

# Transform Stage two programme

## Summary of information for applicants

<b>Summary of key information</b>	
<p><b>What is the focus of the fund?</b></p>	<p>The Transform Stage two programme is to provide support for 2022-23 National Portfolio Organisations (NPOs) whose average annual 2023-26 Investment Programme grant is less than the grant awarded for 2022/23.</p> <p>This funding will support organisations to develop and implement changes that restructure their business models and deliver long-term financial sustainability on lower levels of Arts Council England investment.</p>
<p><b>Who is this programme for?</b></p>	<p>The Transform Stage two programme is to provide support for 29 2022-23 NPOs whose average annual 2023-26 Investment Programme grant is less than the grant awarded for 2022/23 to support them to develop and implement changes to their business models.</p>

	<p>Organisations who are not seeking long-term change should not apply.</p> <p>Organisations will not be eligible to apply if they are deemed to be ailing or at risk of being insolvent.</p>
<b>What is the funding period?</b>	Transform stage two is for the period 1 August 2023 – 31 March 2026.
<b>How much can be applied for?</b>	<p>Applicants can apply for up to 75% of the total reduction in their National Investment Programme 2023-26 conditional offer, less any amount awarded at Stage one.</p> <p>Applicants can apply for</p> <ul style="list-style-type: none"> <li>• a contribution to business remodelling and change costs</li> <li>• supporting ongoing and/or reducing operating costs</li> </ul> <p>The maximum amount that can be applied for is £5,000,000.</p> <p>We expect applicants to make a contribution to operating and/or business remodelling costs of not less than 10%. This can include:</p>

	<ul style="list-style-type: none"> <li>• cash, for example where there are realisable, unrestricted reserves available in excess of the stated reserves policy</li> <li>• in kind support, for example staff time or pro bono consultancy</li> </ul> <p>Applicants cannot use any other form of Arts Council England funding as match funding for this programme.</p>
<b>What can be applied for?</b>	<p>Eligible costs would include:</p> <ul style="list-style-type: none"> <li>• restructuring costs (including redundancy payments, consultants' fees, investment in new technology)</li> <li>• all normal operating costs, where the use of Transform funds is time limited and reduces over time</li> </ul>
<b>When does the application portal open?</b>	12pm (midday) on Monday 9 January 2023
<b>When is the application deadline?</b>	12pm (midday) on Monday 6 February 2023

<b>How should applications be made?</b>	Applications will need to be submitted through our online grant management system, Grantium. Applicants will be required to submit a plan and budget setting out how the funding applied for would be used and what public benefit would accrue.
<b>When will decisions be made?</b>	We anticipate that applicants will be advised of our decision no later than 5pm, Friday 24 March 2023.

**Changes to this guidance or our programmes**

We reserve the right to make changes to the guidance and/or programme after its launch. We will communicate any changes as quickly and clearly as we can.

**Access support**

We are committed to being open and accessible to everyone. We realise some people may find that there are barriers to accessing our services. Our [Access Support information sheet](#) explains the ways we can help.

If you experience or expect any barrier with making your application and would like more information, please contact us.

**Email:** [enquiries@artscouncil.org.uk](mailto:enquiries@artscouncil.org.uk)

**Web:** [artscouncil.org.uk](http://artscouncil.org.uk)

**Post:** Arts Council England – NPO The Hive, 49 Lever Street,  
Manchester, M1 1FN

**Telephone:** 0161 934 4317

You can also **Livechat** with us by visiting our website:

[artscouncil.org.uk](http://artscouncil.org.uk)

We will be as flexible as possible and consider and respond to requests on an individual basis.

### **Do you need this information in another format?**

We're producing the following versions of this guidance and will make them available on our website when they're ready:

- audio
- Easy Read
- large print

# Contents

- Section one – Introduction** 7
  - How much funding is available for Stage two? 14
  - Advice giving 14
- Section two – How to apply** 15
- Section three – How we will make our decision** 21
  - Who will make the final decision on my application? 23
  - When will you tell me about your decision? 23
  - What happens if we are not successful? 25
- Section four – Further information** 27
  - Making a complaint 27
  - Counter fraud measures 27
  - Freedom of Information Act 29
  - Data protection 30
  - Contact us 31

# Section one – Introduction

## The Transform Programme

Transform is designed to support organisations that are funded in the 2023-26 Investment Programme and have received conditional offers below their 2022/23 National Portfolio grant levels. It will support them to develop a new business model over three years which enables them to operate sustainably at ongoing reduced levels of Arts Council England investment.

Transform has two separate programmes: Stage one and Stage two.

Stage one provided an opportunity for those organisations facing particularly significant reductions in funding from 1 April 2023 to access ‘bridge’ funding to help them transition to their lower funding base, while allowing breathing space to consider how they may remodel their business. Stage two gives all eligible organisations an opportunity to access funding to facilitate structural change to improve long-term resilience and viability.

Further information on Stage one can be found [here](#).

Please be aware that, following your successful application to the 2023-26 National Investment Programme, if a funding agreement for 2023-26 cannot be agreed between your organisation and Arts Council England, any offer of funding made under this programme would be withdrawn. In these circumstances, organisations may consider applying for [Transition](#) funding.



## **Stage two**

Stage two is open to all organisations receiving a reduced offer, regardless of the size of the reduction or whether an application was submitted to Stage one.

Stage two will cover the period 1 August 2023 – 31 March 2026.

The aim of this programme is to support organisations to develop and implement changes that restructure their business models and deliver long-term financial sustainability on lower levels of Arts Council England investment.

Organisations can apply for a maximum of 75 per cent of the value of the reduction in their National Investment Programme 2023-26 grant for the following purposes:

- i. Organisations can apply for costs related to their proposed changes in their business models (including consultants' fees, investment in new technology, mergers etc).

Eligible costs could be related to:

- new shared services models
- governance structure improvements

- development of new products and services
- investment in business process re-engineering/cost reduction
- leveraging value from existing Intellectual Property
- mergers and other forms of organisational restructuring

We do not expect applications to this programme for new fundraising models or initiatives.

- ii. Organisations can apply to cover the same operating costs eligible at Stage one, less the value of any award made at Stage one, ie:
  - all normal operating costs for the delivery of creative and cultural activity for the public, where the use of Transform funds is time limited and reduces over time
  - activity during the grant period for which forward commitments have been made, for example contracts for freelancers
  - professional fees, for example accountants
  - consultants' fees, for example for business advice including human resources
  - redundancies
  - ongoing costs related to leased or owned premises

- the orderly winding down of elements of the organisation's activity, should the board or equivalent determine that the activity cannot continue on reduced levels of Arts Council England investment

Funding will only be provided towards these costs if they are within a wider application that clearly demonstrates a strong commitment to changing the current business model, and are seen to be time limited during the funding period.

The total amount applied for should not exceed 75 per cent of the total reduction in the National Investment Programme 2023-26 conditional offer.

The maximum amount you can apply for is £5,000,000.

**Applications that do not include proposals for long-term change will not be considered.**

To help explain how much your organisation could apply for, if your grant in 2022/23 was £1,000,000 and the annual reduction is £250,000, this would represent a total reduction of £750,000 across the 2023-26 investment period. You could accordingly apply for a maximum of up to £562,500, representing 75 per cent of £750,000. Of this sum, up to £375,000 (being 50 per cent of the total reduction) could be towards operating costs as set out above, with any further

sum being towards the cost of proposed changes in remodelling your business. Your total application would be for no more than £562,500, less any grant made under Stage one of the Transform programme.

A series of milestones would be agreed with successful applicants, with payments (and the continuation of the funding) being linked to their achievement.

We expect applicants to make a contribution to operating and/or business remodelling costs of not less than 10 per cent. This can include:

- cash, for example where there are realisable, unrestricted reserves available in excess of the stated reserves policy
- in kind support, for example staff time or pro bono consultancy

Applicants cannot use any other form of Arts Council England funding as match funding for this programme.

Applicants need to clearly demonstrate their commitment to significant change and will provide evidence that their board is committed to a business remodelling process designed to make the organisation sustainable at ongoing reduced levels of Arts Council England funding. Plans submitted with the application would need to show that they are viable and that risks have been identified and mitigated.

Applicants should not include costs to cover the development of any new creative or cultural activity outside of any existing commitments at the point of application.

## **How much funding is available for Stage two?**

The budget for Stage two is £7.5 million.

Applicants can apply for up to 75 per cent of the value of the reduction in their National Investment Programme 2023-26 grant offer to develop and implement changes that restructure their business models and deliver long-term financial sustainability on lower levels of Arts Council England investment.

This could include up to 50 per cent of the value of the reduction in their grant for ongoing costs, with the balance of the amount applied for contributing towards the cost of business remodelling and change.

### **Advice giving**

The information contained in this guidance document is designed to support you in completing your application to Transform Stage two. We will not be offering any advice or one-to-one support for this programme.

A webinar will be arranged for eligible organisations.

## Section two – How to apply

If you are eligible to apply for Transform Stage two funding, you will need to complete a simple application form. This application form will ask you for:

### A narrative plan

You should attach a narrative plan of no more than **2,000** words that:

- makes the case for funding by showing both the immediate and long-term costs the remodelling will incur, alongside demonstrating what support is required to ensure your organisation's medium-to-long-term stability
- details what other realisable resources your organisation has to assist you, and how they will be used both in the immediate and longer term
- details how you intend to draw down on any readily realisable unrestricted reserves between 1 August 2023 – 31 March 2026
- details the options/plans you're considering for future remodelling of the business, including any innovative ideas that you would like to explore that you believe would result in a more resilient, sustainable business able to operate on an ongoing basis at your 2023-26 level of Arts Council England funding. For example:

- how you aim to generate new income streams and/or efficiencies and savings
- how your board or equivalent is engaged in providing oversight and strategic support of the remodelling project
- how you will structure your project, for example, by setting out the key milestones that will enable you to assess your progress
- a description of any work you have done to develop and test your ideas
- provides evidence that your board or equivalent is committed to a business remodelling process. This could be in the form of a signed statement from your Chair either within, or separate to, your plan

You do not need to set out your mission or vision in your plan – you should focus on making the case for why you need the funding and describe what it will be used for.

### **Budget and cash flow forecast**

You should attach a revised budget for 2023/24 to show:

- how your request for funding to support business remodelling costs would be used
- if requested, how you would use funding to support operating costs



- how match funding will be achieved if in cash, for example from reserves

Budgets should be submitted using the template provided with your 2023-26 conditional offer.

If your application is successful, you will be asked to submit outline budgets for 2024/25 and 2025/26 as part of a second payment condition.

You should attach a cash flow for 2023/24 to show:

- when you anticipate that your request for funding to support business remodelling costs would be expended
- when you anticipate that you would use funding to support operating costs. Funding for this purpose can be spread across the three-year period, so income and expenditure would not need to be shown in full here. If your application is successful, your revised cash flow forecasts for 2023/24 and 2024/25 would include this information – these would be submitted in line with the requirements of your 2023-26 funding agreement
- when you anticipate match funding (if in cash) to be received/available

Cash flow forecasts should be submitted using the template provided with your 2023-26 conditional offer.

## **Balance sheets**

You should attach two balance sheets that allow us to assess your financial position:

- a final (audited if available) or draft balance sheet at 31 March 2022
- a draft (forecast) balance sheet at 31 March 2023

## **Reserves position**

Within the application form, we will ask you to:

- detail your current, readily realisable unrestricted reserves level and your reserves policy

## **Eligible costs**

Eligible costs include:

- all normal operating costs for the delivery of creative and cultural activity for the public, where the use of Transform funds is time limited and reduces over time
- activity during the grant period for which forward commitments have been made, for example contracts for freelancers
- professional fees, for example accountants
- consultants' fees, for example for business advice including human resources
- redundancies

- ongoing costs related to leased or owned premises, where there is an intention to vacate within the next three years
- the orderly winding down of elements of the organisation's activity, should the board or equivalent determine that the activity cannot continue on reduced levels of Arts Council England investment
- new shared services models
- governance structure improvements
- development of new products and services
- investment in business process re-engineering/cost reduction
- leveraging value from existing Intellectual Property
- mergers and other forms of organisational restructuring

Your application must be submitted using our online grant management system, Grantium. Your (narrative) plan should not exceed 2,000 words.

The application portal will open at 12pm (midday) on **Monday 9 January 2023** and close at 5pm on **Monday 6 February 2023**.

Applicants will receive their decision no later than 5pm on **Friday 24 March 2023**.

*Please be aware that if your organisation is ailing or at risk of insolvency, any application you make will be made ineligible.*

## Section three – How we will make our decision

As soon as your application is received, it will be assessed to ensure eligibility and that the plan and accompanying budget are appropriate. We will also consider the following criteria:

- **Need**

How clearly you have demonstrated the need for further public subsidy between 1 August 2023 – 31 March 2026. Using your reserves levels, plan and balance sheets, we will determine whether further public subsidy is essential to support your organisation to develop and implement innovative changes that will restructure your business model and deliver long-term financial sustainability on lower levels of Arts Council England investment

- **Opportunity for change**

- How realistic and achievable your plans/options for change are. For example:
  - whether your idea is innovative, timely and relevant to your current circumstances
  - how your idea aims to generate new income streams and/or efficiencies and savings
  - whether you have the appropriate skills and experience in place to deliver your plan/idea

- how your organisation will manage the project
- Your board or equivalent's commitment to a process of significant and sustainable business remodelling

- **Value for money**

We will consider the costs you are including and whether they are an appropriate continued use of public investment.

We will also take into account:

- other information that we hold, for example your application to the 2023-26 Investment Programme and ongoing risk monitoring
- your revised plans and financial information (budget and cash flow forecast) for 2023/24 submitted to Arts Council England in January 2023, following a period of funding agreement negotiation (if you were successful in an application to Transform Stage one, this would include the amount offered)
- information available in the public domain, for example on Companies House or other websites including your own
- your plans and progress in embedding the [Dynamism Investment Principle](#) in your work

Please note that, once you have submitted your application to the Transform Stage two Programme, you must not approach Arts Council England, or members of our Area and National Councils, to discuss your application. This is to ensure we have a transparent and fair assessment process.

## **Who will make the final decision on my application?**

Final decisions on Transform Stage two applications will be made by Arts Council England.

## **Reduced offers**

Arts Council England reserves the right to refuse funding or make reduced offers for this funding programme.

Circumstances where we may do this include:

- if ineligible expenditure is included in the application
- if any aspect of the application does not sufficiently demonstrate the need for funding
- if any part of the application does not address the criteria for the programme set out in Section two
- if the demand for funding exceeds the available budget

## **When will you tell me about your decision?**

We aim to let all applicants know of our decision by **5pm on Friday 24 March 2023.**

## **Successful applicants**

If your application is successful, we will make a conditional grant offer. We will negotiate a funding agreement and discuss with you the most appropriate payment structure. This payment structure will take into account your cash flow forecast and the milestones agreed with you. **Payments will only be made if the milestones have been met.** You should be aware that failure to meet agreed milestones may result in the grant being reduced or withdrawn.

If Arts Council England is assured that the grant will be used appropriately, the conditional offer will be confirmed in May 2023 and a funding agreement issued.

It should be expected that the second payment would include a requirement for a detailed and fully costed change plan, together with key milestones agreed with Arts Council England for the change project and outline budgets for your organisation for 2024/25 and 2025/26.

Arts Council England will expect to meet with representatives of your organisation including your Chair/designated board lead for the change programme at key points, for example in advance of the second payment being released, to discuss your plans with you and seek assurance of their implementation.



Dependent on the work undertaken and the costs incurred, Arts Council England may reduce the grant from its original offer.

### **What happens if we are not successful?**

If we determine you have not sufficiently made the case for funding, or if your application or the costs within it are ineligible, your application will not be successful.

In your decision letter, we will tell you why we could not fund your application. It will be one of the following reasons:

- Application does not sufficiently demonstrate that the organisation requires additional resources from Arts Council England to manage its business remodelling process
- The costs applied for are not eligible for Transform Stage two funding
- Application demonstrates that the organisation is ailing and/or at risk of insolvency and is therefore ineligible
- Application does not sufficiently demonstrate commitment to change

Please be aware that receiving funding in Transform Stage one does not mean that an application to Stage two will be successful. Each application will be considered on its own merits.

## **Section four – Further information**

### **Making a complaint**

Following decisions for this programme, we will have a process that you will be able to use if you would like to make a complaint about either the service you have received from Arts Council England or the way we have handled your application.

If you believe we made a mistake and you want to make a complaint, you can find out about our Investment Programme [complaints procedure](#) on our website. Please note, however, that Arts Council England doesn't operate an appeals process. We cannot consider concerns through our formal process where we have followed our processes correctly.

Should you want to complain, you can also contact our Complaints Managers for further advice by emailing [complaints@artscouncil.org.uk](mailto:complaints@artscouncil.org.uk)

### **Counter fraud measures**

Arts Council England will undertake appropriate measures to detect and protect against fraud. Arts Council England will ensure that all grant holders use the funding appropriately, in line with the grant terms and conditions.

All grant holders must retain their financial and other documentation relating to the grant, and Arts Council England reserves the right to request this at any time, within seven years after completion of the grant activity. In addition, Arts Council England will complete checks pre- and post-award against grant applicants for due diligence and counter fraud purposes.

Where fraud is identified, Arts Council England will take further action including, but not restricted to, reclaiming grant funds and reporting instances of fraud to the appropriate authorities. You may also be refused access to further Arts Council England funding.

For further information please see [artscouncil.org.uk/search?query=privacy+policy](https://artscouncil.org.uk/search?query=privacy+policy) or you can email Arts Council England's dedicated Counter Fraud Team at [fraud@artscouncil.org.uk](mailto:fraud@artscouncil.org.uk)

## **Subsidy control**

The subsidy control rules regulate the award of financial assistance from the public sector to organisations engaged in economic activity. In some cases, and in particular depending on the nature of the recipient's activity, money given under the Transform Stage one programme may constitute a subsidy and need to comply with the subsidy control

requirements, including those set out in the Subsidy Control Act 2022.

In this event, there may be further conditions on the funding that can be given out under this programme. You must provide any information we request that will allow us to ensure that the grant funding is compliant with the subsidy control rules.

## **Freedom of Information Act**

We are committed to being as open as possible. We believe that the public has a right to know how we spend public funds and how we make decisions about investment. We are also listed as a public authority under the Freedom of Information Act 2000.

**This means that, by law, we may have to share your application documents and information about our assessment with any member of the public who asks to see them under the Freedom of Information Act 2000.**

We may not release those parts of the documents that are covered by one or more of the exemptions under the Act. Please see the Freedom of Information website at [gov.uk/make-a-freedom-of-information-request](https://www.gov.uk/make-a-freedom-of-information-request) for information about freedom of information generally and the exemptions.

We will not release any information about applications during the assessment period, as this may interfere with our decision-making.

## **Data protection**

Arts Council England is committed to using any personal information (or personal data) we collect on a lawful, fair and transparent basis, respecting your legal rights as an individual in accordance with the UK General Data Protection Regulation, the UK Data Protection Act 2018 and other applicable laws that regulate the use and privacy of personal data (Data Protection Law).

As part of us meeting this requirement, we have published our General Privacy Notice for you to refer to [here](#). This tells you more about: the personal data Arts Council England collects; the different purposes that we use it for and on what legal basis; who we may share that personal data with; how long we keep it; and your legal rights, including your right to contact us and receive information regarding the personal data about you that we may hold from time to time.

For further information about our obligations and your rights under Data Protection Law, as well as how to report a concern if you believe that your personal data is being collected or used illegally, please also see the Information Commissioner's Office website at [www.ico.org.uk](http://www.ico.org.uk)

## **Contact us**

**Email:** [enquiries@artscouncil.org.uk](mailto:enquiries@artscouncil.org.uk)

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