a series of workshops and surveys that began in 2018, when we asked 5,000 people to express their thoughts on the future of culture and creativity in England.

In 2019, we held a second round of workshops where members of the public gave us their views on the emerging draft strategy, followed by further consultations with the cultural sector, funders, policy makers and young people. In

total we listened to the views of more than 6,000 people.

The consultation process reflects our belief that something as deeply nourishing as creativity and culture should be accessible to everyone, no matter their background or where they live. The consultation reflected our willingness to listen, and I believe we have emerged with a Strategy that reflects a genuine understanding of the many different ways in which creativity and culture can play a part in all our lives.

The Strategy is designed to achieve three Outcomes, through which we will realise the priorities, hopes and ambitions that were expressed during the consultation process.

The first Outcome, *Creative People*, is a commitment to making sure that every person will have the chance to develop their creativity and express themselves, enjoying all the benefits of health and wellbeing, as well as the sheer joy, that creativity brings. Through the second Outcome, *Cultural Communities*, we aim to encourage all our villages, towns and cities to bring people together, to regenerate neighbourhoods and to support their economies through culture. By working towards the final Outcome, *A Creative and Cultural Country*, we will ensure that England's creative and cultural practitioners and the organisations that present their work are producing outstanding, innovative work and are regarded as international leaders, contributing to the country's economic success and to our position on the world's stage.

The Strategy describes four Investment Principles that will help us achieve these

Outcomes. These are: *Ambition & Quality* – ensuring that we are investing in the highest quality artistic work and supporting elite talent; *Dynamism* – harnessing innovations in technology, finance and business practices in the service of creativity and culture; *Environmental Responsibility* – requiring the organisations and artists we support to make their work environmentally sustainable; and *Inclusivity & Relevance* – addressing the continuing failure to achieve the diversity that should be present in the cultural sector’s leadership, governance, workforce and audiences, and asking organisations to create work that speaks to the communities they serve.

Although this is a new Strategy, its values have been illustrated by our work throughout 2019/20.

We have continued to promote excellence in the cultural sector with an investment of £407 million in our National Portfolio Organisations and £100 million through National Lottery Project Grants, our open access funding stream for the arts, museum and library sectors. These investments in organisations run alongside initiatives that support individual artists, encouraging and growing talent in the cultural sector.

We want the work we support to reach as wide an audience as possible and especially those people who may not usually engage with creativity and culture. I am pleased to report that audiences for our National Portfolio Organisations increased by 18 per cent in the three years to March 2019, and audiences for work funded by our National Lottery Project Grants increased by 36 per cent in the same period.

We have committed an additional £41.5 million to our Creative People and Places programme, designed to increase engagement in areas where people have traditionally faced barriers to accessing art and culture. This investment has allowed us to bring the programme to 13 new locations across the country, including towns such as Barrow, Basildon, Sedgemoor, Middlesbrough and Great Yarmouth, and to

extend the work of four existing projects. There are now 34 locations in the programme, and we have recently launched a second phase, inviting applications from the remaining 66 places across the country with the lowest levels of cultural engagement.

Promoting creativity in education and bringing the arts into the curriculum for all age groups makes a vital contribution to the lives of young people and encourages engagement with the arts and culture throughout life. The *Durham Commission on Creativity and Education*, a collaboration between the Arts Council and Durham University which looked at the importance of creativity and creative thinking in our education system, was published in October. The report found that while every child can benefit from teaching for creativity across all disciplines, these opportunities are not equally available to all.

The report made a number of recommendations on how these inequalities can be addressed. We have already taken the first steps in response and, in the wake of the current crisis, we are planning a number of new initiatives that will sit alongside the excellent work already being done by organisations we have invested in over the last year, including Music Education Hubs, Bridge Organisations and National Youth Music Organisations.

We continue to invest in projects that will unlock the creative potential of new technology. These include CreativeXR, our partnership with Digital Catapult which supports creative teams to develop work using immersive technology. We announced a second cohort of teams in April 2019 and a third round is currently being developed.

In February this year, we launched the Digital Culture Compass, a toolkit to help organisations incorporate digital technology into their business models. This followed the launch of the Digital Culture Network in March 2019. The Network is composed of nine Tech Champions who advise the cultural sector on how to integrate technologies such as social media, digital marketing and live streaming into

their work. Within six months of launching, the team had worked with over a third of our National Portfolio Organisations and held a series of training events with Google Arts & Culture that reached 260 organisations. Throughout the lockdown, the Network has continued to work with the sector, helping organisations adapt to remote working and engage with audiences online.

We look forward to expanding on this work in the future, encouraging further innovation in support of our country's creativity and culture.

The arts, libraries and museums will emerge from the Coronavirus crisis. However, in responding to the challenges that it has brought to cultural life in this country, we have needed to call on the experience and creativity of all those who work at the Arts Council. I have been enormously impressed by the dedication and resourcefulness of colleagues, who have adjusted their thinking and processes, working swiftly and tirelessly to re-purpose our funding and support the cultural sector through this difficult time.

There will be no easy return to the world we formerly knew. We face an unprecedented challenge in supporting the cultural sector through the coming months and years, and there will be many difficult decisions to make. However, in the isolation and the darkness of the last few months, the sustaining power of the arts, creativity and culture has brought hope to many people. We should take heart from that, and have faith in the immense value of our mission.



Chief Executive's report

02.



Dr Darren Henley OBE

CHIEF EXECUTIVE, ARTS COUNCIL ENGLAND



Together, England's artists, arts organisations, museums and libraries form a precious national asset. They bring joy to millions of people, making villages, towns and cities across the country great places to live, work and study – and helping to build stronger communities in the process. They are a driver for economic growth, providing employment, training and education in rural and urban settings. And they continue to cement the UK's position as a creative powerhouse on the world stage. Our cultural organisations are internationally renowned for their artistic innovation and excellence. And none of this happens by accident. It is all the result of sustained and strategic public investment in creativity and culture over many years.

The people and organisations working in the cultural sector are showing their ingenuity, their creativity and their immense social value during the current Covid-19 pandemic. It has presented everyone working in our world with an unprecedented challenge. At Arts Council England, we have done everything we can to provide support as quickly and effectively as possible. It has been a test for us – demanding that we work with a swiftness and flexibility that does not always come naturally to a large organisation. We have had to think creatively about how to use our resources in the most effective way, but we have done our best to rise to that challenge.

Our first priority has been to help artists and cultural organisations to survive the immediate financial impact of the lockdown. We established a £160 million set of Emergency Response Funds, setting aside £20 million for individual artists and creative practitioners, £90 million for organisations in our National Portfolio and Creative People and Places consortia, and £50 million for other organisations with a track record of public funding. This response has been made possible by repurposing our existing programmes and using funding from our reserves, with £143 million of the funding coming from the National Lottery.

Our National Portfolio contains more than 800 cultural organisations; some have a global profile and reach, others are major players in their local communities. All have an equally important role to perform. These organisations are the mainstay of England's cultural ecology. They employ thousands of people, commission work from thousands more, and support many other arts organisations, businesses, charities and education providers through partnerships and supply chains.

The collapse of this network would desolate our cultural life in ways that are difficult to imagine. We would lose so much of what brings happiness and meaning to our individual and communal lives, and our ability to harness the nation's creativity to support our economic growth and soft power would be irrevocably undermined.

England's cultural ecology is, of course, not made up of the Arts Council's National Portfolio alone. There are hundreds more

organisations whose work is an essential part of England's cultural landscape, and that face the same challenges. We have done what we can to support as many as we have been financially able.

Our resources are finite, and we will not be able to save every organisation. Every loss is regrettable and will be keenly felt by the people these organisations employ, the artists they commission, and the communities and audiences they serve. However, by providing £140 million for organisations across these two Emergency Funds, we hope to have provided a buffer from the immediate financial shock, to preserve the foundations of our cultural infrastructure and ensure that we lay the best possible groundwork for a recovery.

This is an equally challenging time for individual artists, who have seen sources of revenue dry up. By setting aside £20 million, including £4 million to be distributed by a series of benevolent funds, we have been able to provide grants to help thousands of artists survive this loss of work.

This necessary response has inevitable consequences. We have had to make some extremely difficult decisions. We have suspended a number of our usual funding streams, including our National Lottery Project Grants, which in normal times are a key source of funding for artists and organisations outside the National Portfolio. The £2,500 grants we have made available for individuals have come at the cost of the grants that we would otherwise make from our Developing Your Creative Practice fund. This has led to some disappointment, but we believe it is right at this time to support as many artists and organisations as possible.

All of the work we invest in is ultimately for the benefit of people and communities across England. This is only right, as all of our funding comes from taxpayers and National Lottery players right across the country. And we know that the pandemic has made life very difficult for many individuals. For millions of people, culture is at the core of how they socialise, learn and entertain themselves. They use creativity to connect with other people, to

support their health and wellbeing. Many have been struggling with the isolation of lockdown. So, we have also endeavoured to bring the joy of creativity and culture into people's homes during a period when buildings have been closed.

Initiatives such as the National Theatre's At Home streaming service have brought world class productions into living rooms across the country. Their first streamed production during the lockdown period, *One Man, Two Guvnors*, received more than 2.5 million views during the week it was available online. Children's literature charity Grimm & Co have organised a series of online reading featuring actors such as Olivia Colman and Gary Oldman, while galleries such as Birmingham's IKON are offering virtual tours. Other organisations have provided resources to help people get creative themselves, such as Nottingham Playhouse's singing classes, virtual dance classes from Street Factory in Plymouth, and Bolton Octagon's Octagon Online service, providing a range of creative activities for people to take part in at home. Working with Bridge Organisations, we have also distributed packs of art supplies to over 25,000 children, to help ensure that children from less advantaged backgrounds can still enjoy the benefits of creativity during the lockdown.

Cultural organisations have also mobilised their resources to continue serving their local communities. The Leeds-based theatre company Slung Low have become the lead organisation for co-ordinating the community response to Covid-19 in Holbeck and Beeston, while Eastern Angles in Ipswich have set up a helpline for people needing a chat during isolation. Tyne & Wear Archives & Museums have redeployed staff to support a local food bank, and the digital team at Gateshead Libraries have been making PPE for frontline workers. These are just a few examples of many that demonstrate the ethos of community that thrives in our arts organisations, museums and libraries.

We are also supporting the BBC's Culture in Quarantine initiative, which is making a wide variety of cultural works available to enjoy at home. As part of this programme, we have provided funding for 25 artists to develop work

that engages creatively with the principles of social distancing. By doing this we hope to encourage creative responses to the crisis, and to mobilise the power that art has to help us make sense of the world even in the most difficult times.

Such seismic changes have required a huge adjustment in how the Arts Council operates. Alongside the rest of the country, we temporarily closed our nine offices in March 2020 to comply with the Government's lockdown order. While flexible working has been part of our internal culture for a long time, this has taken on a new meaning as we work at home, away from friends and colleagues, with many people balancing their workloads with caring responsibilities.

I have been hugely impressed with how my colleagues at the Arts Council have risen to this challenge. They have shown how they embody our values – ambition, caring, learning, trust and accountability – in support of the cultural sector and of each other. Their dedication will be invaluable as we emerge from this crisis and begin to plan the way forward.

We will continue to consult with artists and cultural organisations as we develop our plans for those next steps. I want to thank our Secretary of State, Oliver Dowden, the Minister for Culture, Caroline Dinenage, and officials at DCMS, the Department for Education, and HM Treasury, whose support has been vital in enabling our response to the crisis.

It will be a long road back to any kind of normality, but we are wholly committed to the journey and will be sustained by our passionate belief in the value of creativity and culture. We will work with national and local government, as well as artists, cultural organisations, businesses and all our partners across education, health and civic society to protect and rebuild our cultural sector, which has given so much to the people of England, and the world. At the heart of its success has been the creativity, imagination and innovation of the people who work across the arts, museums and libraries. Whatever the financial challenges we face now, I believe that this well of creative resource will ultimately prevail.



Achieving great art and culture



OB.



Our key numbers for 2019/20

Number of grants

NATIONAL PORTFOLIO
ORGANISATIONS

846

MUSIC EDUCATION HUBS

124

ARTS COUNCIL NATIONAL
LOTTERY PROJECT GRANTS

4,564

CAPITAL

53

DEVELOPMENT FUNDS

753

OTHER RESTRICTED

78



The chart below shows Arts Council programme expenditure during 2019/20:

Grant investments we make

NATIONAL PORTFOLIO ORGANISATIONS

£337m

MUSIC EDUCATION HUBS

£77m

ARTS COUNCIL NATIONAL LOTTERY PROJECT GRANTS

£102m

CAPITAL

£35m

DEVELOPMENT FUNDS

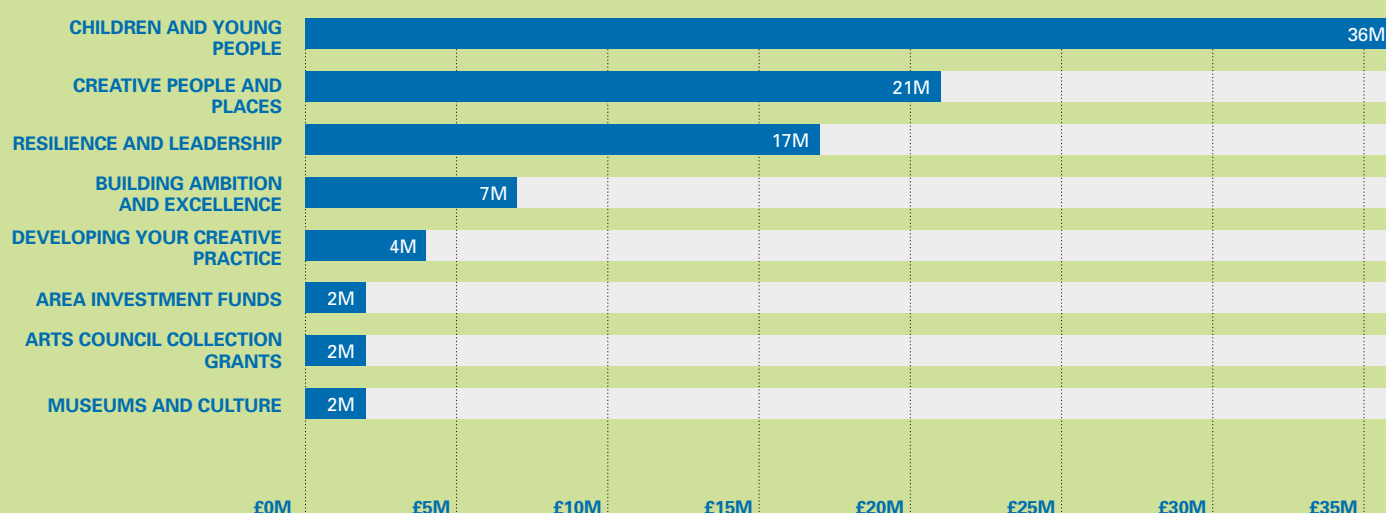
£93m

OTHER RESTRICTED

£15m

Investment and Development Funds

The Investment and Development Funds awarded by Arts Council England during 2019/20 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 2019/20	£M	NUMBER OF GRANTS	AVERAGE VALUE £M
GRANT IN AID			
NATIONAL PORTFOLIO ORGANISATIONS	336	697	0.48
ARTS COUNCIL PROJECT GRANTS	0	21	0.01
DEVELOPMENT FUNDS	16	619	0.03
CAPITAL	27	50	0.54
MUSIC EDUCATION HUBS	77	124	0.62
OTHER RESTRICTED	11	78	0.14
LOTTERY			
NATIONAL PORTFOLIO ORGANISATIONS	1	149	0.01
ARTS COUNCIL NATIONAL LOTTERY PROJECT GRANTS	102	4543	0.02
DEVELOPMENT FUNDS	77	134	0.57
CAPITAL	8	3	2.67
TOTAL	655	6,418	0.10



Our organisation

HOW WE MAKE THINGS HAPPEN



540

FTE EMPLOYEES

87%

Number of staff who rate Arts Council England as a “Good” or “Great” place to work

(3.4%)

Median Gender pay Gap

IIP Gold Award



9

OFFICES

7.85m²

space per FTE

Regional presence

77% of our office space (and 71% of our workforce) is located outside Central London

Roll-out “Smart Working” project, reducing costs



85

GOVERNANCE BODY MEMBERSHIP

15

National Council members

5

Area Councils



Goals

01

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



HIGHLIGHTS

- 451 grants awarded under our Developing Your Creative Practice programme
- 256 National Portfolio Organisations registered for our new Insight and Impact Toolkit
- Diversity projects such as the Art of Social Change Exhibition
- International collaboration projects such as Blast Festival of Photography

Our aim is for artists, arts organisations, museums and libraries to deliver artistic work and cultural experiences that represent the height of ambition, talent and skill. We want to demonstrate England's status as a global centre for cultural excellence, and support artists to export their work internationally, showcasing the best of our country's creativity and culture to the world.

We use three key programmes to support the delivery of this Goal: the National Portfolio; National Lottery Project Grants; and Developing Your Creative Practice.

National Portfolio

We currently invest £407 million per year in our National Portfolio which contains over 800 cultural organisations. All of them are funded to support the delivery of this Goal.

In March 2019 we launched our new Impact and Insight Toolkit, which helps National Portfolio Organisations to understand what their peers and audiences think of their work, and how this aligns with what they are trying to achieve. Over the last 12 months, 256 National Portfolio Organisations have registered to use the toolkit, with 220 evaluations begun, 187 completed, and 63 insight reports submitted to Arts Council England. By the end of March 2020, 707 peer assessors – cultural sector professionals who will provide critical reviews of the work they experience – had been registered to support the Toolkit.

The Royal Albert Memorial Museum (RAMM) in Exeter was the first cultural organisation to use the Toolkit when they evaluated a temporary exhibition in 2019. RAMM's objectives are two-fold: to attract visitors who like contemporary art but who wouldn't normally come to RAMM, and to encourage RAMM's core audiences to interact with contemporary art. Robust evaluation to assess how they are meeting these goals is extremely important for the museum.

In the two weeks before the exhibition opened, they were able to understand the evaluation method, then use the Toolkit to set up online questionnaires, train volunteers and start collecting data. They could access feedback straight away, and learned that their peers in the cultural sector valued the exhibition, stating that they felt 'lucky that such a good exhibition

had come to Exeter' and giving higher than expected scores across a range of measures. They also learned the public were more engaged with the exhibition than they had expected, with comments suggesting that they 'thought [RAMM] was more traditional but now think it's more critical and contemporary.' The evaluation also revealed that the exhibition had been successful in attracting a younger audience.

We are committed to promoting diversity throughout all our programmes, so that the work and services they fund reflects the people and communities of contemporary England. This year we helped to fund the Art and Social Change exhibition at the Midland Arts Centre in collaboration with DASH, Middlesbrough Institute of Modern Art (MIMA) and Wysing Arts Centre. This three-year programme of commissions will provide residencies for curators who identify as D/deaf or disabled so that they can become the directors and programmers of the future. By doing this, the programme hopes to bring about the changes needed to make the visual arts more accessible and inclusive.

National Lottery Project Grants

This year we invested £100 million into National Lottery Project Grants, our open access funding programme. This is divided into strands that focus on areas such as national activities, grassroots music venues and libraries. All successful National Lottery Project Grants deliver against Goals 1 and 2, and this year we awarded over 4,500 grants to projects across all our supported artforms.

Developing Your Creative Practice

Developing Your Creative Practice is our programme supporting individual creative practitioners to invest in research and development, and make a step change in their work, encouraging continued excellence in the cultural sector. Last year, the second year of the fund, we received over 2,000 eligible applications and awarded over £4 million to 451 successful applicants. Developing Your

Creative Practice has achieved significantly higher success rates for both Black and minority ethnic and disabled applicants, with respective success rates of 22 per cent and 21 per cent compared to an average success rate of 17 per cent. Encouragingly, the fund has also seen a significant increase in the number of first time applicants to the Arts Council, demonstrating that our funding approach is becoming more relevant to artists and practitioners who have previously hesitated to apply.

International

International collaborations between artists improve the cultural offer available in England. They give audiences the chance to experience the finest artistic talent from across the world, while enriching the work of artists and organisations at home. Working internationally also gives our artists and cultural leaders the opportunity to develop new markets and audiences overseas.

We have continued to develop our international work with a range of partners. In July 2019, we signed a Memorandum of Understanding with the Danish Culture Agency, cementing our commitment to a city-to-city cultural exchange programme between Manchester and Aarhus and Aalborg in Denmark. We have also continued our co-investment in the GREAT campaign, supporting cultural exchange, collaborative work and partnership building in Hong Kong, and other areas to be announced. Looking to the USA, we have developed a showcasing programme designed to give a new generation of England's theatre makers a chance to present their work to promoters from around the world. Led by Manchester International Festival and centred around the Under the Radar Festival in New York, this three-year project launched in January 2020 with productions by Lucy McCormick, Selina Thompson and Jess Thom. We have also worked with the British Council to develop Generate, a three-year producer development programme that brings together emerging producers from the USA and England, helping to build relationships and facilitate collaboration.

While our Ambition for Excellence programme was replaced with funding through Arts Council National Lottery Project Grants in March 2018, many of the grants made through the previous programme have come to fruition in the last 12 months. In May and June 2019, we funded Blast! Festival of Photography in Sandwell, which saw 40 international and local artists, photographers and curators invited to showcase work, develop projects and collaborate with communities to present stories about everyday life. The festival featured 34 exhibitions alongside 48 talks and events, and was presented in various locations including the Metro line, shops, libraries, pubs, historic buildings and outdoor and community spaces. The festival took place across each of Sandwell's six towns: West Bromwich, Tipton, Rowley Regis, Oldbury, Smethwick and Wednesbury, and was free and open to all, reaching 47,370 over six weeks.

CreativeXR

Our work also includes supporting artists and cultural organisations to explore the creative potential of emerging technology. This year we continued our investment in CreativeXR, our partnership with Digital Catapult which funds creative teams to develop work using immersive technology. This year the programme funded the development of 20 prototypes and included a showcase and marketplace event which provided a platform for teams to pitch their work to an international audience of investors and technologists. Four of the prototypes have received further funding from CreativeXR to continue their development, and a further iteration of the programme is underway.

Libraries

As the national development agency for libraries, we are pleased to have seen exciting developments in the sector this year. We have six libraries in our National Portfolio, offering a range of artistic and cultural services tailored to their local communities. As part of their Cultural Hubs programme, St Helens Library Service has worked with librarians, artists and residents to provide theatre, music, dance and digital arts experiences across their sites, involving people from a range of backgrounds, including those who may be new to cultural and creative activities. The project has explored innovative approaches to programming art and culture that meets the needs of local communities, incorporating relaxed performances and materials from local archives to create events that are welcoming and relevant to a wide and diverse audience.

Our Sector Support Organisation, Libraries Connected, has been active in celebrating the achievements of libraries and their cultural offers, and in delivering practical programmes to help libraries provide the best cultural services possible. These include the development of an accreditation scheme to help make the services on offer within libraries more visible to the public, and work to make e-lending services more accessible. Libraries Connected have also updated and republished the four Universal Library Offers – Reading, Culture & Creativity, Information & Digital, Health & Wellbeing – which outline the variety of services on offer in libraries.



CASE STUDY: **Developing Your Creative Practice**

Working in the museum sector, Kathleen Lawther felt unable to explore or experiment with work that did not directly serve the needs of the organisation she worked for. Developing Your Creative Practice gave her the freedom to explore collections documentation practice that was not directly related to her job but was relevant for the wider museum sector. Kathleen took part in a data sprint looking at 'activating museum data' at the Technical University of Berlin. The grant allowed her to attend relevant conferences and workshops, and to network with other museum practitioners who were asking similar questions about collections documentation: Is it possible to decolonise the way we record information about our objects? What would a more democratic approach look like? How can we use digital tools to change the way we work?

Kathleen hopes to develop her own digital skills and curatorial work, and highlight the importance of documentation work and its impact on other areas of museum practice. Kathleen describes her background as working class and 'precariously employed' in the cultural sector, and says that grants such as the one she received can help people to undertake work that may not usually be affordable or practical for them:

'The fact that Developing Your Creative Practice can be used to pay for individuals' time to develop ideas and create work, and that there is such freedom to create self-directed projects, means that this grant scheme has the potential to benefit individuals who might otherwise be excluded from opportunities in the arts and cultural sector.'

02

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



HIGHLIGHTS

- **National Portfolio audiences increased by 18% over the last 3 years**
- **Increased investment in Creative People and Places Programme now covering 45 Local Authority areas**
- **Funded 32 programmes through Celebrating Age engaging older people in arts and culture**
- **Collaborating with DCMS to implement Cultural Compacts (a new approach to partnership working across sectors)**

Goal 2 outlines our ambition to reach more people, including those from groups who face barriers to engaging with art and culture, and to improve the quality of cultural experiences for everyone. While there is always more to be done, this year has seen some significant developments.

More people

National Portfolio audiences have remained stable this year, maintaining the raised audience figures we saw last year. However, when viewed over the three-year period to March 2019, total audience numbers have increased by 18 per cent, growing across almost every artform, with a significant growth in Literature audiences. There is a notable increase in the Midlands (69 per cent)¹ and other areas showed a range of increases/decreases as shown in the table. The reasons for these include biennial events, changes in reporting

	3 YEAR % CHANGE
LONDON	+11.1%
MIDLANDS	+69%
NORTH	+ 0.6%
SOUTH EAST	+32.9%
SOUTH WEST	+7.2%
NATIONAL	+18.4%

parameters, and capital works leaving buildings closed for a significant period.

This year's Diversity Report² gives more detailed information about the demographic breakdown of audiences reached by organisations in Bands 2 and 3³ of the National Portfolio (those who receive £250,000 or more per year from the Arts Council). Women are much more engaged than men, making up 64 per cent of audiences; in total, 12 per cent of audience members identified as disabled; 16 per cent of audiences described their ethnicity as Mixed, Asian/Asian British, Black/Black British or other, rising to 20 per cent in the Midlands and London; and 38 per cent of

¹ Using known and estimated attendances from National Portfolio Organisations' annual submissions over the three-year period from April 2016 to March 2019, based on the home area of the organisation, activity may have taken place outside the organisations' home area. Organisations use different methods for assessing and reporting their estimated attendances, which can vary over time and cause large variations. The Midlands figure in particular includes an organisation with very high estimated attendances. While the figure is likely an accurate reflection of the activity, we acknowledge that this is responsible for much of the percentage increase. With this audience removed, the three-year change in the Midlands is an increase of 21 per cent, and nationally is an increase of 12 per cent.

² Data here is based on Audience Finder data from The Audience Agency.

³ For the first time in the 2018-22 portfolio, organisations have been put into bands based on the level of investment they receive from us in order to reduce the administrative burden on organisations who receive lower levels of public funding, with those in Band 1 receiving the lowest levels and those in Band 3 receiving the highest.

National Portfolio Organisation audiences are from social classes C2, D and E.

National Lottery Project Grants audience figures (as submitted through activity report forms) have risen from the previous year, with a total increase of around 36 per cent⁴ over the last three years.

Least engaged groups

We have substantially increased our investment in our Creative People and Places programme which aims to increase participation in areas with low levels of engagement in cultural and creative activities.⁵ The programme now covers 45 local authority areas through 33 projects, each run by a consortium of organisations, ranging from local authorities and arts organisations to teaching hospitals, football clubs and shopping centres. In 2019/20 we committed an additional £39 million to the new programme, bringing projects to 13 entirely new locations into the programme, including Barrow, Basildon, Wellingborough, Great Yarmouth, Sedgemoor, Middlesbrough and Redcar. We also funded extensions of four existing programmes with a further £2.5 million.

This year we launched the second application phase of the programme targeting the remaining 66 least engaged places. To inform applicants, we delivered roadshows promoting the programme, brokering partnerships with cultural and community organisations, and sharing our learning to date. We have also funded a Creative People and Places peer learning programme for a further two years in order to support the consortia behind the new projects.

To date there have been more than 4.5 million engagements across this programme (defined as one instance of an individual taking part in an activity)⁶, with approximately 86 per cent of those engaging being from so called medium

to low engaged groups.⁷ Our commitment to Creative People and Places now stands at £108 million in total. This includes the round that is currently at application stage.

Place Partnerships

We have been working with towns and cities across England to develop Cultural Compacts, as recommended by the Cultural Cities Enquiry.⁸ Cultural Compacts are sets of partnerships between a city's cultural sector and other stakeholders, including local authorities, businesses, education providers and community leaders, which aim to harness the power of local cultural resources to boost social and economic development.

We have invested in a total of 22 Cultural Compacts, 11 of which were also funded by the Department for Digital, Culture, Media and Sport (DCMS). The compacts are spread across England in places including Tunbridge Wells, Mansfield and Ashfield, Cornwall, Norwich, Wolverhampton, Hull and Wakefield.

Over the last three years we have also collaborated with the National Lottery Heritage Fund to invest £20 million in 16 projects through the Great Place Scheme, which focuses on the impact of culture on local economies, health and wellbeing. Projects across areas such as Barnsley, Torbay and Sunderland jointly reported over 4,800 volunteers and a total audience of over half a million, with an above average proportion of people from lower socio-economic groups. The projects are now considering how they can continue to make an impact beyond the funded period.

Older people

In partnership with the Baring Foundation, we have funded 32 Celebrating Age programmes focussing on engaging older people in arts and culture. To date, nearly 65,000 older people

⁴ Based on activity report forms submitted in the stated period. Activity may have taken place over a wider timeframe, depending on the length of the grant. Data includes all audience figures including estimated figures.

⁵ Data based on the Active Lives survey.

⁶ This only includes physical engagements – previous figures may also include digital engagements. This figure is subject to change as data validation is still ongoing.

⁷ Calculated by The Audience Agency using postcode data for 2018.

⁸ In early 2019 the UK Cultural Cities Enquiry reported on how cities could create new development opportunities through investing in arts and culture, and allow more people to feel the social and economic impact of culture in their lives.

have taken part in programmes involving partners as varied as housing associations, care homes, universities, NHS trusts, an organic farm and a rural coffee caravan. Older people have been empowered to help shape the programme, with many entering cultural spaces that are new to them, as well as enjoying cultural activities happening in unusual and surprising places. Recent evaluations suggest the programme is having a powerful impact in addressing issues of isolation and connection for many of the older people taking part.

Health, Wellbeing and Criminal Justice

It has been a very fruitful year for our partnerships, projects and programmes related to the health, wellbeing and wider social outcomes of cultural activity. The Arts Council has been a founding partner of the new National Academy for Social Prescribing, which has led to further partnerships with organisations including NHS England, Health Education England and Public Health England. We have launched projects in Calderdale, West Yorkshire, and the London Boroughs of Southwark and Merton to investigate the impact of social prescribing, and we are working with Bradford Teaching Hospital who are leading their local Creative People and Places project.

In June, we co-funded and formed part of the planning group for the Creative Health Conference at the South Bank Centre, which was the biggest one-day event on arts and health in the world. We have continued to promote research exploring the relationship between the arts, health and wellbeing through our support for the What Works Centre for Wellbeing, the wellbeing strand of the Durham Commission on Creativity and Education, and the Centre for Cultural Value's year one focus on arts in health.

We have seen a number of exciting developments in our work on criminal justice including: a breakfast symposium with Universal Music and the now Secretary of State for Justice, Robert Buckland, on offender employability in the arts; completion of systematic mapping of the arts and cultural

offer in England's prisons and other secure settings; and a new £75,000 Birmingham-based pilot on offender employability led by National Portfolio Organisation Geese Theatre. In January 2020 we also delivered a successful away day for the Arts Council's health and criminal justice champions at HMP Thorn Cross in Cheshire.

Touring

National and regional touring is funded through the National Portfolio and National Lottery Project Grants. Our National Portfolio projected data for 2019/20 showed 209 National Portfolio Organisations planning to tour over the course of the year.

In the strand of National Lottery Project Grants providing awards of under £100,000 for activities with a national reach or impact, a total of 151 awards have been granted with a value of £7.58 million. Eighty-seven per cent of these went to touring activity, up slightly from 86 per cent the previous year. While the majority of touring awards were for theatre, this year has seen an improvement in success rates for combined arts, dance, literature and, most notably, visual arts, with the success rate for applications increasing from 33 per cent in 2018/19 to 44 per cent in 2019/20.

In the strand providing awards of over £100,000, 14 national touring projects have been awarded funding in 2019/20 with a total investment of £5.2 million. The National Activities strand of National Lottery Project Grants continues to support disabled-led applicants, who made up 8.5 per cent of successful applicants in 2019/20 compared to 6.4 per cent in 2018/19.

We have also commissioned the National Rural Touring Forum to offer a programme of development activities for touring organisations. The programme includes sessions on mentoring, skill development and networking, as well as support to help artists and organisations gain a better understanding of how to produce work for libraries. This builds on pilot programmes in the South East developing touring work for libraries.



IAIN

CASE STUDY:**Transported, Boston and South Holland Creative People and Places**

Iain had retired from the police on ill-health grounds, as a result of multiple sclerosis. He was depressed, so his wife persuaded him to go along to a wood carving taster session run by Transported in Witham Way Country Park. Iain loved the opportunity to do something creative and interact with other people, and discovered he had a talent for wood carving. Iain says that taking part in the sessions saved his life.

Iain's work formed part of an exhibition at the end of the course. He continued to work with the group, which carried on its work with seed funding from Transported. The group is now using timber reclaimed from the refurbishment of the local port to create a memorial for the Mayflower 400 celebrations on behalf of Fishtoft Parish Council. Iain remembers he was on the beat in Holbeach when Transported launched; now he is a project assistant for them as well as a committed carver. He says he didn't know how much it would change his life.



IAIN

03

The arts, museums and libraries are resilient and environmentally sustainable



HIGHLIGHTS

- 2018/19 Earned Income for funded organisations grew by 2% and contributed income grew by 8%.
- Supported more than 20 arts organisations with social impact loan financing through Arts Impact Fund
- Digital Culture Networks with 9 Tech Champions recruited across our areas delivered support to over 360 organisations
- 99% of Funded Organisations showed commitment to environmental sustainability, signing up to tool offered via Julie's Bicycle.

We want to support the cultural sector to be dynamic, helping organisations to adopt innovations in finance and technology to create resilient business models that can support excellent creative work. This covers a range of areas of work that can help organisations become more fit for the future, including philanthropy and earned income, innovative financial tools, and environmental sustainability.

National Portfolio

The cultural sector has continued to respond positively to a challenging environment for income generation. The Annual Return for 2018/19 indicates that earned income across the National Portfolio Organisations and Major Partner Museums grew to £899 million, up 2.2 per cent from £880 million in the previous year. Contributed income showed an increase of 7.9 per cent from £201 million to £217 million.

This year there has been a change in the way the data on earned income is reported.

The new methodology looks at the known attendances of National Portfolio constant sample – this provides a smaller sample size than the full portfolio but enables better year-on-year analysis and supports our published official statistics. Previous year figures have been restated in line with the new methodology.

Diversifying Finance

At the core of Goal 3 is our work exploring new investment models which can leverage Arts Council funding to raise further public and private investment. Through this work we look to increase capacity on both the supply side, by supporting programmes providing social impact loans, repayable grants and equity investment targeted at the cultural sector, and the demand side, by helping organisations to understand how these tools can fit into their business models and supporting them to become investment ready.

In March this year we launched the Arts and Culture Impact Fund with Nesta, investing £3 million which will leverage a further £20 million from public and private investors

including the National Lottery Heritage Fund, Bank of America, Big Society Capital and the Esmée Fairbairn Foundation. This fund follows the success of the previous Arts Impact Fund, and will allow organisations from across the arts and heritage sectors to benefit from low interest loans, diversifying their income streams to become more resilient.

We have continued our work as part of the Creative Land Trust. This partnership between Arts Council England, the Mayor of London, Bloomberg Philanthropies and Outset Contemporary Art Fund looks to raise public, philanthropic and social investment funding to purchase property and provide affordable workspace for artists and creative producers across London. The Trust is now fully operational with a chair and board in place, and is looking at potential properties in which to make its first investment.

Sector Support Organisations

There are two Sector Support Organisations – Cause4 and The Association for Cultural Enterprises – whose work is key to our support for Goal 3.

The Association for Cultural Enterprises promotes commercial best practice in the arts and heritage sectors. In May 2019 they launched an online skills academy providing training in areas such as retail, visual merchandising and publishing. These courses run alongside other training opportunities such as in-person study days and masterclasses, and an annual trade convention.

Cause4 has continued their Arts Fundraising and Philanthropy programme, providing training, networking events and fellowships to help cultural organisations become more effective fundraisers.

We have also continued to invest in the Institute of Fundraising. Their RAISE programme provides arts and culture fundraisers with professional development opportunities such as networking events, mentoring and bursaries. This sits alongside the work done by their Cultural Sector

Network, which brings together fundraising professionals from across the arts to help develop the public understanding of the charitable case for supporting culture.

Creative technology

We have continued to invest in projects that deliver on the recommendations of DCMS's *Culture is Digital* report.

In February we launched the Digital Culture Compass in partnership with the National Lottery Heritage Fund. The Compass is an online toolkit which allows culture and heritage organisations to assess their approach to using digital technology and plan how to use it more effectively in future. It was developed by a partnership led by The Space and including Culture24, The Audience Agency/Golant Innovation, University of Leicester and Creative Coop.

The Digital Culture Network began providing targeted support to the cultural sector in March 2019. Made up of nine Tech Champions spread across our offices around the country, the Network supports our funded organisations across nine digital specialisms: e-commerce, social media, web design, CRM and ticketing, data and analytics, digital marketing, digital strategy, video and live streaming, and SEO and paid search.

In their first six months after launching, the team had worked with 34 per cent of our National Portfolio Organisations. They also launched a partnership with Google Arts & Culture, and together hosted four training days across England which were attended by 260 organisations. Ten more events will follow in the next 18 months.

The Tech Champions have tailored their work to meet the needs of different organisations, providing some with short term support on projects such as the writing of a website tender, while others have received longer term support to set up data analytics and insight software or procure a new ticketing system. The Network is also delivering a range of peer-to-peer workshops around the different

specialisms across the country, responding to sector demand.

Environmental Sustainability

This year we have extended our approach to helping the organisations we fund to become as environmentally sustainable as possible. We have rolled out two new programmes, Spotlight and Accelerator, with our partner organisation Julie's Bicycle. Spotlight aims to support the largest building-based organisations in our National Portfolio to reduce their carbon footprint through science-based targets, and Accelerator provides training, mentoring and peer support to help organisations turn ambitious ideas on sustainability into deliverable projects.

We saw excellent adherence to environmental reporting criteria in 2019/20, with 99 per cent of organisations signed up to use Julie's Bicycle's Creative Green Tools, designed to help understand the environmental impact of their work, and 89 per cent reporting on progress. During this year, we also measured the qualitative as well as the quantitative impact of organisations' environmental work for the first time, and found that it has a range of benefits beyond carbon reduction: 81 per cent of organisations reported that their environmental programme increased team morale; 49 per cent have programmed, produced or curated work exploring environmental themes; and 78 per cent now include environmental sustainability in their core business strategies.

Museums

Our Museum Accreditation Scheme continues to be the UK industry standard for museums and galleries, with resilience and sustainability at its heart. As of September 2019, there are 1,323 Accredited museums in England and engagement with the scheme remains high.

Participating museums are supported by the Museum Development Programme, a scheme of training, development and grants delivered by nine providers across England, which focuses on building the resilience of regionally

focused museums outside the National Portfolio. This includes training programmes on carbon literacy and the Museums' Environmental Framework developed in partnership with Julie's Bicycle. Within the National Portfolio, 200 museum sites (belonging to 57 museums) engage with Julie's Bicycle's reporting on environmental sustainability.

A number of Sector Support Organisations help museums to develop their resilience and sustainability. Chief among these is the Association of Independent Museums (AIM), which supports good governance in museums via a range of resources and programmes. AIM runs two strategic partnerships – the Charity Finance Group and the Energy Action Group – which help members to access expert advice on finance and cutting energy costs.

Libraries

This year we have continued our work as the national development agency for libraries, introducing Libraries Connected as a Sector Support Organisation. We are also continuing the work of the Libraries Taskforce, which came to an end as a constituted body in March. We will be funded by DCMS to do this during a transition year and will lead a steering group of library sector stakeholders to continue developing the future direction of library services in England.

Libraries Connected has initiated an ambitious review programme for libraries and established themselves as an advocate for the sector. We have invested £500,000 into their work as a Sector Support Organisation and have also supported individual programmes which will benefit libraries across the country. These include plans to develop an accreditation system for libraries, similar to the Museum Accreditation scheme, and another to help libraries generate commercial income to support their statutory offer.

There are six libraries in our National Portfolio, and this year they have delivered varied and innovative work supporting

touring and diversity, as well as helping emerging artists. We are encouraging libraries to apply for National Lottery Project Grants and funding a range of inspiring projects in library services nationwide. One example of this is the successful partnership between the British Library's network of Business and Intellectual Property Centres in libraries across the country, which has helped to create an average of 15 new businesses a day since launching in 2016, 24 per cent of which are in the creative industries. We are also supporting international work led by the Chartered Institute of Library and Information Professionals. We partnered with the British Library and British Council to invest £150,000 into the Institute's *Working Internationally* project, which exposes public libraries in England to best practice and innovation from leading international library services.

Place

The Cultural Destinations programme ends in 2020 after two very successful rounds since 2013. Developed with Visit England, Cultural Destinations has made a £7.5 million investment across England to support 21 partnerships between cultural organisations and the tourism sector, using culture to create new attractions in established destinations, and to encourage people to visit less well-known places. The programme supported a range of locations, including major cities like Manchester and Sheffield as well as rural and coastal regions including Cumbria, Cornwall and Suffolk, alongside countywide partnerships in areas such as Essex, Derbyshire and Nottinghamshire.

Capital

In October 2019 the Small Capital grants programme awarded £12.3 million to help 46 arts and cultural organisations across England build resilience by improving their buildings and equipment. Environmental sustainability was a major factor when considering applications.

Philanthropy

The Catalyst: Evolve and Small Grants programmes, designed to help cultural organisations improve their fundraising capacity, concluded in 2020. The programmes supported 247 organisations to develop their capacity in fundraising through peer-to-peer learning and skills development. The external evaluation highlighted the importance of an organisation-wide culture of fundraising as a critical success factor.

In June 2019 we published the bi-annual Private Investment in Culture Survey, which calculated that £545 million of private investment was contributed to the sector in 2017/18. We have continued working with the Fundraising Regulator, Institute of Fundraising and the Charity Commission to highlight good practice and regulatory changes related to philanthropy.





SHOBANA JEYASINGH DANCE

Case Study: Catalyst: Evolve

London-based company Shobana Jeyasingh Dance joined the Catalyst: Evolve programme as part of a drive to boost their philanthropic income. Initially they set out to expand their pool of donors and diversify their funding streams, but with existing donors making up more than half their private income, the team realised they needed to ensure they were looking after the donors they already had.

Making relationships with donors the responsibility of everyone in the organisation and ensuring that donors felt appreciated by those at the top were crucial factors in making sure that donors were happy about their relationship with the organisation.

'Everyone understands what fundraising is about: our trustees, our artistic director, our chair,' says the organisation's Development Associate,

Kate Knight. 'Our chair gave a really fabulous speech that highlighted the importance of philanthropy, and made an excellent and successful fundraising pitch.'

As well as telling donors about the impact of their support, the team listened to what they had to say, and organised a consultation with philanthropists and audience members to find out what kinds of support they were able to offer. This led to the creation of two new private giving programmes – Apsara, for those donating between £5 and £499, and Creative Circle, for those donating over £500.

By cultivating deeper relationships with their supporters, the organisation was able to develop more appropriate ways for donors to provide support, with positive results – during the first year of the programme 30 donors became Apsara members while seven joined the Creative Circle.

04

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



HIGHLIGHTS

- **Announced 18 Transforming Leadership grants totalling £7.1m**
- **Digital Culture survey shows drop in digital expertise at senior leadership levels**
- **Activities from our Sector Support Organisations include Managers Guide to Apprenticeships from Creative and Cultural Skills**

Goal 4 encompasses our work to support diversity in the cultural sector, ensuring that the sector's leadership, governance and workforces are representative of England as a whole. We want to help create fairer entry and progression routes for careers in the arts and creative industries, and support staff in the sector to develop the skills they need to respond to new ways of working.

Transforming Leadership

Our investment in Goal 4 stepped up in 2019/20 with the announcement of 18 grants totalling £7.1 million from our Transforming Leadership programme, designed to help develop the leadership skills of candidates from diverse backgrounds working in the cultural sector. The need to do more to encourage greater diversity was made clear by the 2018/19 workforce data published in this year's edition of our *Equality, Diversity and the Creative Case* report. The report showed that change remains stubbornly slow and that there is still particular under-representation of disabled people and those

from Black and minority ethnic backgrounds. This is the case across the country and at all levels of the workforce, up to and including leadership and governance.

Transforming Leadership is investing in three D/deaf and disability focused leadership development programmes led by Shape Arts, Graeae and Access All Areas. We are also investing in Jerwood Arts' Transforming Leadership programme which will identify, develop and promote emerging creative leaders from lower socio-economic backgrounds, and we are exploring new models for encouraging young leaders through Sour Lemon's Making Lemonade programme. This programme will help 24 young people from diverse backgrounds, supporting them across two years to become talented leaders who are confident navigating the cultural and creative sectors.

Working with the other grantees, including The Clore Foundation, Libraries Connected and Rising Arts, the Transforming Leadership programmes will provide opportunities for over 500 people to develop their leadership capacity and skills. The programmes include a broad range of leadership development components, and evaluation of the impact of different

approaches and of the entire programme is one of the key aims. The grantees are starting to work as a learning cohort, meeting twice this year, and we look forward to collectively building our understanding of how to overcome the challenges and barriers to more inclusive, compassionate leadership.

Socio-Economic Diversity

We know the sector also presents barriers to entry for working class people. We are committed to changing this, and our next annual survey of National Portfolio Organisations will for the first time include a question on the socio-economic diversity of workforces.

Libraries

This year we have invested in Libraries Connected to fund the first phase of a national project to help public library staff improve their skills and knowledge around commercial income generation. By doing this we hope to help them take advantage of new business opportunities that fit the public library ethos and enable them to provide services for their local communities. Through the Public Libraries Skills Strategy undertaken with the Chartered Institute of Library and Information Professionals, we have supported the development of an apprenticeship programme to ensure that library staff at all levels can gain the skills that they need to provide a modern library service. Early feedback from participants has been very positive with a high demand for involvement.

Museums

Together with our partners in the UK Museums Workforce Steering Group, we reached the final year of the Character Matters delivery plan. This aims to deliver on the recommendations of the 2016 Character Matters report, which outlined the behaviours, attitudes and skills needed in the museums sector over the next 10 years. To deliver against the Delivery Plans commitments we partnered with The Clear Company to develop a Recruitment and Workforce Development Toolkit which is now available to organisations across the museum sector.

Governance

We have continued to support the Cultural Governance Alliance, hosted by the Clore Leadership Programme, which shares resources and encourages networking and collaboration to promote good governance in the cultural sector.

The Alliance's online platform, which brings together good practice resources and event listings, saw an 89 per cent increase in traffic, with over 4,000 visits in the period from July to December. Their annual conference attracted 150 delegates and brought together a range of speakers, from the Chair of Oxfam talking about crisis management to board members offering practical perspectives on supporting disabled employees and trustees. Along with the National Lottery Heritage Fund and the Calouste Gulbenkian Foundation, we are providing financial support to help identify sustainable governance models for the future, recognising that governance is essential to developing a resilient cultural sector.

Digital Culture Survey

In February, we published the results of the latest iteration of our Digital Culture Survey carried out with Nesta. Since beginning in 2013, the survey has examined trends in the adoption, usage and impact of digital technology in the arts and culture sector, helping to inform Arts Council policy. This year's results showed the importance of the support of senior leadership in encouraging digital innovation, and we are now exploring how we can increase digital knowledge and capacity at this level to enable organisations to make greater progress in their digital development.

Career Development

We have continued our work with several Sector Support Organisations which focus on developing skills and widening opportunities for people from all backgrounds to work in the cultural sector.

Three Sector Support Organisations – Creative and Cultural Skills, the Creative Industries Federation, and ScreenSkills – have worked in

partnership to deliver the Creative Careers Programme, funded through DCMS as part of the Creative Industries Sector Deal. The programme aims to inform young people about career paths in the cultural and creative industries, by providing information about relevant skills and qualifications, opportunities to meet industry professionals, and support for teachers, parents, guardians and employers. In November over 400 employers including museums, libraries and arts organisations opened their doors to young people wanting to learn more about careers in the sector as part of the programme's Discover! Creative Careers

week. Over 11,000 young people took part from 348 schools.

Music Education Hubs

We committed funding up to March 2020 for the Music Education Hub Support Programme. Opportunities have included executive coaching and a leadership development programme for senior, middle and aspiring leaders, led by Music Mark and run by Enhanced Learning. In 2019/20, 98 per cent of Music Education Hubs participated in at least one strand of the Support Programme.

CASE STUDY: Music Education Hub Support Programme

Kevin Rivett, CEO of Calderdale Music Trust, had been interested in leadership development for a long time, so he jumped at the chance to take part in the Arts Council's Music Education Hub executive mentoring programme.

'I had an interest in this area of development, both professional and personal,' Kevin said, 'and have been involved before in coaching and mentoring in an ad hoc way, so when I saw it was structured and formal that was intriguing.'

After an induction meeting covering the process behind the programme, Kevin took part in action learning and coaching sessions to help develop his leadership skills, tailored to his goals and ambitions.

'The mentoring process enabled me to pick certain aspects of my leadership and management style,' he said. 'The mentor asked open questions and I'd start to learn by self-reflection what was working and what I wanted to focus on. There were sessions every six weeks or so over several months and it's an incremental process, not an immediate fix. It changes the way you think about things and what you do.'

'The impact for the Hub is that even

though I'm retiring in a few weeks, we have a high-quality sustainable leadership and management team which has been developed by a highly innovative and creative Deputy Director and also a resilient and robust organisation. I don't think it would have got to that point without the reflective process from mentoring, the process empowers everyone in the team to be their best.'

'And the impact for me as an individual is that it's given me flexibility of mind to develop another career – and that's something that's already started. I'd say anyone interested in leadership and management needs to engage in a process like that – the benefits are far greater than you can imagine.'



KEVIN RIVETT

05

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



HIGHLIGHTS

- **Durham Commission published recommendations from its research into the role of creativity in education.**
- **72% of our National Portfolio Organisations in our new portfolio contribute to this area of work**
- **2019/20 marked our 8th year as fundholder for DfE for 120 Music Education Hubs across the country**
- **£35m awarded through National Lottery Project Grants to projects with audiences under 19**

This year we have continued our efforts to ensure that all children and young people can access high quality cultural experiences, no matter where they live or what their background. We aspire to remove barriers and support all children to fulfil their creative potential, working from the local to the national level with a range of partners including community groups, educational institutions, cultural organisations and Government departments.

The Durham Commission on Creativity and Education

In October, the Durham Commission on Creativity and Education published its final report following 18 months of research. The Commission was a collaboration between Durham University and Arts Council England, interrogating the role creativity and creative thinking should play in our education system.

While the report recommended that cultural and creative education should be available to every child, it also found that these opportunities are not spread equally across society, with too many young people at a disadvantage for reasons of geography, or socio-economic or ethnic background. Work is already underway to implement the report's recommendations.

National Portfolio

Seventy-two per cent of the organisations in our National Portfolio currently contribute to Goal 5. Our 2019 survey of National Portfolio Organisations revealed that performances, events, exhibitions and film screenings specifically for children and young people were attended by over 9.6 million.⁹ Much of this work is innovative, whether produced on a large or local scale. For example, Building Libraries On Creativity (BLOC) is a multi-arts programme targeted at disadvantaged rural and urban areas in Suffolk Libraries. BLOC focuses on skills development as well as building resilience, wellbeing and a sense of self for

⁹ Using known and estimated attendances. Organisations will use different methods in assessing and reporting estimated attendances, so this is subject to variation over years.

young people and there is a strong Youth Council driving the programme. Another library National Portfolio Organisation, Inspire, has created a comprehensive programme delivered across the Midlands which includes multi-sensory workshops for 'Little Creatives', and 'The Able Orchestra', engaging young people with disabilities.

National Lottery Project Grants

2019/20 also saw significant numbers of National Lottery Project Grants delivering against Goal 5. Approximately £2.58 million was awarded to projects aimed solely at audiences aged 0-19. The Artists in Residence programme, led by Global Teacher Prize winner Andria Zafirakou, was recently awarded £15,000 to extend the promising work of a successful pilot set up using Andria's prize money. It enables state schools to work together with professional artists to co-design bespoke arts education programmes delivered in partnership with pupils and their teachers. It is hoped that the project will inspire young people and lead to a long term positive impact on arts engagement.

Work with Government

In 2019/20 we continued to work closely with Government departments on policies and programmes which impact the creative lives of children, young people and their families.

We have worked with the Department for Digital, Culture, Media and Sport to help shape the Youth Accelerator Fund, which was set up to address urgent needs in the youth sector and invest in existing projects delivering positive activities for young people.

The six In Harmony projects have continued their work to inspire children in underprivileged communities through ensemble music-making, with projects in Liverpool and Lambeth celebrating their tenth anniversaries this year. Longitudinal evaluation of the programme showed that investment in these projects has

made a strong positive impact on the musical, educational, social and health and wellbeing outcomes for the children involved. Recent data shows that over 40 per cent of participants came from minority ethnic backgrounds and over 45 per cent were eligible for Pupil Premium, considerably higher than the national average.¹⁰ In Harmony programmes extended their reach to 7,887 children in 2019, in schools and Early Years settings.¹¹

In Harmony projects are co-funded by the Department for Education. We have worked with the Department either as fund holder or co-funder on a number of other programmes aimed at helping young people to overcome barriers to accessing art and culture. The Museums and Schools programme connected 2,268 schools with local museums, targeting those in areas classified as experiencing high levels of deprivation.¹² Saturday Clubs continued to offer 30 weeks of high-quality art and design classes for 13- to 16-year-olds who have fewer opportunities because of their background or location. The Saturday Clubs programme had its tenth anniversary in 2019/20, celebrated by an exhibition at Somerset House in London that featured self-portraits from 5,000 young people who have taken part in the programme over the last decade.

We continued to co-fund eight National Youth Music Organisations, which provide opportunities for talented young people from all backgrounds to perform in world class youth ensembles and orchestras. These organisations strengthen England's international reputation for nurturing talent, helping young people develop the high-level skills they need to progress into professional careers. These organisations have all worked to broaden participation and increase diversity, recruiting from new areas, and offering bursaries and additional support to young people who need it most.

¹⁰ In Harmony data available in July 2019.

¹¹ Latest headline 2018/19 In Harmony data.

¹² 2018/19 Museums and Schools data return.

Music Education Hubs

2019/20 marked our eighth year as fund holder for Music Education Hubs, which work to ensure that every child aged 5-18 has the opportunity to sing, learn a musical instrument, and perform as part of an ensemble or choir, regardless of where they live. The Government's investment in Hubs is significant and was increased to £75.84 million this year. Since starting in 2012, the network has grown to encompass 120 Hubs, reaching 91.8 per cent of primary schools and 90.2 per cent of secondary schools.

This year we also piloted Our Music Crowd, a crowdfunding programme for Hubs. The Arts Council's pledge of £60,827 has leveraged a further £120,119 from crowdfunding to support 14 projects. These included Gigs4Kids, which raised £16,997 from 67 backers to hold gigs in all 54 of Bedford's primary schools. The project will reach over 2,300 pupils and will also provide 30 bursaries for one-on-one music lessons.

Bridge Organisations and Local Cultural Education Partnerships

Our network of 10 Bridge Organisations across the country have continued to build links between the education and cultural sectors, providing networking and development opportunities to schools, arts organisations, museums, libraries, Music Education Hubs and local authorities. Bridges also promote the development of Local Cultural Education Partnerships (LCEPs), which bring together educational, cultural and community organisations as well as local authorities to improve an area's cultural education provision.

Over 100 LCEPs are now in operation, undertaking a variety of work to promote cultural education – for example in Brighton and Hove, LCEP Our Future City is developing a scheme in partnership with Cities of Learning which allows young people to gather badges from placements in cultural organisations, promoting arts and cultural activities as a way to gain new skills and improve wellbeing.

In 2019, LCEPs in Plymouth, Medway, Croydon, Derby and Salford were each awarded £1 million to deliver our new Youth Performance Partnerships fund. The programme provides opportunities for children and young people from areas of low cultural engagement and high levels of deprivation to engage with dance, drama and music, designing their own programme of workshops, events and productions as well as developing backstage, writing and technical skills. The programme will reach more than 10,000 5 to 18-year olds over the next three years.

Artsmark

The number of new registrations for Artsmark, our award programme which recognises schools' commitment to high quality arts and cultural education, has continued to grow. There are now 4,394 schools registered with the programme, with 1.9 million pupils attending an Artsmark school, an increase of nearly 200,000 pupils in the past year.¹³

Thirty-nine per cent of our National Portfolio Organisations have joined the Artsmark Partnership Programme. These organisations work with schools in a variety of ways to help them achieve their goals around arts education, including providing cultural activities for pupils and development opportunities for staff.

Talent25

We have continued work on Talent25, our research project with De Montfort University to study the impact of arts and cultural engagement on young people throughout the first 25 years of their lives. The programme will take in 100 babies and their families each year until 2023, providing them with cultural and creative opportunities they may otherwise struggle to access. The project will for the first time provide rigorous evidence of the benefits that accrue from taking part in cultural activities from birth to adulthood, and help to inform our work to expand access to art and culture for all young people.

¹³ Latest Artsmark data, February 2019.



Case Study: Youth Music

Shelby, Phoebe, Kylie and Shona took part in a Youth Music funded project run by My Pockets at the Astra Youth Centre young carers' group in Hull, where they co-wrote a song about their experiences. The girls, aged between 12 and 14, are all carers for siblings or parents who have additional needs or long-term health problems. Songwriting has helped them to express their feelings, improved their relationships with their families, and raised their confidence – as well as earning them local celebrity status when their track was played on BBC Radio Humberside.

The girls recall their reactions when they first found out they would be writing a song. 'It was something exciting to do, because you don't really get that opportunity very often and when you do get it, you kind of just have to do it,' says Phoebe.

Kylie recalls: 'At first I was way too shy to get involved, but when they started doing the "Carer" song, we got to express our emotions, and for me that was a really exciting thing to do.'

Shelby explains how writing the song has helped her grow closer to her family. 'It's connected us more instead of just talking. I didn't really tell my parents how I felt, but now they've realised what's going on, so we can actually connect instead of arguing 'cos we're not telling each other stuff.'

Attending the weekly group has formed a strong bond of friendship between the girls and given them respite from stressful home lives. For Phoebe it provided a space away from her caring responsibilities for her brother who has autism. Kylie is a carer for her mum, who has a long-term illness requiring several spells in hospital. The project has rekindled Kylie's love of singing after a tough few years.

'When my mum went into hospital, every part of me that wanted to sing just disappeared,' she says. 'I got so shy singing in front of people...but after a few weeks of doing "My Pockets", I finally did sing, and for me that was a big thing. Right now I'm in a happy place...' "My Pockets" has helped me find my musical self again.'

Shona recalls the song writing process: 'Every time it went wrong, I piped up and said "this is wrong, we need to put it right." I'd just put myself out there instead of being afraid to say.'

All agree that they want to keep up music in the future. 'I love singing so much, I could never make that not part of my life,' says Kylie, while the project has opened Shelby's eyes to a possible career as a professional songwriter.

'I can't sing to save my life but I can write,' she says. 'I probably wouldn't ever stop making music, cause if I did I'd feel upset, so I'd go and write a new song!'



Remuneration and staff report 1 April 2019 – 31 March 2020

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, the disclosures required by the Hutton Review and the Compensation scheme – Exit Packages 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 2019/20 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 Councils, were entitled to remuneration of £6,527 each per annum during 2019/20 (2018/19: £6,400). During 2019/20 a total of five members of National Council served as Area Council Chairs for some or all of the year. The Chair's salary for the period 2019/20 was £40,000.

EXECUTIVE DIRECTORS' REMUNERATION

For 2019/20 the Remuneration Committee awarded the CEO and Executive Directors a consolidated salary increase of 2.0 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 2018/19 'Variable performance payment'. It was agreed in May 2019 and paid in August 2019.

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. The First Generation scholarship fund is a scheme which supports young people from backgrounds where it is unusual to enter higher education. The remaining amount was donated to the Staff Development Fund.

EXECUTIVE BOARD REMUNERATION REPORT

MEMBER		SALARY £000s	SALE OF ANNUAL LEAVE	VARIABLE PERFORMANCE PAYMENT £000s	EMPLOYERS' PENSION CONTRIBUTIONS £000s	TOTAL REMUNERATION £000s
Dr Darren Henley OBE Chief Executive	2019/20	150	6	0	33	189
	2018/19	147	5	0	32	184
Laura Dyer MBE Deputy CEO (Places & Engagement)	2019/20	123	0	2	27	152
	2018/19	121	0	2	26	149
Simon Mellor Deputy CEO (Arts & Culture)	2019/20	123	0	2	27	152
	2018/19	121	5	2	26	154
Elizabeth Bushell Chief Finance Officer	2019/20	110	1	2	24	137
	2018/19	108	1	2	23	134
Mags Patten Executive Director (Public Policy & Communications)	2019/20	110	0	2	24	136
	2018/19	108	0	2	23	133
Francis Runacres Executive Director (Enterprise & Innovation)	2019/20	110	0	2	24	136
	2018/19	108	0	2	23	133
Richard Russell Chief Operating Officer	2019/20	110	0	2	24	136
	2018/19	108	0	2	23	133

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, Dr Darren Henley.

	2019/20 £	2018/19 £
Highest paid Director's remuneration	149,736	146,800
Median remuneration	31,975	31,348
Ratio	4.68	4.68

THE RANGE OF STAFF REMUNERATION DURING THE YEAR WAS £18,311 TO £149,736 (2018/19: £17,951 TO £146,800). THE 'HIGHEST PAID DIRECTOR'S REMUNERATION' AND THE MEDIAN PAY BOTH INCREASED BY 2.0 PER CENT COMPARED TO 2019/20, 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 2019/20 are as follows:

EXIT PACKAGE COST BAND	2019/20			2018/19		
	NUMBER OF COMPULSORY REDUNDANCIES	NUMBER OF OTHER DEPARTURES AGREED	TOTAL EXIT PACKAGES DURING 2019/20	NUMBER OF COMPULSORY REDUNDANCIES	NUMBER OF OTHER DEPARTURES AGREED	TOTAL EXIT PACKAGES DURING 2018/19
< £9,999	1	0	1	1	0	1
£10,000 – £24,999	0	0	0	1	0	1
£25,000 – £49,999	1	0	1	0	0	0
£50,000 – £99,999	0	0	0	0	0	0
£100,000 – £149,999	0	0	0	0	0	0
Total number of exit packages by type	2	0	2	2	0	2
Total resource cost £000s	41	0	41	26	0	26

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 2019/20 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 2019 and 31 March 2020, 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 2019 and 31 March 2020.

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	9

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)

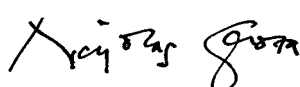
MEMBER	ACCRUED PENSION (LUMP SUM) AT 31 MARCH 2020 £000s	INCREASE IN PENSION (LUMP SUM) IN YEAR (NET OF INFLATION) 2019/20 £000s	TRANSFER VALUE AT 31 MARCH 2020 £000s	INCREASE IN TRANSFER VALUE (NET OF INFLATION) 2019/20 £000s	TRANSFER VALUE AT 31 MARCH 2019 £000s
Darren Henley OBE Chief Executive	19 (56)	2 (6)	345	24	287
Laura Dyer MBE Deputy CEO (Places & Engagement)	48 (145)	2 (5)	997	24	901
Simon Mellor Deputy CEO (Arts & Culture)	20 (59)	2 (5)	456	26	387
Elizabeth Bushell Chief Finance Officer	29 (86)	2 (5)	525	18	456
Mags Patten Executive Director (Public Policy & Communications)	9 (27)	1 (4)	175	18	138
Francis Runacres Executive Director (Enterprise & Innovation)	26 (77)	1 (4)	570	23	509
Richard Russell Chief Operating Officer	42 (125)	1 (4)	860	21	775

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.



Dr Darren Henley OBE
Chief Executive

DATE: 22 JUNE 2020



Sir Nicholas Serota CH
Chair

DATE: 22 JUNE 2020

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.

OVERALL PERFORMANCE

For the third successive year we saw further reductions in CO2 emissions from both our offices and travel. Travel remains our largest contributor to our CO2 emissions, but this too shows a 17 per cent reduction on last year's figure. Although the majority of our travel (76 per cent) is by rail – the most sustainable means – we plan to further increase the use of collaboration technologies to achieve further reductions to our overall travel emissions.

MANCHESTER

Our Manchester office is in a multi-tenanted building. The water consumption figure for the whole building is apportioned as a percentage of the floor area held by each tenant. As the building is now fully occupied, the overall demand has risen accordingly.

BRISTOL

During 2018/19 the length of occupation of the Bristol office was eight months, so the figure for that year does not reflect a full year occupation. We expect the true full year figure for 2019/20 to be more representative.





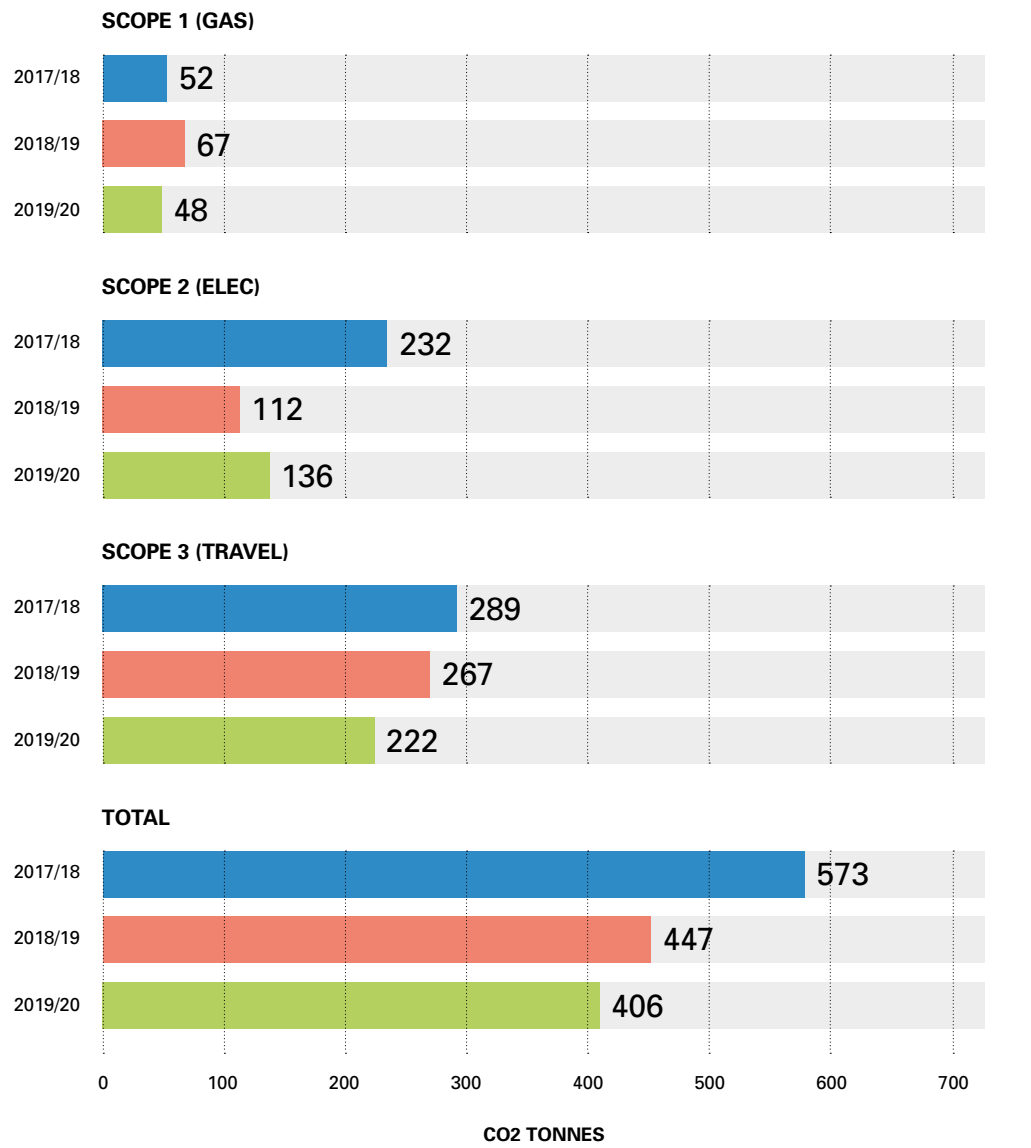
TRAVEL		2017/18	2018/19	2019/20
CO ₂ (tonnes)	Rail	152	157	101
	Air	30	54	25
	Car	107	57	96
	Total	289	267	222
Cost (£)	Rail	838,816	822,069	743,173
	Air	29,634	34,767	20,251
	Petrol	132,771	72,535	122,992
	Total	1,001,221	929,371	886,415
Miles	Rail	1,946,977	2,199,887	1,526,460
	Air	188,278	271,405	159,606
	Car	331,927	181,337	307,481
	Total	2,467,182	2,652,629	1,993,547

WASTE		2017/18	2018/19	2019/20
Non-financial indicators (tonnes)	Total	331.24	326.67	320.32
	Landfill	0.74	0.40	0.24
	Reused/ recycled	330.50	326.27	320.08
Financial indicators (£)	Total	14,250	11,336	12,900
	Landfill	2,122	1,948	1,484
	Reused/ recycled	12,127	9,389	11,417

GREENHOUSE GAS EMISSIONS		2017/18	2018/19	2019/20
CO ₂ (tonnes)	Total Gross Emissions (CO ₂)	284	179	184
	Gross Emissions Scope 1 (Direct)	52	66	48
	Gross Emissions Scope 2 (Indirect)	232	113	136
Energy Consumption (kWh)	Electricity	562,831	397,788	479,107
	Gas	284,711	359,287	263,503
Financial Indicators (£)	Expenditure Energy	110,039	104,962	85,532

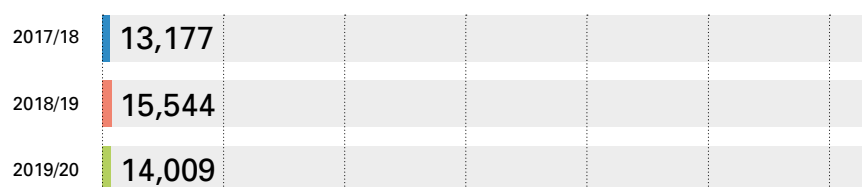
FINITE RESOURCE CONSUMPTION		2017/18	2018/19	2019/20
Non-financial (m3)	Supplied	4,315.16	4,705.77	9,535.87
	Per Full Time Equivalent (FTE)	8.77	9.00	18.23
Financial Indicators (£)	Water Supply Costs (Office Water)	12,355	10,534	11,226

CO2 WHOLE ESTATE (TONNES)

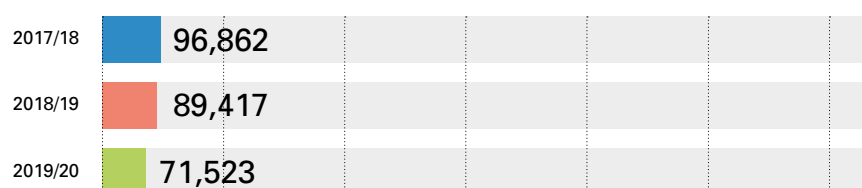


FINANCIAL EXPENDITURE (£)

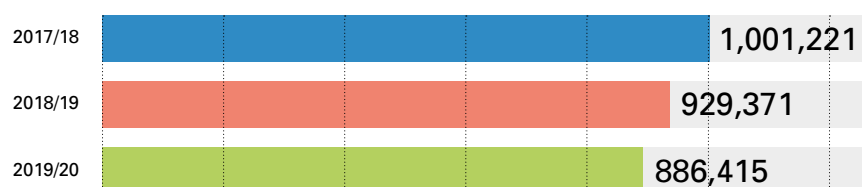
SCOPE 1 (GAS)



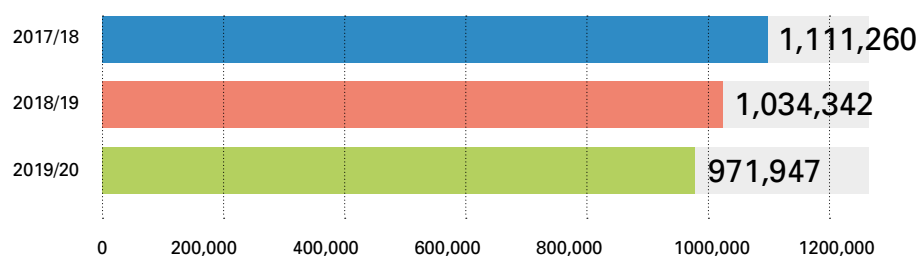
SCOPE 2 (ELEC)



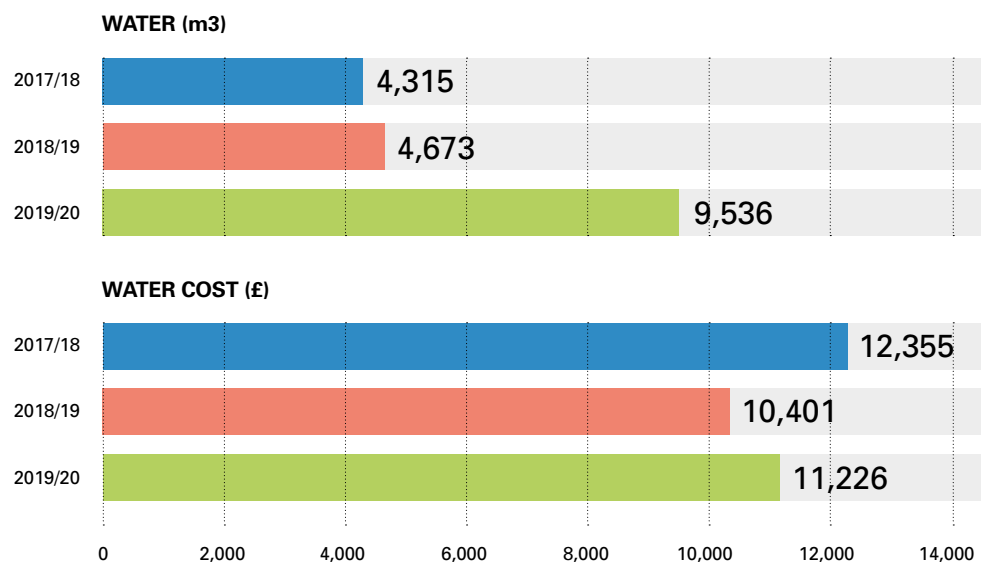
SCOPE 3 (TRAVEL)



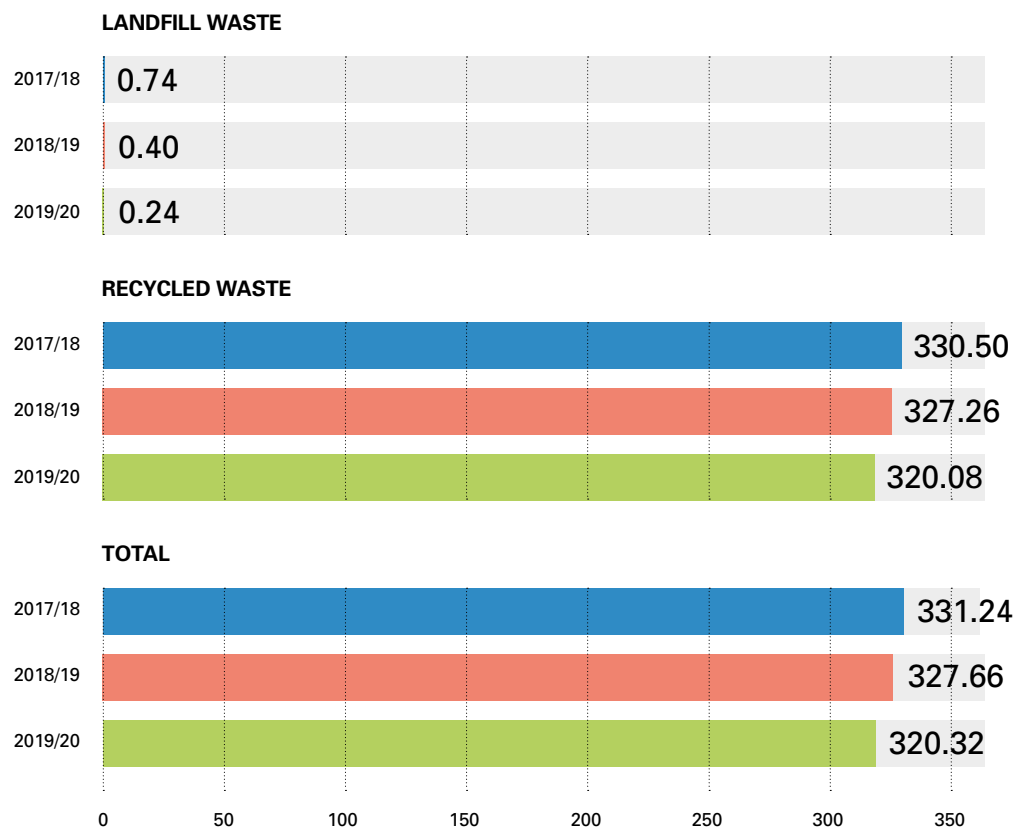
TOTAL



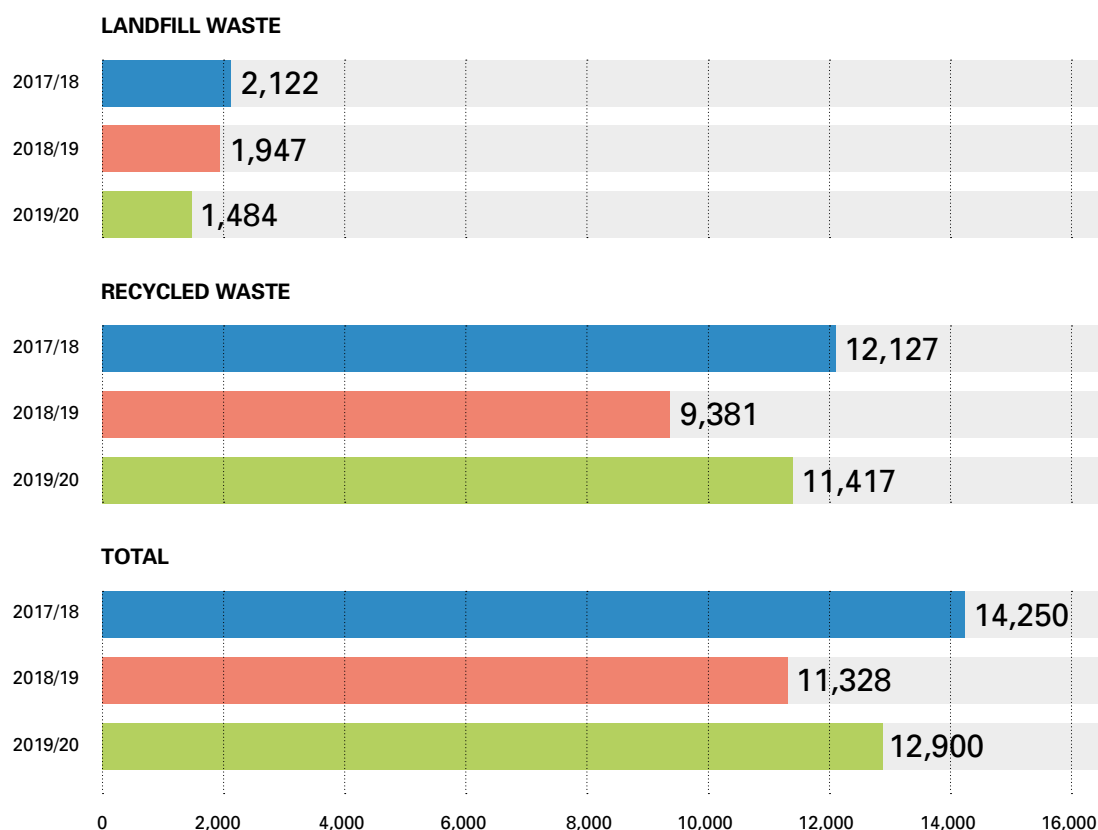
WATER USAGE (m3) AND EXPENDITURE (£)



WASTE – NON FINANCIAL (TONNES)



WASTE – FINANCIAL INDICATORS (£)



The majority of the data used in the preparation of this report is based on the information provided by our suppliers. However, at the time of writing (April 2020) data for some of the locations was not available. In line with HM Treasury guidance, estimates have been made based on the previous quarter's actuals and, in limited circumstances, estimates have been made using 2018/19 data. All conversion factors used to produce CO2 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 2019 to 31 March 2020.

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, *Let's Create*.

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 36.

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 agreed 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. 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, five 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

Five 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, four National Council members and four independent members)

ROLE

- assess and advise on the organisation's financial risk, performance management, governance and value for money
- performs 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, four 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 2019/20 was as follows:

Sir Nicholas Serota CH

(CHAIR)

Professor Roni Brown

(SOUTH EAST AREA COUNCIL CHAIR)

Kate Willard

(NORTH AREA COUNCIL CHAIR)

Helen Birchenough

(SOUTH WEST AREA COUNCIL CHAIR)

Sukhy Johal MBE

(MIDLANDS AREA COUNCIL CHAIR)

Ruth Mackenzie CBE

(LONDON AREA COUNCIL CHAIR)

Michael Eakin

Ciara Eastell OBE

David Joseph CBE

Catherine Mallyon

Andrew Miller

George Mpanga

Elisabeth Murdoch

Paul Roberts OBE

Tessa Ross CBE

HIGHLIGHTS OF NATIONAL COUNCIL MEETINGS IN 2019/20

During 2019/20, National Council and its committees considered key strategic issues and routine business planning; the topics considered included:

- Developing *Let's Create*, our new 10-year Strategy for 2020-30
- Review of Area Councils effectiveness
- Report on the Arts Council Collection
- Commercial Investment Fund
- Risk Registers and Reports
- Programme Budgets
- Children and Young People
- Presentations on our South West and Midlands Areas
- Annual Equality and Diversity Report
- Brexit Preparations
- Discussions on our work around Enterprise and Innovation
- Approval of a number of grants including capital grants of around £7.8 million 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 2019/20 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 were satisfied with the way they had operated as a non-Executive Board in 2019-20. Membership had remained consistent throughout the year with no new appointments, and Council's view was that the working relationship between members within National Council and with Executive Board was open and strong.

The development and subsequent launch of Arts Council England's Ten Year Strategy had continued to play a key role in the National Council's discussions throughout the year. The new strategy published in January 2020, was widely welcomed across the board. Council members underlined the importance of continuing to hold on to the aims expressed within the strategy in the recovery and re-emergence from the COVID-19 pandemic.

Members commented positively on the continued improvements to the way National Council operates. Strong, coherent working relationships had been built between Area Directors and Area Chairs, and discussions had been held at National Council meetings to ensure that the unique and over-arching achievements, challenges and opportunities in each of the Areas were understood. Members also noted that more meetings were taking place in other towns and cities, with a greater number scheduled outside London.

In addition, National Council reaffirmed its commitment to increasing the representativeness of its members to reflect the diversity of the communities supported by the Arts Council.

Looking towards the period of recovery from the COVID-19 pandemic, it was noted that close contact between National and Area Councils was more important than ever. Members expressed interest in making themselves more available as advocates for the Arts Council's work or where specific expertise may be required on policy matters.

In his absence, National Council considered the effectiveness of the Chair, and unanimously agreed that he was playing an effective role in leading the non-Executive Board and representing Arts Council England at a nationwide level.

NATIONAL COUNCIL ATTENDANCES	NATIONAL COUNCIL	PERFORMANCE AND AUDIT COMMITTEE	REMUNERATION COMMITTEE
Sir Nicholas Serota CH	6/6	–	–
Helen Birchenough	6/6	–	–
Professor Roni Brown	6/6	–	–
Michael Eakin	6/6	3/4	1/1
Ciara Eastell OBE	6/6	–	–
Sukhy Johal MBE	6/6	–	–
David Joseph CBE	2/6	–	–
Ruth Mackenzie CBE	3/6	–	–
Catherine Mallyon	6/6	1/4	1/1
Andrew Miller	6/6	–	–
George Mpanga	3/6	–	–
Elisabeth Murdoch	5/6	–	–
Paul Roberts OBE	6/6	4/4	1/1
Tessa Ross CBE	4/6	–	–
Kate Willard	6/6	3/4	1/1
OTHER MEMBERS OF PERFORMANCE AND AUDIT COMMITTEE			
Christopher Yates	–	2/2 ¹⁴	–
Claire Ashby	–	4/4	–
Clive Parritt	–	4/4	–
Tracy Staines	–	4/4	–

¹⁴ Christopher Yates' term finished on 1 December 2019; therefore he was only required to attend the two Performance and Audit Committee meetings which occurred prior to that point.

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. In January 2020, National Council approved a permanent increase in Performance and Audit Committee membership, which will now comprise of four National Council members and four co-opted independent members with expertise in audit, risk management or corporate governance matters. With Chris Yates' term of appointment having come to an end on 1 December 2019, the recruitment and appointment of a fourth independent member is ongoing. 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 provides a full report to National Council on its performance once a year.

The key areas scrutinised by the Performance and Audit Committee during 2019/20 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 Performance and Audit Committee also considered the strength of our information security, discussed the progress of the implementation of the recommendations in the Tailored Review, received regular feedback on our organisational risks, and provided comments on the Arts Council's approach to performance reporting under the new Strategy including the ongoing development of an Impact Framework.

The Performance and Audit Committee undertook an annual self-evaluation of its effectiveness in April 2020. Members noted that all six recommendations made during the 2019 self-review had since been completed and were satisfied with the good mix of skills reflected on the Committee. It was agreed that the three main areas of focus over the next year would be on: supporting the Arts Council in dealing with the challenges presented by the coronavirus crisis; continuing to support and challenge the organisation with the implementation of the 10-year Strategy (including the development of a new Performance Framework); and recruiting a new independent Performance and Audit Committee member.

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. Further details on this committee can be found in the Remuneration Report.

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, and 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. 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 2019/20

NAME	JOB TITLE
1 Dr Darren Henley OBE	Chief Executive
2 Laura Dyer MBE	Deputy Chief Executive, Places & 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 & 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.

We identify and manage risk at three levels:

- Strategic: The principal risks, opportunities and uncertainties affecting the achievement of our mission and strategic outcomes
- 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 new 10-year Strategy sets out our commitment to 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 counter 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 2019/20, 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:

Impact of Covid-19 on the Sector

The most significant risk on the horizon for the Arts Council and the sector that we support is the Covid-19 pandemic and its impact on the sector.

Covid-19 has resulted in the closure of arts and culture venues to the public. There is a risk that many artists and creative practitioners will not be able to sustain their careers, and vital cultural organisations will not be able to remain solvent through and after this crisis.

In response, since the end of the financial year we have reallocated our funds to roll out a £160 million support package aimed at: individuals, non-NPO organisations, and NPOs. We have made delivery of the response package our number one priority, and where necessary have temporarily redeployed staff to ensure that these programmes can be delivered speedily. We are collecting data on the impact on the sector and are in constant contact with Government – about the impact of the crisis, and the Government’s support package on our sector.

Beyond our initial response, we also working with Government, the sector, local government and other key stakeholders on plans for recovery and re-emergence, recognising that for many cultural organisations social distancing is a threat to their current business models.

We remain committed to our new Strategy, *Let’s Create* and we will reconsider our plans for delivering the strategy in the wake of Covid-19.

Covid-19 is also severely impacting on Local government, the largest investor in the arts and culture sector in England. This has exacerbated our concerns over the possibility of further reductions in local authority investment. We will continue to work with the Local Authorities, Elected Mayors, the Local Government Association, the Ministry of Housing, Communities, and Local Government, Local Enterprise Partnerships and others to maintain, and make the case for, the vital role that libraries, museums and arts organisations play in our local communities.

Arts Council England has maintained full business continuity despite the lockdown by switching to remote working, and we will be reviewing how we work to ensure that we remain effective over this crisis and can deliver our new Strategy.

Other key risks for the Arts Council include:

Our Future Income

Our two main sources of income are Grant-in-Aid and funding from the National Lottery. Our current Grant-in-Aid settlement ends this financial year. A spending review is expected later on in the year. This settlement will determine the extent to which we are able to support the sector’s re-emergence from Covid-19 and deliver the new Strategy. We continue to monitor the impact of Covid-19 on our National Lottery income.

The uncertainty around the United Kingdom's future trading relationship with the EU

The Government is in negotiations with the EU about the UK's trading relationship with the bloc at the end of the current transition period. The final agreement will have significant implications for the arts and culture sector as it will determine future arrangements for touring, exporting to EU countries, and cultural exchanges. We continue to monitor developments to advise on the impact and implications for our sector.

Adapting the way we work as an organisation to reflect the context and delivery of our new 10-year strategy

Our new 10-year strategy *Let's Create* is ambitious, and to deliver it effectively we will need to change as an organisation. The strategy contains commitments that set out how we will work over the next decade: to keep our delivery on track, to ensure that we are held to account, and to serve as an invitation to others to join us as partners.

Our delivery plan for 2021-24 will set out how we will deliver on these commitments over the first three years of the strategy. We have established a Workstream led by the Chief Financial Officer to determine the implementation of the necessary changes.

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 2019/20. There were 18 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.

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 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. No whistleblowing cases were reported and investigated during 2019/20.

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. 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

A register of interests for all National Council and Executive Board members is available at the following link:

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

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 2019/20

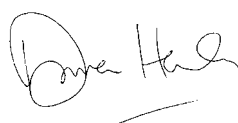
The effectiveness of the Arts Council's internal controls is monitored through a set of operational metrics reviewed by Executive Board and the Performance and Audit Committee. This is supported by a programme of internal audit reviews.

For 2019/20, internal audit completed reviews of the following areas:

1. Developing Your Creative Practice
2. Fraud awareness and prevention
3. Finance Key Controls
4. Grant applications fraud controls
5. Area Review – South East
6. DCMS Tailored Review implementation – Government Grant Standards
7. IT Strategy and effectiveness
8. Touring commercial subsidiary

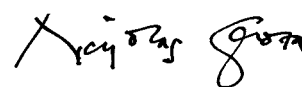
Where weaknesses have been identified during the course of internal audit's work, the findings and the action that management have taken to address key weaknesses have been reported to the Performance and Audit Committee. Improvements to internal controls put in place during the year include improvements in our counter fraud controls and the implementation of new technologies to reduce the risk of cyber security events.

Throughout 2019/20 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.



Dr Darren Henley OBE
Chief Executive

22 JUNE 2020



Sir Nicholas Serota CH
Chair

22 JUNE 2020

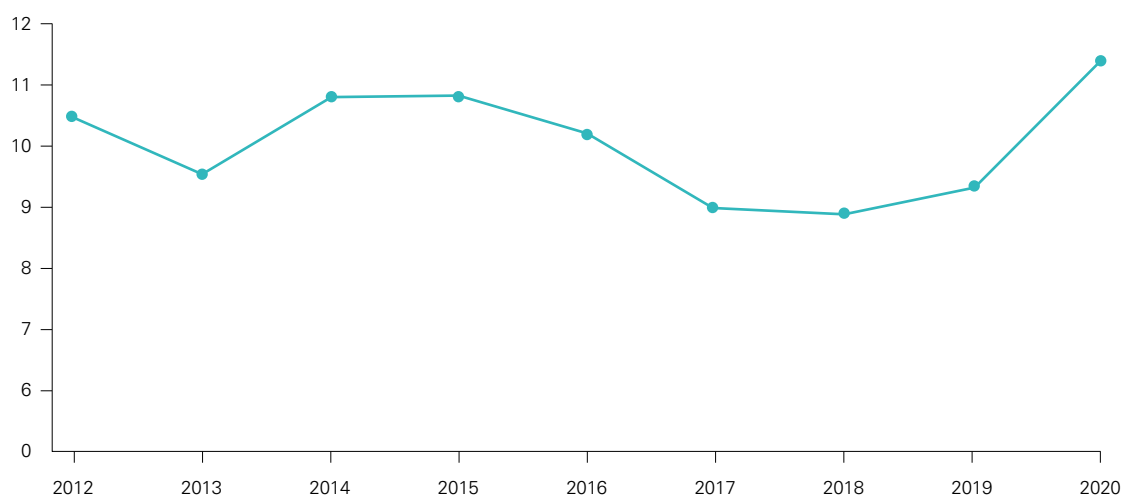
People update 2019/20

As at 31 March 2020, 586 people worked for the Arts Council (a full-time equivalent of 541). This is an increase of five on the 581 in terms of headcount over the last 12 months, however the full-time equivalent has remained constant. 422 (72%) of our staff are outside of London. Our voluntary staff turnover was 8.5% (or 50 leavers). While this marked a slight increase on the 6.9% (or 40 staff from 581) in 2018/19, it is broadly in line with the low levels of voluntary leaver rates experienced by the Arts Council since 2013. There were two redundancies made by the organisation in the year.

The number of days lost to sick leave was 2.22% – an increase on the 1.52% for 2018/19.

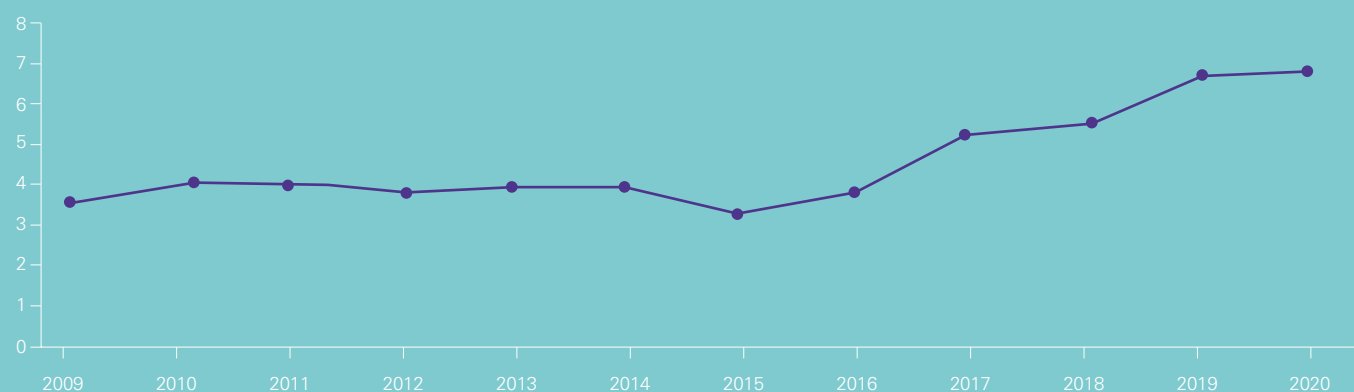
The percentage of BAME staff increased from 11.4% to 12.1%. This reflected in part changes to our recruitment policy to allow external applicants more access to roles, broaden the advertising media used, and open up the experience and skills requirements of more job roles to non-arts and culture based backgrounds. For externally advertised vacancies, the percentage of BAME applicants was 11.1%.

% OF STAFF WHO IDENTIFY AS BAME



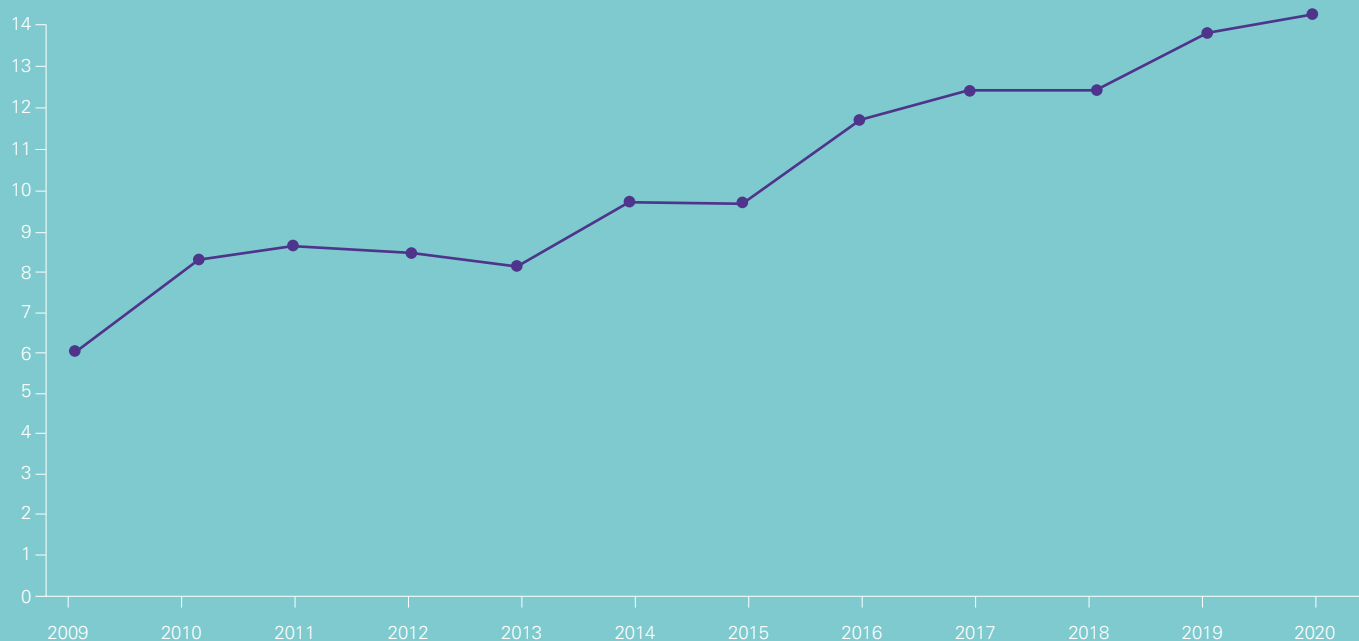
The percentage of applicants applying for vacant posts who identified as disabled was 5.9% (2018/19: 3.8%) and the percentage of disabled staff remains similar to previous years, at 7.0%. The graph below shows the overall trend in the numbers of disabled staff employed by Arts Council England over the last 11 years.

% OF STAFF WHO IDENTIFY AS DISABLED



The percentage of LGBT staff remains proportionately high, at 14.3%. The graph below shows how the percentage of staff employed by the Arts Council who identify as LGBT.

% OF STAFF WHO IDENTIFY AS LGBT



As at 31 March 2020, 66.2% of Arts Council staff were female, a very slight increase on last year. The gender pay figures we released reflect the situation as at 6 April 2019. In these, the median gender pay gap grew slightly from -0.6% in 2018/19 to +3.4%. In other words, the hourly rate of pay went from 10p in favour of female staff in 2018 to 62p in favour of male staff in 2019. This change resulted from more males coming into the second highest paid quartile than previously. There was also a growth in the female proportion of the lowest paid quartile (from 61.6% to 65.5%), largely as a result of the higher number of female entrants into our apprenticeship programme. 55% of those colleagues in the Arts Council's highest paid quartile were women – a figure largely unchanged from the previous year.

Our annual staff survey took place in November 2019, with a 67% response rate. 87% of respondents rated the Arts Council as a good place to work and the numbers who said they felt able to effectively use their skills in their job rose to 71%.

Other initiatives we launched in 2019-20 included:

- Introducing new guidance on reducing unnecessary email traffic and holding more efficient meetings
- Rolling out more mobile technology and introducing workstations to offices to enhance our ability to all work in a more mobile way
- Changes in the senior team structure of our Collections and Cultural Property function
- Raising the threshold of the annual leave staff can swap out for salary to 10 days per annum
- Rolling out training on recruitment, unconscious bias, wellbeing, and effective leadership, launching an induction app, and creating new IT training
- Beginning a programme of in-house mental health first aiders

- Involving the whole organisation in the development of a new set of organisational values to frame our next 10-year strategy
- Developing a new approach to performance management for launch in 2020/21

Trade union facility time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 took effect on 1 April 2017 and mean 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%	0
1-50%	21
51%-99%	0
100%	0

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	£21,884
Total pay bill	£22,696,000
Percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	0.10%

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%
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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 2019/20, 100 per cent of invoices were paid within 30 days (2018/19: 100 per cent) and we paid 96.7 per cent of invoices within five days (2018/19: 94.1 per cent).

CORPORATE INFORMATION**Principal address as at 31 March 2020**

21 Bloomsbury Street
London WC1B 3HC

Banker

Government Banking Service
National Westminster Bank plc
Premier Place, Devonshire Square,
London EC2M 4BA

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 (KPIs). 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 (known attendances constant sample)¹⁵

ALL ENGLAND:

ATTENDANCE AND VISITOR NUMBERS IN NATIONAL PORTFOLIO ORGANISATIONS AND MAJOR PARTNER MUSEUMS (THOUSANDS)

2016/17	2017/18	2018/19
38,290	39,371	43,998

BREAKDOWN BY FIVE ARTS COUNCIL AREAS:

ATTENDANCE AND VISITOR NUMBERS IN NATIONAL PORTFOLIO ORGANISATIONS AND MAJOR PARTNER MUSEUMS BY AREA (THOUSANDS)

AREA	2016/17	2017/18	2018/19
London	16,205	15,906	19,792
Midlands	6,236	6,823	6,722
North	8,263	8,392	9,870
South East	4,796	4,140	4,571
South West	2,789	4,109	3,042

When looking at a *constant* sample of funded organisations we see an increase of around 15 per cent in known attendance and visitor numbers over the three-year period 2016-19.

We have also included a breakdown for our five areas. However, it is important to note that National Portfolio Organisations' attendance and visitor numbers are subject to natural variations related to factors such as biennial or triennial events, programming patterns, closures for refurbishment, wider economic circumstances, etc. The figures for Areas with fewer National Portfolio Organisations are affected more substantially by these variations.

KPI 2: Proportion of National Portfolio Organisation and Major Partner Museum board members who identify with the following characteristics¹⁶:

PROPORTION OF NATIONAL PORTFOLIO ORGANISATIONS AND MAJOR PARTNER MUSEUM BOARD MEMBERS WHO IDENTIFY WITH DIVERSITY CHARACTERISTICS

	2016/17	2017/18	2018/19
BME	13%	14%	15%
LGB	5%	6%	7%
Female	46%	46%	47%
Disabled	7%	6%	7%

Small increases in board participation were observed across all diversity categories between 2017/18 and 2018/19.

The percentages of board members whose identity was unknown with respect to these characteristics has declined. It is 3 per cent for gender, 9 per cent for ethnicity, 16 per cent for disability, and 18 per cent for sexual identity in 2018/19.

¹⁵ We have changed the way we report against this KPI. Data shows total known attendances for England and the rest of UK only, and we have only included attendances reported by the 578 organisations who provided valid data every year for the past three consecutive years (this is referred to as a constant sample). Estimated attendances, for example from non-ticketed events, have been excluded.

¹⁶ 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, 2018-19*.

There is significantly more work to be done, in particular to ensure the number of disabled people serving on National Portfolio Organisation boards is more reflective of wider society.

We have partnered with the Clear Company to develop a Recruitment and Workforce Development Toolkit to help our sector develop their workforce, including their boards, with a focus on embracing inclusion and diversity. Access All Areas are supporting a cohort of learning-disabled leaders to become trustees and theatre directors, the Clore Leadership Programme is offering sessions on improving governance, and Artistic Directors of the Future ran a board shadowing programme. We have also developed case studies and podcasts on developing good governance which are available through our website.

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

PROPORTION OF NATIONAL PORTFOLIO ORGANISATIONS PRODUCING AT LEAST ONE SCREENING OR BROADCAST IN THE REPORTING YEAR

	2016/17	2017/18	2018/19
% of portfolio	45%	46%	65%
Includes film screenings, virtual reality experiences, television and radio broadcasts, and creative content products created to be consumed online (podcasts, vlogs, apps, etc).			

National Portfolio Organisations' production of screenings and broadcasts has increased significantly over the past three years, both in the number of National Portfolio Organisations undertaking this work and the percentage of the portfolio they represent.

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

ALL ENGLAND:

EARNED AND CONTRIBUTED INCOME IN NATIONAL PORTFOLIO ORGANISATIONS AND MAJOR PARTNER MUSEUMS (£MILLIONS)

	2016/17	2017/18	2018/19
Earned	838	880	899
Contributed	198	201	217
Total	1,035	1,081	1,116

BREAKDOWN BY FIVE ARTS COUNCIL AREAS:

COMBINED EARNED + CONTRIBUTED INCOME IN NATIONAL PORTFOLIO ORGANISATIONS AND MAJOR PARTNER MUSEUMS BY AREA (£MILLIONS)

AREA	2016/17	2017/18	2018/19
London	493	524	539
Midlands	203	199	204
North	171	188	199
South East	89	89	96
South West	79	82	78

The arts and cultural sector continues to respond positively to a challenging environment for income generation. The Annual Return for 2018/19 indicates earned income across the National Portfolio Organisations and Major Partner Museums grew to £899 million from £880 million in the previous year, up 2.2 per cent. Contributed income showed an increase of 7.9 per cent from £201 million to £217 million.

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

PROPORTION OF NATIONAL PORTFOLIO ORGANISATIONS UNDERTAKING INTERNATIONAL ACTIVITIES IN THE REPORTING YEAR

	2016/17	2017/18	2018/19
% touring internationally	15%	21%	39%
% with international dimension	61%	57%	67%

The percentage of National Portfolio Organisations touring internationally has increased to 39 per cent, up 18 percentage points on last year's figure. A question about activities with an international dimension saw 67 per cent of the portfolio responding positively, up 10 percentage points on the year before. In previous years we asked about specific types of international activity, whereas for 2018/19 we asked National Portfolio Organisations whether they had undertaken any international activity at all. This may have some bearing on the increase, as organisations may have reported on activity they had not previously thought of as eligible in this category. However, the year-on-year trend is markedly upwards in each year from 2016 – an encouraging signal about the sector's openness against a backdrop of continuing uncertainty over the UK's exit from the EU.

Activities with an international dimension include co-productions and co-commissions with international partners, borrowing objects or collections from abroad for exhibition in the UK, hosting international creative practitioners in the UK, and research with international partners.

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

REPORTING YEAR	2018/19	2019/20
Total number of schools* engaged in meaningful contact by Arts Council funded Bridge Organisations	5,153	4,935

* 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 22 per cent (or 4,935) of schools across England during 2019/20, developing new connections with over 900 schools. This represents a minor decrease of 1 percentage point from 2018/19 which we will pick up with Bridge Organisations when schools resume. We will continue to support Bridge Organisations to help more schools enrich the arts and cultural experience they offer their pupils.

KPI 7: The proportion of Project Grant applications processed within the published time frame

PROPORTION OF PROJECT GRANT APPLICATIONS PROCESSED WITHIN THE PUBLISHED TIME FRAME

	A	B	C
2017/18	95.50%	97.07%	95.74%
2018/19	96.44%	96.19%	96.40%
2019/20	99.32%	97.42%	98.94%
TARGET	90%	90%	90%
TOTAL	10,296	9,479	10,390

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

The percentage of Project Grant applications processed within published timeframes remains very high. The closure of Arts Council offices in response to the Covid-19 pandemic did not significantly affect these results thanks to a successful transition to remote working and decision-making.

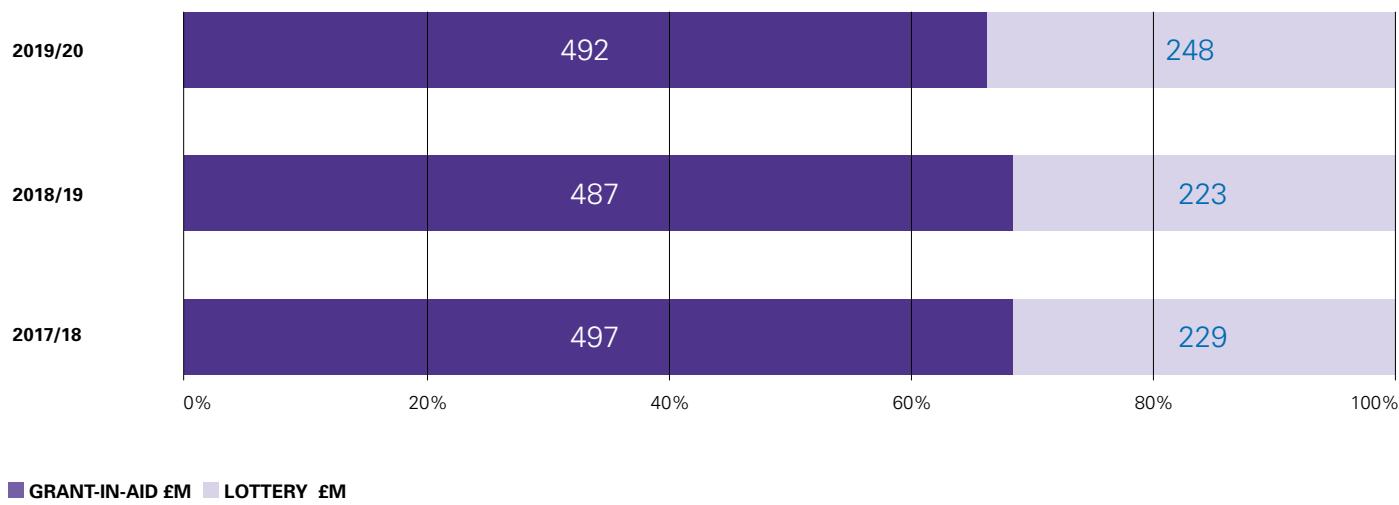


FINANCIAL REVIEW,
GRANT-IN-AID

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 £492 million for the year (2018/19: £487 million), which included £25.8 million of capital funds to allocate as grants. It also included funding from the Department for Education of £80.8 million (2018/19: £79.3 million) to support plans for music and cultural education. The graph below shows our total income from both Grant-in-Aid and the National Lottery over the last three years.

OUR INCOME



GRANT-IN-AID RESTRICTED INCOME

The Arts Council received funding specifically for the following projects during 2019/20:

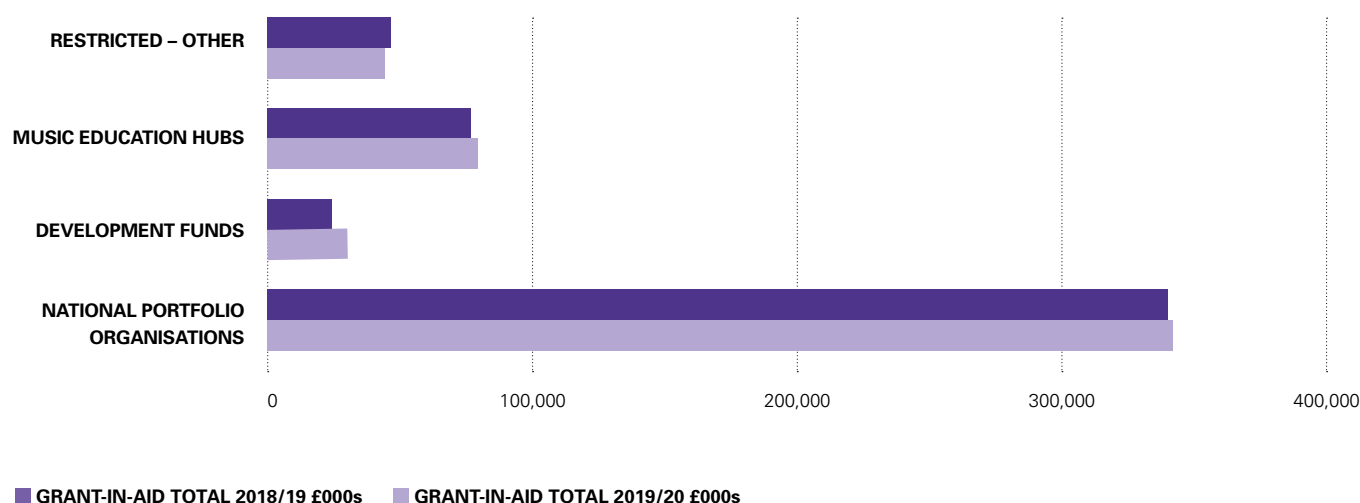
	REVENUE FUNDING £MILLION	CAPITAL FUNDING £MILLION
RSC China	0.29	
Factory Manchester	9.00	
Royal Society of Arts pilots in schools	0.10	
Coventry City of Culture		8.51
Cultural Development Fund	11.80	5.50
Libraries Task Force	0.30	
Youth Accelerator fund	0.50	
Culture Diary	0.03	
NYDC	0.20	
Sorrell National Art&Design clubs	0.13	
Expansion of Bridge networks	0.62	
Museums and Schools	1.20	
Music for Youth	0.11	

GRANT-IN-AID EXPENDITURE

In 2017 the Arts Council announced allocations for its National Portfolio Organisations for the period 2018-22. £338 million of grants relating to the 2019/20 financial year, the second year of this new portfolio, are included in these accounts (2018/19: £334 million).

In addition, we spent £16 million (2018/19: £12 million) through grants and direct expenditure on development and investment programmes and £77 million (2018/19: £76 million) on 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 £0.23 million underspend (2018/19: £0.26 million underspend). However, the statement of financial activities shows net expenditure for the year of £0.55 million (2018/19: net income of £1.05 million).

The difference between performance against our DEL and the net expenditure for the year 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 2020, Arts Council England had unrestricted reserves of £11.8 million (2018/19: £12.8 million) together with £1.2 million (2018/19: £1.2 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 HM Treasury approval to use our reserves if it were necessary to do so. In March 2020, to support our response to the Covid-19 crisis, National Council and HM Treasury agreed that we could use all £12.8 million of our unrestricted reserves for emergency funds to support the arts and culture sector.

Fees paid to the National Audit Office for Grant-in-Aid audit services during 2019/20 were £72,773 including VAT (2018/19: £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 £187 million (2018/19: £133 million).

At year-end, a total of £345 million (2018/19: £422 million) accepted grant commitments remained outstanding and awaiting payment. This compares with a balance in the National Lottery Distribution Fund, plus bank balances, of £263 million (2017/18: £287 million). This reduction of £24 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 1 April 2017 to 31 March 2021.

Actual proceeds from the National Lottery received in 2019/20 were £247 million. This was significantly higher than the £224 million received in 2018/19 and was due to several large jackpot rollovers in the year and promotions for the 25th birthday of the National Lottery in November 2019.

Our Lottery balance policy was reviewed by National Council in September 2019. 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 amount this year because we took a decision in previous years to build up a Lottery reserve. Our National Council had previously agreed in principle that we could 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.

In March 2020, as a result of Covid-19 and the impact that this is having on the Arts & Culture Sector, National Council approved the use of £143 million of Lottery funding for an emergency funding programme to support Arts organisations and individuals who have been adversely affected by the pandemic. As part of this response they agreed that our minimum balance should fall from £50 million to £10 million during the period of the crisis.

Further details of the activities and policies of Arts Council England are included in the National Lottery report 2019/20 (see pages 172 to 183).

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 2019/20 were £60,650 (2018/19: £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 2019/20 and 2018/19 financial years.

	2019/20 £000s	2018/19 £000s
INCOME		
Grant-in-Aid income	492,057	486,914
Share of the National Lottery Distribution Fund	247,871	223,296
Investment returns on the Distribution Fund	1,199	1,144
Other income	1,032	2,023
Total income	742,159	713,377
EXPENDITURE		
Net Grant-in-Aid grant commitments	469,536	465,996
Other Grant-in-Aid arts expenditure	6,004	4,520
Net Lottery grant commitments	177,315	130,498
Lottery Invoiced Arts Expenditure	586	971
Support costs	36,776	33,388
Total expenditure	690,217	635,373
Net gains/(losses) on investments	(70)	34
Net income/(expenditure)	51,872	78,038
Gain on revaluation of heritage assets	8,629	71,542
Actuarial gains/(losses) on defined benefit pension schemes	(1,948)	(142)
	6,681	71,400
Net movement in funds	58,553	149,438
Consolidated reserves brought forward	326,010	176,572
Consolidated reserves carried forward	384,563	326,010



Administration costs are 5.94 per cent of income (2018/19: 5.54 per cent). Grant-in-Aid administration (excluding one-off IT costs) totalled £17.77 million, which is 4.88 per cent of income (2018/19: 4.46 per cent). Lottery administration (excluding one-off IT costs) totalled £18.64 million, which is 7.48 per cent of income (2018/19: 7.26 per cent). The split over the two income streams continues to reflect the level of activity in Lottery investment compared to Grant-in-Aid.

PLANS FOR THE FUTURE

2020 saw the launch of *Let's Create*, our new Strategy, which will span the decade 2020-30. Its vision is that by 2030, we want England to be a country in which the creativity of each of us is valued and given the chance to flourish, and where every one of us has access to a remarkable range of high-quality cultural experiences.

Let's Create sets out three outcomes we want to achieve by 2030:

- Creative People – everyone can develop and express creativity throughout their life
- Cultural Communities – villages, towns and cities thrive through a collaborative approach to culture
- A Creative and Cultural Country – England's cultural sector is innovative, collaborative and international

Let's Create also sets out four Investment Principles which we think will help the Arts Council, organisations and people to deliver the Outcomes:

- Ambition and Quality – cultural organisations are ambitious and committed to improving the quality of their work
- Dynamism – cultural organisations are dynamic and able to respond to the challenges of the next decade
- Environmental Responsibility – cultural organisations lead the way in their approach to environmental responsibility

- Inclusivity and Relevance – England's diversity is fully reflected in the organisations and individuals that we support and in the culture they produce

Let's Create will be accompanied by a series of delivery plans, which will set out in more detail how we intend to make progress towards these outcomes. The first three-year delivery plan will set out priorities for the period, as well as how the Arts Council will work and change. This will be published in January 2021 and will take effect from April 2021.

On 24 March 2020 the Arts Council announced a £160 million emergency response package to support individuals and organisations across the cultural sector during the Covid-19 crisis.

The funding announced was:

- £90 million to be available for National Portfolio Organisations
- £50 million to be available for organisations outside of the National Portfolio
- £20 million to be available to creative practitioners and cultural workers

This funding came from the following sources:

- £50 million from reallocating Arts Council National Lottery Project Grants budgets for 2020/21
- £4 million from reallocating Developing Your Creative Practice budgets for 2020/21
- £12.8 million using up all our unrestricted Grant-in-Aid reserves
- £93.2 million from National Lottery reserves

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 2019, 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, 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.

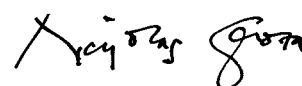
In approving these accounts, the Trustees have complied with their duty under section 11 of the Charities Act 2011 to have due regard to guidance published by the Charity Commission.

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.



Dr Darren Henley OBE
Chief Executive

22 JUNE 2020



Sir Nicholas Serota CH
Chair

22 JUNE 2020

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 2020 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 2020 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'¹⁷. 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Arts Council England's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Arts Council England have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Arts Council England's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

¹⁷ Reference here to Practice Note 10 is to cover the basis of our regularity opinion.

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 Accounting Officer are responsible for the other information. The other information comprises information included in the Annual Report, other than 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 Chair's report; the Chief Executive's report; Achieving great art and culture; the parts of the Remuneration report that are not audited; the Sustainability report; the Trustees' report and management commentary; the Strategic report; and the National Lottery report 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: 1 JULY 2020

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



STATEMENT OF FINANCIAL ACTIVITIES FOR THE PERIOD ENDING 31 MARCH 2020

	NOTE	UNRESTRICTED FUNDS £000s	RESTRICTED FUNDS £000s	ENDOWMENT FUNDS £000s	TOTAL 2019/20 £000s	TOTAL 2018/19 £000s
INCOME AND ENDOWMENTS FROM:						
Donations and legacies	2a	363,538	128,595	–	492,133	487,070
Investments	2b	136	–	13	149	240
Charitable activities	3	308	428	–	736	777
Other: Lottery distribution accounts	4	18,821	–	–	18,821	16,834
Total income and endowments		382,803	129,023	13	511,839	504,921
EXPENDITURE ON:						
Charitable activities (including Governance costs)	4	364,557	128,940	–	493,497	487,070
Other: Support costs attributable to Lottery distributions accounts	4	18,821	–	–	18,821	16,834
Total expenditure		383,378	128,940	–	512,318	503,904
Net gains/(losses) on investments	9	–	–	(70)	(70)	34
Total income/(expenditure) before other recognised gains and losses		(575)	83	(57)	(549)	1,051
OTHER RECOGNISED GAINS/LOSSES						
Gain on revaluation of heritage assets	10	8,608	21	–	8,629	71,543
Actuarial gains/(losses) on defined benefit pension schemes	7	(1,948)	–	–	(1,948)	(142)
Net movement in funds	31	6,085	104	(57)	6,131	72,452
RECONCILIATION OF FUNDS						
Balance brought forward at 1 April		249,227	6,019	597	255,843	183,391
Total funds carried forward at 31 March		255,312	6,123	539	261,974	255,843

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 2020

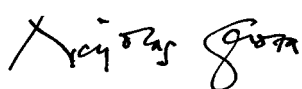
	NOTE	UNRESTRICTED FUNDS £000s	RESTRICTED FUNDS £000s	ENDOWMENT FUNDS £000s	TOTAL 31 MARCH 2020 £000s	TOTAL 31 MARCH 2019 £000s
FIXED ASSETS						
Tangible assets	10	2,967	–	–	2,967	3,007
Heritage assets – Works of art	10	244,473	5,471	–	249,944	241,012
Investments	9	–	–	539	539	596
Total fixed assets		247,440	5,471	539	253,450	244,615
CURRENT ASSETS						
Debtors	12	14,020	89,331	–	103,351	44,785
Due from Arts Council Lottery accounts	11	–	3,042	–	3,042	1,595
Grants paid in advance	13	5,555	–	–	5,555	904
Cash and cash equivalents	19/20	10,948	3,441	–	14,389	93,264
Total current assets		30,523	95,814	–	126,337	140,548
LIABILITIES:						
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR						
Grants outstanding	14	11,836	94,271	–	106,107	122,222
Due from Arts Council Lottery accounts		–	–	–	–	–
Creditors	15	3,751	891	–	4,642	4,033
Total creditors: amounts falling within one year		15,587	95,162	–	110,749	126,255
Net current assets		14,936	652	–	15,588	14,293
Total assets less current liabilities		262,376	6,123	539	269,038	258,908
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR						
Provisions for liabilities and charges	16	3,089	–	–	3,089	871
Net assets excluding pension liability		259,287	6,123	539	265,949	258,037
Defined benefit pension scheme liability	7	3,975	–	–	3,975	2,194
Net assets including pension liability		255,312	6,123	539	261,974	255,843
THE FUNDS OF THE CHARITY						
Represented by income funds	17					
Unrestricted fund		11,846	–	–	11,846	12,787
Restricted fund		–	652	–	652	633
Represented by capital funds	17					
Endowment funds		–	–	539	539	596
Designated fund		244,473	–	–	244,473	235,628
Donated asset reserve		–	5,471	–	5,471	5,386
Capital reserve		2,967	–	–	2,967	3,007
Pension reserve	7	(3,974)	–	–	(3,974)	(2,194)
Total charity funds		255,312	6,123	539	261,974	255,843

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



Dr Darren Henley OBE
Chief Executive

22 JUNE 2020



Sir Nicholas Serota CH
Chair

22 JUNE 2020

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

	NOTE	2019/20 £000s	2018/19 £000s
CASH FLOWS FROM OPERATING ACTIVITIES :			
Funds received from the Department for Digital, Culture, Media and Sport		433,020	508,138
Other cash receipts		18,655	17,418
Grants paid to arts organisations and other bodies		(490,301)	(443,012)
Cash paid to and on behalf of employees		(29,059)	(24,938)
Other cash payments		(10,401)	(13,397)
Net cash provided by/(used in) operating activities	18	(78,086)	44,209
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on short-term cash deposits		136	228
Dividends received		13	12
Purchase of tangible fixed assets		(926)	(998)
Sale of tangible fixed assets		–	–
Net cash provided by/(used in) investing activities		(777)	(758)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Endowment Income/(Investments)		(13)	(120)
Net cash provided by/(used in) financing activities		(13)	(120)
Change in cash and cash equivalents in the reporting period	19/20	(78,876)	43,331
Cash and cash equivalents at the beginning of the reporting period		93,265	49,933
Change in cash and cash equivalents due to exchange rate movements		–	–
Cash and cash equivalents at the end of the reporting period		14,389	93,264

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 2019 issued by the Charity Commission in 2019.

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 2019/20, 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 2019. 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 2019. 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 annually. 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 2019/20.

For organisations which prepare their accounts under IFRS a new accounting standard, IFRS16 (Leases), came 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.

2 INCOME

2a. VOLUNTARY INCOME

	UNRESTRICTED FUNDS £000s	RESTRICTED FUNDS £000s	ENDOWMENT FUNDS £000s	TOTAL 2019/20 £000s	TOTAL 2018/19 £000s
DONATIONS AND LEGACIES					
CASH GRANT-IN-AID VOTED BY PARLIAMENT AND PAID IN FULL					
Core funding – revenue	346,706	–	–	346,706	341,747
Administration	15,950	1,140	–	17,090	16,921
Core capital	870	–	–	870	970
Ring-fenced funds	–	127,390	–	127,390	127,276
	363,526	128,530	–	492,056	486,914
OTHER DONATIONS AND LEGACIES					
Donations/Bequests	12	64	–	76	156
Donations and Legacies income	363,538	128,594	–	492,132	487,070

2b. INVESTMENT INCOME

	UNRESTRICTED FUNDS £000s	RESTRICTED FUNDS £000s	ENDOWMENT FUNDS £000s	TOTAL 2019/20 £000s	TOTAL 2018/19 £000s
INVESTMENT INCOME					
Bank Interest received	136	–	–	136	228
Dividend Income	–	–	13	13	12
Investment Income	136	–	13	149	240

3. INCOME FROM CHARITABLE ACTIVITIES

	UNRESTRICTED FUNDS £000s	RESTRICTED FUNDS £000s	TOTAL 2019/20 £000s	TOTAL 2018/19 £000s
GRANTS, SPONSORSHIP AND DONATIONS RECEIVED				
Local Authorities	56	218	274	227
Non-government bodies	–	–	–	–
Other central Government bodies	246	196	442	419
Other grants, sponsorship and donations	–	12	12	10
Public Corporations	–	–	–	–
Sundry	5	2	7	121
Net incoming/(outgoing) resources for the year	307	428	735	777

4. ANALYSIS OF EXPENDITURE

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.



4a. EXPENDITURE ON CHARITABLE ACTIVITIES

	ACTIVITIES UNDERTAKEN DIRECTLY £000s	GRANT FUNDING OF ACTIVITIES £000s	NET SUPPORT COSTS £000s	TOTAL 2019/20 £000s	TOTAL 2018/19 £000s
National Portfolio Organisations and Major Partner Museums	–	335,948	7,369	343,317	342,073
Arts Council National Lottery Project Grants	–	279	7	286	707
Development and investment funds	4,136	16,019	9,087	29,242	22,883
Music Education Hubs	548	76,985	672	78,205	76,648
Restricted – Other	1,320	42,213	821	44,354	46,457
Lapsed and revoked commitments	–	(1,908)	–	(1,908)	(1,698)
	6,004	469,536	17,955	493,495	487,070

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, arts 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 2019/20 was £77.53 million (2018/19: £76.02 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 2019/20 £000s	TOTAL 2018/19 £000s
Staff costs	26,238	(13,710)	12,528	10,716
Indirect staff costs	684	(302)	382	395
Premises	2,571	(1,275)	1,296	871
Supplies & Services	2,755	(1,392)	1,363	1,401
Travel & Subsistence	1,592	(800)	792	897
Professional Fees	1,379	(719)	660	957
Central Costs	529	(134)	395	319
Depreciation	664	–	664	984
Other recharges	–	(313)	(313)	(530)
IT project costs	365	(177)	188	544
	36,776	(18,822)	17,954	16,554
Corporate governance costs included above			1,387	1,007



4c. ANALYSIS OF GRANTS BY RECIPIENT

	GRANTS TO INSTITUTIONS £000s	GRANTS TO INDIVIDUALS £000s	TOTAL 2019/20 £000s	TOTAL 2018/19 £000s
National Portfolio Organisations and Major Partner Museums	335,948	–	335,948	335,385
Arts Council National Lottery Project Grants	139	140	279	682
Strategic development, communications & advocacy	11,880	4,138	16,018	11,936
Music Education Hubs	76,985	–	76,985	75,490
Restricted – Other	42,213	–	42,213	44,201
Lapsed and revoked commitments	(1,908)	–	(1,908)	(1,698)
	465,257	4,278	469,535	465,996

A detailed breakdown of all grant commitments can be found at:
www.artscouncil.org.uk/governance/spending

5a. STAFF COSTS

	TOTAL £000s	RESTRICTED £000s	LESS CHARGED TO LOTTERY £000s	TOTAL GRANT-IN-AID 2019/20 £000s	TOTAL 2018/19 £000s
STAFF COSTS COMPRISE					
Salaries and wages	22,696	907	10,863	10,926	8,703
Employer's National Insurance	2,007	93	940	974	943
Employer's pension contributions	3,909	190	1,820	1,899	1,795
Redundancy Costs	91	-	5	86	14
Agency staff	188	(3)	83	108	149
	28,891	1,187	13,711	13,993	11,604

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

	PERMANENT STAFF	AGENCY STAFF	2019/20	2018/19
Direct delivery of programmes	15	–	15	17
Support & corporate governance	519	4	523	505
	534	4	538	522

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

	PERMANENT STAFF	AGENCY STAFF	2019/20	2018/19
Direct delivery of programmes	17	–	17	19
Support & corporate governance	570	7	577	548
	587	7	594	567

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 2019/20	TOTAL 2018/19
	DEFINED BENEFIT	DEFINED CONTRIBUTION	NO PENSION		
£60,000-£69,999	12	1	–	13	11
£70,000-£79,999	7	–	–	7	4
£80,000-£89,999	7	–	–	7	6
£90,000-£99,999	–	–	–	–	–
	26	1	–	27	21

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 2019/20, the total cost of tickets purchased for this purpose was £1,394 (2018/19: £1,664). 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 291,000 members in 430 mainly local government organisations. The actuaries of the fund are Aon Hewitt. In the year ending 31 March 2020, eight 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 2019. 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 2020	31 MARCH 2019	31 MARCH 2018
Discount rate	2.3%	2.4%	2.6%
CPI inflation	2.0%	2.2%	2.1%
Rate of increase to pensions in payment	2.0%	2.2%	2.1%
Rate of increase to deferred pensions	2.0%	2.2%	2.1%
Rate of general increase in salaries	3.25%	3.45%	3.35%

ASSET ALLOCATION

	VALUE AT 31 MARCH 2020 %	VALUE AT 31 MARCH 2019 %
Equities	77.5%	74.0%
Property	4.5%	4.7%
Government bonds	9.6%	11.2%
Corporate bonds	5.1%	4.0%
Cash	1.9%	2.3%
Other	1.4%	3.8%
Total	100%	100%

RECONCILIATION OF FUNDED STATUS TO BALANCE SHEET

	VALUE AS AT 31 MARCH 2020 £millions	VALUE AS AT 31 MARCH 2019 £millions	VALUE AS AT 31 MARCH 2018 £millions
Fair value of assets	36.273	41.401	38.801
Present value of funded liabilities	40.247	43.595	41.531
Pension liability recognised on the balance sheet	(3.974)	(2.194)	(2.730)

AMOUNTS RECOGNISED IN INCOME STATEMENT

	PERIOD ENDING 31 MARCH 2020 £millions	PERIOD ENDING 31 MARCH 2019 £millions
OPERATING COST:		
Current service cost	0.136	0.110
Past service cost	0.021	0.00
FINANCING COST:		
Interest on net defined benefit liability/(asset)	0.081	0.060
Pension expense recognised in other comprehensive income	0.238	0.170

AMOUNTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	PERIOD ENDING 31 MARCH 2020 £millions	PERIOD ENDING 31 MARCH 2019 £millions
Asset gains/(losses) arising during the period*	(5.117)	1.938
Liability gains/(losses) arising during the period	3.169	(2.080)
Total amount recognised in other comprehensive income	(1.948)	(0.142)

*£1.365m of losses reported as at 31st March 2020 occurred in March 2019 but were not reported as part of last year's figures due to timeliness issues.

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

	PERIOD ENDING 31 MARCH 2020 £millions	PERIOD ENDING 31 MARCH 2019 £millions
Opening defined benefit obligation	43.595	41.531
Current service cost	0.136	0.110
Past service cost	0.021	0.000
Interest expense on defined benefit obligation	1.030	1.064
Contributions by participants	0.028	0.025
Actuarial (gains)/losses on liabilities	(3.169)	2.080
Net benefits paid out	(1.394)	(1.215)
Closing defined benefit obligation	40.247	43.595

CHANGES TO THE FAIR VALUE OF ASSETS DURING THE ACCOUNTING PERIOD

	PERIOD ENDING 31 MARCH 2020 £millions	PERIOD ENDING 31 MARCH 2019 £millions
Opening fair value of assets	41.401	38.801
Interest income on assets	0.949	1.004
Remeasurement gains/(losses) on assets	(5.117)	1.938
Contributions by the employer*	0.406	0.848
Contributions by participants	0.028	0.025
Net benefits paid out**	(1.394)	(1.215)
Closing fair value of assets	36.273	41.401

* FOR 2019/20 THIS INCLUDES AN ADDITIONAL £300,000 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.

ACTUAL RETURN ON ASSETS

	PERIOD ENDING 31 MARCH 2020 £millions	PERIOD ENDING 31 MARCH 2018 £millions
Interest income of assets	0.949	1.004
Gain/(loss) on assets	(5.117)	1.938
Total amount recognised in other comprehensive income	(4.168)	2.942

The 2019 valuation results included the transferred liabilities for 49 active members who transferred from the former Arts Boards but made no allowance for any bulk transfer payments to or from Surrey (11 members) or Staffordshire (13 members) Pension Funds.

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 2020 were £nil (31 March 2019: £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 2020 was £176.9 million (2019: £178.1 million).

An actuarial valuation of the pension fund takes place at least every three years. At the last valuation on 31 March 2019, the actuarial value of the assets using the projected unit method was sufficient to cover 89 per cent of the value accrued to members, a deficit of £21,700,000. On the advice of the actuary, with effect from 1 April 2020, we are paying employer's contributions of 19.9 per cent of pensionable salary for Arts Council England employees and 27.2 per cent of pensionable salary for employees who transferred to Arts Council England from Museums, Libraries and Archives. In addition, Arts Council England is paying £251,400 per annum between 1 April 2020 and 31 March 2029 in relation to 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 1.3% pa
Long-term rate of pay increases	In line with CPI inflation
Rate of pension increases	In line with CPI inflation
Discount rate (past service)	Bank of England gilt yield curve, plus 1.25% pa
Discount rate (future service)	Bank of England gilt yield curve, plus 1.60%

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 2020 were £409,000 (31 March 2019: £nil).

THE PEOPLE'S PENSION

If employees do not wish to become members of either of the two Defined Benefit schemes mentioned above, Arts Council England gives people the option of paying into The People's Pension. This is a Stakeholder Defined Contribution Pension Scheme operated by B&CE and new employees who choose not to join the Arts Council Retirement Plan are automatically enrolled into this scheme instead, in line with the Government's workplace pension legislation.

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 Statement of Financial Activities as and when they fall due. Employer contributions into the Arts Council Retirement Plan during 2019/20 were £4,401,703 (2018/19: £3,400,010) which included a lump sum deficit reduction payment of £700,000. Employer contributions to The People's Pension were £100,033 (2018/19: £79,858).



8. NET INCOME FOR THE YEAR

Net expenditure of £547,594 (2018/19: £1,051,243 income) is stated after charging:

	TOTAL 2019/20 £000s	TOTAL 2018/19 £000s
Auditors' remuneration	73	70
Operating leases	2,141	960
Council members' travel, subsistence and hospitality for the 15 serving members during the year	34	30
Insurance: trustees' and senior officers' indemnity	–	2
Depreciation	664	984
Impairment	1,900	524

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. The Compton and Thornton legacies consist of a mixture of stocks/shares and cash: the Compton Poetry Fund consists of £277,000 in shares and £42,000 cash; the Thornton fund consists of £55,000 in shares and £57,000 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 2019	364	124	108	596
Income received in-year	9	4	-	13
Gains/(losses) on investments	(54)	(16)	-	(70)
Expenditure	-	-	-	-
Closing Balance – 31 March 2020	319	112	108	539

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 2019	-	8,543	4,069	12,612	241,012	253,624
Additions	-	195	428	623	302	925
Revaluations	-	-	-	-	10,529	10,529
Less: disposals	-	-	-	-	-	-
Cost or valuation at 31 March 2020	-	8,738	4,497	13,235	251,843	265,078
Depreciation at 1 April 2019	-	6,196	3,409	9,605	-	9,605
Less depreciation on disposals	-	-	-	-	-	-
Impairment	-	-	-	-	1,900	1,900
Provided for 2019/20	-	330	334	664	-	664
Depreciation at 31 March 2020	-	6,526	3,743	10,269	1,900	12,169
Net book value at 31 March 2020	-	2,212	754	2,966	249,943	252,909
Net book value at 31 March 2019	-	2,347	660	3,007	241,012	244,019

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 7,983 items at 31 March 2020. 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 £249,943,602 at 31 March 2020 (31 March 2019: £241,012,000). 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 or a Collection 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 three galleries in England to curate exhibitions drawn directly from the Arts Council Collection. Some of these exhibitions will be organised between the partners to encourage collaborative working and sharing of resources. The National Partners Programme is supported by outreach and digital activities with the specific aims of engaging children and young people, Black and minority ethnic people, people from lower 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 less than 200 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 in the table below:

	2019/20 £000s	2018/19 £000s	2017/18 £000s	2016/17 £000s	2015/16 £000s
Cost or valuation at 1 April	241,012	169,121	163,388	156,195	137,520
Additions	238	301	358	628	682
Donations	64	47	0	127	35
Revaluations	10,529	72,095	5,375	6,438	17,958
Less: impairment	(1,900)	(524)	0	0	0
Less: disposal	0	(28)	0	0	0
Cost or valuation at 31 March	249,943	241,012	169,121	163,388	156,195

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. As at 31st March 2020 £3,042,000 was owed by Lottery to Grant-in-Aid (2018/19: £1,595,000)

12. DEBTORS

	31 MARCH 2020 £000s	31 MARCH 2019 £000s
Trade debtors	115	113
DCMS debtors	101,675	42,638
Other debtors	156	268
Prepayments and accrued income	1,406	1,766
	103,352	44,785

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 £5,554,581 were made during 2019/20 (2018/19: £903,910).

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 2020 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 2020 £000s	31 MARCH 2019 £000s
2019/20	–	424,890
2020/21	412,127	336,479
2021/22	337,420	336,577
	749,547	1,097,946

15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

FORWARD FUNDING:	31 MARCH 2020 £000s	31 MARCH 2019 £000s
Trade creditors	2,712	1,631
Other creditors including taxes and social security	17	23
Accruals	1,107	1,605
Deferred income	805	774
	4,642	4,033

16. PROVISIONS FOR LIABILITIES AND CHARGES

	DILAPIDATIONS £000s	TAX £000s	EMPLOYMENT £000s	PENSION DEFICIT £000s	TOTAL £000s
At 31 March 2019	865	6	–	0	871
Arising during the year	100	–	50	2,069	2,219
Used during the year	–	(2)	–	–	(2)
Reversed unused	–	–	–	–	–
At 31 March 2020	965	4	50	2,069	3,088
EXPECTED TIMING OF CASH FLOWS					
Provisions due within one year	26	4	50	251	331
Provisions due in more than one year	939	–	–	1,818	2,757

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.

c) Employment

Provision for estimated staff redundancy costs.



17. RECONCILIATION OF MOVEMENT IN FUNDS

	AT 31 MARCH 2019 £000s	INCOME £000s	EXPENDITURE £000s	GAINS AND LOSSES £000s	TRANSFERS £000s	AT 31 MARCH 2020 £000s
Endowment funds	596	13	–	(70)	–	539
Restricted funds	633	129,023	(128,940)		(64)	652
Unrestricted income funds	12,787	381,933	(382,690)	(168)	(16)	11,846
CAPITAL FUNDS						
Designated funds	7,940	–	238	–	–	8,178
Revaluation reserve	227,688	–	–	8,608		236,296
Donated asset reserve	5,386	–	–	21	64	5,471
Capital reserve	3,007	870	(926)	–	16	2,967
Pension reserve	(2,194)	–	–	(1,780)	–	(3,974)
	255,843	511,839	(512,318)	6,611	–	261,975

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	2019/2020 £000s	2018/2019 £000s
Net income/(expenditure)	(550)	1,051
Interest receivable	(136)	(228)
(Profit)/Loss on disposal of Fixed Assets	–	–
Dividends received	(13)	(12)
Depreciation and impairment charges	664	984
Revaluation of (gains)/losses on fixed assets	–	1
Actuarial (gains)/losses on defined benefit pension schemes	–	–
(Gains)/losses on investments	70	(34)
Decrease/(increase) in debtors and prepayments	(60,015)	20,873
Decrease/(increase) in grants paid in advance	(4,651)	(504)
Increase/(decrease) in grants outstanding	(16,114)	23,488
(Decrease)/increase in creditors	609	(788)
(Decrease)/increase in provisions	2,218	56
(Decrease)/Increase in defined benefit liability	(168)	(678)
Net cash provided by/(used in) operating activities	(78,086)	44,209

19. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN CASH

	2019/2020 £000s	2018/2019 £000s
(Decrease)/increase in cash and cash equivalents in the year	(78,875)	43,331
Cash at 1 April 2019	93,264	49,933
Cash at 31 March 2020	14,389	93,264

20. ANALYSIS OF NET CASH

	1 APRIL 2019 £000s	CASH FLOW £000s	31 MARCH 2020 £000s
Cash in hand	93,264	(78,875)	14,389

21. LEASES

At 31 March 2020 the Arts Council had annual commitments under non-cancellable operating leases as set out below.

LAND AND BUILDINGS OPERATING LEASES WHICH EXPIRE:	31 MARCH 2020 £000s	31 MARCH 2019 £000s
within one year	1,711	1,751
within two and five years inclusive	3,995	3,143
over five years	379	530
	6,085	5,424

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 2020 the total value of capital commitments was £nil (2018/19: £nil).



25. LOSSES AND SPECIAL PAYMENTS

Losses can be cash losses, losses arising from theft, or fruitless 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. No special payments were made during 2019/20. There were losses during the year totalling £1,652.

	2019/2020 £000s	2018/2019 £000s
Total value of losses	2	–
Total number of losses	2	–

26. FINANCIAL INSTRUMENTS

FRS102 has a concept of basic financial instruments (such as cash, trade debtors, 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) (2018/19: 99.82 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 (96.3 per cent) (2018/19: 96.4 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 Thornton Fund, and the McCann Fund. The total value of both legacies is £539,000 and is held in a mixture of cash and stock market investments. Details of all three 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, 0.15 per cent of funding was received from sources other than DCMS and 0.03 per cent was generated from cash balances. This meant that 99.82 per cent of funding was sourced through cash drawn down and agreed monthly with the DCMS, based on the predicted need for the month ahead

26b. INTEREST RATE RISK

Until August 2019, the cash balance was held in instant access variable rate bank accounts which carried an average interest rate of 0.22 per cent below base rate. With effect from September 2019, and at the request of HM Treasury, our bank accounts were transferred to the Government Banking Service, which is operated by RBS NatWest. The reason for doing so was so that surplus daily cash balances could be offset against overall Government debt by HM Treasury, thereby reducing the amount of interest which is paid by the Government. However, this means that no credit interest will be receivable by Arts Council England.

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 2020 £000s	31 MARCH 2019 £000s
DCMS debtor	101,675	42,638
Trade debtors	115	113
Other debtors	156	268
Accrued income	1,406	1,766
Due from Arts Council Lottery accounts	3,042	1,595
Cash at bank and in hand	14,497	93,264
	120,891	139,644

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

26e. FINANCIAL LIABILITIES BY CATEGORY

	31 MARCH 2020 £000s	31 MARCH 2019 £000s
Grants outstanding	106,107	122,222
Trade creditors	2,712	1,631
Other creditors including taxes and social security	17	23
Accruals	1,107	1,605
Deferred income	805	774
	110,748	126,255

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 2020 are detailed in the following table.

COUNCIL MEMBER	GRANT FOR THE YEAR ENDED 31 MARCH 2020 £000s	BALANCE UNPAID AS AT 31 MARCH 2020 £000s	ORGANISATION	RELATIONSHIP TYPE
Sir Nicholas Serota CH	529	107	Britten Sinfonia	Sister is a trustee
	40	–	NMC Recordings Ltd.	Sister is a donor
Andrew Miller	–	102	TheSpace C.I.C.	Board Member
Catherine Mallyon	–	198	City of Birmingham Symphony Orchestra	Partner is a Board Member
	15,274	150	Royal Shakespeare Company	Executive Director and Board Member
	267	–	Shakespeare Birthplace Trust	Advisory Council Member
Elisabeth Murdoch	920	–	Camden Arts Centre	Freelands Foundation, of whom Elisabeth is founder and Chair, funded this organisation
	815	2	Firstsite Ltd	Freelands Foundation Organisation
	602	150	John Hansard Gallery	Freelands Foundation Organisation
	291	4	Kettle's Yard	Freelands Foundation Organisation
	393	1	MK Gallery	Freelands Foundation Organisation
	1,066	30	Nottingham Contemporary	Freelands Foundation Organisation
	90	–	Open School East	Freelands Foundation Organisation
	314	–	Site Gallery	Freelands Foundation Organisation
	811	–	South London Gallery	Freelands Foundation Organisation
	50	25	Spike Island Artspace Ltd	Freelands Foundation Organisation
	1,313	174	Yorkshire Sculpture Park	Freelands Foundation Organisation

COUNCIL MEMBER	GRANT FOR THE YEAR ENDED 31 MARCH 2020 £000s	BALANCE UNPAID AS AT 31 MARCH 2020 £000s	ORGANISATION	RELATIONSHIP TYPE
Helen Birchenough	–	5	Salisbury Arts Theatre Ltd	Board Member
	1,278	–	Wiltshire Creative	Board Member
Michael Eakin	2,382	15	Royal Liverpool Philharmonic Society	Employed as Director
Professor Roni Brown	1,794	–	Contemporary Dance Trust	The Place is an NPO and there is a proposal for partnership between UAL and The Place
	400	–	Creative Foundation	Creative Foundation and UCA have a financial agreement for services
	37	4	Farnham Maltings Association	Partner is Chief Executive
	228	–	Institute of International Visual Arts	Arts Council funded organisation that is hosted at University of the Arts London
	71	35	University of the Arts London – Afterall	UAL research centre, funded by ACE
Ruth Mackenzie CBE	1,194	–	Serpentine Galleries	Board Member
Sukhy Johal MBE	247	–	Lincoln Arts Trust Limited	Lincoln One Venues (Youth Music funds and receives element of NPO funds via drill hall)
	80	–	Threshold Studios	Partner is an employee and Project Director
Tessa Ross CBE	505	–	Donmar Warehouse Projects Ltd	Trustee
Paul Roberts OBE	1,066	30	Nottingham Contemporary	Board Member

The declared interests in grant recipients along with amounts awarded for the year ended 31 March 2019 are detailed below.

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 C.I.C.	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 funds this organisation
	1	297	Kettle's Yard Gallery	Chair of Freelands Foundation, which funds this organisation
	1,008	1,027	Nottingham Contemporary	Chair of Freelands Foundation, which funds this organisation
	315	314	Site Gallery	Chair of Freelands Foundation, which funds this organisation
	669	669	Turner Contemporary	Chair of Freelands Foundation, which funds this organisation
	90	68	Open School East	Chair of Freelands Foundation, which funds this organisation
	1,407	1,406	The Hepworth Wakefield Trust	Chair of Freelands Foundation, which funds this organisation
	1,340	1,253	Ikon Gallery	Chair of Freelands Foundation, which funds this organisation
	1,486	1,312	Yorkshire Sculpture Park	Chair of Freelands Foundation, which funds 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	Artsworld Limited	Board Member (until 31 January 2018)
	669	669	Turner Contemporary	Deputy VC of the University of the Creative Arts which has a service agreement with this organisation
	400	400	Creative Foundation	Deputy VC of the University of 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)

27b. DIRECTORS AND SENIOR MANAGERS

Executive directors and senior managers in Arts Council England are also required to declare any direct interests in grant applications made to, and commercial relationships with, the Arts Council. The declared interests in grant recipients along with amounts awarded for the year ended 31 March 2020 are detailed below.

DIRECTOR OR SENIOR MANAGER	GRANT FOR THE YEAR ENDED 31 MARCH 2020 £000s	BALANCE UNPAID AS AT 31 MARCH 2020 £000s	ORGANISATION	RELATIONSHIP TYPE
Peter Knott	750	3	One Dance UK	Partner is an employee
	1,914	–	Leicester Theatre Trust	Partner is an employee

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	1,914	1,914	Leicester Theatre Trust	Partner is Head of Learning
Simon Mellor	48	–	International Federation of Arts	Board Member

The declared interests of National Council members and Executive Board are available at the following link:

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 2020 £000s	DEBTOR 31 MARCH 2020 £000s	CREDITOR 31 MARCH 2019 £000s	DEBTOR 31 MARCH 2019 £000s
Balances with other DCMS Government bodies	5,325	101,675	407	44,233
Balances with other central Government bodies	522	0	22	0
Balances with academies	477	40	3	19
Balances with local authorities	119,189	18	75,870	28
Balances with NHS Trusts	0	0	0	0
Balances with public corporations and trading funds	151	0	6	0

During 2019/20, Arts Council England had the following transactions with other Government bodies:

	EXPENDITURE Y/E 31 MARCH 2020 £000s	INCOME Y/E 31 MARCH 2020 £000s	EXPENDITURE Y/E 31 MARCH 2019 £000s	INCOME Y/E 31 MARCH 2019 £000s
Transactions with other DCMS Government bodies	1,724	492,156	696	487,044
Transactions with other central Government bodies	5,952	207	2,370	147
Transactions with academies	390	196	0	134
Transactions with local authorities	77,881	274	39,928	37
Transactions with NHS Trusts	0	0	0	0
Transactions with public corporations and trading funds	90	0	62	0

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 which do not have an impact on our DEL budget. The Arts Council has a reported surplus of £6,131,000 but our overall DEL underspend for the year was £226,000 and the table below shows a reconciliation of the two amounts.

	£000s AT 31 MARCH 2020
Underspend as per SOFA	(6,131)
EXCLUDE NON-DEL TRANSACTIONS	
Revaluation on Heritage Assets	8,629
FRS17 Surplus	(1,780)
Gain on investments	(70)
Depreciation	(664)
Capital expenditure	862
Provisions adjustments	(1,149)
Legacy income	13
Donations	64
DEL Underspend (excluding Depreciation)	(226)
REPRESENTED BY :	
RDEL underspend	(208)
CDEL underspend	(18)
	(226)

29. CONTINGENT LIABILITIES

As at 31 March 2020, Arts Council England had the following contingent liability:

On 28 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.

A significant event this year has been the COVID19 outbreak. As part of the approach adopted by Arts Council England we will be utilising our Grant-in-Aid reserves to provide financial support to individual artists.

31 STATEMENT OF FINANCIAL ACTIVITIES – PRIOR YEAR COMPARATORS

	UNRESTRICTED FUNDS £000s	RESTRICTED FUNDS £000s	ENDOWMENT FUNDS £000s	TOTAL 2019/20 £000s	UNRESTRICTED FUNDS £000s	RESTRICTED FUNDS £000s	ENDOWMENT FUNDS £000s	TOTAL 2018/19 £000s
INCOME AND ENDOWMENTS FROM:								
Donations and legacies	363,538	128,594	–	492,133	358,418	128,544	108	487,070
Investments	136	–	13	149	228	–	12	240
Charitable activities	307	428	–	736	352	425	–	777
Other: Lottery distribution accounts	18,821	–	–	18,821	16,834	–	–	16,834
Total income and endowments	382,803	129,023	13	511,839	375,832	128,969	120	504,921
EXPENDITURE ON:								
Charitable activities (including Governance costs)	364,557	128,940	–	493,497	358,305	128,765	–	487,070
Other: Support costs attributable to Lottery distributions accounts	18,821	–	–	18,821	16,834	–	–	16,834
Total expenditure	383,378	128,940	–	512,318	375,139	128,765	–	503,904
Net gains/(losses) on investments	–	–	(70)	(70)	–	–	34	34
Total income/ (expenditure) before other recognised gains and losses	(575)	83	(57)	(549)	693	204	154	1,051
OTHER RECOGNISED GAINS/LOSSES								
Gain on revaluation of heritage assets	8,608	21	–	8,629	71,197	346	–	71,543
Actuarial gains/(losses) on defined benefit pension schemes	(1,948)	–	–	(1,948)	(142)	–	–	(142)
Net movement in funds	6,085	104	(57)	6,131	71,748	550	154	72,452
RECONCILIATION OF FUNDS:								
Balance brought forward at 1 April	249,228	6,019	597	255,843	177,480	5,469	442	183,391
Total funds carried forward at 31 March	255,313	6,123	539	261,974	249,228	6,019	596	255,843

32. BALANCE SHEET – PRIOR YEAR COMPARATORS

	UNRESTRICTED FUNDS £000s	RESTRICTED FUNDS £000s	ENDOWMENT FUNDS £000s	TOTAL 31 MARCH 2020 £000s	UNRESTRICTED FUNDS £000s	RESTRICTED FUNDS £000s	ENDOWMENT FUNDS £000s	TOTAL 31 MARCH 2019 £000s
FIXED ASSETS:								
Tangible assets	2,967	–	–	2,967	3,007	–	–	3,007
Heritage assets – Works of art	244,473	5,471	–	249,944	235,626	5,386	–	241,012
Investments	–	–	539	539	–	–	596	596
Total fixed assets	247,440	5,471	539	253,450	238,633	5,386	596	244,615
CURRENT ASSETS								
Debtors	14,020	89,331	–	103,351	4,368	40,417	–	44,785
Due from Arts Council Lottery accounts	–	3,042	–	3,042	–	1,595	–	1,595
Grants paid in advance	5,555	–	–	5,555	904	–	–	904
Cash and cash equivalents	10,948	3,441	–	14,389	26,204	67,060	–	93,264
Total current assets	30,523	95,814	–	126,337	31,476	109,072	–	140,548
LIABILITIES								
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR								
Grants outstanding	11,836	94,271	–	106,107	14,772	107,450	–	122,222
Creditors	3,751	891	–	4,642	3,044	989	–	4,033
Total creditors: amounts falling due within one year	15,587	95,162	–	110,749	17,816	108,439	–	126,255
Net current assets	14,936	652	–	15,588	13,660	633	–	14,293
Total assets less current liabilities	262,376	6,123	539	269,038	252,293	6,019	596	258,908
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR								
Provisions for liabilities and charges	3,089	–	–	3,089	871	–	–	871
Net assets excluding pension liability	259,287	6,123	539	265,949	251,422	6,019	596	258,037
Defined benefit pension scheme liability	3,975	–	–	3,975	2,194	–	–	2,194
Net assets including pension liability	255,312	6,123	539	261,974	249,228	6,019	596	255,843
THE FUNDS OF THE CHARITY:								
REPRESENTED BY INCOME FUNDS								
Unrestricted fund	11,846	–	–	11,846	12,787	–	–	12,787
Restricted fund	–	652	–	652	–	633	–	633
REPRESENTED BY CAPITAL FUNDS								
Endowment funds	–	–	539	539	–	–	596	596
Designated fund	244,473	–	–	244,473	235,628	–	–	235,628
Donated asset reserve	–	5,471	–	5,471	–	5,386	–	5,386
Capital reserve	2,967	–	–	2,967	3,007	–	–	3,007
Pension reserve	(3,974)	–	–	(3,974)	(2,194)	–	–	(2,194)
Total charity funds	255,312	6,123	539	261,974	249,228	6,019	596	255,843

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 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 Arts Council England's Lottery Distribution for the year ended 31 March 2020 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 2020 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 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Arts Council England's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Arts Council England have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Arts Council England's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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 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 Chair's report; the Chief Executive's report; Achieving great art and culture; the parts of the Remuneration report that are not audited; the Sustainability report; the Trustees' report and management commentary; the Strategic report; and the National Lottery report 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: 1 JULY 2020

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



STATEMENT OF COMPREHENSIVE NET INCOME FOR THE YEAR ENDED 31 MARCH 2020

	NOTE	31 MARCH 2020 £000	31 MARCH 2019 £000
INCOME			
Share of proceeds from the National Lottery Distribution Fund	2	247,871	223,296
Investment returns on the Distribution Fund	2	1,199	1,144
		249,070	224,440
Other income	3	52	820
Total income		249,122	225,260
EXPENDITURE			
Grant expenditure:			
Grant commitments made in the year		187,478	132,973
Less: lapsed and revoked commitments		(10,162)	(2,475)
Net grant commitments	10	177,316	130,498
Other expenditure:			
Other operating costs		184	0
Invoiced Arts expenditure		586	971
Costs apportioned from Grant-in-Aid accounts	6	18,821	16,834
Total expenditure		196,907	148,303
Net income		52,215	76,957
Interest receivable		18	28
Net income after interest		52,233	76,985
Total comprehensive income for the year ended 31 March		52,233	76,985

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 2020

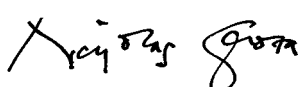
	NOTE	31 MARCH 2020 £000s	31 MARCH 2019 £000s
CURRENT ASSETS			
Trade and other receivables	9	18	52
Investments: balance in the National Lottery Distribution Fund	2	256,637	282,630
Cash and cash equivalents	14	6,677	4,635
Total current assets		263,332	287,317
CURRENT LIABILITIES			
Grant liabilities due within one year	10	207,335	238,897
Trade and other payables	11	122	183
Due to Grant-in-Aid accounts	19e	3,042	1,595
Total current liabilities		210,499	240,675
Net current assets		52,833	46,642
NON-CURRENT LIABILITIES			
Grant liabilities due in more than one year	10	137,421	183,464
Net Liabilities		(84,588)	(136,822)
EQUITY			
General reserve		(86,705)	(138,939)
Fair value reserve		2,117	2,117
		(84,588)	(136,822)

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



Dr Darren Henley OBE
Chief Executive

22 JUNE 2020



Sir Nicholas Serota CH
Chair

22 JUNE 2020

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020

	NOTE	2019/20 £000s	2018/19 £000s
CASH FLOWS FROM OPERATING ACTIVITIES			
Funds received from the National Lottery Distribution Fund	2	275,063	239,915
Other cash receipts		87	780
Grants paid	10	(254,921)	(224,563)
Cash paid to Grant-in-Aid accounts		(17,375)	(17,306)
Other cash payments		(830)	(890)
Net cash inflow/(outflow) from operating activities	12	2,024	(2,064)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		18	28
Net cash inflow from investing activities		18	28
Net increase/(decrease) in cash and cash equivalents	13/14	2,042	(2,036)
Cash and cash equivalents at beginning of period		4,635	6,671
Cash and cash equivalents at end of period		6,677	4,635

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2020

	GENERAL RESERVE 2019/20 £000s	FAIR VALUE RESERVE 2019/20 £000s	TOTAL RESERVES 2019/20 £000s	TOTAL RESERVES 2018/19 £000s
Closing reserve position 31 March	(138,938)	2,117	(136,821)	(213,807)
Transferred (to)/from the statement of comprehensive net expenditure	52,233	–	52,233	76,985
Closing reserve position 31 March	(86,705)	2,117	(84,588)	(136,822)

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 £137 million. This year the position has moved to a deficit of £85 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 £52 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 Gambling Commission.

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.

In order to meet the pension auto enrolment requirements, we 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, realised 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.

For organisations which prepare their accounts under IFRS a new accounting standard, IFRS16 (Leases), has been issued and came 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

	2019/2020 £000s	2018/2019 £000s
Balance at 1 April	282,630	298,105
Share of proceeds from the National Lottery Distribution Fund	247,871	223,296
Investment returns on the Distribution Fund	1,199	1,144
Receipt of funds from winding up of Olympic Lottery Distribution Fund	0	0
Cash drawn down	(275,063)	(239,915)
Balance at 31 March	256,637	282,630

THE BALANCE IN THE NATIONAL LOTTERY DISTRIBUTION FUND AT 31 MARCH 2020 IS BASED ON THE INTERIM CERTIFICATE ISSUED BY DCMS.

3. OTHER INCOME

GRANTS AND SPONSORSHIP RECEIVED	2019/2020 £000s	2018/2019 £000s
Other central Government bodies	8	382
Public Corporations	0	250
Sundry	44	188
	52	820

Grants, sponsorship and donations are analysed as follows:

	2019/2020 £000s	2018/2019 £000s
OTHER CENTRAL GOVERNMENT BODIES		
Arts Council of Northern Ireland	0	79
Arts Council of Wales	0	116
Creative Scotland	0	137
Heritage Lottery Fund	8	8
Visit Britain	0	42
PUBLIC CORPORATIONS		
British Council	0	250
OTHER GRANTS, SPONSORSHIP AND DONATIONS		
Other grants, sponsorship and donations	44	188
	52	820

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 291,000 members in 430 mainly local government organisations. The actuaries of the fund are Aon Hewitt. In the year ending 31 March 2020, eight 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 2019. 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 2020	31 MARCH 2019	31 MARCH 2018
Discount rate	2.3%	2.4%	2.6%
CPI inflation	2.0%	2.2%	2.1%
Rate of increase to pensions in payment	2.0%	2.2%	2.1%
Rate of increase to deferred pensions	2.0%	2.2%	2.1%
Rate of general increase in salaries	3.25%	3.45%	3.35%

ASSET ALLOCATION

	VALUE AT 31 MARCH 2020 %	VALUE AT 31 MARCH 2019 %
Equities	77.5%	74.0%
Property	4.5%	4.7%
Government bonds	9.6%	11.2%
Corporate bonds	5.1%	4.0%
Cash	1.9%	2.3%
Other	1.4%	3.8%
Total	100%	100%

RECONCILIATION OF FUNDED STATUS TO BALANCE SHEET

	VALUE AS AT 31 MARCH 2020 £millions	VALUE AS AT 31 MARCH 2019 £millions	VALUE AS AT 31 MARCH 2018 £millions
Fair value of assets	36.273	41.401	38.801
Present value of funded liabilities	40.247	43.595	41.531
Pension liability recognised on the balance sheet	(3.974)	(2.194)	(2.730)

AMOUNTS RECOGNISED IN INCOME STATEMENT

	PERIOD ENDING 31 MARCH 2020 £millions	PERIOD ENDING 31 MARCH 2019 £millions
OPERATING COST:		
Current service cost	0.136	0.110
Past service cost	0.021	0.00
FINANCING COST:		
Interest on net defined benefit liability/(asset)	0.081	0.060
Pension expense recognised in other comprehensive income	0.238	0.170

AMOUNTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	PERIOD ENDING 31 MARCH 2020 £millions	PERIOD ENDING 31 MARCH 2019 £millions
Asset gains/(losses) arising during the period	(5.117)	1.938
Liability gains/(losses) arising during the period	3.169	(2.080)
Total amount recognised in other comprehensive income	(1.948)	(0.142)

*1.365M OF LOSSES REPORTED AS AT 31ST MARCH 2020 OCCURRED IN MARCH 2019 BUT WERE NOT REPORTED AS PART OF LAST YEAR'S FIGURES DUE TO TIMELINESS ISSUES.

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

	PERIOD ENDING 31 MARCH 2020 £millions	PERIOD ENDING 31 MARCH 2019 £millions
Opening defined benefit obligation	43.595	41.531
Current service cost	0.136	0.110
Past service cost	0.021	0.000
Interest expense on defined benefit obligation	1.030	1.064
Contributions by participants	0.028	0.025
Actuarial (gains)/losses on liabilities	(3.169)	2.080
Net benefits paid out	(1.394)	(1.215)
Closing defined benefit obligation	40.247	43.595

CHANGES TO THE FAIR VALUE OF ASSETS DURING THE ACCOUNTING PERIOD

	PERIOD ENDING 31 MARCH 2020 £millions	PERIOD ENDING 31 MARCH 2019 £millions
Opening fair value of assets	41.401	38.801
Interest income on assets	0.949	1.004
Remeasurement gains/(losses) on assets	(5.117)	1.938
Contributions by the employer*	0.406	0.848
Contributions by participants	0.028	0.025
Net benefits paid out**	(1.394)	(1.215)
Closing fair value of assets	36.273	41.401

*FOR 2019/20 THIS INCLUDES AN ADDITIONAL £300,000 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.

ACTUAL RETURN ON ASSETS

	PERIOD ENDING 31 MARCH 2020 £millions	PERIOD ENDING 31 MARCH 2019 £millions
Interest income of assets	0.949	1.004
Gain/(loss) on assets	(5.117)	1.938
Total amount recognised in other comprehensive income	(4.168)	2.942

The 2019 valuation results included the transferred liabilities for 49 active members who transferred from the former Arts Boards but made no allowance for any bulk transfer payments to or from Surrey (11 members) or Staffordshire (13 members) Pension Funds.

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 2020 were £nil (31 March 2019: £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 2020 was £176.9 million (2019: £178.1 million).

An actuarial valuation of the pension fund takes place at least every three years. At the last valuation on 31 March 2019, the actuarial value of the assets using the projected unit method was sufficient to cover 89 per cent of the value accrued to members, a deficit of £21,700,000. On the advice of the actuary, with effect from 1 April 2020, we are paying employer's contributions of 19.9 per cent of pensionable salary for Arts Council England employees and 27.2 per cent of pensionable salary for employees who transferred to Arts Council England from Museums, Libraries and Archives. In addition, Arts Council England is paying £251,400 per annum between 1 April 2020 and 31 March 2029 in relation to 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 1.3% pa
Long-term rate of pay increases	In line with CPI inflation
Rate of pension increases	In line with CPI inflation
Discount rate (past service)	Bank of England gilt yield curve, plus 1.25% pa
Discount rate (future service)	Bank of England gilt yield curve, plus 1.60% 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 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 2020 were £409k (31 March 2019: £nil).

THE PEOPLE'S PENSION

If employees do not wish to become members of either of the two Defined Benefit schemes mentioned above, Arts Council England gives people the option of paying into The People's Pension. This is a Stakeholder Defined Contribution Pension Scheme operated by B&CE and new employees who choose not to join the Arts Council Retirement Plan are automatically enrolled into this scheme instead, in line with the Government's Workplace pension legislation.

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 Statement of Financial Activities as and when they fall due. Employer contributions into the Arts Council Retirement Plan during 2019/20 were £4,401,703 (2018/19: £3,400,010) which included a lump sum deficit reduction payment of £700,000. Employer contributions to The People's Pension were £100,033 (2018/19: £79,858).

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

	2019/2020 £000s	2018/2019 £000s
Staff costs	13,710	11,533
Indirect staff costs	302	338
Premises	1,275	904
Supplies & Services	1,568	1,752
Travel & Subsistence	800	808
Professional Fees	719	834
Central Costs	134	135
Other Recharges – contribution to depreciation	313	530
	18,821	16,834
Corporate governance costs included above	1,433	996

7. (DECREASE)/INCREASE IN LOTTERY FUNDS

	2019/2020 £000s	2018/2019 £000s
Stated after charging:		
(a) Auditors' remuneration	61	58
(b) Staff travel, subsistence and hospitality	800	808

The fee for the statutory audit in 2019/20 is £60,650 (2018/19: £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 2020 £000s	31 MARCH 2019 £000s
Prepayments and accrued income	–	–
Other receivables	18	52
Provision for doubtful debts	–	–
	18	52

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 2020 £000s	31 MARCH 2019 £000s
Grant liabilities brought forward	422,361	516,426
Grant commitments made	187,478	132,973
Less: lapsed and revoked commitments	(10,162)	(2,475)
Grant liabilities paid	(254,921)	(224,563)
Balance of grant liabilities outstanding carried forward	344,756	422,361

AGEING OF GRANT LIABILITIES:	31 MARCH 2020 £000s	31 MARCH 2019 £000s
2019/20	N/A	238,897
2020/21	207,335	98,547
2021/22	119,069	80,728
2022/23	13,726	4,189
2023/24	4,626	–
	344,756	422,361

11. CURRENT LIABILITIES

	31 MARCH 2020 £000s	31 MARCH 2019 £000s
Trade payables	109	166
Other payables	13	17
	122	183

12. CASH FLOW RECONCILIATION

RECONCILIATION OF OPERATING SURPLUS/(DEFICIT) TO NET CASH FLOW FROM OPERATING ACTIVITIES	2019/2020 £000s	2018/2019 £000s
Operating surplus	52,233	76,986
Interest receivable	(18)	(28)
Decrease in receivables and prepayments	26,028	15,435
Decrease in payables	(76,219)	(94,456)
Net cash inflow/(outflow)	2,024	(2,063)

13. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN FUNDS

	2019/2020 £000s	2018/2019 £000s
Increase/(decrease) in cash and cash equivalents in the year	2,042	(2,036)
Funds at 1 April	4,635	6,671
Funds at 31 March	6,677	4,635

14. CASH AND CASH EQUIVALENTS

	1 APRIL 2019 £000s	CASH FLOW £000s	31 MARCH 2020 £000s
Cash and cash equivalents	4,635	2,042	6,677
	4,635	2,042	6,677

15. LEASES

There were no commitments under non-cancellable operating leases at 31 March 2020 (31 March 2019: £nil).

16. CAPITAL COMMITMENTS

There were no contracted capital commitments as at 31 March 2020 (31 March 2019: £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:	2019/2020 £000s	2018/2019 £000s
Grant commitments in the year	—	—
NFYM payables balance as at 31 March	19,302	2,413
THIS RECONCILES TO NFYM'S ACCOUNTS FOR THE YEAR ENDED 31 MARCH AS FOLLOWS:		
Balance at 1 April	1,492	1,305
INCOMING FUNDS:		
Arts Council England grant	9,651	9,651
Other funds	3,698	710
OUTGOING FUNDS:		
Grant expenditure	(8,965)	(8,879)
Other expenditure	(1,921)	(1,295)
Balance at 31 March	3,955	1,492
Arts Council England receivables balance as at 31 March	19,302	2,413

The 2019/20 figures were unaudited at the date of signing these accounts. The 2018/19 figures have been adjusted to reflect the audited accounts.

18b. NATIONAL SKILLS ACADEMY

As of October 2017, the National Skills Academy is no longer a delegate body on behalf of Arts Council England. All activities relating to this agreement have completed.

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:	2019/2020 £000s	2018/2019 £000s
Grant commitments in the year – Grant-in-Aid	–	–
Grant commitments in the year – Lottery	–	–
Performing Rights Society for Music Foundation payables balance as at 31 March – Grant-in-Aid	–	–
Performing Rights Society for Music Foundation payables balance as at 31 March – Lottery	–	120

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

	GRANT-IN-AID 2019/20 £000s	LOTTERY 2019/20 £000s	GRANT-IN-AID 2018/19 £000s	LOTTERY 2018/19 £000s
Balance at 1 April	–	120	(1)	(120)
INCOMING FUNDS:				
Arts Council England grant	–	(120)	1	–
Other funds	–	–	–	–
OUTGOING FUNDS:				
Grant expenditure	–	–	–	–
Other expenditure	–	–	–	–
Balance at 31 March	–	–	–	(120)
Arts Council England receivables balance as at 31 March	–	120	1	120



The 2019/20 figures were unaudited at the date of signing these accounts. The 2018/19 figures have been adjusted to reflect the audited accounts.

18D VICTORIA & ALBERT MUSEUM (V&A)

The Victoria & Albert Museum (V&A) 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 V&A as follows:

TRANSACTIONS IN ARTS COUNCIL ENGLAND ACCOUNTS:	2019/2020 £000s	2018/2019 £000s
Grant commitments in the year	0	3,000
V&A payables balance as at 31 March	1,500	2,438
THIS RECONCILES TO V&A'S ACCOUNTS FOR THE YEAR ENDED 31 MARCH AS FOLLOWS:		
Balance at 1 April	207	–
INCOMING FUNDS:		
Arts Council England grant	409	750
OUTGOING FUNDS:		
Grant expenditure	(600)	(532)
Other expenditure	(16)	(11)
Balance at 31 March	(0)	207
Arts Council England receivables balance as at 31 March	1,500	2,438

The 2019/20 figures were unaudited at the date of signing these accounts; the 2018/19 figures were adjusted to reflect 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 2019 the fund balance was £283 million. This had decreased to £257 million by 31 March 2020, at which point there were £345 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 2019/20, 99.98 per cent of Arts Council England's income derived from the National Lottery and the investment returns from the balances held with the National Lottery Distribution Fund.

£000s	
At the balance sheet date, Arts Council England had net assets of:	(84,588)

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 £207 million over the next financial year.

LIQUID ASSETS AS AT 31 MARCH 2020: £000s	
Market value of National Lottery Distribution Fund investments	256,637
Cash and cash equivalents	6,677

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 £256,636,592.

In the year, the average return on these investments was 0.72 per cent (2018/19: 0.67 per cent).

	FUND BALANCE £000s	INVESTMENT RETURN £000s	AVERAGE RETURN	PROPORTION OF TOTAL INCOME
2019/20	256,637	1,199	0.72%	0.48%
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%

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 until 1 September 2019. With effect from 1 September 2019, our banking facility has been transferred to the Government Banking Service. This means that we no longer receive any interest on current account deposits.

The cash balance at the year end was £6,676,535.

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:	2019/2020 £000s	2018/2019 £000s
RECEIVABLES DUE WITHIN ONE YEAR		
Accrued income	0	0
Other receivables	18	52
	18	52
INVESTMENTS		
National Lottery Distribution Fund	256,637	282,630
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	6,677	4,635
Total financial assets	263,332	287,317

19e. FINANCIAL LIABILITIES BY CATEGORY

	2019/2020 £000s	2018/2019 £000s
Trade payables	109	166
Other payables	13	17
Due to Arts Council Grant-in-Aid accounts	3,042	1,595
Grant payables falling due within one year	207,335	238,897
Grant payables falling due over one year	137,421	183,464
Total financial liabilities	347,920	424,139

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.

20. RELATED PARTIES

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 2020 are detailed below.

COUNCIL MEMBER	GRANT FOR THE YEAR ENDED 31 MARCH 2020 £000s	BALANCE UNPAID AS AT 31 MARCH 2020 £000s	ORGANISATION	RELATIONSHIP TYPE
Sir Nicholas Serota CH	8	908	Kneehigh Theatre Trust	Partner is a trustee
Andrew Miller	–	1,230	TheSpace C.I.C.	Board Member
	113	12,359	Welsh National Opera	Trustee
Catherine Mallyon	40	4,402	City of Birmingham Symphony Orchestra	Partner is a Board Member
	57	66	Orchestra of the Swan	Advisory Council Member
	–	1,113	Royal Shakespeare Company	Executive Director (remunerated) and Board Member
	8	909	Watermill Theatre	Partner is a Board Member
	500	500	Arts and Humanities Research Council	Board Member
	–	8	Tate Gallery	Remunerated consultant
Elisabeth Murdoch	–	330	Firstsite Ltd	Freelands Foundation Organisation
	–	130	MK Gallery	Freelands Foundation Organisation
	–	15	Nottingham Contemporary	Freelands Foundation Organisation
	–	75	Site Gallery	Freelands Foundation Organisation
	5	580	Spike Island Art Space Ltd	Freelands Foundation Organisation
	–	720	The Public Catalogue Foundation	Freelands Foundation Organisation
Michael Eakin	221	221	Royal Liverpool Philharmonic	Ongoing, employed as Director, remunerated
Professor Roni Brown	–	15	Contemporary Dance Trust	The Place is an NPO and there is a proposal for partnership between UAL and The Place
	16	1,708	Farnham Maltings Association	Partner is Director
Sukhy Johal MBE	195	98	Threshold Studios	Partner is an employee and Project Director
Paul Roberts OBE	–	15	Nottingham Contemporary	Board Member
	131	48	Durham University	Commissioner

The declared interests in grant recipients along with amounts awarded for the year ended 31 March 2019 are detailed below.

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 a 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 C.I.C.	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 funds this organisation
	–	63	Nottingham Contemporary	Board Member
Paul Roberts OBE	–	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
Professor Roni Brown	–	140	Creative Foundation	Deputy VC of University for the Creative Arts which has a service agreement with organisation
	–	2,543	Farnham Maltings Association	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	Artsworld	Board Member (until 31 January 2018)
Dame Rosemary Squire (resigned 5 December 2018)	93	6,735	Rambert Dance Company	Partner is Chair
Catherine Mallyon (appointed 26 April 2018)	137	2,176	Royal Shakespeare Company	Board Member
Sukhy Johal MBE	–	446	The New Art Exchange Ltd	Chair (until 30 March 2018)



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 2020 are detailed below.

DIRECTOR OR SENIOR MANAGER	GRANT FOR THE YEAR ENDED 31 MARCH 2020 £000s	BALANCE UNPAID AS AT 31 MARCH 2020 £000s	ORGANISATION	RELATIONSHIP TYPE
Kate Bellamy	40	20	Pitzhanger Manor House & Gallery	Board Member

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 of National Council members and Executive Board are available at the following link:

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 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 2020 £000s	RECEIVABLES 31 MARCH 2020 £000s	PAYABLES 31 MARCH 2019 £000s	RECEIVABLES 31 MARCH 2019 £000s
Balances with other DCMS Government bodies	1,675	–	2,784	–
Balances with other central Government bodies	–	–	1,693	–
Balances with academies	34	–	46	–
Balances with local authorities	21,194	–	36,586	–
Balances with NHS Trusts	1,976	–	121	–
Balances with public corporations and trading funds	3,040	–	8	–

	EXPENDITURE Y/E 31 MARCH 2020 £000s	INCOME Y/E 31 MARCH 2020 £000s	EXPENDITURE Y/E 31 MARCH 2019 £000s	INCOME Y/E 31 MARCH 2019 £000s
Transactions with other DCMS Government bodies	123	8	3,401	50
Transactions with other central Government bodies	–	–	937	312
Transactions with academies	101	–	78	–
Transactions with local authorities	5,508	–	11,063	–
Transactions with NHS Trusts	2,015	–	65	–
Transactions with public corporations and trading funds	3,142	–	–	250

21. EXCEPTIONAL ITEMS

There were no exceptional costs during 2019/20 or 2018/19.

22. CONTINGENT ASSETS OR LIABILITIES

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 that the first payments to the Lottery distributors will come through around the mid-2020s. Arts Council England did not have any contingent liabilities as at 31 March 2020.

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.

A significant event this year has been the COVID19 outbreak. As part of the approach adopted by Arts Council England we will be utilising our Lottery reserves to provide financial support to individual artists and to Arts organisations.

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, compensations payments or ex-gratia payments. The number and value of losses during 2019/20 were as follows:

	2019/2020 £000s	2018/2019 £000s
Total value of losses	184	4
Total number of losses	3	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 culture 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 artistic and cultural opportunities available in England

Evidence demonstrates that some communities are engaging very little with arts and culture. 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 arts and culture 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 in 2019 we introduced the New Creative People and Places programme to expand the number of places within the portfolio.

We awarded a total of £17.5 million funding to 13 places identified as having some of the lowest engagement with arts and culture in the country.

The LEAP is a New Creative People and Places project managed by Bradford Teaching Hospitals NHS Foundation Trust. It has been awarded £2,000,000 for a programme to be delivered over four years, with an overarching 10-year vision. The LEAP will make a step change in arts and cultural opportunity, involvement and participation across the district. Over the next four years it aims to generate 100,000 new attendances at new arts and cultural events in the Bradford wards of Manningham, Bradford Moor, Tong, City, Keighley West and Keighley Central. The focus will be on producing and commissioning artistically excellent work that will represent the richly diverse and youthful culture of Bradford.



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

One of our goals in *Great Art and Culture for Everyone* 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 2019/20, through our Arts Council National Lottery Project Grants, we have invested £34,923,463 National Lottery funding into 1,616 projects focused on activities with, for and by children and young people.

The London Borough of Merton was awarded £94,826 to develop a programme within its library service to reach new audiences, specifically children with special educational needs and disability (SEND). Their aim was to work across the seven borough libraries to reduce inequality, isolation and barriers towards this audience at a community level. This project also entails wider community work, working with schools and partners to break down barriers and perceptions of SEND, reduce isolation and open new doors of opportunity for SEND children and their families.

Merton has over 732 children with SEND, and has the highest ratio of library users to population, which made the Borough's public libraries an ideal place to involve children and young people in arts activity. Merton wanted to develop its existing libraries into sensory libraries for all children to enjoy.

Each library would have a unique sensory theme such as Space, Ocean, Weather, Arctic, Forest, Circus and Jungle.

Through the research work undertaken prior to making their application, Merton identified that one of the biggest barriers for SEND children to have a more fulfilling life is the lack of availability of SEND friendly environments outside of the school setting, and even more limiting are the events and activities SEND children and their families can participate in. This project enables SEND children and their

families to fully engage in a SEND friendly environment and engage in an arts and literature programme of dedicated SEND events and activities. This project opens doors and increases opportunities to children and young people who may currently feel isolated and restricted due to their additional needs.

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

Arts Council National Lottery Project Grants supports a huge range of projects that bring people together to explore creativity as communities. One such project was Community Camera which was designed by Brendan Barry to bring people together to get them to make portraits of their own community.

Brendan was awarded £12,700 to transform a shipping container into a giant camera with a built-in darkroom. It was placed in Northernhay Gardens in Exeter for three weeks, during which time different audiences were invited in to make photographs. At the end of this time, an exhibition of the images was displayed inside the container, transforming it into a gallery for a weekend. The project focused on working with a variety of different local groups and communities, collaborating with them in the creation of their own portraits to form a series – 'A portrait of diversity, inclusion & collaboration in Exeter'. Participants were actively involved in the creation of an analogue photographic print, experiencing the process from start to finish, including the exhibiting of the work.

Brendan's aim was to bring different communities together through the portraits, and to produce images that collectively touch on themes of inclusion and collaboration. The project led to a large number of exciting and original results in the form of increased understanding of a range of photographic processes, and a richer connection between each participant and their place within the community.

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

The 2017 Mendoza Review (an independent review of museums in England) identified 'Dynamic collection curation and management' as one of nine priority areas for increased sector support and development. Round 2 of the Arts Council's Designation Development Fund sought to respond to that challenge.

The fund encouraged museums and libraries to build lasting relationships with higher education and other partner institutions that can offer expertise, as this is vital for the longer-term development and use of collections. Previous recipients of Designation Development funding have been able to offer a leadership role to the wider sector around collections management and engagement, by increasing overall knowledge about curation and object-based learning as well as trialling innovative ways of managing and engaging with collections. We encourage this approach to sharing benefits across the broader collections sector.

In 2019, we awarded a total of £2,102,041 to 28 museums and libraries through this fund.

The Sedgwick Museum has been awarded £89,406 to create a world leading Collections Research Centre for Earth Science, for research into the museum's exceptional collections of rocks and fossils. The centre will be at the heart of a network of cutting-edge researchers and take a leadership role around the care and usage of earth science collections. The museum will open the collections to the public and create sustainable volunteering opportunities for the community.

g) The need to support excellence and skills, and to encourage innovation in artform development, in attracting new audiences, visitors and participants, and in value creation and business models

In 2019, the Arts Council awarded £495,000 to British Underground to deliver three more years of the Future Art and Culture showcase at South by Southwest (SXSW) Interactive Festival.

SXSW Interactive provides a high-profile global talent showcase at which to present English-based creative technology artists and practitioners as being at the forefront of international sector developments, while at the same time allowing them to learn from and collaborate with other international innovators, and to explore new international market opportunities.

Through its investment in a Future Art and Culture programme at SXSW, British Underground will promote England-based artists and organisations on the world stage, delivering against our international objectives around business innovation, new financial models, and greater resilience.

The Future Art and Culture project will thereby support creative practitioners and organisations based in England to develop both their creative and professional practice, for the future benefit of audiences in England.

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

During the period under review, we made a grant of £4.5 million to Performances Birmingham Ltd towards Making an Entrance, a £13.2 million project to transform Symphony Hall, the home of the City of Birmingham Symphony Orchestra. The project aims to attract larger and more diverse audiences, improve access, generate more revenues and enhance the environmental sustainability of the building.

The project will enable Symphony Hall to grow and thrive, facilitating new commercial income streams from hospitality.

The project comprises extension of the building frontage into Centenary Square delivering a dedicated entrance and expanded foyer to include improved bars and kitchen, box office, expanded performance space, hospitality rooms and improved toilet facilities.

The impacts on audiences, revenues and environmental sustainability are considerable. Symphony Hall currently welcomes over 355,000 people per annum and anticipates additional audiences of 40,000 on opening in 2020, rising to 105,000 additional visitors within three years.

The building will become more accessible with automatic doors for people with impaired vision or mobility, an intuitive internal layout, wheelchair user-friendly spaces and improved signage.

Within five years, it is estimated that Making an Entrance will increase the organisation's income by £1.9 million, reducing its reliance on public subsidy.

With power used from the local Combined Heat and Power plant, Symphony Hall will become a much more energy efficient building. The project aims to:

- reduce mechanical ventilation, saving 320,000 kWh/year
- reduce the amount of solar gain entering the foyers by 43%
- use LED lamps and fittings to drive a 70% reduction in electricity use
- maximise energy efficient and low carbon technologies where possible
- reduce water consumption
- source environmentally sustainable materials

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

We know that where people live is likely to have a profound impact on the likelihood of them attending or participating in the arts. There are considerable differences in engagement levels for regions, local authority areas and neighbourhoods across England and one of the factors that affect engagement is economic and social deprivation. In 2019/20, 24 per cent of the total value of Lottery grants awarded have been channelled into the 20 most deprived local authorities in England.¹⁸

Applause Rural Touring received £525,000 for their project, Inn Crowd: Pubs. The project aim was to significantly increase production opportunities and touring infrastructure for live literature work across the country. The funded project will provide 28 commissions and production development opportunities for live literature artists, enabling 330 live national touring dates in rural and non-traditional presenting spaces. The tour includes dozens of pubs, as well as libraries, cafes and festivals.

As well as supporting an evolving rural touring sector, this project will engage brand new audiences, particularly those who are least engaged, to discover and enjoy live literature on their rural doorstep. Audiences will be a mixture of people who actively choose to see a performance and some who happen to be at the venue.

The project will bring performance to rurally isolated people in over 14 counties across the south west, the south east, the midlands and Lancashire. It will target audiences that are unlikely, or unable, to regularly seek out live performance. This is usually as a result of the higher costs of travel, a lack of available public transport, their own lack of interest and/or health and confidence challenges. This project draws on a proven model of engagement for such people and will serve to increase cultural

¹⁸ Based on 2015 IMD ranking of applicant local authority.

participation in rural areas whilst also helping to combat isolation and loneliness.

The project is expected to reach a live audience of over 24,000 people in rural settings through live pub-based performances.

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

In 2019, we invested £7.1 million into 18 projects providing leadership development across museums, libraries and arts through the Transforming Leadership programme. Transforming Leadership was developed to address specific issues around diversity across leadership, opportunities for emerging and early career leaders, and the development of executive skills at senior levels.

The leadership development programmes we supported through this programme have been tasked to place the diversity of their participants at the heart of their plans with a number specifically addressing the underrepresentation of leaders from certain groups. The funded programmes will deliver activity across England, with 70 per cent of all participants based outside London.

The UK Hip Hop Leadership Movement has been awarded £260,000 to create and deliver a two-year programme that will reveal, inspire, support and champion current and next generation leaders from the hip hop dance community who are passionate about making change. It will bring together existing leaders to share and learn from each other, alongside learning from other sectors. Action research will be embedded to support live learning and evaluate impact.

The UK Hip Hop Leadership Movement is led by a consortium of organisations: Artists4Artists, Avant Garde Dance, Boy Blue, Breakin' Convention, East London Dance, Impact Dance, Uchenna Dance, University of East London, and Zonation: the Kate Prince Company.

l) The desirability of working jointly with other organisations, including other distributors

We recognise that working in partnership with other organisations helps us to achieve our shared aims, as well as increasing the impact of our National 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 National Lottery money for good causes.

In the past year we have continued to work in collaboration with the National Lottery Heritage Fund in response to the recommendations made in the 2017 Mendoza Review (an independent review of museums in England). We are working together in a range of ways, including work to improve museums' experience of grant giving across the two funders.

We have also worked closely with the Music Venues Trust to develop a new strand of National Lottery Project Grants to support Grassroots Live Music. This funding is available to those whose main function is to host and/or promote live music events in venues. We are particularly keen to support venues and promoters who work in the grassroots part of this sector (ie those working with new, developing talent in small- to mid-size venues).

In 2019/20 Arts Council will be investing £1,500,000 in projects that improve the infrastructure in grassroots venues and enable venues to diversify their audiences. To date we've supported 70 projects, including awarding £40,000 to Hootananny Brixton to reach different audiences by trying out new approaches through social media, traditional media, and programming/showcasing new work, with a focus on developing access and diversity at the venue for people who don't currently get involved in live grassroots music.

The Hootananny Winter Project will see the venue trying out new approaches through social media, traditional media, programming or showcasing new work, with a focus on developing access and diversity at the venue for people who don't currently get involved in live grassroots music culture.

An additional focus of the project is to ensure the longer-term venue viability by increasing audiences through engaging with and learning from young people.

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 to 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).

National Lottery funding is allocated through three main channels:

1. Arts Council National Lottery Project Grants is our flagship open application programme that provides National 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. 2019/20 saw a total of 4,501 awards made with a total value of £100,012,989.
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 2019/20, 121 awards were made with a total value of £42,594,147.
3. In 2019/20, £59,819,972 supported 97 of our National Portfolio Organisations to deliver touring activity and work focused on Arts Council Goal 5 which includes working with 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 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 2019/20 were approximately £1.28 million less than the target and approximately £0.58 million more than last year.



1. ACTUAL LOTTERY ADMINISTRATION COSTS

	2015/16 £M ACTUAL	2016/17 £M ACTUAL	2017/18 £M ACTUAL	2018/19 £M ACTUAL	2019/20 £M ACTUAL	2019/20 £M TARGET
ACTUAL ADMINISTRATION COSTS*	17.25	17.85	16.26	16.35	17.63	18.21

* 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.

	2015/16 £M ACTUAL	2016/17 £M ACTUAL	2017/18 £M ACTUAL	2018/19 £M ACTUAL	2019/20 £M ACTUAL	2019/20 £M TARGET
ACTUAL ADMINISTRATION COSTS*, **	17.25	15.02	15.61	15.37	16.34	16.88

* EXCLUDES EXCEPTIONAL ITEMS AND ONE-OFF IT DEVELOPMENT COSTS

** FIGURES HAVE BEEN ADJUSTED FOR INFLATION USING 2015/16 AS THE BASE YEAR

3. ACTUAL LOTTERY ADMINISTRATION COSTS AS A PROPORTION OF LOTTERY INCOME

	2015/16 ACTUAL	2016/17 ACTUAL	2017/18 ACTUAL	2018/19 ACTUAL	2019/20 ACTUAL
ACTUAL ADMINISTRATION COSTS AS % OF LOTTERY INCOME*	6.40%	7.82%	7.07%	7.00%	7.08%

* EXCLUDES EXCEPTIONAL ITEMS AND ONE-OFF IT DEVELOPMENT COSTS. 2019/20 PERCENTAGE CALCULATED AS AN AVERAGE OF THREE YEARS' INCOME

GRANTS PROCESSING TIMES

For our National Lottery Project Grants 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
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%
2019/20	Actual	99.32%	97.42%	98.94%
2019/20	Target	90%	90%	90%

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

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 used, and will continue to use, Lottery funding to fund specific time-limited activity that would not take place without the support of the Lottery.

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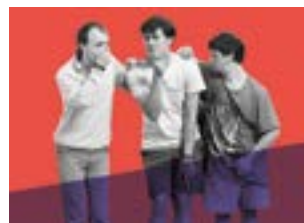
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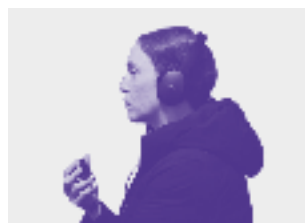
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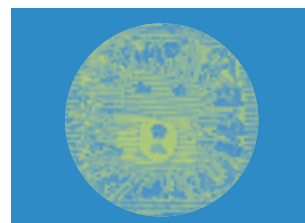
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Arts Council England is the trading name of The Arts Council of England.

Charity registration number 1036733.

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ISBN 978-1-5286-1882-3
CCS0420457470



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