

Sustaining artistic excellence
A year across the arts
Achieving great art for everyone

Annual review 2010

Arts Council England grant-in-aid
and Lottery annual report and
accounts 2009/10

The Royal Court's acclaimed *Jerusalem*



**Arts Council England grant-in-aid and Lottery
annual report and accounts 2009/10**

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Sustaining artistic excellence

The arts are essential to the fabric of the nation and more than repay their investment, says our Chair, **Dame Liz Forgan**.



Dame Liz Forgan,
Chair, 2009.
Photo: Steve
Double

While recovery from the global economic crisis continues to dominate public life, the arts have proven their resilience, and buoyant audience figures have shown how much they are valued.

For me the year has been an unending feast of colour, movement, sound and invention. Every time I embark on a list of highlights it

overruns the page. Should it be Daniel Barenboim teaching a rapt Royal Festival Hall to love Schoenberg or the Beating Wing Orchestra packing the tent at the Manchester International Festival? Fiona Shaw alone on the stage at Wilton's Music Hall performing *The Waste Land* or Hydrocracker's production of Joe Orton's *The Erpingham Camp*, complete with fish and chip supper on Brighton Pier? Chris Ofili or the Yorkshire Sculpture Park? Carlos Acosta at Sadler's Wells or Pina Bausch's *Kontakthof* at the Barbican? Almost anything from this epic year at the National Theatre? *Measure for Measure* at the Almeida? George Benjamin's 50th birthday concert? Or Cheeky Jowl's *Andromaque*?

Investing in the arts

We all knew this year would be tough, and in May 2010 the Chancellor of the Exchequer George Osborne announced an initial round of cuts of £6 billion for the 2010/11 financial year. The Department for Culture, Media and Sport's share of the Government's in-year reduction is 4.1 per cent, or £88 million. To help meet this reduction, our budget for 2010/11 will be cut by £19 million.

Making cuts within the financial year is very difficult. We have already trimmed our budget by £4 million in 2010/11 so this takes our total reduction to £23 million. We will do our utmost to minimise the impact to the frontline but we cannot guarantee that there will be no effect.

What is most important is that we do our best to protect art and artists and that we get our decisions out as quickly as possible to give our organisations a chance to plan. We need to work closely with our ministers and our arts organisations to make the best possible case in the spending review ahead.

Thanks to 15 years of sustained support, including the introduction of the National Lottery in 1994, this country has an extraordinarily thriving cultural life. The arts have visionary leaders, entrepreneurial business models, a global reputation for excellence and innovation, enhanced facilities and a growing creative economy. Our arts and culture are the envy of the world and they more than repay their investment by bringing visitors in their millions and making the UK an attractive place for global business to locate.

Two other features of Britain's cultural landscape are important in this picture of success. Our plural system of funding is both more secure and more culturally diverse than America's total reliance on private patronage or the continental European system of predominantly state funding.



Above left: Ben Miles in *Measure for Measure*.
Photo: Keith Pattison



Above right: Daniel Barenboim at the Royal Festival Hall.
Photo: Monika Rittershaus

And our established convention of running the arts at arm's length from government ensures the freedom of artists to take risks and to follow their own voice.

'The world continues to look to us for our wealth of creative talent and expertise'

Radical thinking

This has been a year of radical thinking at the Arts Council itself. With the help of thousands of artists, arts organisations and other partners in local government, education and the public at large, we have re-examined the way we support organisations, the way we assess excellence, and the way we set the big priorities for our part in the cultural life of England. This work is ongoing but it has proved a challenging and invigorating exercise for all concerned and has helped greatly in developing the increasingly collaborative relationship between the Arts Council and its key partners and stakeholders.

One of the early highlights of 2010 was the State of the Arts conference organised in partnership with the RSA. Over 400 leading artists, entrepreneurs, cultural leaders and policy makers met to discuss the future challenges and opportunities facing the arts in England.

Future resilience

In April 2009, we took strategic action to maintain artistic excellence and courageous innovation during the recession by creating the Sustain fund. Sustain awarded £47 million to 146 arts organisations, enabling them to maintain the quality of their artistic output through the

downturn and negating the worst of the decline in sponsorship and private giving.

The last year has certainly tested us all, but there is much to be optimistic about as we look ahead. The arts are more universal and more appreciated than they've ever been and are at the forefront of our future prosperity, with our investment feeding the creative industries with the talent and skills they need to continue to grow at one of the fastest rates of any of our economic sectors.

We are living in an age of extraordinary cultural prosperity and the world continues to look to us for our wealth of creative talent and expertise. There are many challenges ahead, from continuing to run ourselves as efficiently as possible to investing in the digital future of our sector. This year the Arts Council signed up to the 10:10 campaign for carbon reduction and we have joined with many of our partner organisations to look for ways of spreading advice and good practice in making our buildings and our activities more environmentally sustainable.

Tough times will force us to prioritise more ruthlessly than ever before. The work done this year, including the preparation for our forthcoming 10-year framework for the arts will, we hope have built a good foundation of clear thinking and collaboration with artists and creative leaders that will help us safeguard a creative and innovative future for the arts in England.

Dame Liz Forgan
Chair, Arts Council England

Why the arts matter

In a year of great change, our Chief Executive **Alan Davey** says working together as a sector will help us face the challenges ahead.



Alan Davey, Chief Executive, 2008.

Photo: Piers Allardyce

It has been a year of great change at the Arts Council, as we worked to not only save 15 per cent on our overall running costs but also to manage the impact of a £19 million (four per cent) cut in our budget for 2010/11 – the Arts Council's portion of the £88 million reduction that the DCMS is finding. We are also changing the way we do things, making sure we are

as responsive and useful to artists and audiences across the country as we can be.

Over the last 12 months we've completely overhauled Grants for the arts funding, simplified the application and assessment process and saved £1.5 million a year which can be reinvested directly back into the arts. We've worked with our funded organisations to introduce new ways to measure how effective we are at working together as a sector, leading to the recruitment of 150 artistic assessors and a new self-evaluation framework for arts organisations. We've introduced relationship managers to each of our offices who will build links with regional partners to develop the arts on a local and national scale, keeping the arts across the country innovative, excellent and relevant.

All these changes have one thing in common – they are about working together as a sector to make sure the arts are at the heart of everything we do.

Sustain, our programme to ensure brilliant arts organisations survived the recession, ensured that the kind of damage inflicted on arts organisations in the last recession was not repeated. Having invested a great deal of public and private money in getting the arts in this country into such great shape, it was, and still is, essential that we don't put these achievements at risk.

And we consulted on our plans for a 10 year strategy for the arts – Achieving great art for everyone. Despite the uncertainty ahead it's vitally important we keep our eye on real artistic ambition, working to make the arts even better, reach even further and continue to remain relevant to people by offering the mixture of solace and challenge that only the arts can.

All this has happened while reducing the number of staff working at the Arts Council by 21 per cent, saying goodbye to a number of old faces while welcoming new ones. At the Arts Council we've improved our productivity by around 20 per cent and the element of our funds dedicated to management and administration (according to the Charity Commission's definition) will reduce to around three per cent this year. Including direct support to front line delivery, next year we'll be spending just 6.6 per cent on administration and support.



Above left:
Andrew Scott and
Ben Whishaw
in *Cock*, Royal
Court Theatre.
Photo: Stephen
Cumiskey

Above right:
Hofesh Shechter
Company's *Political
Mother*, Brighton
Festival, 2010.
Photo: Ben Rudick



There will certainly be calls for more efficiency savings and better value for money, both at the Arts Council and for the publicly funded arts sector as a whole. The savings we have already made are a tremendous achievement – and represent our strong ethos of serving the arts – for artists and for audiences. We all know that there are tough times ahead. And we've got to work together to make public money go further and find the best ways of leveraging income from other sources. We also need to keep looking hard at how we can do better at encouraging private investment while keeping the public element strong.

'All these changes have one thing in common – they are about working together as a sector to make sure the arts are at the heart of everything we do'

Through all the uncertainties of the last year the arts continue to go from strength to strength. My personal highlights of the last 12 months go from Hofesh Shechter's harrowing new piece, *The art of not looking back*, at last year's Brighton Festival, to an amazing array of work at the Royal Court, including *Jerusalem* in the main theatre to *Cock* in the Theatre Upstairs and a thrilling Sibelius cycle with Vanska and the LPO at the Royal Festival Hall. But so much else has intrigued and inspired, in all kinds of places – including seeing Cheek by Jowl grip French audiences with their trance-like *Macbeth* in Paris.

At the World Culture Summit in Johannesburg in September, I was honoured to be elected chair of IFACCA, the International Federation of Arts Councils and Cultural Agencies. We must always remember that what we do in the arts has global significance and connection, and that what we take for granted in this country – freedom of expression for artists, a funding system that is not politically driven, and real opportunities for artists to practice – are not yet real for everybody. As a national Arts Council we must take our international connections and responsibilities seriously.

The arts matter now more than ever. They will matter more in the weeks, months and years ahead as we make sense of the post recession world. I hope that all politicians really do pay attention to what we do and how we do it, maintain the arm's length principle, and the funding system that makes the arts in this country what they are, and don't lose what we've achieved. The arts are too important for that.

Alan Davey
Chief Executive, Arts Council England

How we fund the arts

We work to get great art to everyone by championing, developing and investing in artistic experiences that enrich people's lives – from theatre to music, literature to dance, photography to digital art, carnival to crafts.

In 2009/10, we invested more than £625 million of public money from the government and the National Lottery. This is the bedrock of support for the arts in England.

Through our regular funding programme, we invested £344.6 million of grant-in-aid in around 880 arts organisations across England, including Birmingham Royal Ballet, Sheffield Theatres, the Royal Opera House, Bournemouth Symphony Orchestra, and the Crafts Council.

We invested £38.5 million in Creativity, Culture and Education. The organisation delivers Creative Partnerships, which develops the creative thinking skills of young people in England by supporting long-term projects between schools and creative professionals.

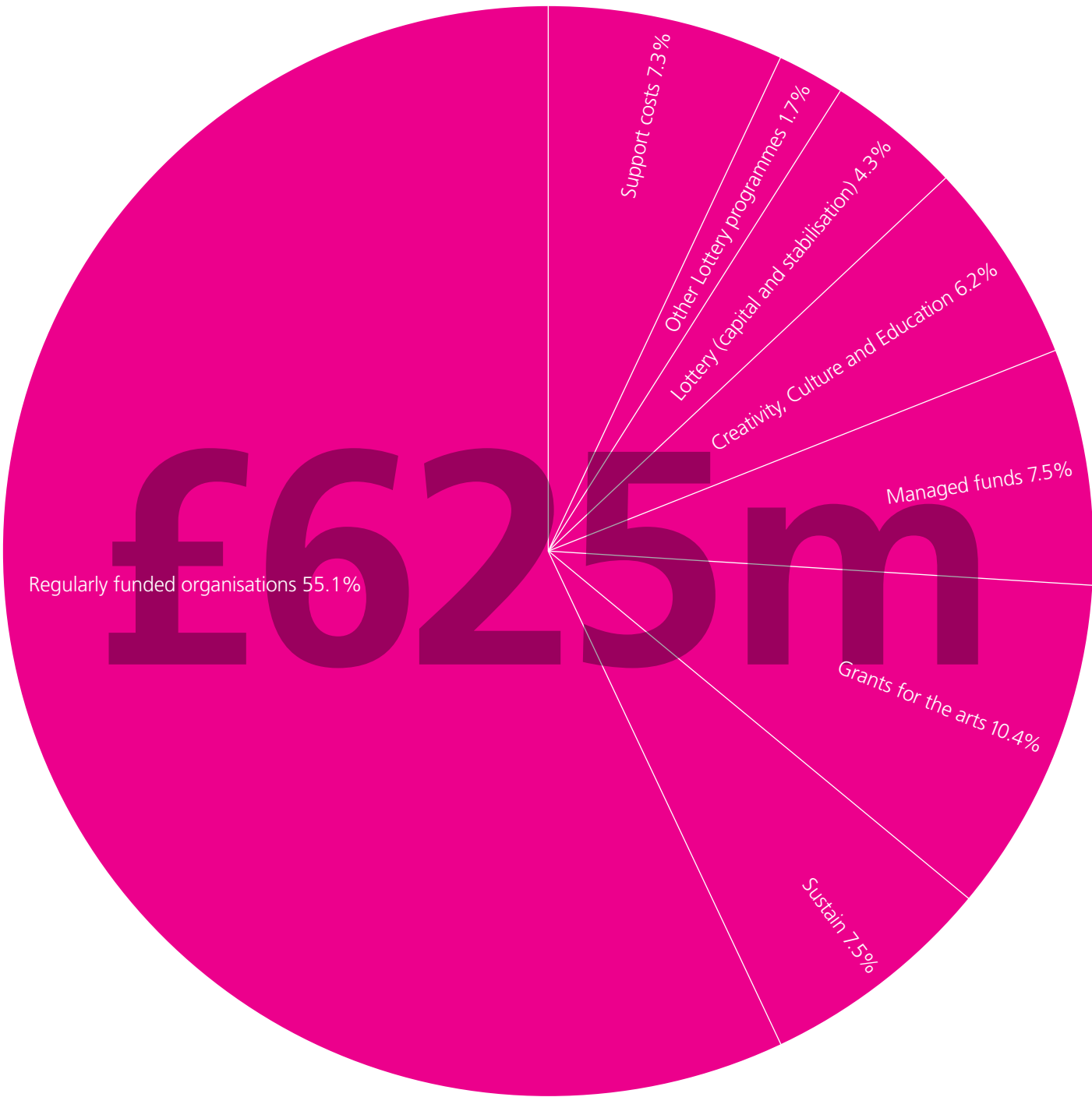
Grants for the arts is our open access funding programme for the arts, funded by the National Lottery. In 2009/10, we made 2,795 grants totalling £64.9 million. Our other Lottery programmes include Youth Music, who distribute £10 million per year from the National Lottery on our behalf.

Sustain was our response to the impact of the recession on arts organisations whose sustainability is important in delivering our mission, funded by drawing down our National Lottery reserves. In 2009/10, we awarded £46.9 million to 146 organisations through the programme.

Our managed funds allow us to identify new opportunities for the arts to flourish, by developing projects that reach and engage the public. They enable us to establish new partnerships that can generate further funding for the arts, and achieve great art for everyone through major fixed-term projects delivered through our offices.

These funds are not normally open to application. In 2009/10, we invested £46.7 million through managed funds projects such as Artists taking the lead, Artsmark, Own Art, and Take it away.

Our support costs, which cover salaries, premises, IT and other costs for our grant-in-aid and Lottery activities, were £45.6 million in 2009/10. We are committed to reducing these costs by 15 per cent by 2010/11 (see overleaf).



Organisation review

As a result, during 2009/10, we designed and implemented a new structure that will allow us to become even more fit for purpose and able to work with our partners in a flexible and more focused way. At the same time, the review allowed us to make savings in our administration costs, meaning even more money can go straight to the arts.

- a 21 per cent reduction in staff numbers

- a smaller executive board – nine members, down from 14

- regional offices grouped under four area executive directors – with a strong senior management team to streamline internal processes and encourage knowledge sharing

- nine regional offices – smaller and more focused on frontline delivery, working with the organisations we fund, artists and other key partners

- a central Grants for the arts processing team – relieving regional offices of administrative burden and making grant-giving more equitable

- a streamlined advocacy and communications team made up of a specialist head office team and three area advocacy teams supporting regional offices

The changes also met a government requirement for us to save 15 per cent (£6.5 million) annually on our grant-in-aid administration costs by 2010/11. We also took the decision to apply this target to our Lottery administration costs. We estimate that as a result of the savings from this review, during 2010/11 our support costs will fall from around eight per cent to 6.6 per cent of our income. Of this, the amount applied to administration is three per cent.

The Hive in Manchester, a new permanent home for our enquiries, finance, HR, IT and Grants for the arts teams, as well as our North West office. Photo: H  l  ne Binet



During 2009/10 we also completed the implementation of a review of the staffing and location of our support services.

This review covered our enquiries, finance, human resources, information technology, regional finance and business support, and grant application logging functions and was implemented in two phases. In July 2008 we set up our human resources, information technology and grant application logging team in a new service centre in Manchester. At the same time we also implemented new regional finance and business support teams in each of our regional offices.

The second phase went live in April 2009 with the setting up of our new enquiries and finance teams in the service centre in Manchester. In January 2010 these teams moved into their permanent home, a new development called The Hive in Manchester's northern quarter, where they are co-located with our North West office and our central Grants for the arts team.

Consolidated activities

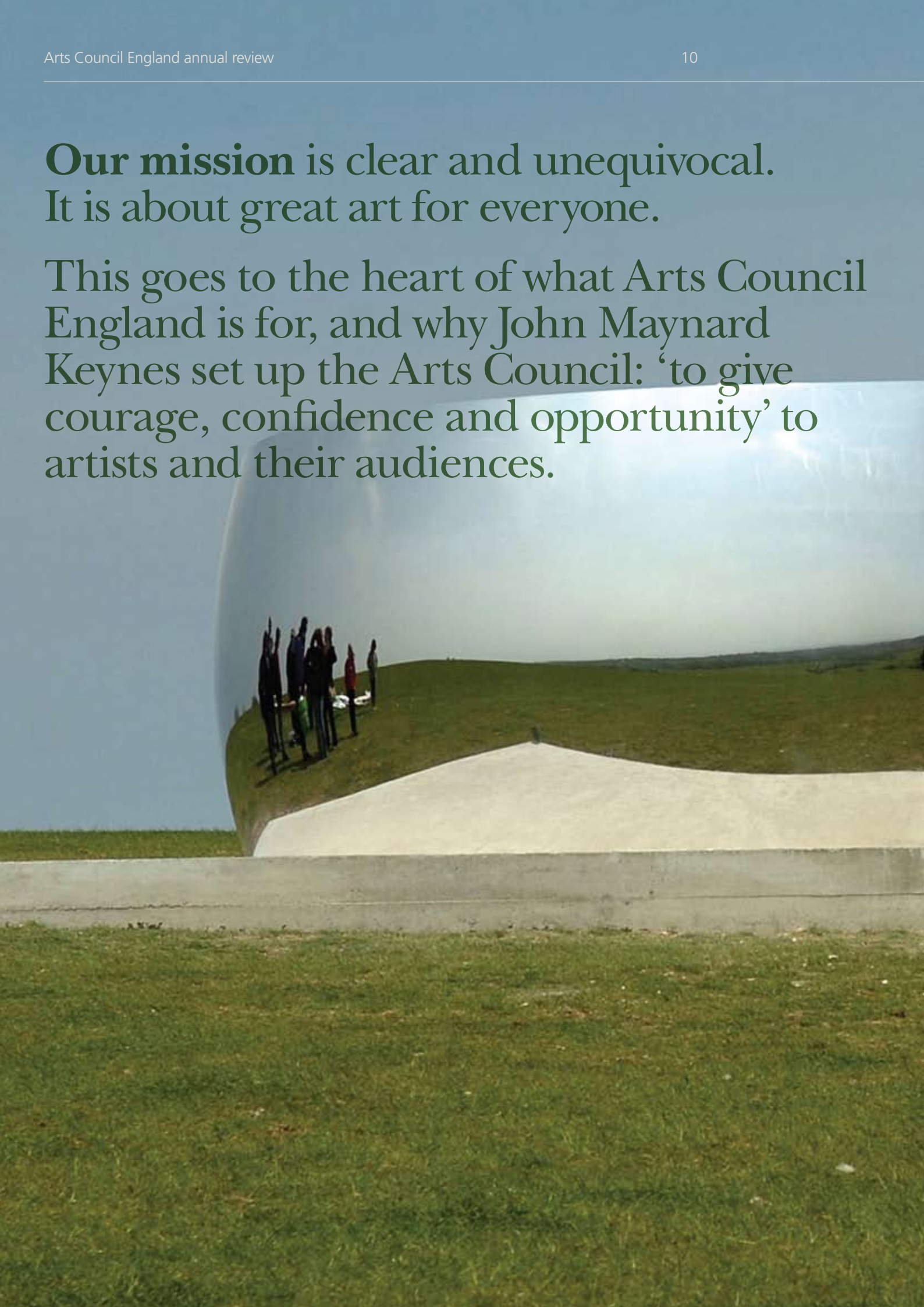
We prepare separate accounts for our grant-in-aid and Lottery activities as required by the Secretary of State. We do not prepare a full set of consolidated accounts due to the differing accounting policies we are required to follow under

the two separate accounts directions. However, to give a better understanding of our activities, we have prepared the below summary results for the two accounts combined for the 2009/10 and 2008/09 financial years.

	2009/10 £000s	2008/09 £000s
Income		
Grant-in-aid income	452,964	437,631
Share of the National Lottery Distribution Fund	172,182	139,845
Contribution to Olympic Delivery Fund	(30,276)	(7,569)
Investment returns on the Distribution Fund	957	7,279
Other income	8,377	11,543
Total income	604,204	594,163
Expenditure		
Net grant-in-aid grant commitments	417,555	392,218
Other grant-in-aid arts expenditure	12,305	20,162
Net Lottery grant commitments	149,577	106,638
Support costs	45,577	49,250
Total expenditure	625,014	568,267
Exceptional items		
Cost of fundamental reorganisation	2,472	4,833
Net (outgoing)/incoming resources	(23,282)	21,063
Profit on revaluation of fixed assets	5,523	1,034
Net movement in funds	(17,759)	22,097
Consolidated reserves brought forward	117,857	95,760
Consolidated reserves carried forward	100,098	117,857

Our mission is clear and unequivocal.
It is about great art for everyone.

This goes to the heart of what Arts Council England is for, and why John Maynard Keynes set up the Arts Council: ‘to give courage, confidence and opportunity’ to artists and their audiences.



Anish Kapoor's
C-Curve on the
South Downs
formed part of a
sculpture trail of
the artist's work
during the 2009
Brighton Festival.
Photo: *The Argus*



Resilience in tough times

We have introduced a number of new measures to help maintain artistic excellence during the economic downturn.

The current and future effects of the economic downturn understandably continue to be a major concern of the arts sector. The last year has seen a number of established arts organisations facing testing times as a result of the economic downturn. Our ongoing research points to a serious effect on box office income, sponsorship and donations that this is likely to cause significant difficulties for arts organisations and for artists.

In order to combat the potential long-term damage the recession could have on England's arts infrastructure, we moved quickly to invest nearly £50 million to help maintain artistic excellence.

Dame Liz Forgan said: 'The Arts Council has three overarching aims as we plan for the coming years: great art for everyone will be our mission in life. We will continue to support innovation and creative courage. And we will focus on recovery.'

Sustain

Sustain was designed to provide a swift and strategic response to arts organisations who have been adversely affected by the economic downturn, particularly with regard to a decline in sponsorship and private giving. It aimed to ensure that artistic excellence does not decline in a time when it needs to be maintained.

'The Sustain award has not only secured our finances at a time of global instability but it has given us the capacity to stimulate a sea change in the way we run the Brewhouse' –
Robert Miles, Director and Chief Executive

We received 194 applications to the open application fund, and announced eight rounds of awards ranging from £75,000 to £1.45 million to 146 organisations across England, totalling £46.9 million over two years. Organisations that received Sustain funding included the Philharmonia Orchestra, Curve, The Octagon, and the Royal Opera House.

Brewhouse Theatre and Arts Centre received a £487,500 grant to maintain the quality of their artistic output and resolve cash flow problems caused by a loss of box office, trading and sponsorship revenues.

Robert Miles, Director and Chief Executive said: 'The Sustain award has not only secured our finances at a time of global instability but it has given us the capacity to stimulate a sea change in the way we run the Brewhouse.'

'We have moved from constant fire fighting to being a strategic organisation approaching the difficult economic times ahead with confidence and creativity.'

Total Sustain fund
supporting 146
organisations

£46.9m

19 awards given to eight
local authorities through Art
in empty spaces, totalling

£0.33m

Grants for the arts
budget increased by

£2m

Creating art in empty spaces

Our Art in empty spaces initiative helps artists turn vacant high street shops into attractive and vibrant places.

In 2009/10, we made 19 awards totalling £330,000 to eight local authorities through the initiative. It is part of Communities and Local Government's £3 million Looking after our town centres scheme, which aims to help communities prevent high streets declining by temporarily converting empty shops into social enterprises, local exhibitions or learning centres. Regions receiving funding included Burnley, Hartlepool, Ipswich, Wolverhampton, Barnsley, Bristol and Derby.

We awarded £50,000 to Culture Liverpool for Shops Upfront, a series of commissions for artists to utilise empty spaces to showcase their work, including Christopher Peacock's one-day installation Transparent Life.

'Shops Upfront has been a truly exciting and exhilarating project which I am grateful to have been a part of,' said Peacock. 'The feedback that I have received from the general public has been very positive and I am looking forward to the other projects that are happening in the city.'

'Being able to apply for a Grants for the arts recession-related award was a real lifeline to the festival' – Ellen Bianchini, Sparks Children's Arts Festival

Additional Grants for the arts funding

We also provided additional funding for individual artists and smaller arts organisations by increasing the amount of funding available through our Grants for the arts programme by £2 million in 2009/10.

Sparks Children's Arts Festival received £59,924 to help cover a shortfall in income from business sponsorship. Festival director Ellen Bianchini said: 'Being able to apply for a Grants for the arts recession-related award was a real lifeline to the festival.'

'It offered us the opportunity to fund additional activities like taking shows into schools and other venues which have also been affected by the recession.'

'Without this additional funding it would be really difficult to maintain the artistic quality of the festival, but hopefully we're now over the worst of it.'

Building relationships

We invest approximately £350 million per year in around 880 regularly funded organisations, which is the foundation of our investment in the arts.



The partnerships we have with our regularly funded organisations are a crucial factor in achieving our mission.

In March 2010 we published *The relationship between Arts Council England and its regularly funded organisations*, which describes the broad framework for a relationship based on trust, openness and mutual respect. It clearly sets out what a regularly funded organisation can expect from the Arts Council, and what is expected of them. It aims to reinforce the importance of artistic excellence at the heart of the funding relationship and it includes new processes to help achieve this, such as a new artistic assessment scheme and plans to introduce regular peer appraisal for organisations that receive over £5 million a year in regular funding.

‘The new framework is a positive step forward,’ says Nick Starr, Executive Director of the National Theatre. ‘It reinforces the straightforwardness of the Arts Council’s approach to the organisations it funds. Peer appraisals will make a valuable contribution to this and are being developed in the spirit of candour and challenge that characterises the Arts Council at its best.’

Introducing artistic assessment

This year we implemented our artistic assessment scheme following a successful pilot in the south east and north east regions. The scheme aims to provide a broader evidence base to help inform our funding decisions and a rich and diverse commentary on the artistic quality of the work our funding supports.



Above: Elisha Willis and Joseph Caley in Birmingham Royal Ballet's *E=mc²*, 2009. Photo: Bill Cooper

Opposite: *L'amour de loin* at ENO, 2009. Photo: Johan Persson

The proposal to introduce an artistic assessment scheme was put forward in November 2008 as part of our major public consultation on self-assessment and peer review. In autumn 2009 we ran an open recruitment process which received over 1,100 applications, and from this we have 150 assessors with a range of knowledge and expertise across the arts, who in February 2010 begun to see work by regularly funded organisations to write assessments of artistic quality.

Brigid Larmour, Artistic Director and Chief Executive, Watford Palace Theatre, says: 'The new artistic assessment scheme puts the quality of the art right at the heart of our relationship with the Arts Council. As a company we are always looking for and responding to feedback. The Arts Council scheme, which encourages engaged, respectful and honest criticism, is a valuable part of our own learning and development.'

Developing tools for self-evaluation

The self-evaluation framework is a development tool that enables regularly funded organisations to consider how effectively they are achieving their mission and then to use that process to develop plans for the future. Self-evaluation will be a flexible process, owned by the arts organisation.

In developing our framework we learned from arts organisations who already self-evaluate in different ways. We would like to use this tool to spread best practice and support all organisations. It will come fully into effect in 2011/12 and we will continue to learn from the experience of arts organisations to improve and develop it.

'The new artistic assessment scheme puts the quality of the art right at the heart of our relationship with the Arts Council' – Brigid Larmour, Watford Palace Theatre

Clear criteria for decision-making

In November 2009 we published *The criteria for Arts Council England regular funding*. There are two sets of criteria:

- the first looks at the organisation itself, to ensure that it is a good, well-managed organisation
- the second ensures that the organisation fits into the overall arts infrastructure that the Arts Council is seeking to support

'Publishing these criteria forms part of our commitment to becoming more open and transparent about our decision making processes,' says Paul Blaker, Director of Programmes.

The criteria will provide greater clarity and transparency about how we make funding decisions. They are not used as a formula for counting up 'scores', but provide a framework against which we can make informed judgements.

Our priorities

Great art for everyone 2008–2011, our ambitious plan for the arts in England, identified four development priorities: digital opportunity, visual arts, children and young people, and London 2012.





Opposite page:
Graeae, *Against
the tide*, 2009.
Photo: Alison
Baskerville

Above left:
Wall of light at
Illuminating York,
2009. Photo: OMA
International

Above right: the
Sage Gateshead's
Early Years
programme,
Seaham. Photo:
Dan Brady

Digital opportunity

Digital media technologies are affecting every aspect of our society, economy and culture. We can now connect with audiences in new ways, bringing them into a closer relationship with the arts and creating new ways for them to take part. We recognise that we have a significant role to support the arts sector to make the most of the opportunities presented.

We have:

- signed a new public value partnership with the BBC that commits us to working together to support new arts content from the arts sector and to develop new cultural partnerships in support of digital arts media and the public service content economy
- announced a new two-year partnership with Channel 4's digital channel More4, to support the new arts strand More4 Arts. This initiative will encourage new partnerships between the arts sector, broadcasters and the independent production sector to create new documentaries about the arts that will air on More4
- supported AmbITion, a national programme of events, seminars and surgeries to help the arts sector build its understanding of digital developments, which drew almost 1,000 participants in nine regions
- supported a delegation at SXSW Interactive Festival 2010, which presented *The Tweeture*, designed by Bristol-based games company SlingShot, which used digital technologies, artificial intelligence and social networking platforms to interact with delegates



London 2012

The London 2012 Olympic and Paralympic Games will provide an extraordinary catalyst for achieving great art for everyone, and many exciting projects are already underway across the UK. Between 2008 and 2011, we are investing £10.5 million in projects celebrating the Games.

We have:

- provided £3.25 million in Grants for the arts funding to 45 projects that are focused on the Cultural Olympiad, and a further £3.38 million to 88 related projects
- announced the 12 winning commissions for Artists taking the lead, our £5 million flagship project for the Cultural Olympiad (see page 34)
- announced the first recipients of Unlimited Commissions, a £1.5 million fund for disabled artists to create work responding to the 2012 Games
- worked closely with the Olympic Delivery Authority, the Mayor's Office and the five Olympic host boroughs to inform longer term legacy plans and cultural infrastructure options for the Olympic Park. This has included investing £250,000 in a range of specific commissions on bridges, underpasses and waterways spanning the park



Left: John Eaves' *Pink Beams*, oil on canvas. Photo: Mark Passmore

Opposite: participants of the Taking part place project, run by the Royal Borough of Kensington and Chelsea and SPID Theatre Company. Photo: Sophie Laslett

Visual arts

Over the past three years, we have played a dynamic and influential role in leading the delivery of Turning Point, a strategy for strengthening the visual arts sector in England. By fostering new meaningful partnerships and ways of working across and beyond the sector, we have helped create the conditions to enable more people all over the country to experience the very best of international contemporary art.

We have:

- established new partnerships with national bodies such as the National Trust, British Waterways and the Forestry Commission that will enable artists and arts organisations to reach new and larger audiences
- set standards for the collection of audience data and bespoke audience-development training programmes
- led the development of a national strategy to maximise the impact and benefits of public collections of contemporary art
- worked with partners to implement the Creative & Cultural Skills and Arts Council England blueprint for developing the visual arts workforce

Children and young people

We recognise the importance of children and young people in terms of current and future audiences, practitioners, curators and leaders.

Our work with children and young people is part of a much wider landscape of cultural education. We work in partnership to ensure the best opportunities for all, support high quality arts experiences through the work of our regularly funded organisations and deliver key programmes.

We have:

- successfully launched Creativity, Culture and Education as an independent organisation. It is currently delivering Creative Partnerships with over 2,000 schools
- celebrated 10 years of our flagship schools programme, Artsmark. Over 10,000 schools in England have been awarded an Artsmark, with almost 20 per cent of schools currently holding an award. 2009/10 was the most successful round yet, with a record 1,800 applications
- continued to deliver Arts Award, a Trinity Guildhall-accredited qualification which supports young people aged 11–25 to develop creative and leadership skills. Since 2005, over 24,000 young people have achieved an award
- partnered with the Youth Justice Board to run 35 Summer Arts Colleges in youth offending teams for 300 young people. Participants achieved 238 bronze Arts Awards and 24 silver Arts Awards over the five-week programme



Achieving great art for everyone



In January 2010 we launched *Achieving great art for everyone*, a consultation paper that sets out our understanding of the current arts landscape.

The results of the consultation will inform our 10-year strategic framework for our investment in the arts, to be published in autumn 2010.

We invited everyone working or interested in the arts to take part – artists, arts organisations and partners. We also wanted to hear from commercial, amateur and voluntary arts organisations, and from audiences. In total, over 2,500 individuals took part in the consultation.

We benefited from the participation or response from key government departments – the Department for Culture, Media and Sport, the Department for Business, Innovation and Skills, and the Department for Children, Schools and Families – and 183 local government and council representatives. There was also participation from the British Council, the Museums, Libraries and Archives Council, the Arts and Humanities Research Council, Creative & Cultural Skills, English Heritage, the National Endowment for Science, Technology and the Arts, Tate and the UK Film Council, as well as key partners such as the National Trust and the Clore Leadership Programme.

The priorities we consulted on included five goals, designed to focus our efforts towards achieving our mission and our outcomes of excellence, innovation, engagement, diversity and reach.

Our vision sees this country as a global creative hub, a platform for world-leading artistic excellence and innovation, and a great place for artists to live and work

The proposals drew on an extensive body of research, including the outcome of the arts debate, our first public value enquiry. They were developed from a period of external reflection and discussion with stakeholders, especially artists and arts leaders. They are also intended to strengthen the arts sector through encouraging more shared purpose and vision.



Above left: STRIDE, Youth Dance England. Photo: Brian Slater

Above centre: Marc Warren and Russell Dixon in *The Pillowman*, Curve, 2009. Photo: Johan Persson.

Above right: Enter Shikari at Liverpool Sound City, 2009. Photo: Mark McNulty

Our consultation proposals

A vision for the arts with five long-term goals that bring together all artforms and development areas into one set of long-term priorities. Our vision sees this country as:

- a global creative hub, a platform for world-leading artistic excellence and innovation, and a great place for artists to live and work
- a place where everybody feels they can enjoy the best of the arts, engaging and participating in new ways, where the arts play a dynamic role at the heart of society, locally, nationally and internationally, where they drive the creative economy and have adapted to a low carbon future
- a place where arts organisations are resilient, naturally collaborative and adaptable, recognising the benefits of thriving within a mixed economy of support

The goals we proposed were:

- 1 Talent and artistic excellence are thriving and celebrated
- 2 The arts leadership and workforce are diverse and highly skilled
- 3 More people value and enjoy the arts
- 4 Every child and young person has the opportunity to experience the richness of the arts
- 5 The arts sector is sustainable, resilient and innovative



We suggested how we would achieve the goals, including our thinking on new, more flexible, funding programmes. We knew both from our own analysis and from feedback from our partners that we need to bring a more sophisticated and flexible approach to the types of funding relationship that we might have with different arts organisations and with talented individuals.


Apart from Grants for the arts, which we envisage retaining in its current form for the time being, we suggested:

- revising our regular funding programme to ensure the future health of organisations essential to England's arts ecology
- creating a fixed-term funding programme. This is envisaged to fund organisations and perhaps individuals under variable-length funding agreements with more specific objectives related to our goals
- creating a new proactive funding programme to support our development role
- developing a new capital programme to contribute to the maintenance and enhancement of existing arts buildings, plus a targeted and limited fund for new buildings

We hope to adopt some of these ideas in our next Arts Council plan. Others we propose to phase in over time, piloting new approaches in partnership with potential recipients.


A year across the arts

We support a range of artistic activities from theatre to music, literature to dance, photography to digital art, carnival to crafts. These pages show a selection of the work we fund, champion and develop.



Birmingham Royal
Ballet's $E=mc^2$
Photo: Roy
Smiljanic





Helen Mirren
in *Phèdre*,
the National
Theatre, 2009.
Photo: Catherine
Ashmore

John Shrapnel
and Dominic
Cooper in *Phèdre*,
the National
Theatre, 2009.
Photo: Catherine
Ashmore

Wall of light at
Illuminating York,
2009. Photo: OMA
International

NT goes live

NT Live is a series of four plays by the National Theatre which were broadcast live by satellite to 230 digital cinemas in the UK and worldwide.

Funded in partnership with the National Endowment for Science, Technology and the Arts, the series launched in June 2009 with director Nicholas Hytner's production of Jean Racine's *Phédre*, starring Helen Mirren. This was followed by Shakespeare's *All's Well That Ends Well*; *Nation*, based on a novel by Terry Pratchett; and Alan Bennett's new play *The Habit of Art*.

It is thought that 50,000 people saw *Phédre* as it was performed on the night, including 14,000 on 73 digital screens across the UK and a similar number in cinemas in Europe and North America.

'The NT Live events are designed to bring what we do on the stages of the National to a far greater number of people than we would ever be able to reach otherwise,' said Nicholas Hytner.

'We've been thrilled by the response of cinemas around the world to this new experiment. It means we can reach tens of thousands of people in addition to our work in London and on tour.'



See York in a new light

Illuminating York is an arts and digital technology festival that showcases art in unusual, site-specific settings, breathing light and innovation into the city's historic urban centre.

The festival is supported by a Grants for the arts award of £33,820. In 2009, over 30,000 visitors attended to see events such as 5circles, a collaboration between Pilot Theatre and media artists KMA which invites audience members to become performers through an interactive public art projection.

Lake District Summer Music expands its outreach

A £73,823 grant helped Lake District Summer Music, an internationally-renowned classical festival and summer school, develop its outreach programme to work further with musicians from isolated rural areas. The summer school offers masterclasses and coaching for students from all over the world.

Founded in 1984, the festival, which takes place every August, is recognised as one of the country's top classical music festivals, attracting a mix of world class performers and rising stars.



Left: Outside in the garden at Lake District Summer Music. Photo: Cliff Dixon

Opposite: Russell Maliphant's *AfterLight*, Sadler's Wells, 2009. Photo: Hugo Glendinning

Sound City develops audiences

A Grants for the arts award of £70,000 helped Merseyside ACME develop Liverpool Sound City, an annual four-day festival that brings together audiences, artists, communities and music industry professionals.

The 2009 event saw visitors spend £2 million, and raised £1 million for local creative businesses.

'While the funding is obviously very welcome, the ongoing dialogue, input and feedback we have had from Arts Council England officers over this period has been invaluable in helping Sound City to develop' – Kevin McManus, Director, Merseyside ACME

Manchester turns international

The second Manchester International Festival (MIF) took place in July 2009, presenting new works from across the spectrum of performing arts, music, visual arts and popular culture.

The festival attracted an audience of over 230,000, up 10 per cent on 2007, and hosted around 20 world premieres, including Rufus Wainwright's opera *Prima donna*, Jeremy Deller's *Procession* and Adam Curtis and Punchdrunk's theatre piece *It felt like a kiss*.

It was supported by two grants totalling £1 million from the Arts Council and private sector sponsorship of £3.1 million. The overall economic impact of the festival was estimated to be £35.7 million.

'Manchester International Festival has done a great job of establishing a unique identity through a policy of commissioning new work and creating special events. Putting leading artists and their work to the fore and ensuring they are well supported has proved to be a key factor to MIF's success' – Alan Yentob, Creative Director, BBC

Sadler's Wells continues to provoke, shock and amuse

An award of £2,375,916 of regular funding contributes to core costs at Sadler's Wells – around 11 per cent of its total income. The dance house continues to present major regional, national and international work to around 500,000 people across its three London venues per year.

This year's performances included *In eternal damnation to Sancho and Sanchez*, part of the *In the spirit of Diaghilev* tribute to Sergei Diaghilev,

founder of revolutionary Russian dance company the Ballets Russes. *The Spectator* said, 'it is refreshing to be confronted by creations that can still provoke, shock and amuse.'

Sadler's Wells also presents the annual Connect Festival, an ambitious creative learning programme that unites professional artists, aspiring choreographers and dancers of all ages.



Laura Lindow's heartbreaking blend

A Grants for the arts award of £24,800 enabled theatre practitioner, writer and director Laura Lindow to bring *Heartbreak Soup*, a blend of live action, music and puppetry, to the Edinburgh Fringe Festival.

The poignant show for young audiences, inspired by Lindow's time working as a clown doctor in a paediatric unit, has since completed a successful UK tour, while Lindow was also nominated for writer of the year at *The Journal's* 2010's Culture Awards.

'Warms and lifts up your heart like a hot-air balloon'
– *The Guardian*

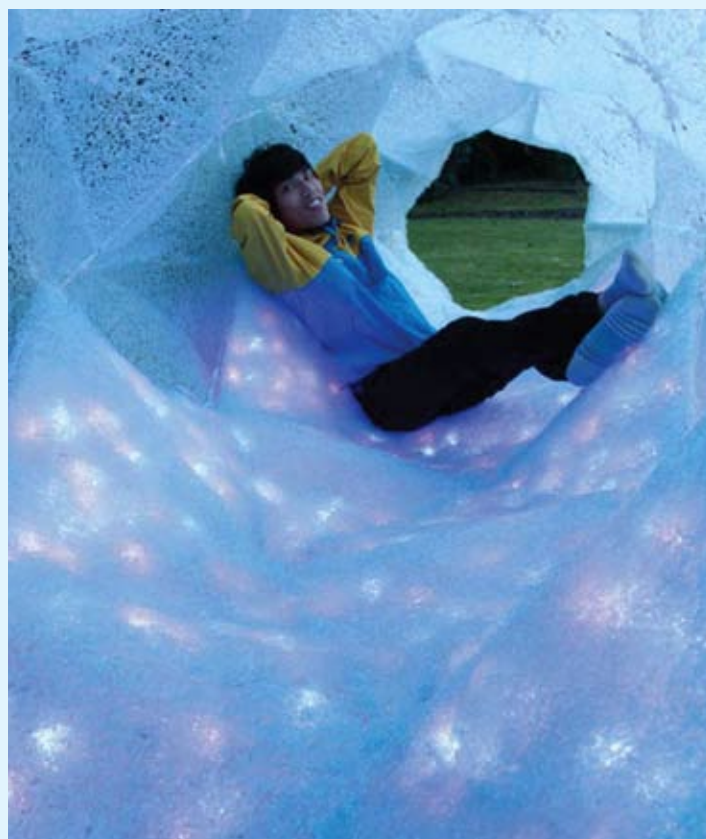


Fujiki brings Aqua-Scape to Wakefield

Arts Council funding allowed an installation and exhibition from award-winning Japanese artist Ryumei Fujiki to come to the UK for the first time.

The Orangery is run by Beam, a regularly funded organisation that received £100,663 from the Arts Council in 2009/10.

Aqua-Scape was a cocoon-like urban hide out that appeared to float in the greenery of the Wakefield's Orangery Gardens. Created from plastic using classical origami techniques, a new version of the artwork, which was first exhibited in Japan, was recreated especially for showing in Wakefield.



ENRON scoops awards and rave reviews

Rupert Goold scooped the prestigious best director award at the 2010 Laurence Olivier Awards for *ENRON*, which was produced and presented as a world premiere at Chichester Festival Theatre in July 2009.

Chichester Festival Theatre is one of the UK's flagship theatres, with a national and international reputation for producing a wide range of theatrical productions, from musicals and comedies, to classic drama and innovative new writing. One of our regularly funded organisations, it received £1,614,628 in funds in 2009/2010.

Over 10,000 people saw *ENRON* in Chichester's Minerva Theatre, where it grossed over £200,000 and attracted around £20,000 in sponsorship and philanthropic support. Following rave reviews, *ENRON* subsequently transferred to the West End and Broadway, and won the Theatrical Management Association award for best new play.

Left: *Heartbreak Soup*, The Empty Space and Laura Lindow. Photo: Kfir Bolotin

Right: *Aqua-scape* by Ryumei Fujiki, the Orangery Gardens, Wakefield

Opposite: *ENRON*, Minerva Theatre, 2009. Photo: Manuel Harlan

The Sheffield Crucible reopens

The Sheffield Crucible reopened its doors in February 2010, following a two-year £15.3 million redevelopment scheme, which included £4 million Arts Council investment through the National Lottery.

The opening season featured Daniel Evans's acclaimed production of Henrik Ibsen's *An enemy of the people*, starring double Olivier winner Sir Antony Sher.

'With this timely, high definition production, the new regime at Sheffield has got off to a superb start'
– *The Daily Telegraph*



Brighton Festival enjoys most successful year yet

The 2009 Brighton Festival was the most successful in the event's 43-year history, attracting significant critical acclaim and breaking new ground in both sponsorship and audience numbers.

Over 80,000 people viewed a trail of six sculptures by the event's guest artistic director, Anish Kapoor. These pieces, including two Brighton Festival commissions, were placed in various locations about the city, ranging from a disused market building to Pavilion Gardens to the South Downs.

During the 23 days of the festival, the total ticketed attendance achieved was 77 per cent at 165 events, while over 150,000 people enjoyed 11 free events. It contributes £20 million to the local economy. Organisers Brighton Dome and Festival are one of our regularly funded organisations, receiving £1,071,506 in 2009/10.



International acclaim for *Ulrike and Eamon Compliant*

De La Warr Pavilion was awarded £52,500 through Grants for the arts to commission interactive artists group Blast Theory to create *Ulrike and Eamon Compliant*, which went on to win best real world game at the prestigious International Mobile Gaming awards in Barcelona.

Taking place as part of the 53rd Venice Biennale in June 2009, the mixed-media participatory performance played out as a virtual game of truth or consequence, based around the true lives of extreme political activists Ulrike Meinhof and Eamon Collins.



Top: Walk the Plank's *Fire Smoke and Mirrors* Brighton Festival 2009. Photo: The Argus

Below: Anish Kapoor's *Dismemberment of Jeanne D'Arc*, Brighton Festival, 2009. Photo: The Argus

Right: Blast Theory's *Ulrike and Eamon Compliant* at Veninice Biennale 2009, commissioned by De La Warr Pavilion

Salisbury International wins tourism award

Salisbury International Arts Festival was awarded the title of tourism event of the year at 2009's South West Tourism Excellence Awards. The festival, one of our regularly funded organisations, has developed into a major annual multi-arts event in and around the stunning setting of Salisbury, Wiltshire.

The award recognises the festival's fantastic track record of attracting over 55,000 people in 2009, and creating an economic impact of over £3 million.

The judges noted: 'The festival is the winner not just because of its scale but because everything is done so well. In tourism terms, it not only delivers a fantastic experience to visitors but attracts new ones from across the world.'

Bristol's Colston Hall reopens

Colston Hall, the south west's largest concert hall, reopened in April 2009 following a redevelopment, part supported by £7 million of Arts Council funding.

Designed by architects Levitt Bernstein Associates, the development has retained the existing listed hall and created a new landmark building on the site of an office block next door.

The new Colston Hall boasts new meeting, rehearsal and recording facilities and education and workshop spaces, as well as new bars and restaurants, improved disabled access and conference facilities to serve its annual 200,000 customers.



Left: *In Situ*, digital print by Barton Hargreaves (pictured with Barton Hargreaves), Newcastle, 2009. Photo: Martin Pinder

Right: Hannah Walker performing at the Escalator Live Literature showcase in Norwich. Photo: Martin Figura

Northern Print Biennale launches

The Northern Print Biennale, a major international competition and exhibition for contemporary printmaking, was the first print event of its scale in over 20 years, supported with £34,600 from Grants for the arts.

Developed in partnership with Culture 10, the biennale brought a world-class focus to the region, attracting more than 800 entries from 32 countries. Ninety artists were selected to take part, which also attracted leading names from the world of print such as Richard Woods, Jim Dine, Louise Bourgeois, Richard Hamilton and Gillian Ayres.

Selection panelist Gill Saunders, senior curator of prints at the V&A, said: 'Our final selection, painstakingly refined from the impressive diversity on offer, is a vivid testament to the vigour and currency of printmaking in the 21st century.'

House of Bling fuses art and history

A £65,000 Grants for the arts award supported House Of Bling, a partnership between the Arts Council and the National Trust that saw spectacular installations created for Tattershall Castle in Lincolnshire, attracting 9,000 visitors, boosting visitor numbers by more than 125 per cent.

Nottingham-based curators White Light commissioned artists to create large-scale installations for the 15th century castle and grounds. Sarah Price, Geraldine Pilgrim and Catherine Bertola created work inspired by opulence and grandeur, while Chelsea Flower Show Silver medallist Sarah Price created a secret garden installation in the stable ruin.

Sue Crabtree and Jane Greenfield of White Light said: 'The House of Bling is at the forefront of a new relationship between the Arts Council and the National Trust. It has been a challenging and exciting project, attracting large visitor numbers to experience contemporary art in a heritage setting.'

Writers' Centre Norwich leads City of Literature bid



Writers' Centre Norwich is leading Norwich's bid to become England's first UNESCO City of Literature as part of a partnership between Arts Council England, University of East Anglia, Norwich City Council and Norfolk County Council.

Chief executive Chris Gribble said, 'Writing has changed things here in Norwich, affecting politics, social movements, religion and the artistic world. This bid will ensure that our amazing literary heritage will be superseded by a future that is even more exciting.'

Formerly known as the New Writing Partnership, the literature development agency also hosts the annual Worlds Literary Festival and runs the Norwich City of Refuge, which enables people to learn from exiled writers. As one of our regularly funded organisations, they received £200,436 in funding in 2009/10.

Our flagship project for London 2012

In October 2009, we announced the winning commissions for Artists taking the lead, one of the most ambitious and wide-ranging art events in the UK. The £5.4 million collaboration between the four UK arts councils received 2,163 ideas, from which 12 artists across the nation were commissioned. The nine successful artists in the English regions will each receive £500,000 to play a part in the London 2012 Cultural Olympiad.



East

Pacitti Company: On Landguard Point

Suffolk-raised artist Robert Pacitti's winning idea incorporates a series of large-scale outdoor events exploring notions of 'home' across the east of England. Building on Pacitti Company's international reputation for developing experimental theatre and live art, collaborators include composer Michael Nyman and choreographer Wayne McGregor. *On Landguard Point* will culminate in a feature film, which will be premiered in May 2012.

Robert Pacitti, 2009.

Photo: Matthew Andrews



East Midlands

Shauna Richardson: Lionheart

Shauna Richardson's *Lionheart Project* will feature three giant crocheted lions in a custom-built mobile glass case. The lions, which will take two years to complete, will be powerful, realistic sculptures that recreate Richard the Lionheart's three lions crest. The artist will use locally sourced wool, celebrating the region's rich textile heritage.

Shauna Richardson, 2009.

Photo: Alan Fletcher



London

Alfie Dennen and Paula Le Dieu: Bus-Tops

Bus-Tops will be a public art installation on the roofs of bus shelters across London. LED panels will act as canvases to showcase digital commissions by a range of artists, as well as allowing Londoners to display their creativity, play games and express what is special about London. The canvases will appear on bus shelter roofs across the capital from July 2011.

Alfie Dennen and Paula Le Dieu, 2009.

Photo: Matthew Andrews



North East

Owl Project and Ed Carter: FLOW

FLOW will be an environmentally sustainable floating waterwheel, mill house and interactive art space on the River Tyne. The mill house will feature a range of Owl Project instruments that respond to environmental factors such as water temperature, pollution and salinity. Visitors will be able to manipulate these instruments, turning water into energy, information and sound.

Owl Project and Ed Carter, 2009.

Photo: Peter Skelton



West Midlands

Imagineer Productions: Godiva Awaits

Imagineer Productions will bring to life the extraordinary journey of Lady Godiva by recreating the Coventry icon as a 10 metre high puppet. Built from aluminium and carbon fibre, she will be a moving, breathing monument. A spectacular performance will mark the awakening of Lady Godiva. Powered by 50 cyclists, she will join 2,000 dancers, aerial artists, musicians, pyrotechnicians and carnivalists in a procession to London.

Imagineer Productions, 2009.

Photo: Matthew Andrews



South East

Lone Twin: The Boat Project

Lone Twin will ask people in the south east to donate a wooden object of personal significance to be used as materials for building a sea-faring boat. The boat will make a two-week maiden voyage in June 2012, becoming the focus of celebratory arts events across the region.

Lone Twin, 2009.

Photo: Matthew Andrews



North West

Anthony McCall: Projected Column

Anthony McCall will create *Projected Column*, a spinning column of cloud rising into the sky from the surface of the disused Morpeth dock in Merseyside. Extending upwards as far as the eye can see, the column will punctuate the skyline of the city and its docks, reflecting the region's major cultural and economic development.

Anthony McCall.

Photo: courtesy the artist



South West

Alex Hartley: nowhereisland

Alex Hartley discovered Nyskjæret, an island in the Norwegian High Arctic, while participating in a Cape Farewell environmental expedition. The island, about the size of a football pitch, consists of rubble and moraine around a small amount of bedrock. From June 2012, Alex will tour a scaled version of the island along the ports and harbours of the south west coast. At the end of its journey, the island material will be returned to the Arctic.

Alex Hartley, 2009.

Photo: Clint Randall



Yorkshire

Leeds Canvas: Leeds Canvas

The people, streets, arcades and water flowing through the city of Leeds are the source of this project led by the Brothers Quay, involving Leeds' artists and arts organisations. A month-long series of arts ambushes will culminate in spectacular events that join the city and the river.

Leeds Canvas, 2009.

Photo: Matthew Andrews



Left: Nottingham Contemporary.
Photo: Martine Hamilton-Knight

Opposite right: STRIDE, Youth Dance England
Photo: Brian Slater

Opposite, below right: Dail Behennah's *Labelled*, Plymouth City Museum and Art Gallery

Royal & Derngate double bill goes national

Royal & Derngate's critically-acclaimed double bill of Tennessee Williams' *Spring storm* and Eugene O'Neill's *Beyond the horizon* transferred to the National Theatre following sold-out runs – firsts for Northampton-based productions.

The theatre, recently the subject of a £15 million redevelopment, continues to be a focus for the arts in the East Midlands, attracting annual audiences of 350,000 to a diverse programme that covers everything from drama to dance, stand-up comedy to classical music, children's shows to opera

'There's a confidence of purpose and an element of revelatory surprise about the whole project that makes this double-bill one of the most thrilling regional offerings I've encountered all decade' – *The Daily Telegraph*

Nottingham Contemporary opens with Hockney retrospective

Since opening in November 2009 with £5.5 million of National Lottery funding from our capital builds programme, the Nottingham Contemporary has attracted 100,000 visitors, more than 20,000 people than originally anticipated. It launched with a David Hockney retrospective that brought £1.5 million to the local economy.

Designed by the acclaimed architects Caruso St John, the striking gold and green lace-etched building is in the historic Lace Market, near to the centre of the city. The result is a 3,000 square metre arts centre, one of the largest in the UK, which comprises four galleries, a performance space, a café/bar, education spaces and a shop.

Designer Sir Paul Smith said: 'The site was very difficult and empty for many years – I think the architects have done a really good job. It's not a provincial gallery in terms of the way it has been approached, it started off with such an important exhibition as well with Hockney.

'It easily equals Tate in London or Liverpool and other galleries around the world. It gets a big tick from me.'

Striding to dance success

STRIDE is a groundbreaking project introducing young men aged 11–19 to dance.

Combining performance and educational programmes, the project was commissioned and co-ordinated by one of our regularly funded organisations, Dance Initiative Greater Manchester, delivered in partnership with Company Chameleon.

Following a pilot launch working across Oldham, Stockport and Wigan in February 2009, the scheme expanded to Tameside, East Manchester and Rochdale between March and July 2010. STRIDE groups have joined together to present performance work at the Lowry and at Birmingham's national dance industry event British Dance Edition.



Artists look back for New Expressions



A £47,132 Grants for the arts award supported New Expressions, an ambitious project linking contemporary artists with the great store of historical material held by the museums in the south west.

Taking place in 10 major museums across the south west between autumn 2008 and summer 2009, the project employed 12 nationally and internationally-known artists including Helga Gamboa, Dail Behennah and ceramics artist Edmund de Waal to create new art inspired by the museum collections.

'Every museum found new ways of looking at their collections through working with contemporary artists,' said project manager Clare Gulliver. 'The partnerships have unlocked fresh, exciting ideas for people who would not normally visit museums. Everyone is inspired.'



Left Stuart Skelton
in *Peter Grimes*,
ENO. Photo:
Clive Barda

Opposite: Caroline
Parker in Graeae's
*Signs of a star
shaped diva*.
Photo: Patrick
Baldwin

Award-filled year for ENO

In May 2009, ENO received the Royal Philharmonic Society (RPS) music award for opera and music theatre, making it the first company to win all four opera awards since the creation of the South Bank Show award for opera 12 years ago.

RPS went on to say that ENO had 'made a collective impact on London opera audiences and re-established the company's distinctive artistic identity.'

ENO is known for original and high-quality productions often created in close collaboration with international partners, such as New York's Metropolitan Opera.

One of our regularly funded organisations, ENO received £17,951,274 in funding in 2009/10.

Landmark for renovated Whitechapel

East London's Whitechapel Gallery reopened in April 2009, following an ambitious Arts Council-funded expansion, with a special exhibit inspired by its history.

Artist Goshka Macuga took inspiration from the gallery's 1939 presentation of Picasso's *Guernica* to create her installation *The nature of the beast*, which features a tapestry replica of the original artwork commissioned by Picasso in the 1950s.

Iwona Blazwick OBE, Director, Whitechapel Gallery, said: 'This century-old institution is the artists' gallery for everyone. The exciting expansion enables the Whitechapel Gallery to open all year round so there will always be something free to see. The gallery will become a major cultural resource and a destination for the arts.'

Graeae celebrated for design innovation

Thanks to £2 million of capital investment, disabled-led theatre company Graeae moved to a new state-of-the-art workspace in East London. The building won a British Council for Offices award for best project up to 2000m².

Placing access at the core of their design, these offices are the first of their kind in the UK and emphasise Graeae's role as a force for change both in disabled theatre and in helping to progress mainstream theatre.

As one of our regularly funded organisations, Graeae also received a grant of £579,327 in 2009/2010.



Bold plans for youth dance

Birmingham dance house DanceXchange create exciting opportunities for dance artists, audiences and participants to engage in dance.

As one of our regularly funded organisations, DanceXchange received a grant of £506,960 in 2009/2010, which contributes to the delivery of a region-wide dance development and education and training programme.

The programme includes the delivery of the regional youth dance development plan in partnership with Youth Dance England, as part of a national infrastructure for dance.

DanceXchange is also home to the Centre for Advanced Training for South Asian Dance and Contemporary Dance as well as the Patrick Centre, a 200-seat venue dedicated to high quality dance programming.

Aldeburgh Music opens creative campus

Renowned for delivering a world-class festival every June, Aldeburgh Music has an international reputation as an outstanding year-round performance centre and supports emerging and talented musicians.

In May 2009 it opened its new creative campus, the Hoffmann Building, a £16 million partnership between Arts Council England, East of England Development Agency, Suffolk County Council and Suffolk Coastal District Council.

The launch weekend saw over 8,000 visitors enjoy rehearsals and performances from world-class artists, local food and drink, and an on-site Ferris wheel at the Snape Maltings site in Suffolk.



Left: dance student from the Centre for Advanced Training for South Asian and Contemporary Dance. Photo: Simon Richardson

Right above: Khyam Allami. Photo: Mark E Rhodes

Right below: *Faster than sound*, Aldeburgh Music, 2009. Photo: Malcolm Watson

Far right: *Monopoly* by Stephen Dixon, British Ceramics Biennial, 2009. Photo courtesy of British Ceramics Biennial

Supersonic turns ten

Supersonic is an annual music festival held at the Custard Factory in Birmingham, which has expanded from a single day event to a three-day event since its inception in 2003.

Festival curators Capsule received £80,000 in Grants for the arts funding towards Supersonic and the Capsule 10th anniversary series of events which featured live music from Lightning Bolt, Tunng, Sunn O))), Monotonix and Six Organs of Admittance.

'Capsule are the most artistically directed rock and electronic production team in the UK. This type of gathering brings and helps identify some of the otherwise indescribable connections and threads happening between contemporary music and art' – Stephen O'Malley, Sunn O)))



British Ceramics Biennial

A grant of £90,530 supported the first British Ceramics Biennial, which took place in Stoke-On-Trent between October and December 2009.

The first festival of its kind in the UK, it exhibits some of the greatest names in ceramic history alongside major exhibitions, artist residencies, support for new ceramics business set-ups, and education projects bringing students and young people together with seasoned ceramics makers.

'Although the current climate discourages daring, the will and potential are still present in the Potteries: this is vividly displayed in the plans for the British Ceramics Biennial' – *The Guardian*



New centre for carnival

The UK Centre for Carnival Arts (UKCCA) launched with a spectacular carnival parade in May 2009.

The £7.3 million building in Luton, the home of Europe's biggest one-day carnival, was the result of a partnership between Arts Council England, the East of England Development Agency, GO-East, European Regional Development Fund and Luton Borough Council.

It houses a band training and rehearsal studio, a welding and casting facility and a costume-making workshop. UKCCA also works in partnership with local education providers to develop carnival arts qualifications and offers summer school courses for children and young people.



A new home for free expression

September 2009 marked the launch of the Free Word Centre, a venue, meeting place and office space in Farringdon designed as an international centre for literature, literacy and free expression.

Founded by eight literature and free expression organisations, the centre is a 21st century response to the classic European literature house, bringing together literacy, literature and free expression under one roof.

Free Word Centre is one of our regularly funded organisations, receiving investment of £200,000 in 2009/10. We also provide regular funding to seven of the nine literature organisations resident at the centre.

'Many of the companies that have come together to form Free Word are small organisations, some receive regular Arts Council support, but all are led by dynamic individuals who understand that together they can be a bigger force'
– Shreela Ghosh, Director

DanceEast celebrates new DanceHouse

DanceEast, one of the UK's leading dance organisations, celebrated the launch of the £8.9 million Jerwood DanceHouse with an open-house weekend in October 2009.

Following a dancing parade from Ipswich town centre to the new Jerwood DanceHouse on the waterfront, Barbara Follett, Minister for the East of England, officially opened the new centre. Visitors then took part in dance classes and watched performances in the purpose-built facilities.

DanceEast has built a reputation for promoting the best in international dance, a wide-ranging programme of community outreach and education, as well as continued professional development for dance artists.

Critical acclaim for the Royal Opera House

The Royal Opera House had another critically acclaimed year, winning both opera titles and a dance award at this year's Laurence Olivier Awards, and well as four Critics Circle National Dance Awards. This included Leanne Benjamin, who was awarded the Richard Sherrington Award for best female dancer for the second time.

We awarded £27,689,378 of regular funding in 2009/10, from which the home to the Royal Opera and the Royal Ballet generates around £70 million of further income.

Over 700,000 people attend around 550 performances in its main auditorium, including Christof Loy's new staging of *Tristan und Isolde*.

'It will be a challenge to decide where the next experimental *Tristan* should turn if it is to compete with this haunting triumph' – *Times Literary Supplement*

Britten Sinfonia blossoms internationally

Arts Council regular funding supports one of the UK's best-known chamber orchestras, the Cambridge-based Britten Sinfonia, who in 2009/10 received a grant of £332,667.

Britten Sinfonia is praised for the quality of its performances and its approach to concert programming which is centred around the development of artists.

Unusually, the Sinfonia does not have a principal conductor or director but chooses to collaborate with a range of the finest international guest

artists from across the musical spectrum.

Recent guest artists and collaborators have included American composer Nico Muhly, Danish folk band Efterklang, conductor Stephen Layton and his choir Polyphony and regular guest artists tenor Mark Padmore and pianist Joanna MacGregor.

'There are few more thrilling things in British music than the Britten Sinfonia on top form' – *The Daily Telegraph*

Right: Nina Stemme and Ben Heppner in *Tristan und Isolde*, Royal Opera House, 2009. Photo: Bill Cooper

Opposite: UK Centre for Carnival arts launch event, 2009. Photo: Geoff Caddick



State of the Arts

The first State of the Arts conference, which we organised in partnership with the RSA in January 2010, successfully brought together a wide range of creative voices to debate the value and purpose of the arts.

The conference gathered senior members of arts organisations, artists, cultural leaders, creative entrepreneurs and the media at Park Plaza Riverbank in London to explore what kind of arts landscape we need and how we might get there.

Alongside panel discussions on topics as diverse as 'cities as crucibles of culture', and 'do the public get the arts media coverage they deserve?', there was a debate on 'what are the cultural rights worth fighting for?' and keynote speeches from Ben Bradshaw MP, Jeremy Hunt MP, Dame Liz Forgan and Matthew Taylor of the RSA.

The event proved enormously popular. Originally planned for an audience of 200 people, we doubled the size of the event because of the demand for tickets. In total, 400 people attended and 46 speakers presented at the event.

It also enabled us to present the ambitions we have for our national arts strategy and to launch our consultation paper, *Achieving great art to everyone*, to the wider sector.

Originally planned for an audience of 200 people, we doubled the size of the event because of the demand for tickets

State of the Arts was an exciting partnership that created a high-profile platform for arts sector to debate the future for the arts,' says Andrew Nairne, Executive Director, Arts.



Clockwise from top left: Dame Liz Forgan, Matthew Taylor, Jeremy Hunt MP, the crowd and a panel at State of the Arts, 2010. Photos: Simon Rawles



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Reporting against our official commitments

The Arts Council has a funding agreement with our sponsoring department, the Department for Culture, Media and Sport (DCMS). This section reports on our performance against our funding agreement objectives. Our current funding agreement runs from 2008–11.

Funding agreement targets 2008–11

The Arts Council plan sets out five national outcomes to be met in 2008–11, which support the DCMS's departmental strategic objectives on opportunity and excellence:

- excellence – high quality art and high quality arts experience
- reach – more people attending and participating in the arts
- engagement – more people feel that there are opportunities to be stimulated or inspired by, and get actively involved in, arts activities that are personally relevant to them
- diversity – arts activity that reflects the diversity of contemporary England
- innovation – artists have the freedom and are challenged to innovate

The following indicators are used to measure progress against the Arts Council's outcomes from 2008/09, and form the basis of our funding agreement with the DCMS.

Excellence

Artistic quality

An increase in the percentage of regularly funded organisations that are assessed as 'met strong' or 'met outstanding' in artistic quality following their annual reviews

Baseline	2006/07	62.3% of regularly funded organisations in our portfolio were assessed as 'met strong' or 'met outstanding'
Actual:	2008/09	71.5% of regularly funded organisations in our portfolio were assessed as 'met strong' or 'met outstanding'. This represents an increase of 9.2% against the baseline

Source: 2006/07 and 2008/09 annual assessments of regularly funded organisations

High quality arts experiences

An increase in the percentage of people who rate their last arts experience as being of 'high quality'

Baseline	2007/08	57.1% of people rated their last arts experience as being of 'high quality'
Actual	2008/09	60.3% of people rated their last arts experience as being of 'high quality'. This represents an increase of 3.2% against the baseline.

Source: Taking Part survey 2007/08 and 2008/09

Reach

The number of people in the general population attending or participating in arts events or activities

An increase in the percentage of people (adults aged 16+) attending or participating 3+ times in the arts

Baseline	2008/09	59.8%
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Source: Taking Part survey 2008/09

We will report against this baseline in August 2010.

An increase in the amount of time children spent attending or participating in arts activities in the last seven days

5–10 year olds participation in culture in the last week

Hours of out of school cultural participation in last week	Percentage	Range
Less than five hours	73.2	+/- 2.7
Five+ hours	26.8	+/- 2.7

11–15 year olds participation in culture in the last week

Hours of in and out of school cultural participation in last week	Percentage	Range
Less than five hours	33.8	+/- 3.1
Five+ hours	66.2	+/- 3.1

5–15 year olds participation in culture in the last week

Cultural participation in last week	Percentage	Range
Not meeting desired hours	54.6	+/- 2.2
Meeting desired hours	45.4	+/- 2.2

Source: Taking Part child survey 2008/09

We will report against this baseline in August 2011.

Reporting against our official commitments

An increase in attendance in a subset of regularly funded organisations

	2007/08	2008/09
Number of organisations	765	765
Overall attendance	29,795,428	34,938,659

This represents a 17% increase in attendance between 2007/08 and 2008/09.

Source: Annual submission of regularly funded organisations 2007/08 and 2008/09. We will report progress against this target in November 2010.

Engagement

Ways to get people engaging with the arts

An increase in the percentage of children and young people achieving a bronze, silver or gold Arts Award

Baseline	2007/08	In 2007/08 4,615 awards were made
Actual	2009/10	In 2009/10 11,561 awards were made – this is a 39% increase on 2008/09

Source: Trinity Guildhall

The public has opportunities to get involved in arts activities

An increase in the percentage of people who feel that there are opportunities for them to get involved in the arts

Baseline	2008/09	50.3% of the full attitudinal sub-sample of the Taking Part survey agreed with the statement 'There are lots of opportunities to get involved in the arts if I want'
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Source: Taking Part survey 2008/09

We will report against this baseline in August 2010.

The arts are relevant to the public

A decrease in the percentage of people who feel that the arts are not relevant to them

Baseline	2008/09	25.8% of the full attitudinal sub-sample of the Taking Part survey agreed or agreed strongly with the statement 'The arts are not for people like me'
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Source: Taking Part survey 2008/09

We will report against this baseline in August 2010.

Diversity

Meeting legal equality duties

An increase in percentage of regularly funded organisations whose diversity action plans or equality plans are rated as a 'strength'

Baseline	2006/07	53.9% of regularly funded organisations in our portfolio had diversity action plans or equality plans that were assessed as a strength
Actual	2008/09	61.6% of regularly funded organisations in our portfolio had diversity action plans or equality plans that were assessed as a strength. This represents an increase of 7.7% against the baseline Source: 2006/07 and 2008/09 annual assessments of regularly funded organisations

Work underway to develop new indicators

Work on the development of new indicators has been suspended while we develop a more refined performance management framework for 2011/12 onwards.

Remuneration report (audited information) 1 April 2009–31 March 2010

The remuneration committee

The Council has appointed a remuneration committee advising on the remuneration of regional chairs and for specific matters relating to the remuneration and performance of the Chief Executive and executive directors. The members of the committee during the year were Dame Liz Forgan, Anil Ruia (Chair), Alistair Spalding, Rosemary Squire, Dorothy Wilson, Peter Phillips and Sheila Healy. The committee operates within written terms of reference and usually meets once during the year.

Council members' remuneration

Our supplemental charter issued in March 2002 provides us with the authority to remunerate our national Council members who are also regional chairs. Remuneration amounts are set by the Department for Culture, Media and Sport (DCMS) and agreed by the Charity Commission. We paid the nine members of Council who are also chairs of regional councils remuneration of £6,400 each during 2009/10 (2008/09: £6,400). The Chair was paid £40,000 in 2009/10 as agreed (2008/09: £6,667, as she was appointed in February 2009).

Executive Board members' remuneration

The Arts Council operates a variable pay system for executive directors and all other staff under which one-off, non-consolidated and non-pensionable payments are awarded to the highest performing individuals each year. The total of payments to executive directors cannot exceed 1.5 per cent of the overall salary budget for this group of employees, which is equal to 0.08 per cent of total staff salary costs and below equivalent costs in many other public bodies.

The maximum payment made to any individual executive director is approximately 3–4 per cent of total annual salary which currently equates to around £3–3,500 and usually between 25–40 per cent of executive directors are awarded such a payment each year. Payments to executive directors are not under the control of management. While the Chief Executive makes recommendations in respect of his direct reports, any such payments must be approved by the remuneration committee.

In addition, the Chief Executive is entitled to a performance related payment of up to 20 per cent of his annual salary each year, although in practice payments awarded are of a more modest percentage. The remuneration committee can decide to consolidate a small percentage of this payment into the Chief Executive's annual salary or pay the full amount on as a one-off, non-consolidated sum.

Payments are earned on the basis of exceeding performance objectives and overall contribution to the effective leadership of Arts Council England, assessed formally through an annual appraisal process.

The Arts Council's variable pay system is an integral part of our total remuneration package. If the variable pay system did not exist then the Arts Council would need to pay higher salaries to remain competitive. The remuneration committee believes that the variable pay system is an appropriate part of the Arts Council's employee reward strategy for the following reasons:

- linking pay to performance obtains the best value-for-money for the taxpayer by targeting higher levels of pay to the individuals who contribute the most to achieving the Arts Council's aims
- individuals will only earn a payment if their performance goes beyond the Arts Council's expectations of their role
- using variable pay controls fixed costs and contractual payments on termination
- using variable pay controls pension costs
- the cost of variable pay is modest and subject to a clear cap
- similar variable pay arrangements apply throughout the organisation and in other similar bodies

In 2008/09 no payments were made under the variable performance pay system to Executive Board members. This reflected the current overall economic climate, its impact on the arts and public sectors and the fact that the work that the board was leading in response to these challenges was still in progress and not fully realised.

Although the financial outlook has deteriorated this year, the remuneration committee has given the remuneration system for senior staff a detailed review and determined that certain variable performance payments for 2009/10 were appropriate to award to a few individuals.

The committee considered it would be inequitable on the staff concerned to ignore a key element of their remuneration for two successive years. In addition, the committee considered that the leadership of Alan Davey in delivering rapid and radical organisational change at every level of the organisation, including the senior management team, justified exceptional recognition this year.

Remuneration report (audited information) 1 April 2009–31 March 2010

The remuneration committee is keen to emphasise that any variable performance awards are only made to individuals, throughout the organisation as a whole, for exceptional achievement and notes that the financial amount of these awards are relatively modest. The committee decided to make payments to a number of individual members of Executive Board, these are set out in the first table in this report. These payments were determined by the remuneration committee in May 2010 and are usually are paid in July each year.

For performance in 2009/10 the remuneration committee has agreed that the following members of Executive Board should receive a variable performance award:

Alan Davey
Althea Efunshile
Andrew Nairne
Moiria Sinclair
Laura Dyer
Andrea Stark

The amount of this award has not been finalised at the time of signing these accounts as the budget allocation for these payments has not been formally agreed for this year. Once these figures have been agreed we will publish them on our website.

As part of the major review of the organisation's structure, a number of members of Executive Board were made redundant at the end of 2009/10 as the membership of the board was reduced by 36 per cent. On termination, these staff were paid their contractual redundancy terms and automatic early retirement arrangements were made, as outlined in the table below.

The remuneration of our executive directors for the year ended 31 March 2010 was:

	Salary £000s	Pension £000s	Redundancy £000s	Total remuneration 2009/10 £000s	Total remuneration 2008/09 £000s
Alan Davey (Chief Executive)	153	38	–	191	175
Althea Efunshile (Chief Operating Officer)	127	30	–	157	153
Alison Cole (Executive Director, Advocacy and Communications)* from November 2009	36	8	–	44	n/a
Andrew Nairne (Executive Director, Arts)	94	22	–	116	62
Anupam Ganguli (Executive Director, Resources)	89	21	–	110	63
Moria Sinclair (Area Executive Director, London)	92	23	–	115	109
Laura Dyer (Area Executive Director, Midlands)	93	24	–	117	109
Andrea Stark (Area Executive Director, East and South East)	93	23	–	117	112
Andy Carver (Interim Area Executive Director, North)	89	16	174	279	93
Felicity Harvest (South East)	83	21	–	104	101
Sally Luton (West Midlands)	83	15	–	98	94
Mark Robinson (North East)	76	13	62	151	85
Aileen McEvoy (North West)	93	16	112	221	46
Chris Humphrey (South West)	74	13	90	177	44
Andrew Whyte (Advocacy and Communications)* until June 2009	27	6	–	32	136
Mary Wright (Interim Executive Director, Advocacy and Communications)* from July until November 2009	39	6	97	143	n/a

* Part year figures

Please note Alan Davey's pension amount includes back dated contributions in relation to prior year.

Mary Wright's redundancy payment related to her being made redundant from her substantive post as Director of External Relations and Development and not to her secondment to Executive Director, Advocacy and Communications.

In addition to the redundancy figures above, payments were made to the West Yorkshire Pension Fund in relation to automatic early retirement arrangements for Andy Carver (£115,000), Aileen McEvoy (£156,000), Chris Humphrey (£152,000) and Mary Wright (£92,070).

Remuneration report (audited information) 1 April 2009–31 March 2010

Details of the pension entitlements for our executive directors for the year ended 31 March 2010 were:

	Accrued pension at 31 March 2010 £000s	Pension increase in the year (net of inflation) 2009/10 £000s	Cash equivalent transfer value at 31 March 2010 £000s	Increase in cash equivalent transfer value (net of inflation) 2009/10 £000s	Cash equivalent transfer value at 31 March 2009 £000s
Alan Davey (Chief Executive)	17	7	47	23	23
Althea Efunshile (Chief Operating Officer)	19	6	62	24	36
Alison Cole (Executive Director, Advocacy and Communications) from November 2009	2	2	5	5	n/a
Andrew Nairne (Executive Director, Arts)	39	37	120	113	7
Anupam Ganguli (Executive Director, Resources)	7	4	16	10	5
Moira Sinclair (Area Executive Director, London)	21	4	56	17	37
Laura Dyer (Area Executive Director, Midlands and South West)	101	7	267	59	199
Andrea Stark (Area Executive Director, East and South East)	81	4	237	44	185
Andy Carver (Interim Area Executive Director, North)*	83	12	664	305	344
Felicity Harvest (South East)	78	3	333	47	274
Sally Luton (West Midlands)	124	(1)	782	81	671
Mark Robinson (North East)	38	0	189	44	139
Aileen McEvoy (North West)*	127	10	928	325	578
Chris Humphrey (South West)*	135	60	568	219	334

* These members have a large increase in the cash equivalent transfer value over the accounting period to 31 March 2010 as they have been made redundant with unreduced early retirement benefits during the accounting period.

Chris Humphrey converted some of his pension to lump sum.
Andrew Nairne transferred benefits from another pension arrangement into the plan during the year.

Alan Davey
Chief Executive
6 July 2010

Dame Liz Forgan
Chair
6 July 2010

Grant-in-aid accounts

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Arts Council England grant-in-aid accounts 1 April 2009–31 March 2010

Trustees' report and management commentary

Reference and administrative details of the charity

The Arts Council of England, trading as Arts Council England, is a registered charity, charity registration number 1036733. The address of our head office is 14 Great Peter Street, London SW1P 3NQ.

Governance

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 objects of the Arts Council as stated in the Royal Charter, our governing document, are:

- to develop and improve the knowledge, understanding and practice of the arts
- to increase accessibility of the arts to the public
- to advise and cooperate with other government departments, local authorities and the Arts Councils for Scotland, Wales and Northern Ireland (or their successors)

To this end, we make grants to artists and arts organisations and engage in other activities on behalf of the sector.

Arts Council England was granted a Supplemental Charter on 18 March 2002. Its purpose was 'to give effect to new arrangements for regionalisation of its structure and activities'. There were no changes to the objects of the Arts Council and the main changes relate to powers to establish and to delegate powers and functions to regional councils.

A number of amendments were made to the Charter in 2008 granting the Mayor of London the power of appointment for the Chair of the Arts Council England, London and the remuneration of future chairs of the national Council.

The Arts Council works at arm's length from government and has the status of a non-departmental public body. As such, we are regulated in accordance with a Management Statement, Financial Memorandum and Funding Agreement issued by the Secretary of State. We prepare our accounts for grant-in-aid and Lottery separately to comply with accounts directions issued by the Secretary of State.

Governance structure

The national Council is the non-executive board of Arts Council England. It holds overall governance and authority for Arts Council England. Council members, as charity trustees, retain overall responsibility for the work and conduct of the organisation. This includes responsibility for ensuring the achievement of Arts Council England's objectives, as set out in the Royal Charter. The Council consists of 17 members, nine of whom also chair a regional council in each region.

The regional councils are subcommittees of the Council which it has established to provide advice, make funding decisions and advocate for the arts in England. The Council values the live connection with artists, local government and arts organisations that the councils create regionally. Regional arts councils are responsible for supporting and promoting the organisation's mission and objectives in the region. There are at least 15 members on each regional council.

The Council also has an audit committee. The committee is responsible for overseeing the internal and external audit process and the corporate risk register.

These subcommittees each have terms of reference. The Council has a scheme of financial delegations and authorities, which determines an appropriate level of approval or authorisation for financial commitments.

Governance review

A subgroup of Council was convened by the national Chair in February 2009 to consider a range of matters related to Arts Council governance. In November 2009, the governance subgroup recommended to Council a set of three smaller standing committees which could get closer to the business than the whole Council; which will provide a better opportunity for Council members to make use of their individual expertise; and which will provide more focused challenge and support to the executive. The new structure was agreed and commenced in February 2010.

National Council

The strategic authority of Arts Council England. It retains authority for governance, and for overall budget and policy decisions. Its current membership of 17 will be maintained. Council will meet three times a year, one meeting of which will be a two day away day.

Arts policy committee

Considers and approves emerging strategic policy and Arts Council plans on behalf of Council. The committee is chaired by Dame Liz Forgan. Tom Shakespeare, Caroline Collier, Sir Nicholas Kenyon, Diran Adebayo, Alice Rawsthorn were appointed as members. The committee will meet four times a year. It met once during 2009/10.

Arts investment committee

Oversees the implementation of investment and resources strategies; and makes investment decisions on behalf of Council. The committee is chaired by Dame Liz Forgan. Janet Barnes, François Matarasso, Ajay Chowdhury, Jon Cook, Alistair Spalding and Keith Khan were appointed to the committee. The committee will meet six times a year. It met once during 2009/10.

Performance and audit committee

Replaces the existing audit committee. It provides a scrutiny function for the Arts Council, reviewing the performance of the Arts Council across the full range of its business and operations and makes recommendations for continuous improvement. In addition it performs the functions required of a traditional audit committee. Anil Ruia was appointed as Chair of the committee. Sheila Healy, Peter Phillips, Rosemary Squire, Ekow Eshun were appointed as members. David Carter and Gill Laver were appointed as independent members. A further independent member is intended to be appointed in 2010. The committee will meet four times a year. It met once during 2009/10.

Regional councils

The approximate scope and authority of regional councils was not changed in the review, although new terms of reference were agreed for them as well as the national Council and new committees. The regional councils will now meet at least three times a year.

Trustees' report and management commentary

National Council

Members of our national Council are appointed by the Secretary of State for Culture, Media and Sport, other than the national member for London who is appointed by the Mayor of London. Council members are usually appointed for four years, and may be reappointed for a further term of four years.



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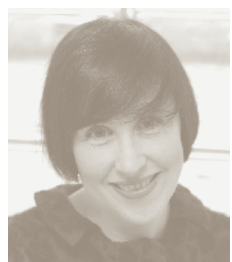
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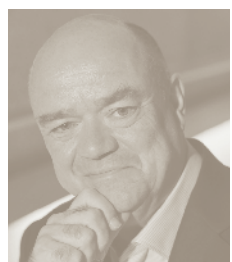
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	Member	Name	Council appointment	Reappointment	End of appointment
1	National Chair	Dame Liz Forgan	1 February 2009		31 January 2013
2	Member	Diran Adebayo	20 October 2004	19 October 2008	19 October 2011
3	Member Yorkshire	Janet Barnes	1 February 2005	31 January 2009	30 January 2013
4	Member East	Jon Cook	8 September 2008		7 September 2012
5	Member	Keith Khan	1 May 2006		30 April 2010
6	Member East Midlands	François Matarasso	1 October 2005	30 September 2009	30 September 2013
7	Member	Alice Rawsthorn	27 February 2007		31 January 2011
8	Member North West	Anil Ruia	24 November 2008		23 November 2012
9	Member North East	Tom Shakespeare	1 October 2004	1 October 2008	30 September 2012
10	Member	Rosemary Squire OBE	26 January 2009		25 January 2013
11	Member	Alistair Spalding	26 January 2009		25 January 2013
12	Member	Ekow Eshun	26 January 2009		25 January 2013
13	Member	Sir Nicholas Kenyon	3 November 2009		2 November 2013
14	(Interim) member South West	Sir Chris Clarke	1 March 2009		1 October 2009
15	Member South West	Sheila Healy	4 January 2010		3 January 2014
16	Member	Elsie Owusu OBE	1 June 2002	31 May 2005	31 May 2009
17	Member West Midlands	Dorothy Wilson	1 June 2002	31 May 2005 1 April 2009	1 December 2009
18	Member West Midlands	Peter Phillips	4 January 2010		3 January 2014
19	Member South East	Kentaké Chinyelu-Hope	1 October 2005		30 September 2009
20	Member South East	Caroline Collier	4 January 2010		3 January 2014
21	Member London	Lady Sue Woodford Hollick	1 June 2002	31 May 2006 31 May 2008	30 September 2009
22	(Interim) member London	Ajay Chowdhury	2 November 2009		30 June 2010
	Member London	Veronica Wadley	1 July 2010		30 June 2014

Trustees' report and management commentary

Elsie Owusu's term of appointment ended in May 2009 and in November 2009 Sir Nicholas Kenyon was appointed to fill this vacancy. In September 2009 Kentake Chinyelu-Hope's term of appointment as national member for the South East came to an end. Caroline Collier was appointed to replace her in January 2010.

Lady Sue Woodford Hollick's term of appointment as national member for London came to an end in September 2009. Ajay Chowdhury acted in an interim capacity in this role until Veronica Wadley was appointed to replace him in June 2010.

Very sadly, the interim national member for the South West, Sir Chris Clarke passed away on 15 December 2009. Sheila Healy was appointed as national member for the South West in January 2010.

Dorothy Wilson's term of appointment as national member for the West Midlands came to an end in May 2009, but was extended until December 2009 to maintain continuity during a critical period in the Arts Council's organisation review. In January 2010 Peter Phillips was appointed to succeed her.

The audit committee was chaired by Dorothy Wilson until December 2009 when her term ended at which point national Council appointed Anil Ruia to replace her. Alistair Spalding, Rosemary Squire, and Elsie Owusu served as members of the committee during the year. David Brierley stood down as a co-opted member of the committee during the year and was replaced by David Carter. Gill Laver also served as a co-opted member. The audit committee held its last meeting in January 2010, at which point it was superseded by the new performance and audit committee.

Policies and procedures adopted for the induction of trustees

The Council recognises the importance of ensuring that members, as trustees, are fully briefed and introduced into their role in the organisation.

All newly appointed trustees of the Council have an induction process. This includes meeting with the Chief Executive and Chair to discuss the role of the members and functions of Arts Council England, and a range of meetings with staff about the policies, strategies and activities of the Arts Council. This includes a briefing and discussion on the responsibilities of Charity trustees including declaration of interests and the need to avoid trustee benefit. Members who are also appointed to chair a regional council receive a further induction to that role, led by the relevant regional director.

The Council undertakes regular debates and facilitated group sessions, ranging from half a day to a day, outside of their business meetings, at least once a year. These afford opportunities for consideration of a range of issues that are important to the work of the Council outside the formal meeting setting. National Council members are assessed individually every two years by the national Chair.

Executive Board

The Executive Board is Arts Council England's strategic and executive decision-making body. The Council has approved the delegation of powers for delivery of the agreed policies and strategies to the Executive Board. The Executive Board held 11 formal business meetings in the year as well as a number of away days. In 2009 the membership of the Executive Board was revised in line with the organisation review. The new Executive Board met for the first time on 3 November 2009 and revised terms of reference were agreed. Its membership is set out below.

Executive Board 1 April 2009–2 November 2009

Member	Job title	Region
Alan Davey	Chief Executive	Head office
Andy Carver	Executive Director	Yorkshire
Laura Dyer	Executive Director	East Midlands
Althea Efunshile	Executive Director, Arts Planning and Investment	Head office
Anupam Ganguli	Executive Director, Resources	Head office
Felicity Harvest	Executive Director	South East
Chris Humphrey	Interim Executive Director	South West
Sally Luton	Executive Director	West Midlands
Aileen McEvoy	Interim Executive Director	North West
Andrew Nairne	Executive Director, Arts Strategy	Head office
Mark Robinson	Executive Director	North East
Moiria Sinclair	Executive Director	London
Andrea Stark	Executive Director	East
Andrew Whyte	Executive Director, Advocacy and Communications until 23 June	Head office
Mary Wright	Interim Executive Director, Advocacy and Communications until 2 November	Head office

Trustees' report and management commentary

Executive Board 2 November 2009–31 March 2010

	Member	Job title
1	Alan Davey	Chief Executive
2	Andy Carver	Interim Area Executive Director, North
3	Alison Cole	Executive Director, Advocacy and Communications
4	Laura Dyer	Area Executive Director, Midlands and South West
5	Althea Efunshile	Chief Operating Officer
6	Anupam Ganguli	Executive Director, Resources
7	Andrew Nairne	Executive Director, Arts
8	Moira Sinclair	Area Executive Director, London
9	Andrea Stark	Area Executive Director, East and South East



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Responsibilities of trustees, the Chief Executive, Executive Board and management committee

Council members, as trustees, retain overall responsibility for the work and conduct of the organisation. The Council is invited to consider and approve major matters of policy development, including the overall framework for the strategic delivery of those policies.

The Council has approved the delegation of powers for delivery of the agreed policies and strategies to the Executive Board. Written terms of reference and procedures for the Executive Board have been agreed by the Council. The Executive Board held 11 formal business meetings in the year.

The Council has approved the further delegation of powers to a management committee as a subcommittee of the Executive Board. Management committee is responsible for overseeing the workload and programme of head office operational issues delegated by Executive Board, monitoring organisation wide financial performance and management issues, taking an overview of HR issues, the overview of risk management, and monitoring the managed funds budget and contingency.

Management committee held 12 formal business meetings during the year as well as one half-day away day. The membership and terms of reference of the management committee were also revised in 2009 to align with the outcome of the organisation review. Management committee now comprises the Chief Operating Officer, an area executive director, the Executive Director, Resources, three regional directors, three head office directors and the Head, Communications Planning.

The Chief Executive has been authorised by the Council to undertake the day-to-day administration and management of the business and staff of the organisation. He is responsible to the Council for those matters. The Council has agreed and issued guidelines to the Chief Executive.

Overall, the Council has approved a scheme of financial delegations and authorities, which provides a comprehensive scheme for determining an appropriate level of approval or authorisation for financial commitments, which is dependent upon the level of expenditure proposed.

We attempt to abide by the Better Payment Practice Code, and in particular pay bills in accordance with contract. Invoices are normally settled within our suppliers' standard terms, usually 30 days. In 2009/10, 87% of undisputed grant-in-aid invoices were paid within 30 days (2008/09: 79%).

We maintain a register of interests of our members, which is available for public inspection by appointment at our Great Peter Street address.

Principal advisers

Banker

Co-operative Bank
78–80 Corn Hill
London
EC3V 3NJ

Auditor

Comptroller and Auditor General
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

Solicitors

A number of specialised solicitors have been appointed to our external solicitor pool.

Subsidiary undertakings

Artco Trading Limited, registered address Central Square, Forth Street, Newcastle upon Tyne NE1 3PJ, is a wholly owned subsidiary of Arts Council England with share capital of two ordinary shares at £1 each. It runs the Arts Council's two interest free credit schemes Own Art and Take it away.

Grant-in-aid funding for these two schemes was £1,000,000 in 2009/10 (2008/09: £1,100,000) goes directly to Artco Trading Limited from DCMS. As at 31 March 2010, there are four Arts Council employees on the Artco Trading Limited board.

So far as the Chief Executive is aware, there is no relevant audit information of which the National Audit Office is unaware.

Trustees' report and management commentary

Responsibility towards the environment and sustainable development

In January 2010 our national Council approved our broader approach to environmental sustainability, acknowledging this to be a key operating context for the arts and the Arts Council.

In the first instance, we will be strengthening our commitment to the sustainable operations of our own estate of 10 offices around the country. This includes measuring, improving and disclosing our use of consumables, waste, energy, water, transportation and our level of staff engagement. To support this effort we have signed up to the 10:10 commitment to reduce our carbon dioxide emissions by 10 per cent in 2010. In 2008/2009 our carbon dioxide emissions were 1,400 tonnes CO₂ from gas and electricity. Over the last year our offices have installed video conference facilities to reduce staff travel, upgrading to efficient printers and FSC paper stock and instituted a range of staff engagement and training activities including walk to work and green weeks in different offices. Our Yorkshire office won a Kirklees Green Business Award and our newly-commissioned office in the north west received BREEAM excellence in design certification.

Secondly, we will work in partnership with the arts and others to ensure we are using our investment in arts organisations to encourage and share good practice. This will involve building on partnership work with the British Council, Julie's Bicycle and a range of other partners to measure the emissions of the arts, and support tools and knowledge to reduce them. Work has included research into sustainable touring, with additional work on sustainable theatres and a green guide for visual arts forthcoming.

Thirdly, we recognise that there is a powerful role that can be played by creative practice to debate and raise awareness of this complex and urgent issue, and to provide leadership through our own actions. Accordingly we will continue to champion the voice of the arts where it helps a wide range of audiences engage with this most timely of issues.

The importance of environmental issues was highlighted at our State of the Arts conference and we have included it as a key strand in our thinking when writing the consultation for our 10 year framework for the arts, *Achieving great art for everyone*. This document sets out the vision of a resilient and relevant arts sector and environmental sustainability must be central to that.

Diversity and equality

It is very important that arts organisations that receive public funding perform well. The same applies to us. We have agreed a set of national objectives with the Department for Culture, Media and Sport, against which the outcome of our programmes can be judged. We are determined to create an environment where the arts reflect the full range and diversity of contemporary English society.

We are also subject to public sector equality duties in respect of race, disability and gender. The diversity team in our head office leads this work, and with all regions and departments is making this work a success.

Our race, disability and gender equality schemes set out how we will meet our statutory duties in the following ways:

Race equality scheme – our legal obligations

Our race equality scheme sets out our race equality objectives, our vision for race equality in the arts and the actions required to make that vision a reality. It builds on achievements, experiences and learning from the previous race equality scheme which ran from 2004 to 2007. The race equality scheme articulates how we will meet our legal responsibilities under the Race Relations Act to promote good race relations and equality of opportunity and eliminate unlawful race discrimination.

Race equality scheme 2009–11

We currently have a race equality scheme running from 2009–2011, which has five areas of activity:

1. *Widening and deepening the vision*. This includes the creative case for diversity, a major programme of work due to be launched in the autumn of 2010. This is intended to integrate diversity and equality issues into artistic practice
2. *Developing the Black and minority ethnic arts sector*. This includes key initiatives such as the decibel Performing Arts Showcase 2011 and Sustained Theatre
3. *Prioritising our efforts – reaching out to marginalised groups*. This includes work such as Arts and Islam that seeks to examine the connections between Islam, arts practice and contemporary society
4. *Developing the field* – building on the achievements the race equality action plans drawn up by our regularly funded organisations
5. *Positive action and race equality in the Arts Council*

Gender equality scheme

This sets out our gender equality objectives, our vision for gender equality in the arts and the actions that we need to undertake to make that vision a reality. It has benefited from what we have learned from the race equality and disability equality schemes and should be seen as part of our overall commitment to diversity and equality.

Our vision for gender equality is for it to be driven by transformative and lasting work, which will bring about change within our organisation and in the arts sector. Our ambition is to use the current legislation as a starting point and to go beyond compliance into best practice through engagement, innovation and excellence. We will do this by collaborating with our stakeholders, artists, arts organisations and other relevant contributors, working as equal partners, sharing and reinforcing best practice.

Based on current evidence, we have identified the following broad thematic priorities for our gender equality scheme. The action plan outlines how these priorities will be delivered.

The four priorities are:

- leadership
- awareness-raising, profiling of best practice and knowledge-sharing
- bringing about greater gender equality in the workforce
- arts attendance and arts participation

The scheme allows for a broader consideration of all equality strands. Individuals may experience discrimination based on the different aspects of who they are. Looking beneath the surface of gender and further disaggregating along the other equality strands, provides the Arts Council with the opportunity to start considering some of these cross-cutting and rather complex themes in more detail, ensuring that gender equality within the Arts Council is meaningful.

Disability equality scheme 2010–13

This sets out our approach to achieving disability equality in the arts, building on the achievements, knowledge and experience gained in initiating and delivering our first scheme which ends in March 2010. It intends to drive up disability equality performance both within our organisation as well as in the arts organisations that we support.

In 2009 through an open and transparent recruitment process; we appointed an Independent Disability Equality Advisory Group (IDEAG). The IDEAG has assisted us in reviewing and revising our disability equality scheme.

Our disability equality scheme is built around the vision of prominence to increase the visibility of disability equality in the arts, profiling and promoting the work of disabled artists and increase disabled audience members and the audiences of work created by disabled people.

In order to achieve this vision eight priorities have been established to create the conditions for disabled people to thrive in the arts. These are:

- access
- cultural change
- audiences and participation
- talent development
- diversity within disability
- leadership and governance
- innovation and excellence
- London 2012 Cultural Olympiad

Repositioning diversity and equality in the arts – the creative case for diversity

We believe that it is important that diversity and equality are not just seen as issues of legal compliance or moral obligation. We want to see diversity placed firmly within an artistic context, using the specific languages and disciplines of that arena. We envisage that the creative case approach requires three interlocking progressions:

1. *Equality*: there has to be a continued drive for equality to remove barriers in the arts world, release and realise potential and help transform the arts so that they truly reflect the diversity of this country
2. *Recognition*: there has to be a new conversation that attempts through various means to resituate diverse artists, both historically and theoretically, at the centre of British art
3. *A new vision*: there also has to be the construction and dissemination of a new framework for viewing diversity, one that takes it out of a negative or 'deficit' model, and places it in an artistic context. Diversity becomes not an optional extra, but part of the fabric of our discussions and decisions about how we encourage an energetic, relevant, fearless and challenging artistic culture in England and the wider world

The creative case for diversity will be central to all of our diversity and equality work.

Organisation review

The government's 2007 spending review brought a challenge for us in terms of reducing costs – a demanding target equivalent to a 15 per cent reduction in our grant-in-aid administration costs by 2010/11. We also took the decision to apply this target to our Lottery administration costs.

This review also gave us the opportunity to take a wide look at ourselves and restructure to create a more flexible organisation, able to provide a better-focused service to the arts sector in the future.

Following consultation with staff and our union, the results of this organisation review were implemented in 2009/10.

Trustees' report and management commentary

The key elements of the changes, resulting in a 21 per cent reduction in staff numbers since 2008/09, are:

- a smaller head office – focused on strategy and support to frontline staff
- a smaller executive board – (reduced from 14 members to nine) to enable quicker decisions to be made by members who together provide a balance of regional knowledge and strategy
- regional offices grouped under four area executive directors – with a strong senior management team to streamline internal processes and encourage the sharing of knowledge
- nine regional offices – smaller and more focused on frontline delivery, working directly with the organisations we fund, with artists and with other key partners
- a central Grants for the arts processing team – reducing administration in regional offices and making grant-giving more equitable
- a streamlined advocacy and communications team – a head office team and three area advocacy teams supporting regional offices

We estimate that as a result of these savings, during 2010/11 our administrative costs will fall from around 8 per cent to 6.6 per cent of our income. The changes will deliver an administrative saving of £6.5 million per year from 2010/11 to go back into the arts.

Approach to human resources

Our three-year people strategy, launched in 2008, has supported the organisation review process during 2009/10. A new competency framework and salary grading structure, underpinned for the first time by the Hay Group job evaluation system, has been introduced to support the new job roles and the new organisation structure.

Career transition counseling and formal assessment centres have enabled employees to be prepared and fully assessed as suitable for new roles through a major redeployment exercise. Leadership development has now been put in place for our newly-configured Executive Board and planning is well underway for a comprehensive management development programme to be provided for all managers in our new structure during 2010/11.

Work is also progressing on reviewing our organisation values together with ensuring a positive shift in the organisation's culture to increase our effectiveness to deliver our mission of great art for everyone.

Internally, there continue to be arrangements to promote effective communication and consultation with staff. Executive Board, management committee and national Council decisions are disseminated through a system of team briefing meetings, our intranet and regularly emailed updates, supplemented from time to time by organisation-wide, region-wide and departmental meetings. Employee 'pulse' surveys, sampling staff opinion on the organisation review process and other significant issues for the Arts Council have taken place quarterly during this year, with the results and action to address concerns discussed at senior management level.

More formally, Arts Council England recognises the trade union Unite for consultation and collective bargaining, with well-established consultative arrangements. The National Joint Consultative and Negotiating Committee (NJCNC) handles negotiations about employee reward and benefits, employment terms and policies together with consultation on restructuring proposals for the whole organisation. The NJCNC is supported by Local Joint Consultative and Negotiating Committees currently in each of the 10 workplaces.

In addition, we actively engage with Black, Asian and minority ethnic employees through a recognised Black Workers Group, disabled employees through the Disabled Workers Group, and lesbian, gay, bisexual and transgender staff through the LGBT network. For example, consultation has taken place with all these staff representative groups on the equality impact assessment process for our employment policies, such as our dignity at work policy. This policy was revised and improved through joint working between the union, diversity workers groups and management during the course of this year.

At 1 October 2009, 16.6 per cent of our staff classify themselves as Black, Asian or minority ethnic, seven per cent classify themselves as lesbian, gay or bisexual and four per cent classify themselves as disabled.

Objectives and activities for the public benefit

The Royal Charter is at the core of our mission. This mission, great art for everyone, represents what Arts Council England is for, and reflects why John Maynard Keynes set up the Arts Council in 1946, 'to give courage, confidence and opportunity' to artists and their audiences.

Great art for everyone

Arts Council England works to get great art to everyone by championing, developing and investing in artistic experiences that enrich people's lives. As the national development agency for the arts, we support a range of artistic activities from theatre to music, literature to dance, photography to digital art, carnival to crafts. Great art inspires us, brings us together and teaches us about ourselves and the world around us. In short, it makes life better.

Between 2008 and 2011 we will invest in excess of £1.6 billion of public money from the government and the National Lottery to create these experiences for as many people as possible across the country.

The trustees confirm that they have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing Arts Council England's aims and objectives and in planning activities for the year.

In October 2006, we launched the arts debate – one of the largest pieces of research into what people think about the arts and arts funding ever undertaken.

It was clear from the findings of the arts debate, published in November 2007, that most people believe the arts can play an important part in the lives of individuals and in society.

The arts debate was very influential on our thinking and we used the research to develop our plan for 2008–11. Over this period there are two specific mission-led programmes: public engagement and world class arts, plus four short-term development priorities for the lifetime of the plan. These are digital opportunity, visual arts, children and young people and London 2012.

The plan is underpinned by five outcomes: excellence, innovation, diversity, reach and engagement:

- excellence – high quality arts and arts experience
- reach – more people attending and taking part in the arts
- engagement – more people feel that there are opportunities to be stimulated or inspired by, and get actively involved in, arts activities that are personally relevant to them
- diversity – arts that reflect the diversity of contemporary England
- innovation – artists have the freedom, and are challenged to, innovate

We have four development priority areas over the 2008–11 period: digital opportunity, visual arts, children and young people, and London 2012. Please refer to pages 16 to 19 for 2009/10 updates on these priorities.

The world class arts programme brings an organisation-wide approach to the Arts Council's development role in supporting great art, the conditions needed to inspire its creation and to enjoy the experience of it to the full. A key strand of the world class arts programme is the development of a national arts strategy, Achieving great art for everyone. This forms the first phase of the world class arts programme and will be the foundation for the programme's other strands.

This major undertaking is still underway but has delivered on our intention to integrate new artform development plans and revised strategies focused on the broader ecology of the arts in England. On 19 January 2010 we launched a formal consultation on work to date. The consultation proposals were supported by an extensive review of literature and evidence.

Delivery and partnerships

The three key grant programmes through which we deliver our objects are outlined below. In addition we work with local authorities to sustain and develop national, regional and local partnerships that will see excellent arts taking root in communities throughout England.

Grants for the arts

Our open application scheme funded from the National Lottery, is for individuals, arts organisations and other people who use the arts in their work. They are for activities which engage people in England in arts activities, and help artists and arts organisations in England carry out their work.

We are committed to being accessible and offer access support to applicants where required to make our application process open to everyone. We recognise that some groups may be uncomfortable with receiving funding from the National Lottery, and in such cases we make arrangements to fund them through other sources. We also apply our funding criteria so that funds are available through the year.

Regular funding for organisations

We regularly fund around 880 arts organisations on a three-year basis, investing £350 million per annum by 2010/11. Our support helps bring high quality work to a wide range of people – as both audience and participants.

Trustees' report and management commentary

Managed funds

Managed funds allow us to identify new opportunities for the arts, take new initiatives, establish new strategic partnerships and address particular ambitions for growth.

The beneficiaries of our delivery and grant programmes are arts individuals and organisations and the public as audiences and participants. Any private benefit is purely incidental to our work.

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 the Arts Council 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 official statistics meet the needs of government and society and are both trustworthy and trusted.

Personal data

There have been no incidents of loss of personal data during the year.

Financial review

Arts Council England receives grant-in-aid from the Department for Culture, Media and Sport (DCMS) and 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).

DCMS provided grant-in-aid of £453 million for the year (2008/09: £438 million). In addition we received £8 million of grants and donations and other income for specific strategic projects from a number of organisations (2008/09: £9 million) detailed in note 3 of these accounts.

During the year we awarded grants to our regularly funded arts organisations of £345 million (2008/09: £333 million). In addition, we spent £84 million (2008/09: £90 million) through grants and direct expenditure on strategic initiatives. Included in this is expenditure relating to our Creative Partnership programme which transferred from 1 April 2009 to Creativity, Culture and Education, a newly formed charity set up to deliver Creative Partnerships activity.

The statement of financial activities funded from grant-in-aid shows net incoming resources for the year of £1 million (2008/09: net incoming resources of £2 million) on unrestricted funds after exceptional items. This surplus has allowed the Arts Council to cover fixed asset additions over and above the capital grant-in-aid received from DCMS in the year.

At 31 March 2010, Arts Council England had unrestricted reserves of £16million (2008/09: £16 million) together with £2 million of restricted reserves mainly relating to Creative Partnerships (2008/09: £2 million). Our policy on reserves is 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. Our use of reserves, however, in previous years has been restricted by the government's end-of-year flexibility regulations, which means in particular that have not been allowed to use our historic reserves brought forward from 2001/02 of £9 million.

In 2010/11 we have been given permission by the DCMS to access £9 million of these reserves to be used to mitigate the in-year cuts, in return £7 million will be returned to the DCMS through a reduction in our 2010/11 grant-in-aid. It has been agreed that £5 million of that £7 million will be returned to the Arts Council's baseline funding for 2011/12.

In December 2007, DCMS announced that our funding for the financial year 2010/11 would be £468.5 million. This figure includes an undesignated capital allocation of £1.5 million. In addition £3 million was earmarked for pilot projects for Find Your Talent and £0.5 million in each of the three years for the Taking Part survey and other strategic research. Subsequent to this in 2009, DCMS confirmed that our allocation for 2010/11 will be reduced by £4 million to a revised total of £464.5 million. In May 2010 we received confirmation of our share of the £6.2 billion in-year budget cuts being made across government. This amounts to a total additional saving of £19 million bringing our total cut to £23 million.

Full details in relation to financial instruments are given in note 26 to the grant-in-aid accounts.

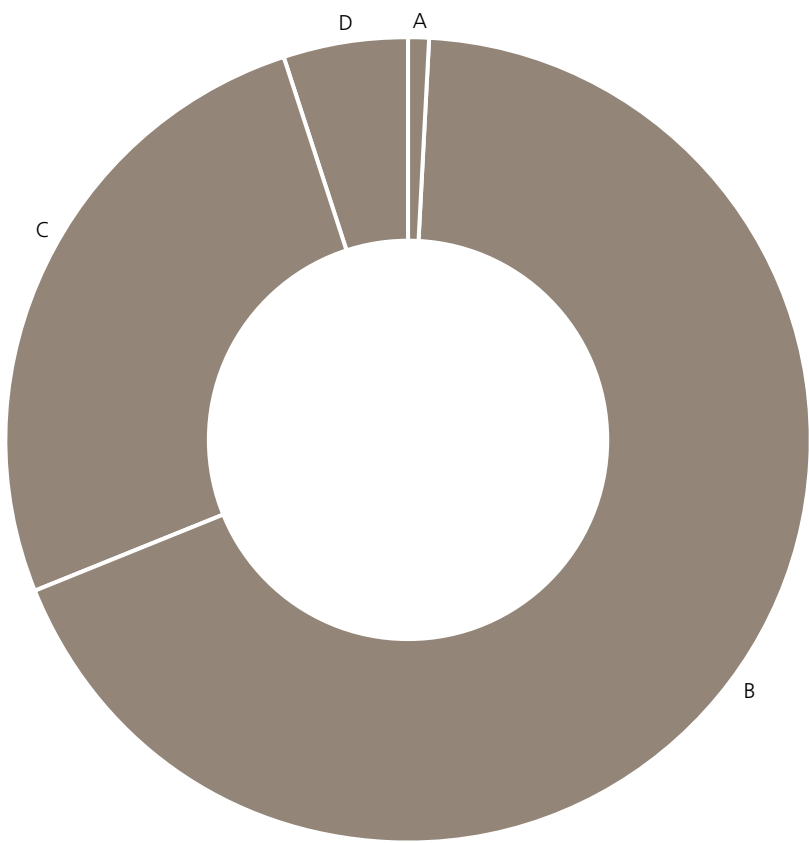
Fees paid to the National Audit Office for grant-in-aid audit services during 2009/10 were £62,000 (2008/09: £75,000).

Trustees' report and management commentary

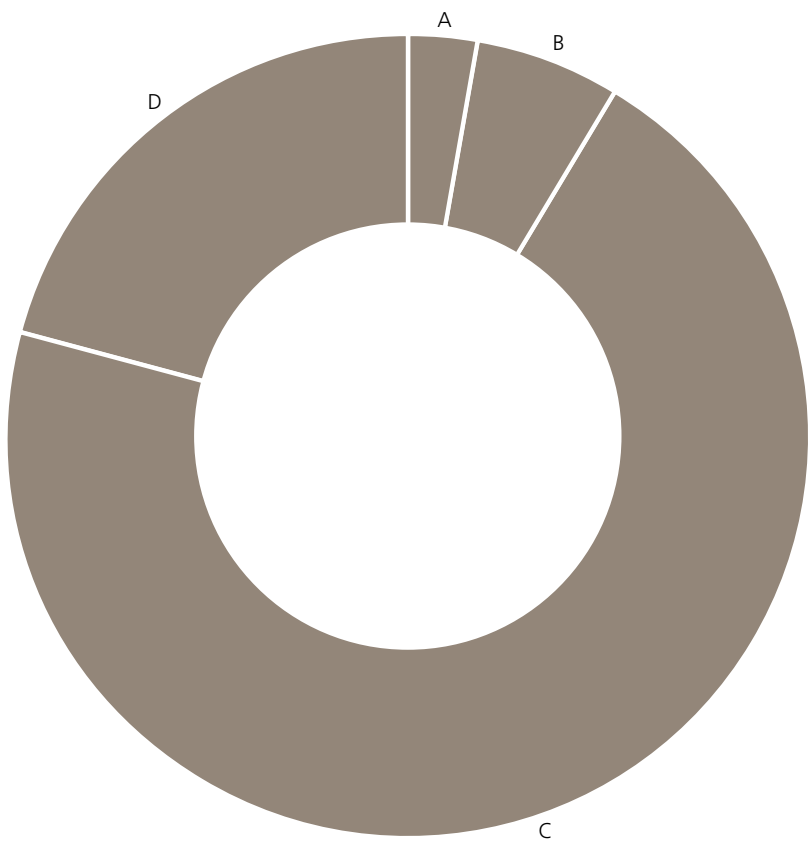
Consolidated activities

We prepare separate accounts for our grant-in-aid and Lottery activities as required by the Secretary of State. 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 summary results for the two accounts combined for the 2009/10 and 2008/09 financial years.

	2009/10 £000s	2008/09 £000s
Income		
Grant-in-aid income	452,964	437,631
Share of the National Lottery Distribution Fund	172,182	145,279
Transfer of funds to the Olympic Lottery Distribution Fund	(30,276)	(7,569)
Investment returns on the Distribution Fund	957	7,279
Other income	8,377	11,543
Total income	604,204	594,163
Expenditure		
Net grant-in-aid grant commitments	417,555	392,218
Other grant-in-aid arts expenditure	12,305	20,162
Net Lottery grant commitments	149,577	106,638
Operating costs	45,577	49,249
Total expenditure	625,014	568,267
Exceptional items		
Cost of fundamental reorganisation	2,472	4,833
Net (outgoing)/incoming resources	(23,282)	21,063
Profit on revaluation of fixed assets	5,523	1,034
Net movement in funds	(17,759)	22,097
Consolidated reserves brought forward	117,857	95,760
Consolidated reserves carried forward	100,098	117,857



Income
A Other income 1%
B Grant-in-aid income 68%
C Share of the National Lottery Distribution Fund 26%
D Contribution to Olympic Delivery Fund -5%



Expenditure
A Other grant-in-aid arts expenditure 2%
B Support costs 7%
C Net grant-in-aid grant commitments 67%
D Net Lottery grant commitments 24%

Trustees' report and management commentary

The above figures for net Lottery grant commitments include an accounting policy adjustment to reflect grant-in-aid accounting policies (note 1). This has the effect of increasing net grant commitments compared with the figures in the Lottery distribution accounts by £6 million in 2009/10 (2008/09: increase of £9 million).

The government's 2007 spending review brought a challenge for us in terms of reducing costs – a demanding target equivalent to a 15 per cent reduction in our grant-in-aid administration costs by 2010/11. We also took the decision to apply this target to our Lottery administration costs. This amounts to a £6.5 million savings target. In February 2009 we announced the outcome of our organisation review established to develop proposals for achieving this target. The new structure contained in these proposals was implemented on 1 April 2010.

A breakdown of where the savings have come from is as follows:

	£m	%
Grants for the arts centre	1.5	23%
Other regional office streamlining	0.3	5%
National office streamlining	1.4	21%
London co-location – pay	0.2	3%
Smaller executive board	0.5	8%
Communications restructure	0.7	11%
Non-pay costs	1.9	29%
Total saving	6.5	

This saving will bring our total administration costs as a percentage of income down from around 8 per cent to 6.6 per cent.

A comparison of support staff post numbers by location in the current and new structure is in the table below:

	Current	Final 2010/11
Regional offices	422	284
Grants for the arts centre	0	40
National office/head office	142	112
Support centre	58	55
Total number of posts	622	491

The number of posts reduces from 622 to 491, a reduction of 21 per cent.

One-off costs of restructuring of £2 million have been included in these accounts in relation to this review (2008/09: £3million).

Statement of trustees' and chief executive's responsibilities

Under the Royal Charter, the Arts Council 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 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 the Arts Council's state of affairs at the year end and of our incoming resources and resources expended and cash flows for the financial year. They are also prepared so as to comply with the Charities Statement of Recommended Practice (revised 2005). In preparing the accounts, the accounting officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction* issued by the Secretary of State, which sets out accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed, and disclose and explain any material departures in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that Arts Council England will continue in operation

The accounting officer for DCMS has designated the chief executive as accounting officer for the Arts Council. The responsibilities of the accounting officer, which include the responsibility for the propriety and regularity of the finances for which the chief executive is answerable, and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum, issued by HM Treasury.

Alan Davey
Chief Executive
6 July 2010

Dame Liz Forgan
Chair
6 July 2010

* A copy of the Accounts Direction is available from the Accounting Officer, Arts Council England, 14 Great Peter Street, London SW1P 3NQ.

Statement on internal control

1. Scope of responsibility

As accounting officer and representative of the trustees, we have joint responsibility for maintaining a sound system of internal control that supports the achievement of Arts Council England's policies, aims and objectives, whilst safeguarding the public funds and assets for which we are responsible, in accordance with the responsibilities assigned to us in HM Treasury's Managing Public Money, together with ensuring compliance with the requirements of Arts Council England's Management Statement and Financial Memorandum.

The trustees of Arts Council England (national Council) acknowledge responsibility for the funds and assets of the Arts Council and for maintaining a sound system of internal control. Arts Council England's Performance and Audit Committee assists the national Council in fulfilling its responsibility.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the 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 economically. The system of internal control has been in place in Arts Council England for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

3. Capacity to handle risk

The Department for 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. There is some internal training and guidance available to staff on programme and project management incorporating guidance on risk management.

There is an internal communications process in place that ensures that all staff are informed about key decisions on a timely basis through appropriate media, including regular news updates on the intranet, cascaded briefings by line managers and presentations by members of the Executive Board, this system is currently under review to improve its effectiveness. There is also an external communications strategy that ensures that stakeholders, parliamentarians, press, funded bodies, and members of the general public receive appropriate and reliable information.

Arts Council England has in place a wide range of policies dealing with control issues for corporate governance, financial management (including fraud), project management, health and safety, training and development, information technology and risk management, all of which are reviewed and updated periodically.

4. The risk and control framework

The main elements of Arts Council England's risk and control framework are set out below:

4.1 Governance

In November 2009 a revised governance structure was approved which is designed to allow Council members to become closer to the business so that they may provide more appropriate challenge and support of the Executive Board as well as perform an increased level of Council scrutiny of the organisation's performance. The new committee structure is also designed to provide a better opportunity for Council members to make use of their individual expertise. In summary the new structure comprises:

4.1.1 National Council

Has responsibility and authority for governance, and for the overall budget and investment portfolio; advocates for the arts and the Arts Council formally and informally. The Council comprises a Chair and 16 non-executive members with a range of skills and experience. Council meetings are attended by Arts Council England's national office executive directors.

4.1.2 Regional arts councils

There are nine regional councils – one for each region – which provide advice, make funding decisions in relation to our portfolio of regularly funded organisations and advocate for the arts in England. Regional arts councils are responsible for supporting and promoting the organisation's mission and objectives in the region.

4.1.3 Arts policy committee

Considers and approves emerging strategic policy and Arts Council plans on behalf of national Council.

4.1.4 Arts investment committee

Oversees the implementation of investment and resource strategies; makes investment decisions on behalf of national Council; and recommends annual budgets to national Council for approval.

4.1.5 Performance and audit committee

This committee replaced the audit committee and provides a scrutiny function for the Arts Council, reviewing the performance of the Arts Council across the full range of its business and operations and makes recommendations for continuous improvement. In addition, it performs the functions expected of a traditional audit committee; it oversees risk management and internal and external audit.

The committees meet four to five times a year and will have approximately four to six national Council members. In addition the performance and audit committee will have up to three independent members.

4.1.6 Remuneration committee

Oversees the pay, performance and conditions of staff including the chief executive and the executive directors. The committee comprises four members of the performance and audit committee and at least one other national Council member.

4.1.7 Executive Board and management committee

Arts Council England's Executive Board is responsible for developing our policy on high level issues and overseeing the implementation of nationally agreed policies and plans. In addition there is a separate management committee which is responsible for operational decision making. Each has its own terms of reference and meets monthly.

4.2 Risk

During 2009/10 we continued to revise and update our risk management policies and procedures, and completed a review of our risk appetite which began in 2008/09. The series of risk workshops started in the previous year was continued through 2009/10 and these enable us to identify changes in our risk profile.

Our risk appetite is defined as follows:

The Arts Council is keen to encourage fully considered risk-taking in the context of promoting innovation and enabling creativity to flourish with the object of creating the conditions where great art can happen. At the same time, we ensure that we are at all times accountable to the public and comply with our statutory and reporting responsibilities.

During 2009/10, Arts Council England continued to manage risk at the strategic, operational, and individual project levels.

4.2.1 Strategic risks

The following strategic risks were identified at a strategic risk workshop in October 2008. These were monitored and discussed throughout the year both at Executive Board level and through a monthly risk report process to management committee.

The implementation of our organisation review programme was a key strategic risk during the year. The risks in relation to this programme were managed by an implementation board which met monthly and reviewed the risk management plan for the programme at each meeting. The implementation was concluded in May 2010 at which point any residual risks remaining were assigned an executive board owner to manage going forward.

We also identified the external environment as a strategic risk – the risk that there was the possibility of a 'perfect storm' of rising costs for arts organisations, the economic recession, and reduced government expenditure on the arts which could lead to a failure by the Arts Council to invest in excellence and innovation. This risk has been closely monitored as a regular agenda item at our executive board meetings during the year.

The final strategic risk identified was around capacity and capability of our IT systems. Since this risk was identified an independent review of our IT systems was commissioned and significant improvement work has taken place to mitigate the risk.

Another strategic risk workshop took place in April 2010 to review these risks and was attended by both members of the performance and audit committee, executive directors and senior managers.

4.2.2 Operational risks

The wider corporate risk register has also been reviewed on a monthly basis during the year to ensure that it is up-to-date and relevant. We use a 'traffic light' system to categorise risks as follows:

- red risks are those which have been identified as high level and are in addition to the strategic risks discussed above. These are mostly current and are considered likely to have a high impact.
- amber risks are those where there is a lower likelihood of risk materialising but where the impact is considered to be high profile or sensitive. Controls are in place for these risks but they require monitoring to ensure they remain effective. In some instances further action has been identified to reduce the impact of the risk.
- green risks are those which are low likelihood and impact and have good controls in place. These are being managed as part of the day-to-day responsibilities of core business functions.

Statement on internal control

4.2.3 Project risks

Each corporate programme and project is monitored against milestones and is supported by a risk management plan. Internal training and guidance to staff on programme and project management incorporates guidance on risk management.

The strategic, operational and projects related risks are used to inform objective setting and performance management of staff across the organisation.

Risk assessment and risk management are part of our grant assessment and monitoring processes. Policies and procedures for assessors and lead officers incorporate procedures for risk assessment. This is supplemented by training, briefing and quality assurance processes. Our internal auditors have raised a recommendation on improving our risk assessment procedures in relation to our regularly funded organisations. Enhanced procedures will be implemented during 2010/11. During the year a significant control weakness was identified in relation to an aspect of our grant assessment process which is discussed in detail in section 5.2.

The Arts Council undertakes a quarterly review of its risk register with a monthly report to management committee. The register captures risks identified across the organisation and categorises them by severity. The impact and likelihood of occurrence are evaluated by risk owners and decisions taken on whether to tolerate, transfer, terminate or treat the risk. Steps to mitigate each risk are identified and recorded in the register, actions to improve controls recorded and assigned to risk owners, and ultimate responsibility is given to a member of the Executive Board.

A summary of the high level risks is reviewed by the performance and audit committee at every meeting and is formally reported to the national Council in the annual performance and audit committee report. National Council also receives a regular report covering key risks in relation to funded organisations.

4.3 Audit

The annual programme of internal audit work is carried out by an external firm of accountants to standards defined in the Government 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 us and approved by the performance and audit committee. The internal auditors attend the audit part of all performance and audit committee meetings and 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. The internal and external auditors meet with the performance and audit committee annually with no officers present.

Internal audit services have been provided by Deloitte since April 2009.

5. Review of effectiveness

As accounting officer and representative of the trustees, we have responsibility for reviewing the effectiveness of the system of internal control. Our review of the effectiveness of the system of internal control is informed by the work of the internal auditors and 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. We have been advised on the implications of the result of our review of the effectiveness of the system of internal control by the national Council and the performance and audit committee. A plan to address weaknesses and ensure continuous improvement of the system is in place.

5.1 Assessment of our effectiveness during the year

Progress in achieving objectives set in the strategic corporate plan is monitored by the Executive Board and the national Council.

Throughout 2009/10 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, and completed a review of our risk appetite which began in 2008/09.

For 2009/10 internal audit reported that they are satisfied that sufficient internal audit work has been undertaken to allow them to provide a conclusion of 'reasonable assurance' on the design, adequacy and effectiveness of the system of internal control. They arrived at this conclusion having reviewed the following processes: operations at three of our regional offices, financial management, our newly established service centre, regularly funded organisations, management information and budgetary control, governance and information assurance.

Where weaknesses have been identified during the course of internal audit's work, these are reported to the performance and audit committee and an action plan agreed with management to implement the recommendations agreed as part of this process.

Significant developments to improve our internal controls which took place during the year include:

- the establishment of a central team in Manchester to assess and monitor grants for the arts applications and the introduction of an online application system
- significant improvements on information risk management including putting in place a more robust governance framework, the implementation of an information risk assessment process, delivery of training and guidance to staff and the clarification of roles and responsibilities of key staff through amended job descriptions
- the introduction of a new governance structure as outlined in section 4.1

5.2 Significant internal control issues

5.2.1 *Management and control of information risks*

In 2008/09 a specific risk was highlighted during the review of information governance arrangements, relating to the management and control of information risks. We have made significant steps in 2009/10 to ensure this control risk is addressed, and now have policies and controls in place to ensure the confidentiality, integrity and availability of our information and IT systems. These are compliant with the Cabinet Office's Security Policy Framework. A senior information risk owner has been appointed. Physical security of data is tightly controlled and no known losses have occurred during the period under review. Developments in this area will continue into 2010/11.

5.2.2 *Grant payment to national Council member*

During the year it came to our attention that in 2008 we awarded a grant of £10,165 through the Lottery funded Grants for the arts scheme to a national Council member.

Our Royal Charter provides that grants may only benefit charity trustees with the consent of the Charity Commission. Because we had not sought prior authorisation from the Charity Commission, the payment was made without the necessary authority, and therefore in breach of the requirements of our governing document.

The Council member did not declare in the application that they were a Council member, though it was stated in their CV which supported their application. The application form did not prompt them to declare any conflicts of interest. The grant systems at the time did not have adequate controls to pick up this unlawful payment. The Council member did not declare the benefit in their declaration of interests for the 2008/09 financial year.

We have taken the following actions in relation to the matter:

- the application has been independently reassessed by two members of Arts Council staff who were not involved with the original assessment. This was done to ensure that application was correctly evaluated on its own merit. The assessors agreed with the original scores.

However, as a result of the reassessment, it has been found that there was an error in the financial summary for the project which was not picked up by the original assessors. The amount granted should have been £4,565, instead of the £10,165 applied for.

Since the application was considered in March 2008 the financial section of the application form has been amended so that it is easier to understand for applicants and grant assessors, and is less likely to lead to errors such as this one. The new online application system introduced in April 2010 automatically ensures budgets add up correctly thereby eliminating the possibility of this recurring

- members of audit committee, the National Audit Office, the Charity Commission and DCMS were informed immediately and were kept informed throughout the investigations
- our internal auditors, Deloitte, completed an investigation of the control weaknesses. They also checked other instances had not occurred with respect to the other Council members

Since this grant was awarded we have introduced a system control which prevents an application being processed where the grant applicant is a national Council member. This control has been in place since January 2009 and we are confident that this control will prevent a situation such as this arising in the future.

When the Council member joined national Council in 2004 there was no standard induction agenda. While it appears that sufficient and detailed guidance relating to trustee benefits and conflicts of interest was provided to the Council member in the Council Handbook at the time of his appointment, there was no requirement to acknowledge in writing receipt and understanding of the handbook. We have now revised our induction procedures to include written confirmation.

Statement on internal control

National Council had a full discussion about all of the issues pertaining to both the original erroneous grant payment and the recommendations highlighted by the Deloitte report at their meeting on 12 January 2010. Council were satisfied that:

- Arts Council England now have appropriate systems in place to prevent this from recurring
- Arts Council England have taken all the necessary steps to investigate the matter.

National Council agreed that the £9,149 that has been paid by Arts Council to the Council member to date must be repaid by him in full, although payment terms have not yet been agreed. Council agreed that the Council member had applied for the grant in good faith.

6. Conclusion

The control framework as described above has operated throughout the year and no significant control weaknesses have been identified with the exception of the matter relating to the grant payment to a member of the Arts Council's national Council. As noted above, actions have been taken to address this risk.

Alan Davey
Chief Executive
6 July 2010

Dame Liz Forgan
Chair
6 July 2010

Independent Auditor's report to the Trustees of Arts Council England

I have audited the financial statements of Arts Council England for the year ended 31 March 2010. These comprise the statement of financial activities, the balance sheet, the cash flow statement and the related notes. 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.

Respective responsibilities of the Trustees, Chief Executive and auditor

The Trustees and Chief Executive as accounting officer are responsible for preparing the Trustees' report and management commentary, which includes the remuneration report, and the financial statements in accordance with the direction made by the Secretary of State under the Royal Charter and for ensuring the regularity of financial transactions funded by Parliamentary grant-in-aid. These responsibilities are set out in the Statement of Trustees' and Chief Executive's responsibilities.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the direction issued by the Secretary of State under the Royal Charter. I report to you whether, in my opinion, the information, which comprises the Trustees' report and management commentary, is consistent with the financial statements. I also report whether in all material respects the incoming and outgoing resources funded by grant-in-aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if Arts Council England has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects Arts Council England's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of Arts Council England's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Trustees' Report and management commentary and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the remuneration report to be audited. It also includes an assessment of the significant estimates and judgments made by the Trustees and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to Arts Council England's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the remuneration report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the incoming and outgoing resources funded by grant-in-aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the remuneration report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the direction made by the Secretary of State under the Royal Charter, of the state of Arts Council England's and the group's affairs as at 31 March 2010 and of its incoming resources and application of resources of the group for the year then ended
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the direction made by the Secretary of State under the Royal Charter
- information, which comprises the Trustees' report and management commentary is consistent with the financial statements

Independent Auditor's report to the Trustees of Arts Council England

Opinion on regularity

In my opinion, in all material respects, the incoming and outgoing resources funded by grant-in-aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Report of the Comptroller and Auditor General

This report outlines the circumstances surrounding the award and subsequent payment of a grant to a member of the national Council of Arts Council England, and the impact on the financial statements and my audit. The national Council members are the Trustees of Arts Council England, a registered charity.

In the 2009/10 financial year Arts Council England became aware that during 2008/9 the Lottery funded Grants for the arts scheme had awarded a grant of £10,165 to a member of the national Council, of which £9,149 was subsequently paid during that year. The national Council have oversight of the award and payment of grants from both the grant-in-aid provided by the Department for Culture, Media and Sport and Lottery funds from the National Lottery Distribution Fund.

Arts Council England (and the Charity Commission) have reviewed the grant payment and concluded that it was not duly authorised, as a charity trustee may not benefit directly or indirectly from funds controlled by the charity, unless the charity's governing document explicitly allows it, or the necessary authority is provided by the Charity Commission. In this instance, Arts Council England's Royal Charter precludes grant payments to trustees, unless authorised by the Charity Commission. The Commission's approval was not sought, nor given.

The trustee failed to declare the application for a grant at the time or subsequently, for example in their annual declaration of interests or at formal meetings, contrary to Arts Council England's code of conduct. Arts Council England's grant management system failed to identify this application as a conflict of interest. The grant was assessed, awarded and payment made to the trustee.

Additionally, on review of the application following its discovery, an error was identified in the application: the award should have been for £4,565.

Since the case came to light, the Arts Council England have reviewed and implemented changes in the grant management and internal control procedures to minimise the risk of recurrence.

The national Council have agreed that the £9,149 must be repaid in full by the trustee, although repayment terms have not yet been agreed. The remaining balance of grant of £1,016 will be reallocated.

Arts Council England has outlined the issue and subsequent actions to mitigate the risks of such payments occurring in future in the Statement on Internal Control.

My audit has confirmed the facts of this issue, disclosure in the financial statements and the Statement on Internal Control, and that the circumstances have been reported to the Charity Commission. The Charity Commission have issued a Regulatory Case Report on this matter.

I am satisfied that there is no material impact on my audit opinion for these financial statements.

I have no other observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157–197 Buckingham Palace Road
London SW1W 9SP

16 July 2010

Statement of financial activities

For the year ended 31 March 2010

	Note	Unrestricted funds £000s	Restricted funds £000s	Total 2009/10 £000s	Total 2008/09 £000s
Incoming resources					
Incoming resources from generated funds					
Voluntary income	2	442,812	10,152	452,964	437,631
Investment income	2	73	0	73	2,138
Incoming resources from charitable activities	3	250	7,915	8,165	9,033
Total incoming resources		443,135	18,067	461,202	448,802
Resources expended					
Charitable activities	4	439,788	17,732	457,520	444,613
Governance costs		442	0	442	464
Total resources expended		440,230	17,732	457,962	445,077
Net incoming/(outgoing) resources before exceptional items		2,905	335	3,240	3,725
Exceptional items					
Cost of fundamental reorganisation	27	(1,607)	0	(1,607)	(3,190)
Net incoming/(outgoing) resources after exceptional items		1,298	335	1,633	535
Notional costs					
Cost of capital	8	(1,009)	0	(1,009)	(980)
Net incoming resources after notional costs		289	335	624	(445)
Reversal of notional costs		1,009	0	1,009	980
Net incoming/(outgoing) resources for the year	9	1,298	335	1,633	535
Gain on revaluation of tangible fixed assets	10	5,523	0	5,523	1,034
Net movement in funds		6,821	335	7,156	1,569
Balance brought forward at 1 April 2009		117,450	1,818	119,268	117,699
Transfers		547	(547)	0	0
Balance carried forward at 31 March 2010		124,818	1,606	126,424	119,268

The notes on pages 82 to 104 form part of these accounts

Balance sheet

As at 31 March 2010

	Note	Unrestricted funds £000s	Restricted funds £000s	Total 31 March 2010 £000s	Total 31 March 2009 £000s
Heritage assets					
Works of art	10	96,966	0	96,966	91,081
Fixed assets					
Tangible assets	10	10,207	0	10,207	8,618
Current assets					
Debtors	12	1,715	2,500	4,215	7,985
Due from Arts Council Lottery accounts		4,050	0	4,050	0
Grants paid in advance	13	2,054	0	2,054	3,295
Cash at bank and in hand	24	30,915	4,914	35,829	38,721
		38,734	7,414	46,148	50,001
Creditors: amounts falling due within one year					
Grants outstanding		12,682	4,859	17,541	19,515
Due to Arts Council Lottery accounts		0	0	0	459
Creditors	14	6,011	81	6,092	4,046
Provisions for liabilities and charges	15	3,247	17	3,264	6,412
		21,940	4,957	26,897	30,432
Net current assets		16,794	2,457	19,251	19,569
Total assets less current liabilities		123,967	2,457	126,424	119,268
Represented by income funds					
	21				
Unrestricted fund		17,371	0	17,371	17,442
Restricted fund		0	1,606	1,606	1,818
Represented by capital funds					
	21				
Designated fund		96,389	0	96,389	90,539
Donated asset reserve		0	851	851	851
Capital reserve		10,207	0	10,207	8,618
		123,967	2,457	126,424	119,268

The notes on pages 82 to 104 form part of these accounts

Alan Davey
Chief Executive
6 July 2010

Dame Liz Forgan
Chair
6 July 2010

Cash flow statement

For the year ended 31 March 2010

	Note	2009/10 £000s	2008/09 £000s
Operating activities			
Funds received from the Department for Culture, Media and Sport		456,964	432,981
Other cash receipts		7,933	4,915
Grants paid to arts organisations and other bodies		(418,845)	(399,362)
Cash paid to and on behalf of employees		(26,515)	(29,926)
Other cash payments		(18,887)	(21,751)
Net cash inflow from operating activities		650	(13,143)
Interest received on short-term cash deposits		73	2,138
Net cash inflow from returns on investments		73	2,138
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(3,616)	(2,664)
Sale of tangible fixed assets		0	0
Net cash (outflow) from capital expenditure		(3,616)	(2,664)
Decrease in cash	22/23/24	(2,893)	(13,669)

The notes on pages 82 to 104 form part of these accounts

Notes to the grant-in-aid accounts

1 Accounting policies

a) Basis of accounts

We have prepared these accounts in accordance with the Accounts Direction issued by the Secretary of State for 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 Statement of Recommended Practice (SORP) issued by the Charity Commission in 2005.

The accounts are prepared on 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 2009/10, the values of fixed assets expressed in current cost terms, with the exception of the works of art collection and freehold land and buildings, are not materially different to historic costs. Therefore these fixed assets are shown at historic cost on the balance sheet. Freehold land and buildings are revalued every five years to current market value and are included at this valuation on the balance sheet.

Separate accounts have been prepared for the Arts Council's Lottery activities, in accordance with the directions issued by the Secretary of State, which follow different accounting policies. Grant commitments are recognised in the Lottery accounts once grant offers are accepted. Grant commitments in the grant-in-aid accounts are recognised when the offer is issued. Consequently, 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 the Arts Council's resources. In this respect, we have not been able to comply with paragraph 381 of the SORP issued by the Charity Commission in 2005. However, we have included a summary of the consolidated figures for our combined activities and an estimate of the impact of the change in accounting policy on the Lottery accounts in the management commentary on page 68.

We have a fully owned subsidiary company, Artco Trading Limited, as detailed in note 28 to the accounts. We do not consider that this company is material enough to require us to produce separate consolidated accounts, therefore the grant-in-aid accounts include this subsidiary company's assets and liabilities.

b) Incoming resources

Grant-in-aid from the Department for Culture, Media and Sport allocated to general purposes is taken to the statement of financial activities in the year in which it is received. All other income is accounted for on a receivable basis.

c) Expenditure

Grant expenditure is charged to the statement of financial activities in the year in which funded activities take place. 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 16 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. The trustees do not believe this would provide a true and fair view of the Arts Council's resources. In this respect, we have not been able to comply with paragraph 159 of the SORP issued by the Charity Commission in 2005. 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.

d) Depreciation and fixed assets

Depreciation is provided on all tangible fixed assets (excluding freehold land and works of art) 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. Donated fixed assets are capitalised and included as income at market value in the year in which they are received. All individual assets valued greater than £2,000 are capitalised, except our freehold interests in the Southbank Centre and National Theatre as described in notes 19 and 20 of these accounts.

Our works of art collection is revalued at market value on a rolling basis, with all assets being revalued at least once every five years, and the highest value items at least every three years. The collection is treated as an operational heritage asset, and is not held for the purpose of re-sale.

e) Leases

Costs in respect of operating leases are charged to the income and expenditure account on a straight line basis over the life of the lease.

f) Taxation

Arts Council England as a registered charity (1036733), is exempt from taxation on its income and gains falling within Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that they are applied to its charitable objectives. No tax charge has arisen in the year.

g) 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. However, as these are multi-employer schemes, we cannot identify our share of the underlying assets and liabilities. We have therefore accounted for the schemes as if they were defined contribution schemes, in accordance with FRS17 Retirement Benefits, with the costs of the schemes charged to the statement of financial activities.

h) 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 on a full cost basis in accordance with good accounting practice.

The notes to the statement of financial activities are shown before costs apportioned to the Arts Council Lottery distribution accounts.

In accordance with the SORP 2005 we have apportioned support costs between our different activities. We have used an estimate of staff time spent on each activity to do this.

i) Notional costs

In accordance with HM Treasury guidance, the notional cost of capital is charged in the statement of financial activities in arriving at a net incoming/(outgoing) resources figure. This is then added back in the statement of financial activities, and so no provision is included on the balance sheet.

j) Financial instruments

We have adopted FRS 25, 26 and 29 on financial instruments.

Notes to the grant-in-aid accounts

2 Voluntary and investment income

	Unrestricted funds £000s	Restricted funds £000s	Total 2009/10 £000s	Total 2008/09 £000s
Voluntary income				
Cash grant-in-aid voted by Parliament and paid in full				
Core funding	442,812	0	442,812	437,631
Ringfenced funds	0	10,152	10,152	0
Grant-in-aid as shown in the statement of financial activities	<u>442,812</u>	<u>10,152</u>	<u>452,964</u>	<u>437,631</u>

Investment income relates to interest received on an interest bearing deposit account.

3 Incoming resources from charitable activities

	Unrestricted funds £000s	Restricted funds £000s	Total 2009/10 £000s	Total 2008/09 £000s
Grants, sponsorship and donations received				
Local authorities	0	702	702	754
Non-government bodies	0	3,409	3,409	145
Other central government bodies	15	3,423	3,438	6,427
Other grants, sponsorships and donations	21	224	245	679
Sundry	214	157	371	1,028
Net incoming/(outgoing) resources for the year	250	7,915	8,165	9,033
Grants, sponsorship and donations are analysed as follows:	£000s	£000s	£000s	£000s
Local authorities				
Association of Greater Manchester Authorities	0	340	340	340
Greater London Authority*	0	261	261	313
Oldham Borough Council	0	101	101	101
Non-government bodies				
Culture South West	0	0	0	105
Esmée Fairbairn Foundation	0	114	114	0
John S Cohen Foundation	0	0	0	40
Legacy Trust UK	0	3,121	3,121	0
Screen South	0	128	128	0
The Art Fund	0	46	46	0
Other central government bodies				
Arts Council of Northern Ireland	15	150	165	150
Arts Council of Wales	0	150	150	150
Culture East Midlands	0	0	0	50
Department for Business, Innovation and Skills	0	406	406	0
Department for Children, Schools and Families	0	550	550	331
Department for Culture, Media and Sport	0	370	370	650
Department of Communities and Local Government	0	0	0	140
East Midlands Development Agency	0	106	106	586
English Heritage	0	69	69	0
European Regional Development Fund	0	0	0	1,480
European Social Fund	0	0	0	2,468
London Development Agency	0	1,079	1,079	218
Museums, Libraries and Archives Council	0	52	52	0
Scottish Arts Council	0	175	175	0
South West Regional Development Agency	0	43	43	0
Sport England	0	0	0	53
West Midlands Regional Assembly	0	82	82	0
Yorkshire Forward	0	191	191	151
Other grants, sponsorship and donations	21	224	245	679
	36	7,758	7,794	8,005

* Includes BIG Lottery funding of £252,000 for Well London programme through Greater London Authority

Notes to the grant-in-aid accounts

4a) Charitable activities

	Activities undertaken directly £000s	Grant funding of activities £000s	Net support costs £000s	Total 2009/10 £000s	Total 2008/9 £000s
Regularly funded organisations	0	344,635	8,642	353,277	340,924
Grants for the arts	0	6	0	6	2,539
Strategic development, communications and advocacy	10,614	57,790	15,646	84,050	90,188
Other	1,691	16,071	3,372	21,134	11,893
Lapsed and revoked commitments	0	(947)	0	(947)	(931)
	12,305	417,555	27,660	457,520	444,613

- regularly funded organisations are those organisations of strategic importance with which the Arts Council has long term, multi-year funding agreements
- strategic 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
- from 1 April 2009, Creative Partnerships transferred to Creativity, Culture and Education, a charity set up to deliver Creative Partnerships activity, funded by the Arts Council and the Department for Children, Schools and Families
- other restricted funds are those specific projects delivered through funds provided by partners as detailed in note 3

4b) Analysis of grant funding by office

	Regularly funded organisations £000s	Grants for the arts individuals £000s	Other £000s	Total 2009/10 £000s	Total 2008/09 £000s
East	10,757	2	832	11,591	10,642
East Midlands	11,140	0	1,142	12,282	11,844
London	178,412	0	6,082	184,494	175,130
North East	14,278	0	1,179	15,457	21,030
North West	23,982	0	2,467	26,449	25,161
South East	14,378	4	781	15,163	14,774
South West	16,991	0	911	17,902	17,413
West Midlands	47,576	0	1,656	49,232	47,372
Yorkshire	26,994	0	868	27,862	27,095
National	127	0	57,836	57,963	10,210
Creative Partnerships	0	0	107	107	32,477
	<u>344,635</u>	<u>6</u>	<u>73,861</u>	<u>418,502</u>	<u>393,148</u>

4c) Analysis of grants by recipient

	Grants to institutions £000s	Grants to individuals £000s	Total 2009/10 £000s	Total 2008/09 £000s
Regularly funded organisations	344,635	0	344,635	332,780
Grants for the arts	0	6	6	2,539
Strategic funding and activity	56,832	1,154	57,986	18,158
Other restricted funds	15,735	33	15,768	7,194
Creative Partnerships	107	0	107	32,477
	<u>417,309</u>	<u>1,193</u>	<u>418,502</u>	<u>393,148</u>

4d) Analysis of support costs

	Unrestricted £000s	Creative Partnerships £000s	Less recharge to Lottery £000s	Total 2009/10 £000s	Total 2008/09 £000s
Staff costs	23,916	103	(8,509)	15,510	18,033
Agency staff costs	2,324	55	(825)	1,554	1,623
Depreciation	2,040	0	(724)	1,316	1,164
Travelling, subsistence and entertainment	1,470	0	(530)	940	1,387
Rent and rates	4,347	1	(1,543)	2,805	3,048
Professional fees	928	19	(385)	562	1,690
Office and sundry	6,285	14	(2,264)	4,035	3,548
Irrecoverable Value Added Tax	1,461	6	(529)	938	1,740
	<u>42,771</u>	<u>198</u>	<u>(15,309)</u>	<u>27,660</u>	<u>32,233</u>
Corporate governance costs				442	464
				<u>28,102</u>	<u>32,697</u>

Notes to the grant-in-aid accounts

4e) Analysis of support costs by area of expenditure

	Unrestricted £000s	Creative Partnerships £000s	Less recharge to Lottery £000s	Total 2009/10 £000s	Total 2008/09 £000s
Direct support costs to front line delivery					
Advocacy and communications	1,312	0	(465)	847	958
Arts strategy and research	2,198	0	(779)	1,419	1,417
Investment and information management	1,144	0	(405)	739	1,444
Regional delivery	19,459	0	(6,894)	12,565	12,584
Creative Partnerships	0	198	0	198	5,460
	24,113	198	(8,543)	15,768	21,863
Management and administration					
Finance	1,243	0	(440)	803	910
Human resources	3,165	0	(1,121)	2,044	1,212
IT	5,698	0	(2,019)	3,679	3,248
Property, procurement and legal services	3,611	0	(1,280)	2,331	1,821
Other costs including management costs	4,941	0	(1,906)	3,035	3,179
Creative partnerships	0	0	0	0	0
	18,658	0	(6,766)	11,892	10,370
Total support costs	42,771	198	(15,309)	27,660	32,233

Costs are allocated between programmes based on an activity analysis completed by each office detailing the estimated time spent by all staff on each of the programmes funded from grant-in-aid. This includes analysis of time spent on corporate governance activities where relevant.

The proportion of support costs chargeable to the Lottery accounts is based on the proportion of payments made for Lottery-funded programmes. In 2009/10 £825,000 of costs (2008/09: £1,643,000) were also apportioned to Lottery accounts to provide for the cost of fundamental reorganisation.

Corporate governance costs are defined as those costs which relate to the general running of the Arts Council rather than direct management functions, providing the governance infrastructure that allows the Arts Council through national Council to operate.

5 Staff costs

	2009/10 Unrestricted activities £000s	2009/10 Creative Partnerships £000s	2009/10 Total £000s	2008/09 Total £000s
Salaries and wages	20,995	78	21,073	23,776
Employer's National Insurance	1,724	8	1,732	1,895
Employer's pension contributions	3,906	17	3,923	4,255
Agency staff	2,623	47	2,670	2,883
	29,248	150	29,398	32,809

Included within salaries and wages are amounts recharged to the Lottery accounts of £9,334,000 and redundancy costs not related to fundamental reorganisation which fell due during the year of £642,000 (2008/09: £447,000). These costs arose following the closure of programmes, and other contractual payments falling due for those leaving the organisation, not as a result of fundamental reorganisation. Staff costs also include £2,895,000 (2008/09 £4,490,000) for staff involved in direct delivery of programmes. These are included in activities undertaken directly in note 4.

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

	Permanent staff	Agency staff	2009/10	Restated 2008/09
Direct delivery of programmes	53	11	64	46
Support and corporate governance	526	71	597	589
Creative Partnerships	2	1	3	123
	581	83	664	758

Included within the average number of employees during 2008/09 are 91 who were contracted as agency staff.

Notes to the grant-in-aid accounts

The number of employees whose remuneration including redundancy pay exceeded £60,000 for the year are detailed below. These figures do not include executive directors who are listed in the remuneration report.

Emoluments for the year

	2009/10	2008/09
£60,000–£69,999	21	14
£70,000–£79,999	23	4
£80,000–£89,999	12	3
£90,000–£99,999	7	
£100,000–£109,999	8	2
	71	23

Of these employees, 54 received redundancy pay and 67 employees were in a final salary pension scheme for which the employer's contributions during the year amounted to £716,416.

6 Council members' expenses

It is part of Council members' duties to assess artistic work. The cost of their tickets for attendance at performances and events is met by the Arts Council. In 2009/10, the total cost of tickets purchased for this purpose was £3,663 (2008/09: £3,300). All our Council members are able to claim back their travel and subsistence costs. The total amount reimbursed in the year is shown in note 9.

7 Pensions

We are a participating employer in the Arts Council Retirement Plan (1994), and the West Yorkshire Pension Fund and also contribute to a group personal pension arrangement.

Arts Council Retirement Plan (1994)

The scheme is a defined benefit scheme. Other employers contributing to the Scheme are – the Arts Council of Wales, the Scottish Arts Council, the Crafts Council and Creativity, Culture and Education. From 2009/10 Creativity, Culture and Education became a contributor to the scheme on behalf of those staff transferring from Creative Partnerships to CCE. 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 FRS17 Retirement Benefits.

The scheme is financed by payments by Arts Council England and employees into a trustee-administered fund independent of Arts Council England's finances. These contributions are invested by a leading fund management company. The net market value of the scheme's assets at 31 March 2010 was £70.7 million.

An actuarial valuation of the pension fund takes place at least every three years. At the last valuation on 31 March 2007 the actuarial value of the assets using the projected unit method was sufficient to cover 75% of the value accrued to members, a deficit of £18,800,000. As a result, and on the advice of the actuary, we are now paying employer's contributions of 25.1% of pensionable salary or 23.1% for staff who started after 1 July 2006.

The main long-term assumptions used for the actuarial valuation were as follows:

Price inflation rate	3.2%
Rate of pay increases	4.7%
Rate of pension increases	3.2%

Amounts due to the fund at 31 March 2010 were £nil (31 March 2009: £nil).

West Yorkshire Pension Fund

We are an admitted member of the West Yorkshire Pension Fund. Providing pensions to over 200,000 members in 181 mainly local government organisations, 94 Arts Council staff participate in this scheme. The scheme is a defined benefit scheme. However, 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 FRS17 Retirement Benefits.

The net market value of total scheme assets at 31 March 2010 was £7.9 billion.

An actuarial valuation of the pension fund takes place every three years. At the last valuation on 31 March 2007, the actuarial value of the assets using the projected unit method was sufficient to cover 90% of the value accrued to members. During 2009/10 employer's contributions were set at 20.1%, which will rise to 22.7% in 2010/11.

The main long-term assumptions used for the actuarial valuation were:

Rate of inflation	3.1%
Rate of pay increases	4.9%
Rate of pension increases	3.1%

Amounts due to the fund at 31 March 2010 were £nil (31 March 2009: £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, their past service remained with the legacy pension provider as detailed below:

East England Arts	Cambridgeshire Council
East Midlands Arts	Nottingham Council
Northern Arts	Tyne & Wear Pension Fund
North West Arts	Greater Manchester 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 is responsible for meeting any further liabilities relating to Regional Arts Board employees which arise in respect of these funds. Liabilities in relation to three schemes have been addressed. The remaining schemes have not indicated that any liability exists. No provision has been made in these accounts for potential sums payable, because of the uncertain nature of these liabilities.

8 Notional costs

Notional cost of capital is calculated as £1,009,000 – 3.5% (2008/09: £980,000 – 3.5%) of the average net assets employed by the Arts Council in the year.

Notes to the grant-in-aid accounts

9 Net incoming resources for the year

	Unrestricted activities	2009/10 £000s	2008/09 £000s
Net incoming resources of £1,633,000 (2008/09: £535,000) are stated after charging:			
(a) auditors' remuneration	62	68	75
(b) operating leases	3,716	3,716	3,784
(c) Council members' travel, subsistence and hospitality for the 12 serving members during the year	15	15	24
(d) insurance: trustees' and senior officers' indemnity	14	14	14

10 Heritage assets and tangible fixed assets

	Buildings and leasehold improvements £000s	Equipment fixtures and fittings £000s	Vehicles £000s	Heritage assets: works of art £000s	Total £000s
Costs at 1 April 2009	12,701	4,052	18	91,081	107,852
Additions	2,740	932	0	327	3,999
Revaluations	(35)	0	0	5,558	5,523
Less: disposals	0	0	(18)	0	(18)
Cost at 31 March 2010	15,406	4,984	0	96,966	117,356
Depreciation at 1 April 2009	5,208	2,931	14	0	8,153
Less: Depreciation on disposals	0	0	(14)	0	(14)
Revaluations	0	0	0	0	0
Provided for 2009/10	1,405	639	0	0	2,044
Depreciation at 31 March 2010	6,613	3,570	0	0	10,183
Net book value at 31 March 2010	8,793	1,414	0	96,966	107,173
Net book value at 31 March 2009	7,493	1,121	4	91,081	99,700
				31 March 2010 £000s	31 March 2009 £000s
Freehold				760	797
Short leasehold improvements				8,033	6,696
				8,793	7,493

Our freehold property in Dewsbury was professionally revalued at 31 March 2010 by Drivers Jonas to an open market value of £565,00, a reduction of £35,000 on the previous valuation.

During the year, the work to refurbish our head office in London was completed, accounting for the change in building and leasehold improvements.

Works of art and poetry collection

The Arts Council Collection has been valued by the curator at £96,966,000 at 31 March 2010 (31 March 2009: £91,081,000). Valuation of the whole collection is undertaken on a rolling programme by the Hayward Gallery, who manage the collection as curator on behalf of the Arts Council. The collection has been built up since 1945, and comprises 7,569 items. It is accessible online at www.artscouncilcollection.org.uk. The purpose of the collection is to increase the understanding and appreciation of contemporary art and to widen the audience for contemporary art through loans to other galleries, public institutions and exhibitions. It is not held for investment or resale.

Arts Council England also owns a library of 20th century poetry that is managed by the Hayward Gallery. Due to the difficulty in obtaining an accurate valuation for this asset it has not been included on the balance sheet.

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. 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.

12 Debtors

	General activities	Creative Partnerships	31 March 2010 £000s	31 March 2009 £000s
DCMS debtor	0	0	0	4,650
Trade debtors	758	8	766	1,564
Other debtors	184	0	184	200
Prepayments and accrued income	3,265	0	3,265	1,571
	4,207	8	4,215	7,985

13 Grants paid in advance

The Arts Council does permit organisations to draw down cash from a future year's funding agreement to cover short term cash flow problems. Advances of £2,054,000 (2008/09: £3,295,000) were only made where there was sufficient evidence from cash flows that an advance was necessary.

Notes to the grant-in-aid accounts

14 Creditors: amounts falling due within one year

	General activities	Creative Partnerships	31 March 2010 £000s	31 March 2009 £000s
Trade creditors	758	0	758	786
Other creditors including taxes and social security	358	0	358	40
Accruals	4,895	81	4,976	3,220
	<u>6,011</u>	<u>81</u>	<u>6,092</u>	<u>4,046</u>

15 Provisions for liabilities and charges

	General activities	Creative Partnerships	31 March 2010 £000s	31 March 2009 £000s
Legal cases and challenges	116	0	116	1,081
Employment entitlements	70	0	70	46
Redundancies	0	34	34	77
Building dilapidations	362	0	362	10
Cost of fundamental reorganisation	2,682	0	2,682	5,198
	<u>3,230</u>	<u>34</u>	<u>3,264</u>	<u>6,412</u>

All provisions are expected to be spent within one year.

16 Grant offers

	31 March 2010 £000s	31 March 2009 £000s
Forward funding:		
2009/10	n/a	345,539
2010/11	361,059	352,900
2011/12	n/a	n/a
	<u>361,059</u>	<u>698,439</u>

Forward funding at 31 March 2010 mainly represents allocations for regularly funded organisations for the three year funding cycle to 2010/11 that were announced in January 2008.

17 Leases

At 31 March 2010 the Arts Council had annual commitments under non-cancellable operating leases as set out below.

	Land and buildings 31 March 2010 £000s	Land and buildings 31 March 2009 £000s
Operating leases which expire:		
within one year	85	158
within two and five years inclusive	1,751	757
over five years	1,073	2,324
	2,909	3,239

18 Capital commitments

There were contracted capital commitments at 31 March 2010 of £1,441,000 (31 March 2009: £254,000). This represents amounts committed against changes, repairs and refurbishment of Arts Council offices.

19 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.

20 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.

Notes to the grant-in-aid accounts

21 Reconciliation of movements in funds

	At 1 April 2009 £000s	Income £000s	Expenditure £000s	Transfers £000s	At 31 March 2010 £000s
Income funds					
Unrestricted funds	16,555	443,135	(441,876)	(1,330)	16,484
Revaluation reserve	887	0	0	0	887
Restricted funds					
Other restricted funds	1,818	18,067	(17,732)	(547)	1,606
Capital funds					
Designated funds	4,245	0	0	327	4,572
Donated asset reserve	851	0	0	0	851
Capital reserve	8,618	0	39	1,550	10,207
Revaluation reserve	86,294	5,523	0	0	91,817
	<u>119,268</u>	<u>466,725</u>	<u>(459,569)</u>	<u>0</u>	<u>126,424</u>

Description of funds

Income funds

a) Unrestricted funds

Grant-in-aid is received from the Department for 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 subject to HM Treasury end year flexibility regulations.

b) Revaluation reserve

This relates to the unrealised surplus on revalued freehold properties, and the revaluation of the Arts Council Collection.

Restricted funds

The Arts Council receives grants, sponsorship and donations from various sources for specific activities. Any such income and associated expenditure is identified separately. The balance is represented as follows:

	31 March 2010 £000s	31 March 2009 £000s
Department for Culture, Media and Sport (Creative Partnerships)	1,650	1,663
Other	(44)	155
	<u>1,606</u>	<u>1,818</u>

Capital funds**a) Designated funds**

This fund relates to capital expenditure on works of art allocated from the unrestricted fund. The transfer figure of £327,000 relates to additions to the collection purchased during the year from unrestricted funds less disposals in the year.

b) Donated asset reserve

This fund relates mainly to donations received by the Arts Council for obtaining works of art for our collection.

c) Capital reserve

The capital reserve represents the balance of tangible assets.

d) Revaluation reserve

Due to improvements in our system for valuing works of art we are now able to show our collection at full market value on the balance sheet. The difference between the cost and market value of the collection is included in this fund.

22 Cash flow reconciliation

	2009/10 £000s	2008/09 £000s
Operating surplus	7,156	1,569
Interest receivable	(73)	(2,138)
Depreciation charges	2,044	1,749
Revaluation of fixed assets	(5,523)	(1,034)
(Increase)/decrease in debtors and prepayments	(739)	(6,134)
(Increase)/decrease in grants paid in advance	1,241	2,746
Increase/(decrease) in grants outstanding	(1,974)	(9,891)
Increase/(decrease) in creditors	1,666	(5,341)
Increase/(decrease) in provisions	(3,148)	5,331
Net cash inflow/(outflow) from operating activities	650	(13,143)

23 Reconciliation of net cash flow to movement in funds

	2009/10 £000s	2008/09 £000s
Decrease in cash in the year	(2,892)	(13,669)
Funds at 1 April 2009	38,721	52,390
Funds at 31 March 2010	35,829	38,721

24 Analysis of net cash

	1 April 2009 £000s	Cash flow £000s	31 March 2010 £000s
Cash	38,721	(2,892)	35,829

Notes to the grant-in-aid accounts

25 Related parties

25a) 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. These are the interests in grant recipients declared for the year ended 31 March 2010:

Grant for the year ended 31 March 2010 £000s	Balance unpaid at 31 March 2010 £000s	Organisation	Council member	Relationship
0	1	The British Museum	Liz Forgan	Board member
70	40	York Museums Trust	Janet Barnes	Chief Executive
706	7	Rich Mix Cultural Foundation	Keith Khan	Former Chief Executive
16	16	London Organising Committee of the Olympic Games and Paralympic Games		Employee
20,265	4	Southbank Centre		Former employee
0	50	The Big Art Trust	François Matarasso	Board member
645	168	Clore Leadership Programme		Former Fellow
10	0	Newcastle University	Dr Tom Shakespeare	Employee
70	0	Monster Productions		Former board member
0	1	Culture West Midlands	Dorothy Wilson	Board member
275	0	Motionhouse Dance Theatre		Board member
0	2	Midlands Arts Centre		Employee
267	1	Nitro	Lady Sue Woodford Hollick	Family member is employee
20,265	4	Southbank Centre		Partner is former Chair
215	2	Free Word		Board member
0	45	Tate Modern		Former advisory council member
1,234	3	Whitechapel Gallery	Alice Rawsthorn	Trustee
1,034	4	The Roundhouse	Kentaké Chinyelu-Hope	Trustee
225	7	Writers' Centre Norwich	Professor Jon Cook	Board member
0	31	British Centre For Literary Translation		Employee of the University of East Anglia and line manager for director of BCLT
25	3	The Otolith Group	Ekow Eshun	Family member is employee
1,444	25	Institute of Contemporary Arts		Employee
268	4	Dance UK	Alistair Spalding	Former Chair
2,428	13	Sadler's Wells Trust		Chief Executive
515	1	The Dance Consortium Limited		Director

Grant for the year ended 31 March 2010 £000s	Balance unpaid at 31 March 2010 £000s	Organisation	Council member	Relationship
574	0	Dance Umbrella	Rosemary Squire	Board Member
30	12	Ambassador Theatre Group		Joint Chief Executive with partner
527	0	Donmar Warehouse Theatre		Director, and partner is director
2,177	63	Rambert Dance Company		Partner is Chair
257	64	The Hall for Cornwall Trust		Director
184	10	Contemporary Art Society	Caroline Collier	Board Member
0	45	Tate Modern		Employee
282	35	Barbican Centre	Nicholas Kenyon	Managing Director
257	0	Cheek By Jowl Theatre Company		Other/resident company at the Barbican Centre
2,315	1	London Symphony Orchestra		Other/resident company at the Barbican Centre
174	0	Modern Masterpieces		Other/resident company at the Barbican Centre
494	3	Serious Events Ltd		Other/resident company at the Barbican Centre
18,011	61	English National Opera		Board member
16	16	London Organising Committee of the Olympic Games and Paralympic Games		Cultural Olympiad board member
3,763	26	North Music Trust		Board member
668	167	The Dartington Hall Trust t/a Dartington Plus		Trustee
378	0	Birmingham Opera Company	Peter Phillips	Board member
6,621	29	Welsh National Opera		Board member

Notes to the grant-in-aid accounts

25b) 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. These are the interests in grant recipients declared for the year ended 31 March 2010:

Grant for the year ended 31 March 2010 £000s	Balance unpaid at 31 March 2010 £000s	Organisation	Executive Director/ Senior Manager	Relationship
1,146	59	Modern Art Oxford	Andrew Nairne	Former employee and associate, and family member is on board
50	0	National Campaign for the Arts		Family member is on board
452	11	Royal College of Art		Family member is on board
10	10	National Museums Directors' Conference		Family member is on board
0	2	Media Trust	Andrew Whyte	Non-pecuniary board member and trustee
0	45	The Community Channel		Non-pecuniary board member and trustee
1,030	0	Almeida Theatre Company	Anupam Ganguli	Former board member
152	1	Chisenhale Gallery		Former board member
1,599	393	Hampstead Theatre	Barbara Mathews	Former board member
56	2	National Student Drama Festival		Former board member
68	0	London Arts in Health Forum	Moira Sinclair	Former Chair
406	361	The Stables		Partner is employee
125	0	Ixia	Margaret Bolt	Board member
30	40	Regeneration East Midlands	Michaela Butter	Board member
30	3	Swindon Cultural Partnership	Christopher Humphrey	Board member
0	1	Hastings Borough Council	Felicity Harvest	Family member is elected member
45,654	1	Creativity, Culture and Education	Mary Wright	Secondment
68	0	London Arts in Health Forum	Amanda Smethurst	Former board member
1,234	3	Whitechapel Gallery	Lucinda Derry	Sabbatical at Whitechapel
108	20	Malvern Theatres Trust Ltd	Phil Gibby	Trustee
106	0	The Wiltshire Music Centre Trust		Former trustee
33	3	Theatre Bristol		Partner is employee
60	6	Tobacco Factory Arts Trust		Trustee
6,621	29	Welsh National Opera Limited		Employee
154	0	The Pacitti Company	Mark Allen	Board member

25c) Other government bodies

The Department for 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 2010 £000s	Debtor 31 March 2010 £000s
Balances with other central government bodies	387	89
Balances with local authorities	1,389	36
Balances with NHS Trusts	29	0
Balances with public corporations and trading funds	170	13

26 Financial instruments

FRS 29 requires disclosure of financial instruments 'that are complex or play a significant medium to long-term role in the financial risk profile' of the Arts Council. As the cash requirements of the Arts Council are met largely through grant-in-aid received from the Department for Culture, Media and Sport (97.5%), 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 (88%). This means the Arts Council is exposed to little credit, liquidity or market risk.

a) Liquidity risk

The Arts Council has a funding agreement with the Department for Culture Media and Sport for the period from 1 April 2008 to 31 March 2011, renewable in line with the timetable set by government for the next three year spending round. In the past year 2% of funding was received from sources outside government in terms of partnership and grant support, mostly in the form of restricted funds, and 0.5% was generated from cash balances. This means that 97.5% of funding is sourced through cash draw downs agreed monthly with the DCMS, based on the predicted need for the month ahead.

b) Interest rate risk

The cash balance of £35,829,000 at 31 March 2010 was held in instant access variable rate bank accounts which carried an average interest rate of 0.22% below base rate. The Arts Council does not place money on deposit with any other bank, financial institution or investment product.

c) Foreign currency risk

Our exposure to foreign currency risk is not significant as less than 1% of transactions by value are processed in currencies other than sterling.

Notes to the grant-in-aid accounts

d) Financial assets

	31 March 2010 £000s	31 March 2009 £000s
Sterling	35,829	38,721
Gross financial assets	35,829	38,721

The Arts Council does not hold investments, meaning that all sterling financial assets shown are held as cash at bank, meaning book value and fair value are the same.

e) Financial assets by category

	Note	31 March 2010 £000s	31 March 2009 £000s
DCMS debtor	12	0	4,650
Trade debtors	12	766	1,564
Other debtors	12	184	200
Prepayments and accrued income		3,265	1,571
Current asset investments		0	0
Due from Arts Council Lottery accounts		4,050	0
Grants paid in advance	13	2,054	3,295
Cash at bank and in hand		35,829	38,721
		46,148	50,001

f) Financial liabilities by category

	31 March 2010 £000s	31 March 2009 £000s
Grants outstanding	17,541	19,515
Due to Arts Council Lottery accounts	0	459
Trade creditors	758	786
Other creditors including taxes and social security	358	40
Accruals	4,976	3,220
Legal cases and challenges	116	1,081
Employment entitlements	70	46
Redundancies	34	77
Building dilapidations	362	10
Cost of fundamental reorganisations	2,672	5,198
	26,897	30,432

The Arts Council has three year funding agreements with around 880 regularly funded organisations, with 2008/09 being the first year of the current funding period. Commitments are recognised for each year, with the funding agreement making clear that continued funding is dependent both on the annual review process and the Arts Council itself receiving the expected three year funding in its funding agreement with the DCMS. Assuming all current funding agreements remain as proposed, regular funding agreed for future years amounts to £343 million for 2009/10 and £353 million for 2010/11.

27 Exceptional items

As part of our funding agreement with the Department for Culture Media and Sport, the Arts Council has a target to save 15% of the 2010/11 administration budget. A fundamental review of the whole organisation took place during 2008/09, with an announcement made in February 2009 to staff affected. Provision for the anticipated redundancy costs has been made.

	2009/10 £000s	2008/09 £000s
Redundancy and associated costs	1,607	3,190
	<u>1,607</u>	<u>3,190</u>

The provision made in 2008/09 for redundancies was based on the change in staff numbers in total expected from the announced organisation review, and an assessment of the impact of individual decisions made by staff affected in applying for new posts, and the fit that existing staff had in meeting the requirements of those posts. The estimate therefore was based on the total projected number of staff affected, the average pay for that group, and the varying terms and conditions groups of staff had at the point of decisions being taken.

The additional provision created in 2009/10 is based on additional known costs payable in 2010/11 not taken into account in the 2008/09 provision.

Notes to the grant-in-aid accounts

28 Subsidiary undertakings

Arts Council England owns the entire share capital of Artco Trading Limited through which we operate Own Art, our art purchase scheme and Take it away, our musical instrument purchase scheme. We have consolidated the following figures for this subsidiary into our accounts.

	2009/10 £000s	2008/09 £000s
Cash at bank and in hand	279	390
Other debtors	100	0
Current assets	379	390
Other creditors	99	59
Amounts due to Arts Council England	205	244
Current liabilities	304	303
Net assets	75	87
Reserves	75	87
Summary profit and loss		
Income	1,000	1,100
Income from DCMS	56	55
Other income	1,056	1,115
Expenditure	254	218
Staff costs	805	933
Operating costs	1,059	1,151
(Deficit)/surplus for year	(3)	4

29 Post balance sheet event

In accordance with the requirements of FRS 21 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.

Lottery distribution accounts

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Reference and administrative details of the charity

The Arts Council of England, trading as Arts Council England, is a registered charity, charity registration number 1036733. The address of our head office is 14 Great Peter Street, London SW1P 3NQ.

Governance

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 objects of the Arts Council as stated in the Royal Charter, our governing document, are:

- to develop and improve the knowledge, understanding and practice of the arts
- to increase accessibility of the arts to the public
- to advise and cooperate with other government departments, local authorities and the Arts Councils for Scotland, Wales and Northern Ireland (or their successors)

To this end, we make grants to artists and arts organisations and engage in other activities on behalf of the sector.

Arts Council England was granted a Supplemental Charter on 18 March 2002. Its purpose was 'to give effect to new arrangements for regionalisation of its structure and activities'. There were no changes to the objects of the Arts Council and the main changes relate to powers to establish and to delegate powers and functions to regional councils.

A number of amendments were made to the Charter in 2008 granting the Mayor of London the power of appointment for the Chair of the Arts Council England, London and the remuneration of future chairs of the national Council.

The Arts Council works at arm's length from government and has the status of a non-departmental public body. As such, we are regulated in accordance with a Management Statement, Financial Memorandum and Funding Agreement issued by the Secretary of State. We prepare our accounts for grant-in-aid and Lottery separately to comply with accounts directions issued by the Secretary of State.

Governance structure

The national Council is the non-executive board of Arts Council England. It holds overall governance and authority for Arts Council England. Council members, as charity trustees, retain overall responsibility for the work and conduct of the organisation. This includes responsibility for ensuring the achievement of Arts Council England's objectives, as set out in the Royal Charter. The Council consists of 17 members, nine of whom also chair a regional council in each region.

The regional councils are subcommittees of the Council which it has established to provide advice, make funding decisions and advocate for the arts in England. The Council values the live connection with artists, local government and arts organisations that the councils create regionally. Regional arts councils are responsible for supporting and promoting the organisation's mission and objectives in the region. There are at least 15 members on each regional council.

The Council also has an audit committee. The committee is responsible for overseeing the internal and external audit process and the corporate risk register.

These subcommittees each have terms of reference. The Council has a scheme of financial delegations and authorities, which determines an appropriate level of approval or authorisation for financial commitments.

Governance review

A subgroup of Council was convened by the national Chair in February 2009 to consider a range of matters related to Arts Council governance. In November 2009, the governance subgroup recommended to Council a set of three smaller standing committees which could get closer to the business than the whole Council; which will provide a better opportunity for Council members to make use of their individual expertise; and which will provide more focused challenge and support to the executive. The new structure was agreed and commenced in February 2010.

National Council

The strategic authority of Arts Council England. It retains authority for governance, and for overall budget and policy decisions. Its current membership of 17 will be maintained. Council will meet three times a year, one meeting of which will be a two day away day.

Arts policy committee

Considers and approves emerging strategic policy and Arts Council plans on behalf of Council. The committee is chaired by Dame Liz Forgan. Tom Shakespeare, Caroline Collier, Sir Nicholas Kenyon, Diran Adebayo, Alice Rawsthorn were appointed as members. The committee will meet four times a year. It met once during 2009/10.

Arts investment committee

Oversees the implementation of investment and resources strategies; and makes investment decisions on behalf of Council. The committee is chaired by Dame Liz Forgan. Janet Barnes, François Matarasso, Ajay Chowdhury, Jon Cook, Alistair Spalding and Keith Khan were appointed to the committee. The committee will meet six times a year. It met once during 2009/10.

Performance and audit committee

Replaces the existing audit committee. It provides a scrutiny function for the Arts Council, reviewing the performance of the Arts Council across the full range of its business and operations and makes recommendations for continuous improvement. In addition it performs the functions required of a traditional audit committee. Anil Ruia was appointed as Chair of the committee. Sheila Healy, Peter Phillips, Rosemary Squire, Ekow Eshun were appointed as members. David Carter and Gill Laver were appointed as independent members. A further independent member is intended to be appointed in 2010. The committee will meet four times a year. It met once during 2009/10.

Regional councils

The approximate scope and authority of regional councils was not changed in the review, although new terms of reference were agreed for them as well as the national Council and new committees. The regional councils will now meet at least three times a year.

Management commentary

National Council

Members of our national Council are appointed by the Secretary of State for Culture, Media and Sport, other than the national member for London who is appointed by the Mayor of London. Council members are usually appointed for four years, and may be reappointed for a further term of four years.



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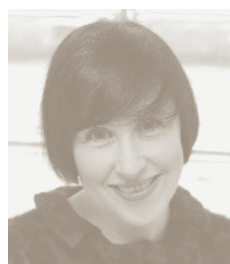
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	Member	Name	Council appointment	Reappointment	End of appointment
1	National Chair	Dame Liz Forgan	1 February 2009		31 January 2013
2	Member	Diran Adebayo	20 October 2004	19 October 2008	19 October 2011
3	Member Yorkshire	Janet Barnes	1 February 2005	31 January 2009	30 January 2013
4	Member East	Jon Cook	8 September 2008		7 September 2012
5	Member	Keith Khan	1 May 2006		30 April 2010
6	Member East Midlands	François Matarasso	1 October 2005	30 September 2009	30 September 2013
7	Member	Alice Rawsthorn	27 February 2007		31 January 2011
8	Member North West	Anil Ruia	24 November 2008		23 November 2012
9	Member North East	Tom Shakespeare	1 October 2004	1 October 2008	30 September 2012
10	Member	Rosemary Squire OBE	26 January 2009		25 January 2013
11	Member	Alistair Spalding	26 January 2009		25 January 2013
12	Member	Ekow Eshun	26 January 2009		25 January 2013
13	Member	Sir Nicholas Kenyon	3 November 2009		2 November 2013
14	(Interim) member South West	Sir Chris Clarke	1 March 2009		1 October 2009
15	Member South West	Sheila Healy	4 January 2010		3 January 2014
16	Member	Elsie Owusu OBE	1 June 2002	31 May 2005	31 May 2009
17	Member West Midlands	Dorothy Wilson	1 June 2002	31 May 2005 1 April 2009	1 December 2009
18	Member West Midlands	Peter Phillips	4 January 2010		3 January 2014
19	Member South East	Kentaké Chinyelu-Hope	1 October 2005		30 September 2009
20	Member South East	Caroline Collier	4 January 2010		3 January 2014
21	Member London	Lady Sue Woodford Hollick	1 June 2002	31 May 2006 31 May 2008	30 September 2009
22	(Interim) member London	Ajay Chowdhury	2 November 2009		30 June 2010
	Member London	Veronica Wadley	1 July 2010		30 June 2014

Management commentary

Elsie Owusu's term of appointment ended in May 2009 and in November 2009 Sir Nicholas Kenyon was appointed to fill this vacancy. In September 2009 Kentake Chinyelu-Hope's term of appointment as national member for the South East came to an end. Caroline Collier was appointed to replace her in January 2010.

Lady Sue Woodford-Hollick's term of appointment as national member for London came to an end in September 2009. Ajay Chowdhury acted in an interim capacity in this role until Veronica Wadley was appointed to replace him in June 2010.

Very sadly, the interim national member for the South West, Sir Chris Clarke passed away on 15 December 2009. Sheila Healy was appointed as national member for the South West in January 2010.

Dorothy Wilson's term of appointment as national member for the West Midlands came to an end in May 2009, but was extended until December 2009 to maintain continuity during a critical period in the Arts Council's organisation review. In January 2010 Peter Phillips was appointed to succeed her.

The audit committee was chaired by Dorothy Wilson until December 2009 when her term ended at which point national Council appointed Anil Ruia to replace her. Alistair Spalding, Rosemary Squire, and Elsie Owusu served as members of the committee during the year. David Brierley stood down as a co-opted member of the committee during the year and was replaced by David Carter. Gill Laver also served as a co-opted member. The audit committee held its last meeting in January 2010, at which point it was superseded by the new performance and audit committee.

Policies and procedures adopted for the induction of trustees

The Council recognises the importance of ensuring that members, as trustees, are fully briefed and introduced into their role in the organisation.

All newly appointed trustees of the Council have an induction process. This includes meeting with the Chief Executive and Chair to discuss the role of the members and functions of Arts Council England, and a range of meetings with staff about the policies, strategies and activities of the Arts Council. This includes a briefing and discussion on the responsibilities of Charity trustees including declaration of interests and the need to avoid trustee benefit. Members who are also appointed to chair a regional council receive a further induction to that role, led by the relevant regional director.

The Council undertakes regular debates and facilitated group sessions, ranging from half a day to a day, outside of their business meetings, at least once a year. These afford opportunities for consideration of a range of issues that are important to the work of the Council outside the formal meeting setting. National Council members are assessed individually every two years by the national Chair.

Executive Board

The Executive Board is Arts Council England's strategic and executive decision-making body. The Council has approved the delegation of powers for delivery of the agreed policies and strategies to the Executive Board. The Executive Board held 11 formal business meetings in the year as well as a number of away days. In 2009 the membership of the Executive Board was revised in line with the organisation review. The new Executive Board met for the first time on 3 November 2009 and revised terms of reference were agreed. Its membership is set out below.

Executive Board 1 April 2009–2 November 2009

Member	Job title	Region
Alan Davey	Chief Executive	Head office
Andy Carver	Executive Director	Yorkshire
Laura Dyer	Executive Director	East Midlands
Althea Efunshile	Executive Director, Arts Planning and Investment	Head office
Anupam Ganguli	Executive Director, Resources	Head office
Felicity Harvest	Executive Director	South East
Chris Humphrey	Interim Executive Director	South West
Sally Luton	Executive Director	West Midlands
Aileen McEvoy	Interim Executive Director	North West
Andrew Nairne	Executive Director, Arts Strategy	Head office
Mark Robinson	Executive Director	North East
Moiria Sinclair	Executive Director	London
Andrea Stark	Executive Director	East
Andrew Whyte	Executive Director, Advocacy and Communications until 23 June	Head office
Mary Wright	Interim Executive Director, Advocacy and Communications until 2 November	Head office

Management commentary

Executive Board 2 November 2009–31 March 2010

	Member	Job title
1	Alan Davey	Chief Executive
2	Andy Carver	Interim Area Executive Director, North
3	Alison Cole	Executive Director, Advocacy and Communications
4	Laura Dyer	Area Executive Director, Midlands and South West
5	Althea Efunshile	Chief Operating Officer
6	Anupam Ganguli	Executive Director, Resources
7	Andrew Nairne	Executive Director, Arts
8	Moira Sinclair	Area Executive Director, London
9	Andrea Stark	Area Executive Director, East and South East



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Responsibilities of trustees, the Chief Executive, Executive Board and management committee

Council members, as trustees, retain overall responsibility for the work and conduct of the organisation. The Council is invited to consider and approve major matters of policy development, including the overall framework for the strategic delivery of those policies.

The Council has approved the delegation of powers for delivery of the agreed policies and strategies to the Executive Board. Written terms of reference and procedures for the Executive Board have been agreed by the Council. The Executive Board held 11 formal business meetings in the year.

The Council has approved the further delegation of powers to a management committee as a subcommittee of the Executive Board. Management committee is responsible for overseeing the workload and programme of head office operational issues delegated by Executive Board, monitoring organisation wide financial performance and management issues, taking an overview of HR issues, the overview of risk management, and monitoring the managed funds budget and contingency.

Management committee held 12 formal business meetings during the year as well as one half-day away day. The membership and terms of reference of the management committee were also revised in 2009 to align with the outcome of the organisation review. Management committee now comprises the Chief Operating Officer, an area executive director, the Executive Director, Resources, three regional directors, three head office directors and the Head, Communications Planning.

The Chief Executive has been authorised by the Council to undertake the day-to-day administration and management of the business and staff of the organisation. He is responsible to the Council for those matters. The Council has agreed and issued guidelines to the Chief Executive.

Overall, the Council has approved a scheme of financial delegations and authorities, which provides a comprehensive scheme for determining an appropriate level of approval or authorisation for financial commitments, which is dependent upon the level of expenditure proposed.

We attempt to abide by the Better Payment Practice Code, and in particular pay bills in accordance with contract. Invoices are normally settled within our suppliers' standard terms, usually 30 days. In 2009/10, 87% of undisputed Lottery invoices were paid within 30 days (2008/09: 81%).

We maintain a register of interests of our members, which is available for public inspection by appointment at our Great Peter Street address.

Principal advisers

Banker

Co-operative Bank
78–80 Corn Hill
London
EC3V 3NJ

Auditor

Comptroller and Auditor General
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

Solicitors

A number of specialised solicitors have been appointed to our external solicitor pool.

Management commentary

Responsibility towards the environment and sustainable development

In January 2010 our national Council approved our broader approach to environmental sustainability, acknowledging this to be a key operating context for the arts and the Arts Council.

In the first instance, we will be strengthening our commitment to the sustainable operations of our own estate of ten offices around the country. This includes measuring, improving and disclosing our use of consumables, waste, energy, water, transportation and our level of staff engagement. To support this effort we have signed up to the 10:10 commitment to reduce our carbon dioxide emissions by 10 per cent in 2010. In 2008/2009 our carbon dioxide emissions were 1,400 tonnes CO₂ from gas and electricity. Over the last year our offices have installed video conference facilities to reduce staff travel, upgrading to efficient printers and FSC paper stock and instituted a range of staff engagement and training activities including walk to work and green weeks in different offices. Our Yorkshire office won a Kirklees Green Business Award and our newly-commissioned office in the north west received BREEAM excellence in design certification.

Secondly, we will work in partnership with the arts and others to ensure we are using our investment in arts organisations to encourage and share good practice. This will involve building on partnership work with the British Council, Julie's Bicycle and a range of other partners to measure the emissions of the arts, and support tools and knowledge to reduce them. Work has included research into sustainable touring, with additional work on sustainable theatres and a green guide for visual arts forthcoming.

Thirdly, we recognise that there is a powerful role that can be played by creative practice to debate and raise awareness of this complex and urgent issue, and to provide leadership through our own actions. Accordingly we will continue to champion the voice of the arts where it helps a wide range of audiences engage with this most timely of issues.

The importance of environmental issues was highlighted at our State of the Arts conference and we have included it as a key strand in our thinking when writing the consultation for our 10 year framework for the arts, *Achieving great art for everyone*. This document sets out the vision of a resilient and relevant arts sector and environmental sustainability must be central to that.

Diversity and equality

It is very important that arts organisations that receive public funding perform well. The same applies to us. We have agreed a set of national objectives with the Department for Culture, Media and Sport, against which the outcome of our programmes can be judged. We are determined to create an environment where the arts reflect the full range and diversity of contemporary English society.

We are also subject to public sector equality duties in respect of race, disability and gender. The diversity team in our head office leads this work, and with all regions and departments is making this work a success.

Our race, disability and gender equality schemes set out how we will meet our statutory duties in the following ways:

Race equality scheme – our legal obligations

Our race equality scheme sets out our race equality objectives, our vision for race equality in the arts and the actions required to make that vision a reality. It builds on achievements, experiences and learning from the previous race equality scheme which ran from 2004 to 2007. The race equality scheme articulates how we will meet our legal responsibilities under the Race Relations Act to promote good race relations and equality of opportunity and eliminate unlawful race discrimination.

Race equality scheme 2009–11

We currently have a race equality scheme running from 2009–2011, which has five areas of activity:

1. *Widening and deepening the vision*. This includes the creative case for diversity, a major programme of work due to be launched in the autumn of 2010. This is intended to integrate diversity and equality issues into artistic practice
2. *Developing the Black and minority ethnic arts sector*. This includes key initiatives such as the decibel Performing Arts Showcase 2011 and Sustained Theatre
3. *Prioritising our efforts – reaching out to marginalised groups*. This includes work such as Arts and Islam that seeks to examine the connections between Islam, arts practice and contemporary society
4. *Developing the field* – building on the achievements the race equality action plans drawn up by our regularly funded organisations
5. *Positive action and race equality in the Arts Council*

Gender equality scheme

This sets out our gender equality objectives, our vision for gender equality in the arts and the actions that we need to undertake to make that vision a reality. It has benefited from what we have learned from the race equality and disability equality schemes and should be seen as part of our overall commitment to diversity and equality.

Our vision for gender equality is for it to be driven by transformative and lasting work, which will bring about change within our organisation and in the arts sector. Our ambition is to use the current legislation as a starting point and to go beyond compliance into best practice through engagement, innovation and excellence. We will do this by collaborating with our stakeholders, artists, arts organisations and other relevant contributors, working as equal partners, sharing and reinforcing best practice.

Based on current evidence, we have identified the following broad thematic priorities for our gender equality scheme. The action plan outlines how these priorities will be delivered.

The four priorities are:

- leadership
- awareness-raising, profiling of best practice and knowledge-sharing
- bringing about greater gender equality in the workforce
- arts attendance and arts participation

The scheme allows for a broader consideration of all equality strands. Individuals may experience discrimination based on the different aspects of who they are. Looking beneath the surface of gender and further disaggregating along the other equality strands, provides the Arts Council with the opportunity to start considering some of these cross-cutting and rather complex themes in more detail, ensuring that gender equality within the Arts Council is meaningful.

Disability equality scheme 2010–13

This sets out our approach to achieving disability equality in the arts, building on the achievements, knowledge and experience gained in initiating and delivering our first scheme which ends in March 2010. It intends to drive up disability equality performance both within our organisation as well as in the arts organisations that we support.

In 2009 through an open and transparent recruitment process; we appointed an Independent Disability Equality Advisory Group (IDEAG). The IDEAG has assisted us in reviewing and revising our disability equality scheme.

Our disability equality scheme is built around the vision of prominence to increase the visibility of disability equality in the arts, profiling and promoting the work of disabled artists and increase disabled audience members and the audiences of work created by disabled people.

In order to achieve this vision eight priorities have been established to create the conditions for disabled people to thrive in the arts. These are:

- access
- cultural change
- audiences and participation
- talent development
- diversity within disability
- leadership and governance
- innovation and excellence
- London 2012 Cultural Olympiad

Repositioning diversity and equality in the arts – the creative case for diversity

We believe that it is important that diversity and equality are not just seen as issues of legal compliance or moral obligation. We want to see diversity placed firmly within an artistic context, using the specific languages and disciplines of that arena. We envisage that the creative case approach requires three interlocking progressions:

1. *Equality*: there has to be a continued drive for equality to remove barriers in the arts world, release and realise potential and help transform the arts so that they truly reflect the diversity of this country
2. *Recognition*: there has to be a new conversation that attempts through various means to resituate diverse artists, both historically and theoretically, at the centre of British art
3. *A new vision*: there also has to be the construction and dissemination of a new framework for viewing diversity, one that takes it out of a negative or 'deficit' model, and places it in an artistic context. Diversity becomes not an optional extra, but part of the fabric of our discussions and decisions about how we encourage an energetic, relevant, fearless and challenging artistic culture in England and the wider world

The creative case for diversity will be central to all of our diversity and equality work.

Organisation review

The government's 2007 spending review brought a challenge for us in terms of reducing costs – a demanding target equivalent to a 15 per cent reduction in our grant-in-aid administration costs by 2010/11. We also took the decision to apply this target to our Lottery administration costs.

This review also gave us the opportunity to take a wide look at ourselves and restructure to create a more flexible organisation, able to provide a better-focused service to the arts sector in the future.

Following consultation with staff and our union, the results of this organisation review were implemented in 2009/10.

Management commentary

The key elements of the changes, resulting in a 21 per cent reduction in staff numbers since 2008/09, are:

- a smaller head office – focused on strategy and support to frontline staff
- a smaller executive board – (reduced from 14 members to nine) to enable quicker decisions to be made by members who together provide a balance of regional knowledge and strategy
- regional offices grouped under four area executive directors – with a strong senior management team to streamline internal processes and encourage the sharing of knowledge
- nine regional offices – smaller and more focused on frontline delivery, working directly with the organisations we fund, with artists and with other key partners
- a central Grants for the arts processing team – reducing administration in regional offices and making grant-giving more equitable
- a streamlined advocacy and communications team – a head office team and three area advocacy teams supporting regional offices

We estimate that as a result of these savings, during 2010/11 our administrative costs will fall from around 8 per cent to 6.6 per cent of our income. The changes will deliver an administrative saving of £6.5 million per year from 2010/11 to go back into the arts.

Approach to human resources

Our three-year people strategy, launched in 2008, has supported the organisation review process during 2009/10. A new competency framework and salary grading structure, underpinned for the first time by the Hay Group job evaluation system, has been introduced to support the new job roles and the new organisation structure.

Career transition counseling and formal assessment centres have enabled employees to be prepared and fully assessed as suitable for new roles through a major redeployment exercise. Leadership development has now been put in place for our newly-configured Executive Board and planning is well underway for a comprehensive management development programme to be provided for all managers in our new structure during 2010/11.

Work is also progressing on reviewing our organisation values together with ensuring a positive shift in the organisation's culture to increase our effectiveness to deliver our mission of great art for everyone.

Internally, there continue to be arrangements to promote effective communication and consultation with staff. Executive Board, Management Committee and national Council decisions are disseminated through a system of team briefing meetings, our intranet and regularly emailed updates, supplemented from time to time by organisation-wide, region-wide and departmental meetings. Employee 'pulse' surveys, sampling staff opinion on the organisation review process and other significant issues for the Arts Council have taken place quarterly during this year, with the results and action to address concerns discussed at senior management level.

More formally, Arts Council England recognises the trade union Unite for consultation and collective bargaining, with well-established consultative arrangements. The National Joint Consultative and Negotiating Committee (NJCNC) handles negotiations about employee reward and benefits, employment terms and policies together with consultation on restructuring proposals for the whole organisation. The NJCNC is supported by Local Joint Consultative and Negotiating Committees currently in each of the 10 workplaces.

In addition, we actively engage with Black, Asian and minority ethnic employees through a recognised Black Workers Group, disabled employees through the Disabled Workers Group, and lesbian, gay, bisexual and transgender staff through the LGBT network. For example, consultation has taken place with all these staff representative groups on the equality impact assessment process for our employment policies, such as our dignity at work policy. This policy was revised and improved through joint working between the union, diversity workers groups and management during the course of this year.

At 1 October 2009, 16.6 per cent of our staff classify themselves as Black, Asian or minority ethnic, seven per cent classify themselves as lesbian, gay or bisexual and four per cent classify themselves as disabled.

Objectives and activities for the public benefit

The Royal Charter is at the core of our mission. This mission, great art for everyone, represents what Arts Council England is for, and reflects why John Maynard Keynes set up the Arts Council in 1946, 'to give courage, confidence and opportunity' to artists and their audiences.

Great art for everyone

Arts Council England works to get great art to everyone by championing, developing and investing in artistic experiences that enrich people's lives. As the national development agency for the arts, we support a range of artistic activities from theatre to music, literature to dance, photography to digital art, carnival to crafts. Great art inspires us, brings us together and teaches us about ourselves and the world around us. In short, it makes life better.

Between 2008 and 2011 we will invest in excess of £1.6 billion of public money from the government and the National Lottery to create these experiences for as many people as possible across the country.

The trustees confirm that they have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing Arts Council England's aims and objectives and in planning activities for the year.

In October 2006, we launched the arts debate – one of the largest pieces of research into what people think about the arts and arts funding ever undertaken.

It was clear from the findings of the arts debate, published in November 2007, that most people believe the arts can play an important part in the lives of individuals and in society.

The arts debate was very influential on our thinking and we used the research to develop our plan for 2008–11. Over this period there are two specific mission-led programmes: public engagement and world class arts, plus four short-term development priorities for the lifetime of the plan. These are digital opportunity, visual arts, children and young people and London 2012.

The plan is underpinned by five outcomes: excellence, innovation, diversity, reach and engagement:

- excellence – high quality arts and arts experience
- reach – more people attending and taking part in the arts
- engagement – more people feel that there are opportunities to be stimulated or inspired by, and get actively involved in, arts activities that are personally relevant to them
- diversity – arts that reflect the diversity of contemporary England
- innovation – artists have the freedom, and are challenged to, innovate

We have four development priority areas over the 2008–11 period: digital opportunity, visual arts, children and young people, and London 2012. Please refer to pages 16 to 19 for 2009/10 updates on these priorities.

The world class arts programme brings an organisation-wide approach to the Arts Council's development role in supporting great art, the conditions needed to inspire its creation and to enjoy the experience of it to the full. A key strand of the world class arts programme is the development of a national arts strategy, Achieving great art for everyone. This forms the first phase of the world class arts programme and will be the foundation for the programme's other strands.

This major undertaking is still underway but has delivered on our intention to integrate new artform development plans and revised strategies focused on the broader ecology of the arts in England. On 19 January 2010 we launched a formal consultation on work to date. The consultation proposals were supported by an extensive review of literature and evidence.

Delivery and partnerships

The three key grant programmes through which we deliver our objects are outlined below. In addition we work with local authorities to sustain and develop national, regional and local partnerships that will see excellent arts taking root in communities throughout England.

Grants for the arts

Our open application scheme funded from the National Lottery, is for individuals, arts organisations and other people who use the arts in their work. They are for activities which engage people in England in arts activities, and help artists and arts organisations in England carry out their work.

We are committed to being accessible and offer access support to applicants where required to make our application process open to everyone. We recognise that some groups may be uncomfortable with receiving funding from the National Lottery, and in such cases we make arrangements to fund them through other sources. We also apply our funding criteria so that funds are available through the year.

Regular funding for organisations

We regularly fund around 880 arts organisations on a three-year basis, investing £350 million per annum by 2010/11. Our support helps bring high quality work to a wide range of people – as both audience and participants.

Management commentary

Managed funds

Managed funds allow us to identify new opportunities for the arts, take new initiatives, establish new strategic partnerships and address particular ambitions for growth.

The beneficiaries of our delivery and grant programmes are arts individuals and organisations and the public as audiences and participants. Any private benefit is purely incidental to our work.

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 the Arts Council 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 official statistics meet the needs of government and society and are both trustworthy and trusted.

Personal data

There have been no incidents of loss of personal data during the year.

Financial review

Arts Council England receives grant-in-aid from the Department for Culture, Media and Sport (DCMS) and 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). This license was renewed during 2006 and runs until 2019.

New Lottery grant commitments (offers made and accepted, less de-commitments) in the years totalled £143 million (2008/09: £118 million). At year-end, a total of £120 million (2008/09: £133 million) accepted grant commitments remained outstanding and awaiting payment together with £15 million commitments offered but not accepted (2008/09: £9 million). This compares with a balance in the National Lottery Distribution Fund (NLDF), plus bank balances, of £113 million (2008/09 £141 million). We monitor levels of Lottery income closely, and the level of outstanding grant commitments is considered prudent, based on past and projected income flows.

Sustain was our response to the impact of the recession on arts organisations whose sustainability is important in delivering our mission, funded by drawing down our National Lottery reserves. In 2009/10, we awarded £46.9 million to 146 organisations through the programme.

In February 2008 a statutory instrument (SI 2008 No. 255 The Payments into the Olympic Lottery Distribution Fund etc. Order 2008) was passed which allowed for the transfer of up to £1,085m from the National Lottery Distribution Fund to the Olympic Lottery Distribution Fund in order to meet some of the costs of hosting the 2012 games. This comprises £410 million as originally envisaged when the Government decided to support London's Olympic bid in 2003, and a proposed further £675 million arising from the subsequent budget review.

The Arts Council was committed to contribute up to £50 million in the original bid and this order allows for the transfer of up to a further £63 million. The Arts Council transferred £30 million (2008/09: £8 million) to the OLDF during the year.

At 31 March 2010, our balance in the NLDF account was £97 million (2008/09: £130 million). This is slightly less than the forecast balance £100 million and is a significant reduction on the previous year. The cash balance at the same date stood at £15 million (2008/09: £11 million).

Further details of the activities and policies of Arts Council England are included in the National Lottery report 2009/10 (see pages 146 to 155).

Full details in relation to financial instruments are given in note 20 of the notes to the Lottery distribution accounts.

Fees paid to the National Audit Office (NAO) for Lottery external audit services during 2009/10 were £62,000 (2008/09: £71,000). So far as the Chief Executive is aware, there is no relevant audit information of which the NAO is unaware.

The Arts Council is a participating employer in the Arts Council Retirement Plan (1994), and the West Yorkshire Pension Fund and also contributes to a group personal pension arrangement. Because these schemes are multi employer schemes, it is not possible to identify the underlying assets and liabilities of the Arts Council. This means that pensions are treated in the accounts as if they were defined benefit schemes. Note 2b gives further details.

The government's 2007 spending review brought a challenge for us in terms of reducing costs – a demanding target equivalent to a 15 per cent reduction in our grant-in-aid administration costs by 2010/11. We also took the decision to apply this target to our Lottery administration costs. This amounts to a £6.5 million savings target. In February 2009 we announced the outcome of our organisation review established to develop proposals for achieving this target. The new structure contained in these proposals was implemented on 1 April 2010.

A breakdown of where the savings have come from is as follows:

	£m	%
Grants for the arts centre	1.5	23%
Other regional office streamlining	0.3	5%
National office streamlining	1.4	21%
London co-location – pay	0.2	3%
Smaller executive board	0.5	8%
Communications restructure	0.7	11%
Non-pay costs	1.9	29%
Total saving	6.5	

This saving will bring our total administration costs as a percentage of income down from around 8 per cent to 6.6 per cent. A comparison of support staff post numbers by location in the current and new structure is in the table below:

	Current	Final 2010/11
Regional offices	422	284
Grants for the arts centre	0	40
National office/head office	142	112
Support centre	58	55
Total number of posts	622	491

Management commentary

The number of posts reduces from 622 to 491, a reduction of 21 per cent

One-off costs of restructuring of £1 million have been included in these accounts in relation to this review (2008/09: £2 million).

Statement of trustees' and chief executive's responsibilities

Under the National Lottery etc Act 1993 (as amended by the National Lottery Act 1998), the Arts Council 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 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 the Arts Council's state of affairs at the year end and of our incoming resources and resources expended and cash flows for the financial year. In preparing the accounts, the accounting officer must comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction* issued by the Secretary of State which sets out accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that Arts Council England will continue in operation

The accounting officer for DCMS has designated the chief executive as accounting officer for the Arts Council. The responsibilities of the accounting officer, which include the responsibility for the propriety and regularity of the finances for which the chief executive is answerable, and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum, issued by HM Treasury.

Alan Davey
Chief Executive
6 July 2010

Dame Liz Forgan
Chair
6 July 2010

* A copy of the Accounts Direction is available from the Accounting Officer, Arts Council England, 14 Great Peter Street, London SW1P 3NQ.

Statement on internal control

1. Scope of responsibility

As accounting officer and representative of the trustees, we have joint responsibility for maintaining a sound system of internal control that supports the achievement of Arts Council England's policies, aims and objectives, whilst safeguarding the public funds and assets for which we are responsible, in accordance with the responsibilities assigned to us in HM Treasury's Managing Public Money, together with ensuring compliance with the requirements of Arts Council England's Management Statement and Financial Memorandum.

The trustees of Arts Council England (national Council) acknowledge responsibility for the funds and assets of the Arts Council and for maintaining a sound system of internal control. Arts Council England's Performance and Audit Committee assists the national Council in fulfilling its responsibility.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the 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 economically. The system of internal control has been in place in Arts Council England for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

3. Capacity to handle risk

The Department for 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. There is some internal training and guidance available to staff on programme and project management incorporating guidance on risk management.

There is an internal communications process in place that ensures that all staff are informed about key decisions on a timely basis through appropriate media, including regular news updates on the intranet, cascaded briefings by line managers and presentations by members of the Executive Board, this system is currently under review to improve its effectiveness. There is also an external communications strategy that ensures that stakeholders, parliamentarians, press, funded bodies, and members of the general public receive appropriate and reliable information.

Arts Council England has in place a wide range of policies dealing with control issues for corporate governance, financial management (including fraud), project management, health and safety, training and development, information technology and risk management, all of which are reviewed and updated periodically.

4. The risk and control framework

The main elements of Arts Council England's risk and control framework are set out below:

4.1 Governance

In November 2009 a revised governance structure was approved which is designed to allow Council members to become closer to the business so that they may provide more appropriate challenge and support of the Executive Board as well as perform an increased level of Council scrutiny of the organisation's performance. The new committee structure is also designed to provide a better opportunity for Council members to make use of their individual expertise. In summary the new structure comprises:

4.1.1 National Council

Has responsibility and authority for governance, and for the overall budget and investment portfolio; advocates for the arts and the Arts Council formally and informally. The Council comprises a Chair and 16 non-executive members with a range of skills and experience. Council meetings are attended by Arts Council England's national office executive directors.

4.1.2 Regional arts councils

There are nine regional councils – one for each region – which provide advice, make funding decisions in relation to our portfolio of regularly funded organisations and advocate for the arts in England. Regional arts councils are responsible for supporting and promoting the organisation's mission and objectives in the region.

4.1.3 Arts policy committee

Considers and approves emerging strategic policy and Arts Council plans on behalf of national Council.

Statement on internal control

4.1.4 Arts investment committee

Oversees the implementation of investment and resource strategies; makes investment decisions on behalf of national Council; and recommends annual budgets to national Council for approval.

4.1.5 Performance and audit committee

This committee replaced the audit committee and provides a scrutiny function for the Arts Council, reviewing the performance of the Arts Council across the full range of its business and operations and makes recommendations for continuous improvement. In addition, it performs the functions expected of a traditional audit committee; it oversees risk management and internal and external audit.

The committees meet four to five times a year and will have approximately four to six national Council members. In addition the performance and audit committee will have up to three independent members.

4.1.6 Remuneration committee

Oversees the pay, performance and conditions of staff including the chief executive and the executive directors. The committee comprises four members of the performance and audit committee and at least one other national Council member.

4.1.7 Executive Board and management committee

Arts Council England's Executive Board is responsible for developing our policy on high level issues and overseeing the implementation of nationally agreed policies and plans. In addition there is a separate management committee which is responsible for operational decision making. Each has its own terms of reference and meets monthly.

4.2 Risk

During 2009/10 we continued to revise and update our risk management policies and procedures, and completed a review of our risk appetite which began in 2008/09. The series of risk workshops started in the previous year was continued through 2009/10 and these enable us to identify changes in our risk profile.

Our risk appetite is defined as follows:

The Arts Council is keen to encourage fully considered risk-taking in the context of promoting innovation and enabling creativity to flourish with the object of creating the conditions where great art can happen. At the same time, we ensure that we are at all times accountable to the public and comply with our statutory and reporting responsibilities.

During 2009/10, Arts Council England continued to manage risk at the strategic, operational, and individual project levels.

4.2.1 Strategic risks

The following strategic risks were identified at a strategic risk workshop in October 2008. These were monitored and discussed throughout the year both at Executive Board level and through a monthly risk report process to management committee.

The implementation of our organisation review programme was a key strategic risk during the year. The risks in relation to this programme were managed by an implementation board which met monthly and reviewed the risk management plan for the programme at each meeting. The implementation was concluded in May 2010 at which point any residual risks remaining were assigned an executive board owner to manage going forward.

We also identified the external environment as a strategic risk – the risk that there was the possibility of a 'perfect storm' of rising costs for arts organisations, the economic recession, and reduced government expenditure on the arts which could lead to a failure by the Arts Council to invest in excellence and innovation. This risk has been closely monitored as a regular agenda item at our executive board meetings during the year.

The final strategic risk identified was around capacity and capability of our IT systems. Since this risk was identified an independent review of our IT systems was commissioned and significant improvement work has taken place to mitigate the risk.

Another strategic risk workshop took place in April 2010 to review these risks and was attended by both members of the performance and audit committee, executive directors and senior managers.

4.2.2 Operational risks

The wider corporate risk register has also been reviewed on a monthly basis during the year to ensure that it is up-to-date and relevant. We use a 'traffic light' system to categorise risks as follows:

- red risks are those which have been identified as high level and are in addition to the strategic risks discussed above. These are mostly current and are considered likely to have a high impact.
- amber risks are those where there is a lower likelihood of risk materialising but where the impact is considered to be high profile or sensitive. Controls are in place for these risks but they require monitoring to ensure they remain effective. In some instances further action has been identified to reduce the impact of the risk.
- green risks are those which are low likelihood and impact and have good controls in place. These are being managed as part of the day-to-day responsibilities of core business functions.

4.2.3 Project risks

Each corporate programme and project is monitored against milestones and is supported by a risk management plan. Internal training and guidance to staff on programme and project management incorporates guidance on risk management.

The strategic, operational and projects related risks are used to inform objective setting and performance management of staff across the organisation.

Risk assessment and risk management are part of our grant assessment and monitoring processes. Policies and procedures for assessors and lead officers incorporate procedures for risk assessment. This is supplemented by training, briefing and quality assurance processes. Our internal auditors have raised a recommendation on improving our risk assessment procedures in relation to our regularly funded organisations. Enhanced procedures will be implemented during 2010/11. During the year a significant control weakness was identified in relation to an aspect of our grant assessment process which is discussed in detail in section 5.2.

The Arts Council undertakes a quarterly review of its risk register with a monthly report to management committee. The register captures risks identified across the organisation and categorises them by severity. The impact and likelihood of occurrence are evaluated by risk owners and decisions taken on whether to tolerate, transfer, terminate or treat the risk. Steps to mitigate each risk are identified and recorded in the register, actions to improve controls recorded and assigned to risk owners, and ultimate responsibility is given to a member of the Executive Board.

A summary of the high level risks is reviewed by the performance and audit committee at every meeting and is formally reported to the national Council in the annual performance and audit committee report. National Council also receives a regular report covering key risks in relation to funded organisations.

4.3 Audit

The annual programme of internal audit work is carried out by an external firm of accountants to standards defined in the Government 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 us and approved by the performance and audit committee. The internal auditors attend the audit part of all performance and audit committee meetings and 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. The internal and external auditors meet with the performance and audit committee annually with no officers present.

Internal audit services have been provided by Deloitte since April 2009.

5. Review of effectiveness

As accounting officer and representative of the trustees, we have responsibility for reviewing the effectiveness of the system of internal control. Our review of the effectiveness of the system of internal control is informed by the work of the internal auditors and 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. We have been advised on the implications of the result of our review of the effectiveness of the system of internal control by the national Council and the performance and audit committee. A plan to address weaknesses and ensure continuous improvement of the system is in place.

5.1 Assessment of our effectiveness during the year

Progress in achieving objectives set in the strategic corporate plan is monitored by the Executive Board and the national Council.

Throughout 2009/10 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, and completed a review of our risk appetite which began in 2008/09.

For 2009/10 internal audit reported that they are satisfied that sufficient internal audit work has been undertaken to allow them to provide a conclusion of 'reasonable assurance' on the design, adequacy and effectiveness of the system of internal control. They arrived at this conclusion having reviewed the following processes: operations at three of our regional offices, financial management, our newly established service centre, regularly funded organisations, management information and budgetary control, governance and information assurance.

Where weaknesses have been identified during the course of internal audit's work, these are reported to the performance and audit committee and an action plan agreed with management to implement the recommendations agreed as part of this process.

Statement on internal control

Significant developments to improve our internal controls which took place during the year include:

- the establishment of a central team in Manchester to assess and monitor grants for the arts applications and the introduction of an online application system
- significant improvements on information risk management including putting in place a more robust governance framework, the implementation of an information risk assessment process, delivery of training and guidance to staff and the clarification of roles and responsibilities of key staff through amended job descriptions
- the introduction of a new governance structure as outlined in section 4.1

5.2 Significant internal control issues

5.2.1 *Management and control of information risks*

In 2008/09 a specific risk was highlighted during the review of information governance arrangements, relating to the management and control of information risks. We have made significant steps in 2009/10 to ensure this control risk is addressed, and now have policies and controls in place to ensure the confidentiality, integrity and availability of our information and IT systems. These are compliant with the Cabinet Office's Security Policy Framework. A senior information risk owner has been appointed. Physical security of data is tightly controlled and no known losses have occurred during the period under review. Developments in this area will continue into 2010/11.

5.2.2 *Grant payment to national Council member*

During the year it came to our attention that in 2008 we awarded a grant of £10,165 through the Lottery funded Grants for the arts scheme to a national Council member.

Our Royal Charter provides that grants may only benefit charity trustees with the consent of the Charity Commission. Because we had not sought prior authorisation from the Charity Commission, the payment was made without the necessary authority, and therefore in breach of the requirements of our governing document.

The Council member did not declare in the application that they were a Council member, though it was stated in their CV which supported their application. The application form did not prompt them to declare any conflicts of interest. The grant systems at the time did not have adequate controls to pick up this unlawful payment. The Council member did not declare the benefit in their declaration of interests for the 2008/09 financial year.

We have taken the following actions in relation to the matter:

- the application has been independently reassessed by two members of Arts Council staff who were not involved with the original assessment. This was done to ensure that application was correctly evaluated on its own merit. The assessors agreed with the original scores.

However, as a result of the reassessment, it has been found that there was an error in the financial summary for the project which was not picked up by the original assessors. The amount granted should have been £4,565, instead of the £10,165 applied for.

Since the application was considered in March 2008 the financial section of the application form has been amended so that it is easier to understand for applicants and grant assessors, and is less likely to lead to errors such as this one. The new online application system introduced in April 2010 automatically ensures budgets add up correctly thereby eliminating the possibility of this recurring

- members of audit committee, the National Audit Office, the Charity Commission and DCMS were informed immediately and were kept informed throughout the investigations
- our internal auditors, Deloitte, completed an investigation of the control weaknesses. They also checked other instances had not occurred with respect to the other Council members

Since this grant was awarded we have introduced a system control which prevents an application being processed where the grant applicant is a national Council member. This control has been in place since January 2009 and we are confident that this control will prevent a situation such as this arising in the future.

When the Council member joined national Council in 2004 there was no standard induction agenda. While it appears that sufficient and detailed guidance relating to trustee benefits and conflicts of interest was provided to the Council member in the Council Handbook at the time of his appointment, there was no requirement to acknowledge in writing receipt and understanding of the handbook. We have now revised our induction procedures to include written confirmation.

National Council had a full discussion about all of the issues pertaining to both the original erroneous grant payment and the recommendations highlighted by the Deloitte report at their meeting on 12 January 2010. Council were satisfied that:

- Arts Council England now have appropriate systems in place to prevent this from recurring
- Arts Council England have taken all the necessary steps to investigate the matter.

National Council agreed that the £9,149 that has been paid by Arts Council to the Council member to date must be repaid by him in full, although payment terms have not yet been agreed. Council agreed that the Council member had applied for the grant in good faith.

6. Conclusion

The control framework as described above has operated throughout the year and no significant control weaknesses have been identified with the exception of the matter relating to the grant payment to a member of the Arts Council's national Council. As noted above, actions have been taken to address this risk.

Alan Davey
Chief Executive
6 July 2010

Dame Liz Forgan
Chair
6 July 2010

The certificate and report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of Arts Council England's Lottery distribution accounts for the year ended 31 March 2010. These comprise the income and expenditure account, the statement of financial position, the statement of cash flows, the statement of changes in equity and the related notes. 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.

Respective responsibilities of the Trustees, Chief Executive and auditor

As explained more fully in the Statement of Trustees' and Chief Executive's responsibilities, the Trustees and Chief Executive, as accounting officer, are responsible for preparing the financial statements and for being satisfied that they give a true and fair view.

My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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. This includes an assessment of: whether the accounting policies are appropriate to Arts Council England's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Arts Council England; and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income 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.

Opinion on regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Arts Council England's affairs as at 31 March 2010 and of its deficit, changes in equity and cash flows for the year then ended
- the financial statements have been properly prepared in accordance with the National Lottery etc Act 1993 and directions issued thereunder by the Secretary of State

Opinion on other matters

In my opinion:

- the part of the remuneration report to be audited has been properly prepared in accordance with the directions issued by the Secretary of State under the National Lottery etc Act 1993
- the information given in management commentary 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
- the financial statements are not in agreement with the accounting records or returns
- I have not received all of the information and explanations I require for my audit
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance

Report of the Comptroller and Auditor General

This report outlines the circumstances surrounding the award and subsequent payment of a grant to a member of the national Council of Arts Council England, and the impact on the financial statements and my audit. The national Council members are the Trustees of Arts Council England, a registered charity.

In the 2009/10 financial year Arts Council England became aware that during 2008/9 the Lottery funded Grants for the arts scheme had awarded a grant of £10,165 to a member of the national Council, of which £9,149 was subsequently paid during that year. The national Council have oversight of the award and payment of grants from both the grant-in-aid provided by the Department for Culture, Media and Sport and Lottery funds from the National Lottery Distribution Fund.

Arts Council England (and the Charity Commission) have reviewed the grant payment and concluded that it was not duly authorised, as a charity trustee may not benefit directly

or indirectly from funds controlled by the charity, unless the charity's governing document explicitly allows it, or the necessary authority is provided by the Charity Commission. In this instance, Arts Council England's Royal Charter precludes grant payments to trustees, unless authorised by the Charity Commission. The Commission's approval was not sought, nor given.

The trustee failed to declare the application for a grant at the time or subsequently, for example in their annual declaration of interests or at formal meetings, contrary to Arts Council England's code of conduct. Arts Council England's grant management system failed to identify this application as a conflict of interest. The grant was assessed, awarded and payment made to the trustee.

Additionally, on review of the application following its discovery, an error was identified in the application: the award should have been for £4,565.

Since the case came to light, the Arts Council England have reviewed and implemented changes in the grant management and internal control procedures to minimise the risk of recurrence.

The national Council have agreed that the £9,149 must be repaid in full by the trustee, although repayment terms have not yet been agreed. The remaining balance of grant of £1,016 will be reallocated.

Arts Council England has outlined the issue and subsequent actions to mitigate the risks of such payments occurring in future in the Statement on Internal Control.

My audit has confirmed the facts of this issue, disclosure in the financial statements and the Statement on Internal Control, and that the circumstances have been reported to the Charity Commission. The Charity Commission have issued a Regulatory Case Report on this matter.

I am satisfied that there is no material impact on my audit opinion for these financial statements.

I have no other observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157–197 Buckingham Palace Road
London SW1W 9SP

16 July 2010

Income and expenditure account

For the year ended 31 March 2010

	Note	2009/10 £000s	2008/09 £000s
Share of proceeds from the National Lottery Distribution Fund	7	172,182	145,279
Investment returns on the Distribution Fund	7	1,396	7,122
Unrealised gain (loss) on revaluation of the Distribution Fund	7	(439)	157
Transfer of funds to the Olympic Lottery Distribution Fund	7	(30,276)	(7,569)
Interest received		25	269
Other income		114	103
Total income		143,002	145,361
Grant commitments made in the year	9	145,843	119,956
Less: lapsed and revoked commitments	9	(2,640)	(2,237)
Net grant commitments		143,203	117,719
General expenditure:			
Staff costs	2	1,057	630
Other operating costs	3a	1,109	1,773
Costs apportioned from grant-in-aid accounts	3b	15,309	14,150
Total operating costs		17,475	16,553
Total expenditure		160,678	134,272
Net resources gained before exceptional items and notional costs	8	(17,676)	11,089
Exceptional items			
Cost of fundamental reorganisation	20	(865)	(1,643)
Net resources gained after exceptional items before notional costs		(18,541)	9,446
Accumulated (deficit)/surplus carried forward		(11,331)	7,210

Arts Council England has no recognised gains or losses other than those disclosed in the above income and expenditure account.

Consequently, no separate statement of recognised gains and losses has been prepared. There are no discontinued activities.

The notes on pages 131 to 145 form part of these accounts.

Statement of financial position

As at 31 March 2010

	Note	31 March 2010 £000s	31 March 2009 £000s	Restated 31 March 2008 £000s
Non-current assets				
Tangible assets	5	0	0	0
Total non-current assets		0	0	0
Current assets				
Trade and other receivables	6	17	1,037	1,065
Investments: balance in the National Lottery Distribution Fund	7	97,363	129,622	155,552
Due from grant-in-aid accounts		0	459	2,475
Cash and cash equivalents		15,491	11,405	2,812
Total current assets		112,871	142,523	161,904
Total assets		112,871	142,523	161,904
Current liabilities				
Grant commitments due within one year	9	87,652	60,009	73,188
Trade and other payables	10	80	1,958	1,499
Due to grant-in-aid accounts		4,051	0	0
Total current liabilities		91,783	61,967	74,687
Non-current assets plus net current liabilities		21,088	80,556	87,217
Non-current liabilities				
Grant commitments due in more than one year	9	32,419	73,346	89,453
Assets less liabilities		(11,331)	7,210	(2,236)
Represented by				
Reserves		(11,331)	7,210	(2,236)
		(11,331)	7,210	(2,236)

The notes on pages 131 to 145 form part of these accounts.

Alan Davey
Chief Executive
6 July 2010

Dame Liz Forgan
Chair
6 July 2010

Statement of cash flows

For the year to 31 March 2010

	Note	2009/10 £000s	Restated 2008/09 £000s
Cash flows from operating activities			
Funds received from the National Lottery Distribution Fund	7	205,398	178,488
Other cash receipts		114	103
Grants paid	9	(156,487)	(147,005)
Cash paid to and on behalf of employees		(1,057)	(630)
Transfer of funds to the Olympic Lottery Distribution Fund		(30,276)	(7,569)
Other cash payments		(13,629)	(15,063)
Net cash inflow (outflow) from operating activities		4,063	8,324
Cash flows from investing activities			
Interest received		23	269
Net cash outflow from investing activities		23	269
Cash flows from financing activities			
Loans made to other bodies		0	0
Net financing		0	0
Net increase in cash and cash equivalents in the period	14/15/16	4,086	8,593
Cash and cash equivalents at beginning of period		11,405	2,812
Cash and cash equivalents at end of period		15,491	11,405

Statement of changes in equity

For the year ended 31 March 2010

	Note	2009/10 Income and expenditure reserve £000s	2008/09 Income and expenditure reserve £000s
Opening Lottery reserve at 1 April		7,210	(2,236)
Transferred from the income and expenditure account		(18,541)	9,446
Closing Lottery reserve at 31 March		(11,331)	7,210

The notes on pages 131 to 145 form part of these accounts.

Notes to the Lottery distribution accounts

1 Accounting policies

a) Basis of accounts

We have prepared these accounts in accordance with the Accounts Direction issued by the Secretary of State for Culture, Media and Sport in May 2002. They have been prepared in a form directed by the Secretary of State with the consent of HM Treasury in accordance with Section 35(3) of the National Lottery etc. Act 1993. They meet the requirements of the Companies Acts, and of the International Financial Reporting Standards issued and adopted by the International Accounting Standards Board, so far as those requirements are appropriate. These accounts have been prepared in accordance with the International Financial Reporting Standards for the first time this year.

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. Consolidated accounts have not been prepared.

b) Recognition of income and expenditure

All income and expenditure are accounted for on a receivable basis. As required by the Secretary of State, we have made a distinction between Lottery grants that are 'hard' and 'soft' commitments. A hard commitment is when the Arts Council has made a firm offer of grant which (together with appropriate conditions) has been accepted by the recipient. A soft commitment is when we have agreed in principle to fund a scheme and made an offer, but the offer and associated conditions have not been accepted. Hard commitments are recognised as items of expenditure in the income and expenditure account. Details of soft commitments are disclosed in note 9 to the accounts. Hard 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.

c) National Lottery Distribution Fund

Balances held in the National Lottery Distribution Fund remain under the stewardship of the Secretary of State for Culture, Media and Sport. However, the share of these balances attributable to Arts Council England is as shown in the accounts and, at the balance sheet date, has been notified by the Secretary of State for Culture, Media and Sport as being available for distribution by Arts Council England for current and future commitments.

d) Taxation

Arts Council England, as a registered charity (no 1036733), is exempt from taxation on its income and gains falling within Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that they are applied to its charitable objectives. No tax charge has arisen in the year.

e) 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. However, as these are multi-employer schemes, we cannot identify our share of the underlying assets and liabilities. We have therefore accounted for the schemes as if they were defined contribution schemes, in accordance with IAS19 Employee Benefits, with the costs of the schemes charged to the statement of financial activities.

f) 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 Charity SORP 2005, 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.

g) Notional costs

Arts Council England is required to calculate a notional cost of capital, which is disclosed in the income and expenditure account. These accounts cover the Lottery distribution activities of Arts Council England, and only funds from the National Lottery are included which bear a cost of capital of 0%.

h) Financial instruments

In accordance with the Lottery accounts directions, unrealised profits and losses on investments are recognised within the income and expenditure account.

i) Policy on reserves

Reserves held within the Lottery distribution accounts represent the difference between the amount allocated to the Arts Council and the amount committed.

j) Adoption of IFRS

The Arts Council is required to present the Lottery distribution accounts under International Financial Reporting Standards. This has led to a number of presentational changes in the accounts for first time adoption. There are no loans and no fixed assets held within the Lottery distribution accounts and this limits the scope for changes.

It is a requirement of IFRS that staff costs include an accrual for any outstanding leave at the close of the year as a potential liability to the organisation. Due to the immaterial nature of this change to these accounts no adjustment for this has been included.

There are no standards and interpretations in issue but not yet adopted that the trustees anticipate will have a material effect on the reported income, expenditure or net assets of the Lottery activities of Arts Council England.

Notes to the Lottery distribution accounts

2a) Staff costs

	2009/10 £000s	2008/09 £000s
Salaries and wages	622	366
Employer's national insurance	56	31
Employer's pension contributions	103	61
Agency	276	172
	1,057	630

IAS 19 requires the reporting of any unpaid leave or other accrued employment rights where these are material to staff costs. In our view this cost would not be material and so no adjustment has been made in these accounts. In addition to the cost of staff working directly on Lottery activities in the table above, £9,334,000 (2008/09: £8,690,000) of the costs apportioned from Arts Council England's grant-in-aid accounts relate to staff costs.

The average number of staff engaged directly on Lottery activities for the year ended 31 March 2009 was as follows:

	Permanent staff	Agency staff	2009/10 Total Staff	Restated 2008/09
Management and operational	21	6	27	20

2b) Pensions

We are a participating employer in the Arts Council Retirement Plan (1994), and the West Yorkshire Pension Fund and also contribute to a group personal pension arrangement.

Arts Council Retirement Plan (1994)

The scheme is a defined benefit scheme. Other employers contributing to the Scheme are – the Arts Council of Wales, the Scottish Arts Council, and the Crafts Council. From 2009/10 Creativity, Culture and Education became a contributor to the scheme on behalf of those staff transferring from Creative Partnerships to CCE. 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 IAS 19 Employee Benefits.

The scheme is financed by payments by Arts Council England and employees into a trustee-administered fund independent of Arts Council England's finances. These contributions are invested by a leading fund management company. The net market value of the scheme's assets at 31 March 2010 was £70.7 million.

An actuarial valuation of the pension fund takes place at least every three years. At the last valuation on 31 March 2007 the actuarial value of the assets using the projected unit method was sufficient to cover 75% of the value accrued to members, a deficit of £18,800,000. As a result, and on the advice of the actuary, we are now paying employer's contributions of 25.1% of pensionable salary or 23.1% for staff who started after 1 July 2006.

The main long-term assumptions used for the actuarial valuation were as follows:

Price inflation rate	3.2%
Rate of pay increases	4.7%
Rate of pension increases	3.2%

Amounts due to the fund at 31 March 2009 were £nil (31 March 2009: £nil).

West Yorkshire Pension Fund

We are an admitted member of the West Yorkshire Pension Fund. Providing pensions to over 200,000 members in 181 mainly local government organisations, 94 Arts Council staff participate in this scheme.

The scheme is a defined benefit scheme. However, 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 IAS 19 Employee Benefits.

The net market value of total scheme assets at 31 March 2010 was £7.9 billion.

An actuarial valuation of the pension fund takes place every three years. At the last valuation on 31 March 2007, the actuarial value of the assets using the projected unit method was sufficient to cover 90% of the value accrued to members. During 2009/10 employer's contributions were set at 20.1%, which will rise to 22.7% in 2010/11.

The main long-term assumptions used for the actuarial valuation were:

Rate of inflation	3.1%
Rate of pay increases	4.9%
Rate of pension increases	3.1%

Amounts due to the fund at 31 March 2010 were £nil (31 March 2009: £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, their past service remained with the legacy pension provider as detailed below:

East England Arts	Cambridgeshire Council
East Midlands Arts	Nottingham Council
Northern Arts	Tyne & Wear Pension Fund
North West Arts	Greater Manchester 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 is responsible for meeting any further liabilities relating to Regional Arts Board employees which arise in respect of these funds. Liabilities in relation to three schemes have been addressed. The remaining schemes have not indicated that any liability exists. No provision has been made in these accounts for potential sums payable, because of the uncertain nature of these liabilities.

3a) Other operating costs

	2009/10 £000s	2008/09 £000s
Travelling, subsistence and entertainment	49	41
Professional fees	285	382
Office and sundry	75	42
Irrecoverable Value Added Tax	161	167
External assessment costs	539	1,141
	<u>1,109</u>	<u>1,773</u>

Notes to the Lottery distribution accounts

3b) Costs apportioned from the grant-in-aid accounts

	2009/10 £000s	2008/09 £000s
Staff costs	8,509	8,075
Agency staff costs	825	463
Depreciation	724	585
Travelling, subsistence and entertainment	530	571
Rent and rates	1,543	1,353
Professional fees	385	681
Office and sundry	2,264	1,653
Irrecoverable Value Added Tax	529	769
	15,309	14,150

4 Decrease in Lottery funds

	2009/10 £000s	2008/09 £000s
Stated after charging:		
(a) Auditors' remuneration	62	71
(b) Staff travel, subsistence and hospitality	49	41

5 Non-current assets

Lottery accounts are charged their share of the depreciation of assets employed across all Arts Council activities.

6 Receivables

	31 March 2010 £000s	31 March 2008 £000s
Prepayments and accrued income	2	38
Other receivables	15	999
	17	1,037

Included in 'other receivables' for 2008/09 was an interest-free loan to the Africa Centre, which was converted into a grant during 2009/10.

7 Investments: balance in the National Lottery Distribution Fund

	2009/10 £000s	2008/09 £000s
Balance at 1 April 2009	129,622	155,552
Share of proceeds from the National Lottery Distribution Fund	172,182	145,279
Investment returns on the Distribution Fund	1,396	7,122
Unrealised gains (losses)	(439)	157
Transfer of funds to the Olympic Lottery Distribution Fund	(30,276)	(7,569)
Cash drawn down	(175,122)	(170,919)
Balance at 31 March 2010	97,363	129,622

The balance in the National Lottery Distribution Fund at 31 March 2010 was unaudited at the date of signing these accounts.

Arts Council England's ongoing commitments policy can be summarised as follows.

Arts Council England will set additional commitments at a level to ensure that our National Lottery Distribution Fund balance continues to reduce but does not fall below an acceptable limit. This limit is based on our assessment of the risks and uncertainties involved in forecasting ticket income, payments on existing commitments and the need to manage the impact of the diversion of funds to the Olympics. The projection of ticket income is informed by forecasts provided by DCMS.

Olympic Lottery Distribution Fund Contribution

	2009/10 £000s	2008/09 £000s
Olympic Lottery Distribution Fund contribution remaining	74,655	104,931

The Arts Council along with other Lottery distributors is required to make a contribution from balances to help fund the 2012 Olympics. A total contribution of £112.5 million was set, and is payable as outlined below.

2008/09	7,569
2009/10	30,276
2010/11	30,276
2011/12	30,276
2012/13	14,103
	<u>112,500</u>

Notes to the Lottery distribution accounts

8 Notional costs

The Arts Council is required to calculate a notional cost of capital, which is disclosed in the income and expenditure account. These accounts cover the Lottery distribution activities of Arts Council England, and only funds from the National Lottery are included which bear a cost of capital of 0%.

9 Soft and hard commitments

	31 March 2010 £000s	31 March 2009 £000s
Soft commitments brought forward	8,622	19,703
Soft commitments transferred to hard commitments	(145,843)	(119,956)
Soft de-commitments	(449)	(73)
Soft commitments made	152,498	108,948
Balance of soft commitments outstanding carried forward	14,828	8,622
Hard commitments brought forward	133,355	162,641
Hard commitments met in the last year	(156,487)	(147,005)
Hard de-commitments	(2,640)	(2,237)
Hard commitments made	145,843	119,956
Balance of hard commitments outstanding carried forward	120,071	133,355
Ageing of hard commitments:		
2009/10	n/a	60,009
2010/11	87,652	37,340
2011/12	26,416	36,006
Post 2011/12	6,003	
Total hard commitments	120,071	133,355

During 2009/10 no grants (2008/09: £nil) were paid into the ESCROW account held by the Southbank Centre. At the year end the Southbank Centre had made withdrawals totalling £390,000 (2008/09: £nil) from this account, leaving a balance remaining of £6,000 (2008/09: £395,000 restated) including interest paid on the balance held in the account.

10 Current liabilities/payables

	31 March 2010 £000s	31 March 2009 £000s
Trade creditors	22	26
Accruals and deferred income	58	1,932
	80	1,958

11 Leases

There were no commitments under non-cancellable operating leases at 31 March 2010 (31 March 2009: £nil).

12 Capital commitments

There were no contracted capital commitments at 31 March 2010 (31 March 2009: £nil).

13 Charges on assets

Since November 1997, the standard conditions for grants gives Arts Council England an option to take a formal charge on assets for building projects for grants exceeding £250,000.

14 Cash flow reconciliation

	2009/10 £000s	2008/09 £000s
Reconciliation of operating surplus/(deficit) to net cash flow from operating activities.		
Operating surplus/(deficit)	(18,541)	9,446
Interest receivable	(23)	(269)
Unrealised loss on investment	439	157
Decrease in receivables and prepayments	32,840	25,801
(Decrease) in payables	(10,652)	(26,811)
Net cash inflow/(outflow)	4,063	8,324

15 Reconciliation of net cash flow to movement in funds

	2009/10 £000s	2008/09 £000s
Increase/(decrease) in cash in the year	4,086	8,593
Funds at 1 April 2009	11,405	2,812
Funds at 31 March 2010	15,491	11,405

16 Cash and cash equivalents

	1 April 2009 £000s	Cash flow £000s	31 March 2010 £000s
Cash and cash equivalents	11,405	4,086	15,491
Total	11,405	4,086	15,491

Notes to the Lottery distribution accounts

17 Reconciliation of transactions with delegate bodies

17a) National Foundation for Youth Music (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:

	2009/10 £000s	2008/09 £000s
Transactions in Arts Council England accounts:		
Grant commitments in the year	10,000	10,000
NFYM creditor balance as at 31 March 2010	7,000	0
This reconciles to NFYM's accounts for the year ended 31 March as follows:		
Balance at 1 April 2009	3,626	3,913
Incoming funds: Arts Council England grant	10,000	10,000
other funds	10,537	10,613
Outgoing funds: grant expenditure	(17,260)	(17,474)
other expenditure	(2,418)	(3,426)
Balance at 31 March 2010	<u>4,485</u>	<u>3,626</u>
Arts Council England receivables balance as at 31 March 2010	<u>7,000</u>	<u>0</u>

The 2009/10 figures were unaudited at the date of signing these accounts.

17b) UK Film Council

The UK Film Council is a delegate body of Arts Council England for distributing Lottery funds. Transactions in these accounts relating to this delegation reconcile to transactions in the accounts of UK Film Council as follows:

	2009/10 £000s	2008/09 £000s
Transactions in Arts Council England accounts:		
Grant commitments in the year	0	0
UK Film Council creditor balance as at 31 March 2010	1,485	4,235
This reconciles to the UK Film Council's accounts for the year ended 31 March 2010 as follows:		
Balance at 1 April 2009	4,235	0
Incoming funds: grants received	0	0
Outgoing funds: grant expenditure	(2,750)	
other expenditure	0	0
Balance at 31 March 2010	1,485	0
Arts Council England debtor balance as at 31 March 2010	1,485	4,235

Notes to the Lottery distribution accounts

18 Related parties

18a) Council members

Arts Council England maintains publicly available registers in which Council members declare their interests, including any direct interests in grant applications made to and commercial relationships with Arts Council England. The following interests in grant recipients were declared for the year ended 31 March 2010:

Grant for the year ended 31 March 2010 £000s	Balance unpaid at 31 March 2010 £000s	Organisation	Council member	Relationship
0	10	The British Museum	Liz Forgan	Board member
0	25	The X Press	Diran Adebayo	Family member is board member
40	77	York Museums Trust	Janet Barnes	Chief Executive
0	30	Art on the Underground	Keith Khan	Board member
2,000	2,063	Southbank Centre		Former employee
300	150	The City Arts Trust	François Matarasso	Family member is board member
13	1	The Big Art Trust		Board member
0	8	Monster Productions	Dr Tom Shakespeare	Former board member
2,000	2,063	Southbank Centre	Lady Sue Woodford Hollick	Partner is former Chair
0	8	October Gallery		Family member is on board
480	25	Whitechapel Gallery	Alice Rawsthorn	Trustee
921	460	The Roundhouse	Kentaké Chinyelu-Hope	Trustee
0	1	Egg Box Publishing	Professor Jon Cook	Employee
0	12	Writers' Centre Norwich		Board member
1,200	310	Institute of Contemporary Arts	Ekow Eshun	Employee
720	369	Sadler's Wells Trust	Alistair Spalding	Chief Executive
104	50	The Dance Consortium Limited		Director
183	92	Dance Umbrella Ltd	Rosemary Squire	Board member
417	227	The Hall for Cornwall Trust		Director
100	50	Contemporary Art Society	Caroline Collier	Board Member
0	60	Barbican Centre	Nicholas Kenyon	Managing Director
600	300	London Symphony Orchestra		Other/resident company at the Barbican Centre

Grant for the year ended 31 March 2010 £000s	Balance unpaid at 31 March 2010 £000s	Organisation	Council member	Relationship
(14)	1	Modern Masterpieces		Other/resident company at the Barbican Centre
120	60	Serious Events Ltd		Other/resident company at the Barbican Centre
750	375	English National Opera		Board member
901	329	North Music Trust		Board member
120	26	Birmingham Opera Company	Peter Phillips	Board member
900	450	Welsh National Opera Limited		Board member

18b) 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 following interests in grant recipients were declared for the year ended 31 March 2010.

Grant for the year ended 31 March 2010 £000s	Balance unpaid at 31 March 2010 £000s	Organisation	Executive Director/ Senior Manager	Relationship
630	395	Modern Art Oxford	Andrew Nairne	Former employee and associate and family member is on board
175	0	Almeida Theatre Company	Anupam Ganguli	Former board member
21	2	Chisenhale Gallery		Former board member
30	15	Vital Arts	Maira Sinclair	Former employee
0	3	Look Ahead Housing & Care		Board member
412	407	The Stables		Partner is employee
0	30	Regeneration East Midlands	Michaela Butter	Board member
77	59	Kirklees Council	Andy Carver	Partner is employee
0	90	Hastings Borough Council	Felicity Harvest	Family member is elected member
2,400	0	Creativity, Culture and Education	Mary Wright	Secondment
480	25	Whitechapel Gallery	Lucinda Derry	Sabbatical at Whitechapel
17	2	Show Of Strength Theatre Company	Phil Gibby	Former trustee
0	3	The Wiltshire Music Centre Trust		Former trustee
101	34	Theatre Bristol		Partner is employee
900	450	Welsh National Opera		Employee

Notes to the Lottery distribution accounts

18c) Other government bodies

The Department for 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 is similarly regarded as a related party by virtue of its funding relationship with the Arts Council. At the year end Arts Council England had the following balances outstanding with other government bodies:

	Creditor 31 March 2010 £000s	Debtor 31 March 2010 £000s
Balances with other central government bodies*	1,828	97,363
Balances with local authorities	25,291	0
Balances with NHS Trusts	59	0
Balances with public corporations and trading funds	7	0

* The receivables figure relates to our balance in the National Lottery Distribution Fund

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 2009 the fund balance was £130 million. This had reduced to £97 million by 31 March 2010, at which point there were £121 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. The Arts Council is confirmed as a Lottery distributor until 2019. This means that the Arts Council is exposed to little immediate credit, liquidity or market risk.

19a) Liquidity risk

In 2009/10, 99.2% of Arts Council England's income derived from the National Lottery. The remaining income derived from investment returns from the balance held with the National Lottery Distribution Fund of 0.7%, and from bank interest and other income of 0.1%.

	£000s
At the balance sheet date, Arts Council England had net liabilities of	11,331

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 over the next financial year.

	£000s
Liquid assets as at 31 March 2010:	
Market value of NLDF investments	97,363
Cash and cash equivalents	15,491

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 £97,363,000. In the year, the average return on these investments was 0.58% (2008/09: 4.99%).

	Fund balance (£000s)	Investment return (£000s)	Average return	Proportion of total income
2008/09	129,622	7,122	4.99%	4.90%
2007/08	155,552	11,272	6.05%	7.41%

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% below base rate during the year. The cash balance at the year end was £15,491,000. The decline in returns following the banking crisis has had an impact on returns, but not on the Arts Council's ability to meeting its obligations.

Notes to the Lottery distribution accounts

19c) Foreign currency risk

Our exposure to foreign currency risk is not significant as less than 1% of transactions by value are processed in currencies other than sterling.

19d) Financial assets by category

	2009/10 £000s	Restated 2008/09 £000s
Receivables due within one year		
Prepayments and accrued income	2	38
Other receivables	15	1,457
	17	1,495
Investments		
National Lottery Distribution Fund	97,363	129,622
Cash and cash equivalents		
Cash and cash equivalents	15,491	11,405
Total	112,871	142,523

19e) Financial liabilities by category

	2009/10 £000s	2008/09 £000s
Trade payables	22	26
Accruals and deferred income	58	1,932
Grant payables falling due within one year	87,652	60,009
Grant payables falling due over one year	32,419	73,346
	120,151	135,313

19f) Soft commitments

	2009/10 £000s	2008/09 £000s
Grants offered but yet to be accepted	14,828	8,622

Commitments accounted for are limited to those where there has been written acceptance from the grant recipient. Those additional commitments offered, but not accepted are analysed in note 9 above.

20 Exceptional items

As part of our funding agreement with the Department for Culture, Media and Sport, the Arts Council has a target to save 15% of the 2010/11 administration budget. We took the decision to also apply this target to our Lottery activities. A fundamental review of the whole organisation took place during 2008/09, with an announcement made in February 2009 to staff affected. The new structure was implemented on 1 April 2010. Provision for the anticipated redundancy costs has been made.

	2009/10 £000s	Restated 2008/09 £000s
Balance brought forward	1,643	0
Provided in year	865	1,643
Released	(1,643)	0
Balance carried forward	865	1,643

The provision made in 2008/09 for redundancies was based on the change in staff numbers in total expected from the announced organisation review, and an assessment of the impact of individual decisions made by staff affected in applying for new posts, and the fit that existing staff had in meeting the requirements of those posts. The estimate therefore was based on the total projected number of staff affected, the average pay for that group, and the varying terms and conditions groups of staff had at the point of decisions being taken.

The additional provision created in 2009/10 is based on additional known costs payable in 2010/11 not taken into account in the 2008/09 provision.

21 Events after the reporting period

In accordance with the requirements of IAS 10 Events After the Reporting Period, these events 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.

National Lottery report

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. These 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.

Building on the arts debate we completed in 2007 and responding to the desire expressed for greater involvement we established the wider range of voices project. The aim is to improve the quality of the Arts Council's dialogue with the public and their involvement in setting priorities.

In January 2010 we launched *Achieving great art for everyone*, a public consultation asking our stakeholders to increase our understanding of the current landscape of the arts and the areas that needed development over the next 10 years. We have had around 2,000 individuals and organisations take part in a wide variety of ways – from regional events through to themed meetings, online, through commissioned research for the public and through a range of activities with children and young people. We will combine what we learn from the consultation with our own research to finalise our thinking, which we will publish later in 2010.

b) Its assessment of the needs of the arts and its priorities for addressing them.

The Arts Council plan, *Great art for everyone 2008–2011*, sets out how we intend to achieve our mission and represents our assessment of the needs of the arts and our current priorities. Please see pages 16 to 19 for more on our plans.

c) The need to increase access and participation for those who do not currently benefit from the cultural opportunities available in England.

Grants for the arts, our flagship Lottery-funded programme published new assessment criteria in May 2008. These criteria require applicants to demonstrate specifically how the funding applied for provides opportunities for the public to engage with the arts activity. There is additional priority given to projects that are happening in areas of low cultural infrastructure and engage people who would not usually engage with arts activities. Grants for the arts continues to give priority during the application process to applicants who are applying for funding for the first time.

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

Children and young people remain a development priority at the heart of our plan for 2008–11. We continue to assess applications for Grants for the arts funding as to how well they meet the needs of children and young people. In 2009/10 we delegated another £10 million of Lottery funds to Youth Music, to distribute on our behalf through a number of schemes that focus on the participation of children and young people in music-making activities.

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

We believe that the arts have the power to change lives and communities, and we have funded a range of projects that have toured across the country, from theatres to village halls. This includes work that engages, informs and entertains a wide range of audiences. In 2009/10 we supported Matthew Bourne's new production of *Cinderella* to tour to large scale venues across England, and also Rifco Arts national tour of *Britain's Got Bhangra*. On the smaller scale, we supported the children's theatre company Moby Duck to tour their new work to theatres and village halls.

Outdoor arts of all types have a particular ability to engage, inform and entertain audiences that might not otherwise attend an arts event. The work may be intimate or spectacular and frequently offers opportunities to participate as well as to spectate. Through Grants for the arts we supported the Without Walls consortium of outdoor arts festivals to jointly commission a range of artists based in the UK to create new outdoor work, which will be experienced by thousands of people across England.

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

Grants for the arts encourages high quality experiences for people participating in the arts through the revised assessment criteria launched in 2008. Voluntary and community groups are eligible to request funding and we aim to support participation through Grants for the arts.

We have initiated an annual series of Arts Council England Amateur Arts Forum meetings that brings together representatives of the amateur arts sector with senior staff from Arts Council England. These meetings form part of the Amateur Arts Partnership Development Programme which has been created to respond to the recommendations of the *Our Creative Talent* report published by the Department for Culture, Media and Sport and Arts Council England in July 2008.

g) The need to encourage new talent, innovation, and excellence and help people to develop new skills.

New assessment criteria for Grants for the arts launched in 2008 support excellence, promote development opportunities for artists, and encourage innovation and artistic risk. We place additional priority on development of new ideas and the use of arts in new contexts, formats and places.

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, as well as those of our delegate Youth Music, require applicants for funding to clearly demonstrate the expected public benefit of their proposed activity. We give this careful consideration during our assessment process.

i) The need to further the objectives of sustainable development.

We continue to take into account environmental considerations, including sustainable development during the assessment and monitoring stages of our capital programmes. In March 2009, to further support applicants undertaking building-related projects, we jointly published *Building excellence in the arts – a guide for clients* with the Commission for Architecture and the Built Environment. This resource for anyone renovating or constructing arts buildings identifies the issues that need to be addressed to ensure that the building is sustainable and the design improves the performance of the building over its lifetime.

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.

Our plan for 2008–11 has the mission of great art for everyone at its heart and our network of nine regional offices ensures that we are well placed to assess the particular needs of all areas of the country. We continue to give priority to activities that benefit areas of the country with social deprivation or have limited cultural opportunities.

At the start of 2009, we put £500,000 into the Grants for the arts programme Art in empty spaces to help artists and arts organisations to carry out artistic activities in vacant premises made available to them through the Communities and Local Government scheme. This programme aims to integrate artists into a development, regeneration scheme or town centre, where their presence underpins and contributes to local strategies and arts development.

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

We welcome and encourage applications to Grants for the arts from organisations wishing to improve their longer-term sustainability by developing their organisational resilience.

In addition to these one-off grants, our organisational development team has designed and delivered programmes aimed at helping organisations undertake change projects to secure their financial and organisational future. The Thrive programme assisted over 120 separate organisations; the Sustain programme launched in 2009 provided much-needed financial support through the economic downturn for over another 146 organisations across all artforms and all parts of the country.

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

We work with a number of partners in a variety of ways to help get the most out of our Lottery money and the projects we fund. When assessing applications to Grants to the arts, we regularly seek comments from local authorities on applications that benefit or take place in their area. With major capital projects, we work closely with other funders to ensure that we have a common understanding and approach to the particular circumstances of each project. We continue to meet regularly with the other distributors to explore and discuss the best ways to get the most out of Lottery money for the good causes.

National Lottery report

m) The need to ensure that all those receiving Lottery money acknowledge it using the common Lottery branding.

We recognise the importance of the public easily being able to see how the Lottery has benefited the arts and other good causes. We make it a condition of funding for all successful applicants that they 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 have only ever used 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. In the case of major capital projects, all applications for funding are assessed against a number of criteria including financial viability and the quality of management.

Where capital funding is sought, the need (a) for a clear business plan showing how any running and maintenance costs will be met for a reasonable period, and (b) to ensure that appraisal and management for major projects match the Office of Government Commerce's Gateway Review standards.

All applicants for capital funding must provide a detailed business plan that demonstrates how they will meet ongoing maintenance and running costs for a reasonable period following completion. In the case of major capital projects, we require a five-year business plan that we regularly reassess at a series of reviews we hold at key stages of the project's development. Modelled on the Office of Government Commerce's Gateway Review standards, these reviews allow us and the client to take a more flexible approach to the monitoring and management of risks that may vary during the lifetime of a complex construction or renovation project.

Monitoring and evaluation

We continue to use a single set of principles to inform the level of monitoring we carry out for each of our funding programmes. The level is based on an analysis of risk that takes into consideration:

- the amount of money involved
- the strategic importance of the activity
- any other risk factors

We do not necessarily avoid risk; it is often a central aspect of the creative process. Our approach is to manage risk by carefully assessing all applications we receive and tailoring our monitoring requirements on a project-by-project basis. Where the risks associated with a project are considered low, a 'light touch' approach is adopted, enabling us to concentrate our resources on monitoring and supporting projects where the risks may be higher.

We evaluate our funding programmes regularly to assess whether they are delivering the benefits that we expect for artists, arts organisations and the wider public. We use the findings of such evaluations to refine existing programmes and inform the development of future ones.

We describe how we approached this for each of our programmes below.

Grants for the arts

Grants for the arts is our flagship open application programme that provides Lottery funding to individuals, organisations and for national activities. Grants range from £1,000 to £200,000 and can cover activities lasting up to three years; 2009/10 was the seventh full year of operation. An appropriate level of monitoring for each project is determined during the assessment stage of each application. Our assessors consider what likely risks a project may face and, if thought necessary, additional conditions are attached to our offer of funding. These conditions require projects to demonstrate either before or during their activities that they have taken appropriate steps to mitigate the risks that we have identified. We undertake an ongoing training programme for our assessing staff to ensure consistency in how we apply our monitoring principles.

Further details on how we assess and monitor applications and awards can be found on our website.

Grants for the arts is a continuous programme but we aim to make regular improvements, which means we may introduce new materials from time to time. In March 2010 we launched a new online application service and have centralised the assessment and monitoring process.

We completed a strategic review of Grants for the arts evaluating the first five years of the programme. This review assessed the extent to which Grants for the arts has contributed to our five outcomes of excellence, innovation, reach, engagement and diversity. The results of this review will inform the future development of Grants for the arts.

Youth Music (National Foundation for Youth Music)

Youth Music distributes £10 million of Lottery funds on our behalf through a number of schemes that focus on the participation of children and young people in music-making activities. Youth Music monitors and evaluates these schemes in a number of ways.

Officers or external experts make visits to one in 20 projects funded and produce a written progress report. Projects are selected on the basis of the level of risk identified during the assessment of applications. In addition, projects identified as having the potential for exceptional good practice are also selected so that they may be used as examples.

Youth Music has a research and evaluation team who support the evaluation activities of all funded projects by writing guides, running workshops and responding to enquiries.

Further information on Youth Music's activities is available from Youth Music's website www.youthmusic.org.uk

Mature funding programmes closed to new applications

The following programmes have been closed to new applications for a number of years and have a small, dwindling number of awards that require monitoring:

- capital programmes
- stabilisation and recovery

Details of how we monitor these programmes can be found in previous editions of this report.

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 the Arts Council, 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 2009/10. A copy of the Statement of Financial Requirements is available from us.

Performance against targets for administrative efficiency

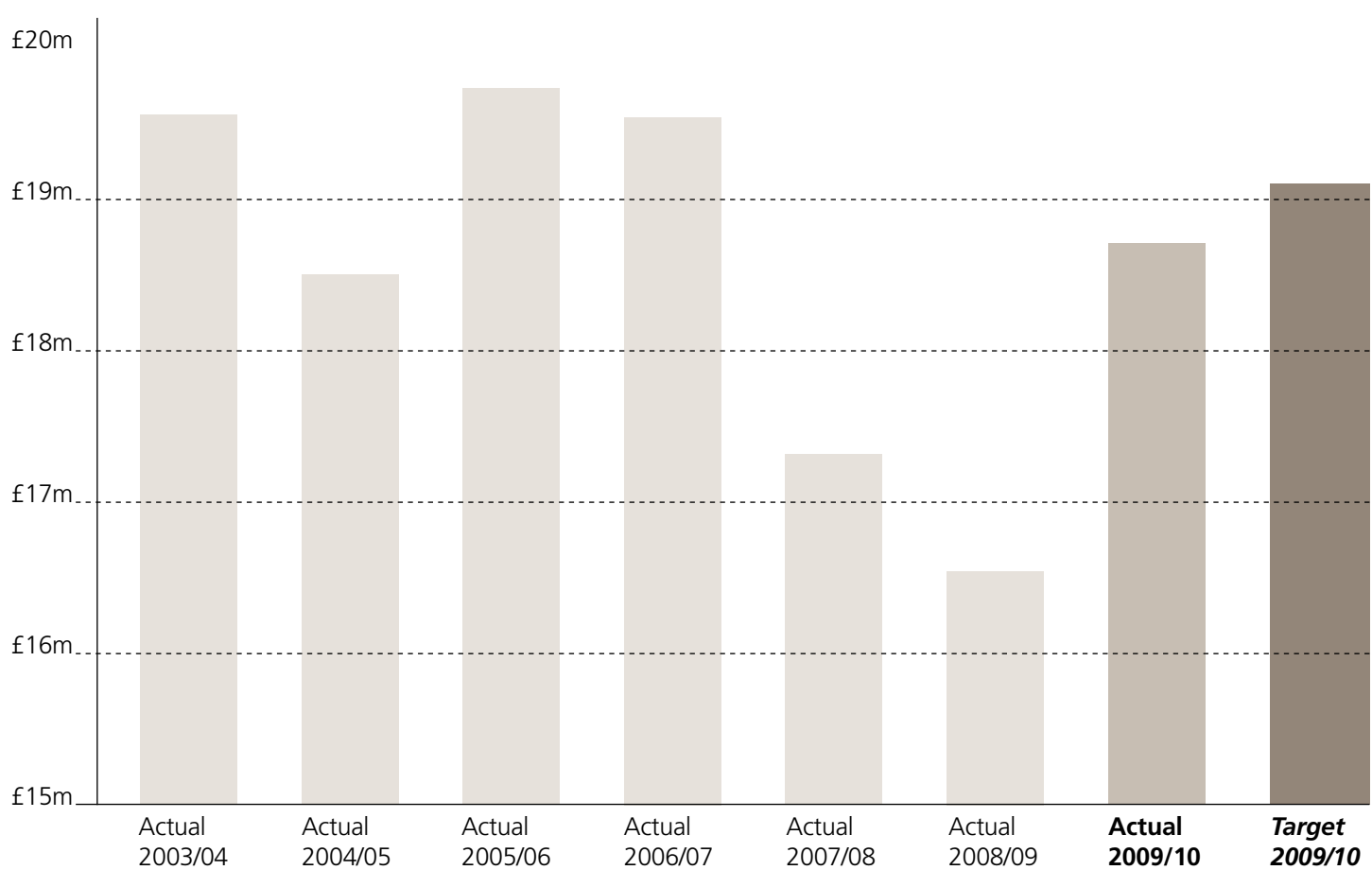
In accordance with the Financial Directions issued by the Secretary of State, we operate a system of performance measures and targets for analysing our administrative efficiency.

National Lottery report

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.

1 Actual Lottery administration costs



	2003/04 £m Actual	2004/05 £m Actual	2005/06 £m Actual	2006/07 £m Actual	2007/08 £m Actual	2008/09 £m Actual	2009/10 £m Actual	2009/10 £m Target
Actual administration costs*	19.57	18.54	19.77	19.49	17.33	16.55	18.34	19.11

* Excludes exceptional items and one-off IT development costs

2 Adjusted Lottery administration costs

	2003/04 £m Actual	2004/05 £m Actual	2005/06 £m Actual	2006/07 £m Actual	2007/08 £m Actual	2008/09 £m Actual	2009/10 £m Actual	2009/10 £m Target
Adjusted Lottery administration costs*, **	19.57	18.02	18.71	18.04	15.62	14.59	15.83	16.50

* Excludes exceptional items and one-off IT development costs

** Figures have been adjusted for inflation using 2003/04 as the base year

The figures in this table are for illustration only. The adjusted figures reflect the inflation rate for 2009/10 as defined by the Treasury's GDP deflators.

3 Actual Lottery administration costs as a proportion of Lottery income

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Actual administration costs as % of Lottery income*	12.15%	10.96%	11.49%	13.05%	11.44%	10.92%	10.59%

* Excludes exceptional items and one-off IT development costs

The figures in this table are for illustration only. The amount of Lottery income we receive each year varies for a number of factors that are beyond our control.

National Lottery report

Grants processing times

Since the start of our flagship Lottery programme Grants for the arts in April 2003, 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 £5,000:

6 weeks

Applications for funding for £5,001 and above:

12 weeks

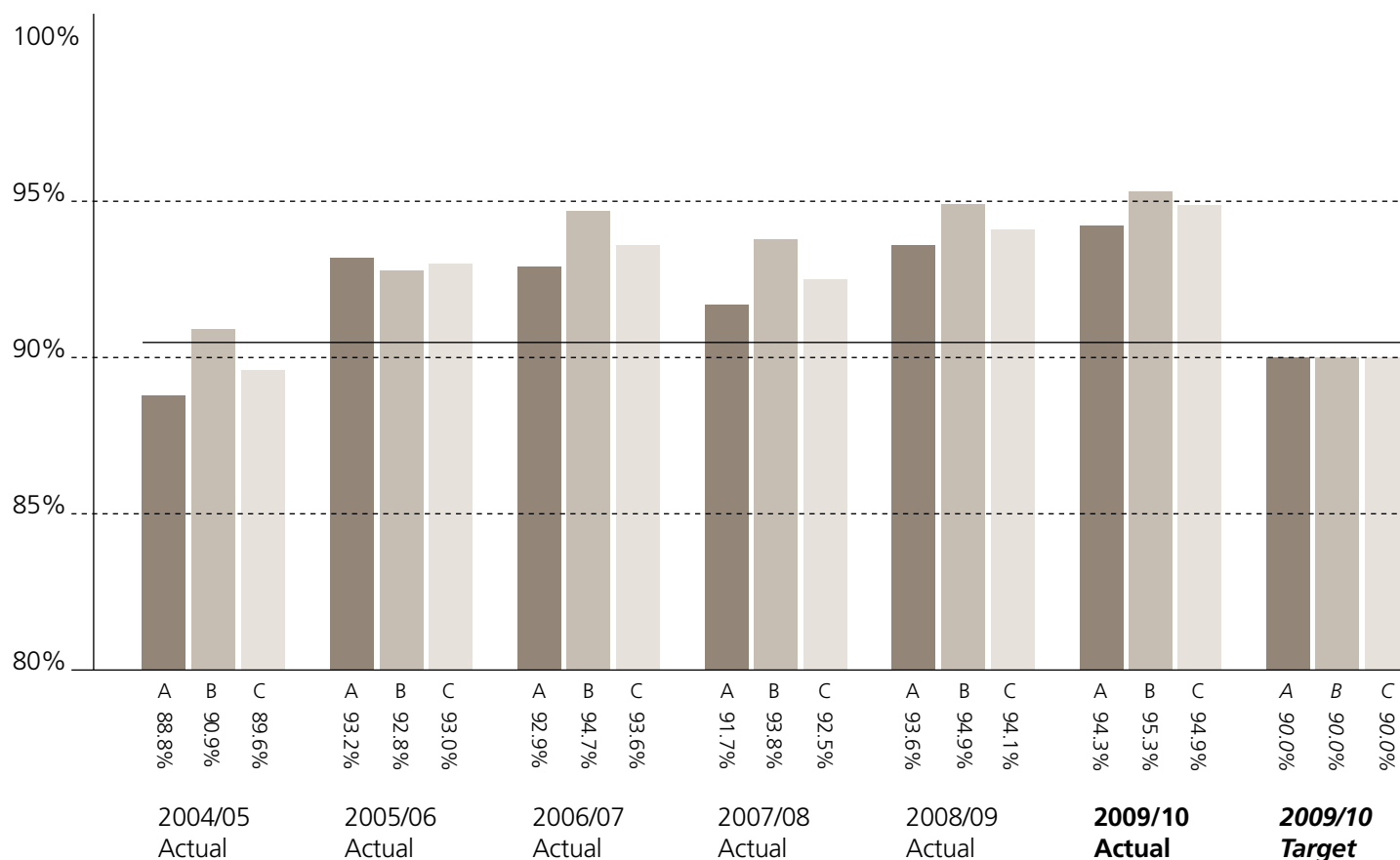
For 2009/10 and future years, we have adopted a target of processing 90% of all applications within our stated turnaround times. The chart below shows how we've performed against this target.

	2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	2009/10 Target
A	88.8%	93.2%	92.9%	91.7%	93.6%	94.3%	90.0%
B	90.9%	92.8%	94.7%	93.8%	94.9%	95.3%	90.0%
C	89.6%	93.0%	93.6%	92.5%	94.1%	94.9%	90.0%

A % of applications for up to £5,000 processed in 6 weeks or less

B % of applications for £5,001 and above processed in 12 weeks or less

C Overall % of applications processed within target time



Policy on additionality

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

Performance against strategic objectives

The financial year 2009/10 was the second of three years covered by the Arts Council plan, *Great art for everyone 2008–11*. This plan lays out our four development priorities:

- digital opportunity
- visual arts
- children and young people
- London 2012

These priorities have been central to all of our Lottery-funded activities.

Pages 16 to 19 provide information and examples of our performance against our strategic objectives.

Customer service charter

In June 2008, we agreed with the other Lottery distributors and with DCMS to replace our common customer service charter with a set of customer service principles.

Progress report on major Lottery awards over £5 million

This section reports on projects that have received awards totalling over £5 million, even if they involve a number of separate awards. It includes any projects that were active at 1 April 2009 but fully paid during 2009/10 and those with outstanding balances at 31 March 2010. The totals reflect any changes made to awards since the original decisions.

The projects are divided into three sections:

- A** projects still to be completed at 31 March 2010
- B** projects completed and opened during 2009/10
- C** projects completed and opened in previous years but with final payments still outstanding at 1 April 2009

A Projects still to be completed at 31 March 2010

Colchester Borough Council

Award: £7,870,000

Colchester Borough Council is working in partnership with the firstsite art gallery towards the development of a new visual arts facility that will showcase established artists and emerging talent and meet a regional need for a large-scale, contemporary visual arts venue. It is proposed the spaces will also act as a focus for the University of Essex's Latin American art collection. £5,206,339 paid (66.1% of the total award).

Birmingham City Council

Award: £8,682,497

In partnership with SAMPAD (South Asian Arts Development Agency) mac (Midlands Arts Centre) is developing a capital project, delivered by Birmingham City Council. The project will include a new visual arts gallery, a new performing arts studio and performance space and a refreshed and refurbished theatre, a new digital media studio and significantly enhanced public areas. The arts centre will reopen in May 2010. £8,256,411 paid (95% of the total award).

Liverpool and Merseyside Theatres Trust

Award: £15,427,719

The Liverpool & Merseyside Theatres Trust (LMTT) run both the Everyman Theatre and the Playhouse Theatre. This project will rebuild the Everyman building on the current site using an enlarged footprint provided by a previous building purchase. The building will retain the unique character of the main auditorium while significantly improving backstage and public facilities and providing extra space for the community and new writing programmes. £2,997,646 paid (19.4% of the total award).

Royal Shakespeare Company

Award: £55,806,540

The Royal Shakespeare Company (RSC) is one of the most significant theatre production companies in the UK and has a prominent international reputation. The company focuses on the plays of Shakespeare as well as developing and producing new work. This project is the redevelopment of the Royal Shakespeare Theatre in Stratford-upon-Avon to provide better facilities for audiences, performers and staff. The RSC plan to reopen the building in late 2010 with a series of preview events and activities. The first performances are planned for early 2011. £52,922,629 paid (94.8% of the total award).

National Lottery report

Southampton City Council

Award: £5,844,000

Southampton's new arts complex will create dramatic new contemporary arts spaces in the heart of the city, built on the old Tyrrell and Green site. The New Arts Complex will bring internationally acclaimed art exhibitions and a full programme of performing arts. These will share their home with outstanding resources for film-makers, providing new creative opportunities for everyone across the city and beyond. £343,812 paid (5.8% of the total award).

Wakefield City Council

Award: £5,080,000

The local authority is creating a new cultural amenity for the city as part of a comprehensive regeneration plan. The development of the Hepworth, a major new art gallery, comes from the offer of 30 sculptures by Barbara Hepworth's estate, as well as a desire to re-house Wakefield Gallery's own large art collection. The project will vastly improve accommodation for collections, exhibitions and education activity. £4,300,032 paid (84.6% of the total award).

B Projects completed and opened during 2009/10

After a project has been completed and opened, the Arts Council retains a percentage of the award for payment until a full account for the project has been received and/or final certificates have been issued.

Nottingham City Council

Award: £5,580,000

This project has seen the construction at the site known as Garners Hill of a building that is the East Midlands' new 'flagship' contemporary arts space. Nottingham Contemporary, which opened in November 2009, has five large galleries and a flexible space which includes a social area and live art performance space. The performance element is part of a broadly described contemporary visual arts programme. £5,304,400 paid (95% of the total award).

The Public (previously c/PLEX)

Award: £35,252,084

The Public opened in June 2008 and although the building was open for conferences and events, music and theatre usage, the interactive art gallery at the centre of the building was not complete.

In September 2008, we were made aware that unless we could provide an additional £500,000 investment, the board of Public Gallery Ltd would have to put the company into administration. After lengthy consideration of a revised business plan and due to the fact that the interactive gallery was still not open in January 2009, a decision was reached that we could not support it. This decision was not reached lightly and in making it, we recognise the considerable efforts made by the team at The Public to realise their vision.

Following further discussions with Sandwell Metropolitan Borough Council, a revised integrated artistic and business plan was produced which secured a final Arts Council investment of £3 million. As a result of this support the building has now been brought fully into public use and offers a mixed programme of arts activity alongside managed workspace, learning and conference facilities. £32,752,084 paid (92.9% of the total award).

C Projects completed and opened in previous years but with final payments still outstanding at 1 April 2009

After a project has been completed and opened, the Arts Council retains a percentage of the award for payment until a full account for the project has been received and/or final certificates have been issued.

Junction CDC Limited

Award: £5,951,921

A multi-purpose arts centre The Junction programmes and develops contemporary Music, Comedy, Dance, Theatre, Live Art and Club nights over three spaces. The Junction is developing its learning and access programme to maximise opportunities for young people to experience live performance, create work and engage in learning, discussions and debate. It opened in February 2005. Junction received additional support to complete capital issues and to undertake review of the business model and to restructure to ensure sustainability. £5,951,921 paid (100% of the total award).

Leeds City Council

Award: £16,100,000

The project is a partnership between Leeds City Council, Leeds Grand Theatre and Opera North. Phase one provides a new base and rehearsal centre for Opera North and refurbishment and modernisation of the Leeds Grand Theatre. It comprises a mix of new build development, operational improvements and heritage investment. It reopened in October 2006. Phase two has created the Howard Assembly Room, The Emerald Grand Hall and a new glass link bridge. The restoration of the former Assembly Rooms has resulted in a 350 seat flexible performance space and home to the Orchestra of Opera North. It reopened in January 2009.

£15,840,572 paid (98.3% of the total award).

Leicester City Council**Award: £14,700,000**

The project is a partnership between Leicester City Council, Leicester Theatre Trust (Haymarket Theatre) and the Leicester Arts Centre Trust (Phoenix). The Curve is a new performing arts centre, a replacement venue for the old Haymarket Theatre and the performing arts elements of the Phoenix Arts Centre. It is the first phase of a new cultural quarter in the St George's regeneration area of Leicester city centre. It opened in November 2008.

£14,305,678 paid (97.3% of the total award).

National Theatre**Award: £32,090,000**

The project included refurbishment and redevelopment of the backstage and public areas and car park, investment in new equipment and information technology, and purchase of the lease for a new research and development space, the Studio. Front-of-house work was completed at the end of 1997.

Further redevelopment work on the Studio was completed in November 2007 to provide a new home for the National Theatre archive and a dedicated base for its education work.

£31,984,000 paid (99.6% of the total award).

Northampton Theatres Trust**Award: £7,998,725**

This project is the refurbishment and reconfiguration of the Northampton Derngate and Royal Theatres. The two organisations merged in 1999 to form the Northampton Theatres Trust. The redevelopment provides an extended and renovated foyer, improved disabled access, improved air circulation, a new creativity centre (a home for the theatres' education and outreach activities) and a new rehearsal space bringing in-house produced shows into the heart of the building. It reopened in October 2006.

£7,998,725 paid (100% of the total award).

Rivington Place**Award: £6,035,976**

The project is a new building to house two culturally diverse visual arts agencies (InIVA and Autograph ABP) with a gallery, project spaces for small-medium enterprises, expanded multimedia, a library and research facilities. Rivington Place is situated in the heart of the diverse communities of east London, characterised by a dynamic city fringe economy and considerable deprivation. It opened in October 2007.

£6,035,976 paid (100% of the total award).

Southbank Centre**Award: £55,869,643**

This project consisted of the development of the Royal Festival Hall through improvement to existing foyers and renovation of the auditorium, access improvements, improved natural acoustics and improved box office facilities. It also consisted of an extension to the frontage of the Hayward Gallery including improved foyer, education, conference and outreach facilities (completed in October 2003) and improvements to external landscaping on the South Bank. It reopened in June 2007.

£53,806,643 paid (96.3% of the total award).

Council and regional council members April 2009–March 2010

Council	East Regional Arts Council	London Regional Arts Council	North East Regional Arts Council
Dame Liz Forgan (Chair) Diran Adebayo Janet Barnes Kentaké Chinyelu-Hope (retired September 2009) Ajay Chowdhury (interim member appointed November 2009) Sir Chris Clarke (retired October 2009, deceased December 2009) Caroline Collier (appointed January 2010) Jon Cook Ekow Eshun Sheila Healy (appointed January 2010) Sir Nicholas Kenyon (appointed November 2009) Keith Khan François Matarasso Elsie Owusu OBE (retired May 2009) Peter Phillips (appointed January 2010) Alice Rawsthorn Anil Ruia Tom Shakespeare Alistair Spalding Rosemary Squire OBE Dorothy Wilson (retired December 2009) Lady Sue Woodford Hollick (retired September 2009)	Jon Cook (Chair) Gillian Beer David Butcher (appointed January 2010) Rosemary Clarke (appointed September 2009) Paul Kirkman (reappointed January 2010) Matthew Linley Donna Lynas (appointed January 2010) David Morrall (reappointed January 2010) Penny Otton (reappointed July 2010) William Pope Mathew Russell (appointed January 2010) Nicky Webb Susan Wigglesworth (reappointed July 2010) Jason Yarde East Midlands Regional Arts Council François Matarasso (Chair) Abby Johnson Brennan (on maternity leave from July 2009 to July 2010) Cllr Pat Fawcett (retired September 2009) Bill Gee Cllr Alan Graves Nikki-Kate Heyes (retired January 2010) Uzma Johal Carol Leeming (retired January 2010) Donna Munday Corey Mwamba Hetai Patel (appointed July 09) Anette Schafer Cllr Emily Thrane Cllr Jill Vincent Cllr Nick Worth	Lady Sue Hollick (Chair until September 2009) Ajay Chowdhury (interim Chair from July 2009) Cllr Babara Campbell Tamsin Dillon Jennifer Francis (appointed July 2009) Jenny Harris (retired September 2009) Sarah Howard Indra Khanna (retired July 2009) John Middleton (appointed July 2009) Alan Miller Munira Mirza Cllr Guy Nicholson Cllr Anjana Patel Cllr Flick Rae Cecilia Wee Sue Wyatt	Dr Tom Shakespeare (Chair) Carol Bell Cllr David Budd Cllr Sheelagh Clarke Professor Eric Cross Cllr Keith Davidson Maurice Dezou Tina Gharavi Cinzia Hardy Cllr Eunice Huntington (appointed December 2009) Melanie Laws Cllr Glen Sanderson (retired September 2009) Cllr Jim Smith Peter Standfield Julie Ward (appointed December 2009) Lucy Winskell (retired June 2009) Cllr Norma Wright

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(Chair)
Cllr Shan Alexander
Deborah Barnard
(retired September 2009)
Fiona Gasper
(appointed January 2010)
Ruth Gould
(retired March 2010)
Sarah Hall
(retired November 2009)
Cllr Hazel Harding
(retired June 2009)
Professor Steve Hawley
(appointed January 2010)
Prof Lubaina Himid
Cllr Margaret Jackson
(appointed September 2009)
Cllr Andrew Knowles
(appointed January 2010)
Wyllie Longmore
Cheryl Martin
Peter Mearns
Cllr Gary Millar
(appointed January 2010)
Andrea Nixon
Cllr Paula Pearson
(retired March 2010)
Cllr Eric Plenderleath
(retired September 2009)
Cllr Tony Williams
(appointed January 2010)

South East Regional Arts Council

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(Chair from October 2009)
Kentake Chinyelu-Hope
(Chair until September 2009)
Jon Adams
Julien Boast
Sandy Ezekiel
Mike Faiclough
(retired October 2009)
Euan Henderson
(retired March 2010)
Sarah Hohler
Shweta Kapadia
(retired March 2010)
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Judy Panesar Harrison
John Sailsman
Don Seale
(retired February 2010)
David Simmons
Patricia Stallard
Claire Stretton
Gavin Stride
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Stephen Turner

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December 2009)
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Sita Brand
(appointed January 2010)
Cllr John Fort
(reappointed March 2010)
Leila Jancovich
Sohail Khan
(reappointed January 2010)
David Nixon
(retired September 2009)
Cllr Christine O'Sullivan
(reappointed September 2009)
David Porter
Cllr John Procter
(retired April 2010)
Stephen Purcell
Cllr Mike Pye
(retired April 2010)
Doug Sandle
(appointed January 2010)
Geetha Upadhyaya
Cllr Christian Vassie

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