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# Music education hubs

**Guidance notes for management accounts, board papers (or equivalent) and financial statements (audited accounts)**

**Background**

Music education hubs are partnerships led by a lead organisation. The hub lead is the organisation in receipt of the music education grant and is responsible for accounting for its use.

This lead organisation may be a Music service within a local authority, an independent charity, community interest company or another company.

It is the responsibility of the lead organisation to show clearly how they have spent their music education grant or show how it has been distributed to other hub partners, as well as how they have generated and spent other sources of income.

In addition to the financial transactions we are also interested in the in-kind investment that hub partners bring to the activities of the hub, even if they do not pass through the hub lead organisation or show in the hub’s budget.

This enables us to see the totality of the hub’s activities, even though it does not form part of their own management accounts.

The Arts Council requires management information, which should be timely, clear and broken down in a way that is logical, given the range of a hub’s activity. We are looking for evidence of the internal decision-making processes of the funded organisation.

## Management accounts

Arts Council England has produced a management accounts template which Music education hubs may wish to use, given their unique circumstances. The template and guidance can be found on our website [here](http://www.artscouncil.org.uk/sites/default/files/download-file/Management%20accounts%20template%20for%20Music%20Education%20Hubs.xlsx).

As the template indicates, we expect organisations to be regularly comparing their actual income and expenditure with their original budgets in a consistent format which can be easily understood by the Arts Council and its officers.

Where variances are identified, there should be notes identifying the corrective actions needed to ensure that the activity can be delivered within the available budget.

## What level of detail is required?

### Advice for local authority based hub leaders:

Accounts prepared for the hub’s Local authority directorate or cabinet or faculty are unlikely to be detailed enough to reflect how the operational risks are managed. In these summary accounts, the funded activity will often be a footnote. This information can help us to understand the strategic context in which the activity is being delivered, but it will not be sufficient to form a judgement regarding the day-to-day management of the funded activity.

We ask for the hub lead to extract the information from the local authority’s financial system and report it to us in the template, or in an agreed and consistent format as described above that shows actual figures against the annual budget.

### Advice for all hub leads, both local authority based and independent organisations:

Transactional detail, pulled directly from an accounting package is unlikely to be helpful. The Arts Council does not require transactional detail. We need to see information that has been analysed and rendered understandable for the purposes of monitoring our investment into funded organisations.

As the template indicates, we expect the budget to be monitored at a level which identifies our grant separately as well as separating other major strands of income contributing to the activity. In our template we have analysed the expenditure against the core and extension roles of the National plan. However, hubs can analyse their expenditure in any format they wish provided that it presents a clear and consistent picture of progress against their budget.

We would also expect expenditure to be analysed between categories that are key to the delivery of the activity such as staffing, marketing, insurance, premises etc.

This level of information will always be readily available in local authorities and higher education institutions because their auditors will demand that grant funded activity is recorded on a separate cost centre and analysed. Charities, community interest companies and other companies will have internal management information provided to their board.

In the event that Music education hubs face difficulty in this area, a meeting will be convened between the Arts Council, the hub lead, and the hub’s finance contact. The hub should be asked to review the management accounts template prior to the meeting so that the meeting can be used to discuss all questions they may have regarding the production of such information.

## Board papers (or equivalent)

We expect organisations to review their management information (financial and non-financial) at board level or equivalent. Minutes and papers from these meetings help us to make a judgement on the governance risks to the funded activity.

### Advice for local authority based hub leaders:

As with the management accounts, papers prepared for directorate or cabinet or faculty are unlikely to be detailed enough to reflect how the operational risks are managed, so hubs will need to provide minutes of the meetings at which the activity is managed. In reality, such management teams may be very small, and the format of the papers will vary accordingly. If we believe the format is not sufficient to manage the organisation’s risks, we will feedback our concerns and agree a revised format to address those concerns.

Within local authorities it is important that hubs state the extent to which management or governance responsibilities have been delegated to the hub lead and what rules on procurement and authorising expenditure are in place and relevant to their work.

### Advice for all hub leads, both local authority based and independent organisations:

In terms of management, it is important that hubs distinguish between boards or committees that make financial and governance decisions (such as the board of trustees of a charity) and committees, steering groups and other bodies that work in an advisory, strategic or representative capacity within the hub partnership.

## Financial statements (audited accounts)

### Advice for local authority based hub leaders:

The year-end audited accounts produced by local authority authorities and higher education institutions will be high-level and will not generally contain sufficient detail. We therefore request that hubs ask their finance department to produce a statement of income and expenditure, presented in a similar format to the management accounts.

This statement should be certified by a senior financial manager as a ‘true and fair extract’ from the audited accounts. This ensures that the local authority is accountable for the financial reporting of the grant that it has received and gives the Arts Council both appropriate assurance and appropriate level of detail.

Local authorities and higher education institutions will be used to producing such statements for other funding bodies.

### Advice for all hub leads, both local authority based and independent organisations:

For independent (non-local authority based) hub leads the usual rules of annual audited accounts should apply.