

CRF Repayable Finance Monitoring submissions – Guidance note

Introduction

The aim of this note is to be a plain English, practical guide to the monitoring requirements set out in your Culture Recovery Fund (CRF) Repayable Finance Agreement (“loan agreement”).

Our aim is that there should be no conflict between anything in this note and the loan agreement but, if there is, the loan agreement must take precedence.

Further guidance notes on other topics may be issued in the future. The collection of all such notes will become the Relationship Framework, setting out how we will work with your organisation over the life of the loans.

Monitoring submissions

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| The overall aim of the monitoring is to enable the Arts Council to check your progress against your forecast and business plan. We will need to understand the reasons for any major variances from your plan. We want to confirm that you have sufficient cash to meet the loan repayments, throughout the loan term. We also need to confirm that you continue to meet all terms and conditions of the loan. |
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The following submissions are required from all organisations with a CRF loan:

- Board papers
- Management accounts
(including a balance sheet and a commentary on variances)
- Cash flow
- Statutory accounts
- Business plans
- Annual report (please see the separate guidance note on this report).

The content and format of these submissions need to be interpreted in a way that is relevant to the size and nature of your organisation.

Please refer to your loan agreement for any additional borrower-specific monitoring conditions.

If you have any questions in relation to the monitoring requirements, please contact: crf.repayablefinance@artscouncil.org.uk.

Board Papers

At the start of each financial quarter, you should submit all board papers circulated in the preceding quarter and any board papers already prepared for such quarter.

This requirement should be straightforward because we want to see exactly what board members receive – that is, the papers for any meetings (agenda and any documents required for individual items), and the minutes.

As the requirement to submit board papers is quarterly only, we would expect to see new board papers in line with regular board meetings and oversight. We would not expect organisations to submit duplicate board papers for multiple submissions.

Where a board meeting has not taken place since the last submission, we expect to see any management reporting that has been prepared for the next meeting and/or has been shared and reviewed since the last board meeting.

If your organisation does not have a formal board, we expect to see any management reporting that has been produced, shared, and reviewed internally, or a narrative summary of any key decisions and actions taken by senior management that could significantly impact the organisation if management reports are not produced.

Management Accounts

Monthly management accounts are required a month after the period end e.g. you should submit your May accounts in July.

Please submit your accounts in Excel format, rather than a pdf. This is not to explore your workings leading up to the management accounts figures, we only require the final print ranges.

Please include any narrative explanation that you write for your board. We regard this as part of your management accounts. It would be particularly helpful if you could include a brief commentary on any major variances from your plan.

There are elements of management reporting that are indicative of robust control and oversight that we would expect to see in management accounts submissions.

Your management accounts should allow your board and management to maintain an oversight of your organisation's activity and finances and support control and decision-making. Good management accounts should include the budget and actuals to date, with notes and analysis of any significant variances, alongside the annual budget and revised annual forecast. Management accounts may also include the budget and actuals for the most recent period, though this may depend on your organisation and the level of detail required to maintain oversight, monitor progress, and make planning decisions.

Without good quality management information at an appropriate level of detail to allow review of progress against plans, with budgets, actuals, notes on variances, and reforecasts, the Arts Council may need to request further information to assure itself and DCMS of your organisation's ability to make loan repayments and comply with the covenants and terms and conditions of your loan agreement.

Balance sheet

Your management accounts should include a balance sheet. This demonstrates that you are regularly reviewing your financial position, and are able to provide assurance of your liquidity and solvency.

Variances

Your management accounts would benefit from discussion of any variances to the original CRF forecast year end cash balance and to any revised forecasts for year-end cash balance, particularly where this may result in an adverse variance.

It would be useful to us if you can provide as much detail as possible within the notes to your management accounts and/or board papers as appropriate where you are forecasting an adverse variance. For example, a note which states 'this represents an x% adverse variance against the original CRF loan budget/revised budget. The variance is due to x factors, and there is/is not additional risk to CRF loan repayments as a result of x' might be appropriate and acceptable and would allow ACE to consider the variance as part of its ongoing loan monitoring.

We may then wish to discuss the matter further with you, to seek reassurance that this would not affect your ability to make loan repayments or continue to comply with the terms and conditions of your loan agreement.

Cash Flow

At the beginning of your financial year a three-year cash flow forecast is required. This should include a monthly cash flow for at least one year. The main points we will be reviewing are your overall viability and your cash position (to ensure you have sufficient cash to meet the loan repayments).

Robust financial planning is usually supported by regular cash flow forecasting as part of management accounts. A rolling 12-month cash flow forecast, updated to reflect activity to date and revised forecasts, enable organisations to anticipate and plan for any material cash variances and actions that may be required to maintain the required cash position.

Unexpected cash flow difficulties can present a significant challenge to organisations, so regular cash flow forecasting as part of management accounts is a useful management tool.

Regularity of reporting

Management reporting should be regular, accurate, and timely. As such, we expect to see evidence of regular review and interrogation of management reporting documents by boards (or equivalent). Monitoring submission documents should be submitted to the Arts Council in a timely manner and in line with the schedule set out in your loan agreement.

As set out in your loan agreement, all monitoring documents must be submitted by the first business day of the month. Whilst we understand there are some circumstances that may result in a slight delay to submission of monitoring documents, regular and/or unexpected late submission of monitoring documents may result in escalation of the issue in accordance with our duties to DCMS.

You must inform the Arts Council as soon as you are aware there may be an issue in submitting your monthly monitoring submission(s). This should be no later than 5 days after the first business day of the month in which the submission is due. This will allow the Arts Council to consider the reasons for delay and avoid escalation to DCMS where possible.

Statutory Accounts

Annually, you are required to submit statutory accounts for the previous financial year. We require a full set of accounts, including the profit and loss account: not an abridged version such as may be filed at Companies House. This monitoring submission is set for the first month of your fourth quarter, but it would be very helpful to receive your accounts as soon as they are available; these can be attached to any monitoring submission in Grantium.

Business plans

We require a new or refreshed business plan annually. We do not necessarily expect the business plan to be completely rewritten every year. In most cases it should be submitted at the start of your new financial year.

Business plans should be approved and monitored by your board. It is not part of the Arts Council's role to approve your business plan. However, occasionally we will provide feedback to you if we have concerns over the plan being realistic in meeting the conditions in your loan agreement.

We expect your business plan to include:

Activity

- A description of how you will operate over the period (include any plans or options for closure, mothballing or restructuring)
- The cultural or heritage activity you expect to deliver over the period

- If relevant, clear plans for the protection of the heritage assets you are responsible for – in particular, physical estates.

Finances

- A budget profit & loss account, balance sheet and cash flow forecast
- Explanation of the budget and forecast
- A description of risks and mitigation actions.

Organisation

- A description of management and governance arrangements
- A clear articulation of measurable plans to meet the non-financial conditions (refer to the separate guidance note on non-financial conditions).

We have commissioned guidance to help the organisations we fund to follow best practice in developing their business plans. We would encourage all organisations to read [this guidance](#).