

# CRF Repayable Finance Annual Report Monitoring Requirement - Guidance Note

## Introduction

In accepting your loan, your organisation agreed to a set of conditions (as defined by HM Treasury) contained within your CRF Repayable Finance Agreement (RFA), and to the submission of annual reports demonstrating your organisation's compliance with these conditions. The standard covenant with the set of conditions is appended to this note, and the standard submission date for this report is 1 July.

However, as monitoring of the loans only began this May, a different approach is required for the report in 2021, both in content and timing. This guidance note sets out our reporting requirements for 2021 and is intended to assist preparation of these documents.

The following conditions are the focus of this note:

- a) The organisation will exercise pay restraint for at least 18 months from the date of the Repayable Finance Agreement, where legally possible for them to do so, including imposing a pay freeze for all senior staff (by which we mean your executive team) and 10% pay reductions to pre-Covid-19 pay for those contracted to receive above £150,000 per year;
- b) The organisation will demonstrate a commitment to open up access and increase the diversity of its audiences, visitors and/or participants, as well as its organisational diversity;
- c) The organisation will demonstrate a commitment to progress towards net zero greenhouse gas emissions by 2050 and reporting against it; and
- d) The organisation will demonstrate a commitment to increase educational/outreach work.

Instead of a report for 1 July the following is required:

- A statement of confirmation relating to the pay restraint condition, to be included in your **August 2021** monitoring submission
- A plan on how you propose to meet the conditions on access and diversity, net zero emissions and education and outreach, to be included in your **October 2021** monitoring submission.

Further detail on each is provided below.

## **Pay Restraint Statement of Confirmation**

This relates to the following condition in your RFA:

- e) The organisation will exercise pay restraint for at least 18 months from the date of the Repayable Finance Agreement, where legally possible for them to do so, including imposing a pay freeze for all senior staff (by which we mean your executive team) and 10% pay reductions to pre-Covid-19 pay for those contracted to receive above £150,000 per year;

Written confirmation is required that this commitment will be met, together with any evidence of implementation to date, and is due by 2 August 2021. This should be uploaded to Grantium, as an attachment to your August monitoring submission.

## **Plan for Non-Financial Conditions**

Instead of an annual report demonstrating compliance, we are asking you to develop a plan that confirms your commitment to meeting the non-financial conditions and sets out how you intend to achieve this. The plan is due by 1 October 2021, and should be uploaded to Grantium, as an attachment to your October monitoring submission.

This plan should then be incorporated into your annual business plan, and your first annual report on compliance with the conditions will be due in July 2022, reporting on the period 1 April 2021 to 31 Mar 2022.

We recommend you first discuss the conditions with your governing body.

We anticipate the plan would include a review and description of your current status, and any actions you already take in relation to the diversity, net zero and education/outreach conditions as listed above. For example, you may wish to include relevant existing policies, Key Performance Indicators and action plans, alongside appropriate baseline data and reporting. This exercise can also be used to highlight any areas that are less positive, where improvements can be made.

We appreciate that the CRF loans portfolio includes a range of organisation types and sizes, and that the conditions can be interpreted in various ways. You will need to decide on the most useful interpretation of the conditions for your organisation.

Note that education and outreach can include formal and nonformal education, training, and outreach with children and young people, as well as groups that are less engaged or experience barriers to engagement with culture.

The CRF loans team are available to answer queries at [crf.repayablefinance@arts council.org.uk](mailto:crf.repayablefinance@arts council.org.uk). We can also offer a conversation with a member of our Diversity team – if this would be helpful please contact the loans team to arrange.

You will need to decide on the most appropriate objectives and targets for your organisation to ensure compliance and progress on the conditions. We recommend that SMART (specific, measurable, actionable, realistic and time-based) objectives are used within the plan. There are various toolkits available to assist in developing your plan and a list of resources is provided below, though this is far from exhaustive.

Later this year we will supply further guidance on future reporting and are planning to offer net zero workshops. You will also be assigned a Relationship Manager, who will engage with your organisation on monitoring and conditions.

## Resources

### Access and Diversity

- [ACE Equality Objectives](#)
- From Arts Council England's new 10 year strategy Let's Create, essential reading on our Investment Principle [Inclusivity and Relevance](#)
- Whilst created for our National Portfolio Organisations, [Equality Action Planning Guidance](#) provides useful guidance for all organisations
- [Culture Change Toolkit](#)
- [Recruitment and Workforce Development Toolkit](#)
- [Creative Equity Toolkit](#)
- Transforming Agency, Access and Power, [TAAP Inclusivity Toolkit](#)

### Net Zero by 2050

Net Zero Greenhouse Gas emissions by 2050 are required in line with the [UK government's climate change targets](#). Further background reading is available via the [Climate Change Committee](#) and the [UK Climate Assembly](#) and the [Race to Zero campaign](#)

There are many free resources available for carbon reporting. Examples are [Julie's Bicycle](#) and [Creative Carbon Scotland](#) for cultural organisations, and general organisational support on the [Government website](#).

## **Education / Outreach**

- [ACE Quality Principles](#) for work being produced by, with, and for children and young people
- [ACE research and data](#) to support evidence-based planning of a high-quality cultural education offer
- ACE planning and evaluation guidance and toolkits such as [Inspiring Learning for All](#) and the [Self-Evaluation Framework](#)
- You may find it helpful to contact your local [bridge organisation](#), whose role it is to provide information and advice for the cultural and education sectors on creating arts and cultural opportunities for children and young people.
- You may also wish to connect your [local cultural education partnership](#) to network and share practice with other local organisations and services working in cultural education.
- ACE guidance on [developing meaningful apprenticeships, internships, and work experience](#)
- Our sector support organisations [Creative & Cultural Skills](#) and [ScreenSkills](#) also offer a range of information and advice on apprenticeships and training.

## Appendix: Annual Report Standard Covenant

It will supply to the Agent an annual report signed by a director (or, if the Borrower does not have a director, a member of its senior board) confirming its compliance with the following covenants in Clauses \*(a) to \*(g) (inclusive) of this Agreement, in form and substance satisfactory to the Agent, on a date to be agreed by the Agent:

- a) the organisation will exercise pay restraint for at least 18 months from the date of the Repayable Finance Agreement, where legally possible for them to do so, including imposing a pay freeze for all senior staff (by which we mean your executive team) and 10% pay reductions to pre-Covid-19 pay for those contracted to receive above £150,000 per year
- b) the organisation will demonstrate a commitment to open up access and increase the diversity of its audiences, visitors and/or participants, as well as its organisational diversity
- c) the organisation will demonstrate a commitment to progress towards net zero greenhouse gas emissions by 2050 and reporting against it
- d) the organisation will demonstrate a commitment to increase educational/outreach work
- e) the organisation will comply with legislation relating to Subsidy Control (or State Aid
- f) the organisation will ensure they take reasonable steps to protect the heritage assets they are responsible for, in particular their physical estates
- g) to the extent applicable to the Borrower, it will take a proportionate approach to making or paying any dividend, charge, fee or other distribution (or interest on any unpaid dividend, charge, fee or other distribution) (whether in cash or in kind) on or in respect of its share capital (or any class of its share capital or capital), repay or distribute any dividend or share premium reserve, redeem, repurchase, defease, retire or repay any of its share capital or resolve to do so or otherwise make any payment to its investors or owners, before this loan is fully repaid (where any legal obligations allow), unless it has received a prior written exemption from the Agent.