

Annual Report & Accounts

FOR THE YEAR ENDED 31 MARCH 2017



CHAIR'S REPORT

Our new Chair Nick Serota
talks about his plans.

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CHIEF EXECUTIVE'S REPORT

Our CEO Darren Henley
reflects on the past year.

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ACHIEVING GREAT ART & CULTURE

How we achieved our five
goals in 2016/17.

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ANNUAL ACCOUNTS

Grant-in-Aid and Lottery
distribution accounts.

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**ARTS COUNCIL ENGLAND GRANT-IN-AID
AND LOTTERY DISTRIBUTION ANNUAL
REPORT AND ACCOUNTS 2016—17**

Presented to Parliament pursuant to sections
34(3) and 35(5) of the National Lottery Act
1993 (as amended by the National Lottery
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Chair's Report



01

Sir Nicholas Serota

CHAIR ARTS COUNCIL ENGLAND



The Arts Council has come a long way over the last decade, reclaiming lost ground with partners and friends, becoming more open and accountable, lean and efficient and championing creative ambition and a truly national spread of investment across the arts, museums and libraries.

I'm excited to take the chair and fortunate to follow hard on the heels of Baz, who has been a strong, eloquent and effective advocate for the importance of public investment in art and culture.

The recent Tailored Review highlighted the efficiency of the Arts Council, and its success as a trusted arms-length development agency, while making some helpful recommendations for improvement. This trust has been earned through the work it has done in building a more diverse and resilient arts and cultural sector. Baz was to the fore in promoting both diversity of workforce and the adoption of new income streams. In the last year we really began to appreciate the effects of the latter on the earned income of organisations in the Arts Council's National Portfolio. Earned income has gone up by a quarter over the last three years, with supplementary income (the portion from such enterprises as bars, food, gifts and rentals) is rising by an amazing 75 per cent. Real change and resilience is possible; while we will continue to do all that we can to champion and make the case for public investment in art and culture, operational resilience must be a continued priority. This is an uncertain world and we must be prepared for anything.

Resilience will also come through ensuring the relevance of our arts, museums and libraries within their communities, and by bringing in new audiences.

My work at Tate has been informed by the belief that everyone can have the kind of cultural encounter that opens our eyes and can change the course of our lives. In recent years the Arts Council has made determined steps towards reaching people who have not previously had access to art and culture. This has required a shift in the direction of investment; but it can be done without diminishing London's reputation as a world centre of culture, and the role it plays as a hothouse for national talent.

In my first few weeks I've been especially struck by the ground breaking, community focused approach of the Creative People and Places programme, which is operating in 21 projects across England, many of them in rural and post-industrial areas that have been left behind by recent social and economic progress. Art and culture can be an important force in breaking down socio-economic barriers and giving people the chance to find a voice, as is happening with Creative People and Places. This is important work; I want to see the Arts Council do more of it, and have a wider discussion about it.

Similarly, we must give great weight to our work with children and young people, who are the future artists, audiences and creative minds that will shape the future. The arts can make a huge contribution to the development of young people, both within and outside the curriculum. I believe that while there is a general consensus about the value of the arts in education, there is less clarity about how best to act upon this knowledge. Hence, in my first speech, at the end March, I announced the formation of the Durham Commission on Creativity and Education, a partnership with Durham University that will take an evidence-based and expert-led view of the landscape, looking at the various initiatives there have been to promote the arts in education. The Commission will look at what we want to achieve, and suggest the most appropriate ways forward.

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We are the meeting ground; we provide the safe places for people to come together and discover what they hold in common; their shared loves and passion for what is humane, good and beautiful.

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The work of the Commission will inform our next 10-year strategy, which we are thinking about now. We must continue to champion excellence but we must also maintain our drive to widen access to art, culture and creativity and ensure their place in the lives of the next generation. These are times of change; there is risk, but the arts and cultural sector has to be bold and prepared to step forward and take a leading role in the life of our communities, and of our nation. We are the meeting ground; we provide places for people to come together and discover what they hold in common, their shared loves and passion for what is humane, good and beautiful. It was appropriate that I gave that first speech at the No Boundaries conference in Hull, which – as Darren has said – exemplifies the kind of change we want to see in towns and cities across England. Arts and culture will be important for the future of our society; indeed, in an uncertain world, we may need them as never before.



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Chief Executive's Report

A woman with long dark hair, wearing a patterned dress, is shown from the waist up. She is looking towards the camera with a slight smile. Her right arm is raised, and she is holding a small object. The background is a warm, orange-toned image of a city street with buildings and a patterned surface. A large, white, stylized number '02' is overlaid on the bottom left of the image.

02

Darren Henley OBE

CHIEF EXECUTIVE ARTS COUNCIL ENGLAND



If I had to choose one abiding memory of this past year that would sum up the direction of the Arts Council, it would be the celebrations that launched Hull's year as City of Culture. For one extraordinary night, 25,000 people came to the waterfront to watch the Humber light up with fireworks, while the handsome buildings of this atmospheric city were covered with animations that brought its proud history to life.

It was a poignant and uplifting event. In 2015, Hull was the venue for my first public speech as CEO, where I talked about the Arts Council's plan to increase investment and build cultural capacity outside London and our conviction that the arts bring tangible benefits to individuals and communities. Well, we've certainly seen that with Hull, which has soared from being a byword for post-industrial neglect to become one of Lonely Planet's must-visit destinations.

There's been a terrific response to Hull's programme, with venues smashing targets for visitors and a wave of live broadcasts, media attention and debate. Hull, a city waiting in the wings, has moved centre stage. It represents the places the Arts Council wants to work – and the work we want to do.

Hull shows how place-based work can lead civic revival. This approach was at the heart of last year's Culture White Paper, which recognised that art and culture drives local regeneration. From the White Paper emerged the Great Place scheme, which has been welcomed with enthusiasm. Long-term partnerships are crucial in place-making; with many local authorities facing tight budgets, we are pleased at the growth of our partnerships with higher education and are working with universities in towns and cities all over England, helping them to extend their impact into the community and create thriving cultural centres.

Partnerships with universities take many forms; they support venues, festivals and organisations, they are important contributors to our research programmes, and we were delighted to sign a memorandum of understanding with De Montfort University in Leicester, who are now also our partners on the pilot stage of our 25-year Creative Talent Plan. This is a place-specific programme that will pull together the various strands of our investment and see how we can offer the right intervention at the right time, so that everyone with talent will have the chance to fulfil themselves, no matter where they start in life.

Talent is everywhere; opportunity is not. We need to create better routes to entry and progression and I think we are seeing things beginning to move. This year, we were able to report more progress with diversifying the sector workforce, so we are more representative of the public we serve. We've also seen some fantastic work inspired by the Creative Case for Diversity. But change needs to be consolidated by greater diversity at leadership and board levels, and disabled representation remains far too low. We are working hard to understand the reasons for this and what we can do, and we are underpinning our efforts with diversity using extensive Strategic Funds.

As a nation, we will need all our creativity and talent. Our diversity, with its individuality, range of perspectives and can-do approach is a national resource. Moreover, our diversity is a measure of our success as a society; it speaks volumes for the British values of tolerance and inclusivity.

Our commitment to support a truly national arts and cultural ecology that liberates talent and supports organisations of all kinds and scales will be reinforced by our investment process for 2018–22, which is currently underway.

Last year I wrote how, coming to the Arts Council, I was fascinated by the sheer reach of our work. It's impossible to represent what you don't know, so I got on the train and in my first 18 months in the job, visited 157 villages, towns and cities across England, from Cornwall to Cumbria.

I discovered that the work we're engaged with is culturally richer and more interwoven with daily life than I'd thought possible. Those first impressions inspired a book, *The Arts Dividend*, which makes the case for public investment, describing the many ways in which it is repaid. It's been a very useful basis for discussions with stakeholders and personally it will always remind me of the wonder of what we do.

This year we said goodbye to two much loved and valued colleagues. First Althea Efunshile, deputy CEO and chief operating officer, retired. Althea did much to build a culture of propriety and transparency at the Arts Council and to establish strong relationships with our partners in government. And then our Chair, Sir Peter Bazalgette moved on to ITV. Baz was a brilliant advocate for the value of art and culture and a bold, persuasive thinker and businessman who made us many friends. We wish them both well – and we welcome Baz's successor, Sir Nicholas Serota, who joins us from Tate.

The importance of Althea and Baz's influence was felt in the conclusions of the Tailored Review of the Arts Council, completed by the Department for Culture, Media and Sport (DCMS) earlier this year. While pointing to areas where we can do more, the review was an emphatically positive assessment of a public organisation that the authors saw as being at a high point of its 70-year history. They were especially complimentary about the way that we have incorporated museums and libraries into our work. The review was a great welcome for our new Chair – and an encouraging boost for all of us.

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Achieving Great Art & Culture

03.



Our Performance

Some key numbers



£672m

TOTAL GRANTS AWARDED



676

NPOs INCLUDING
BRIDGES & MPMs*



52.2%

RATIO OF CHARITABLE
GIVING TO ARTS
COUNCIL GRANT
INCLUDING MPMs**

92%

ORGANISATIONS
OFFERING DIGITAL
CONTENT

104,233,000

SUSTAINED
ATTENDANCE/VISITOR
NUMBERS IN NPOs

4,129

NUMBER OF GFTA
GRANTS AWARDED†

99.73%

% GFTA APPLICATIONS
PROCESSED WITHIN
OUR PUBLISHED
TIME FRAME†

£213m

CONTRIBUTED INCOME
IN NATIONAL PORTFOLIO
ORGANISATIONS



*NPO 15-16 DATA (CITED FROM THE NPO ANNUAL SURVEY)

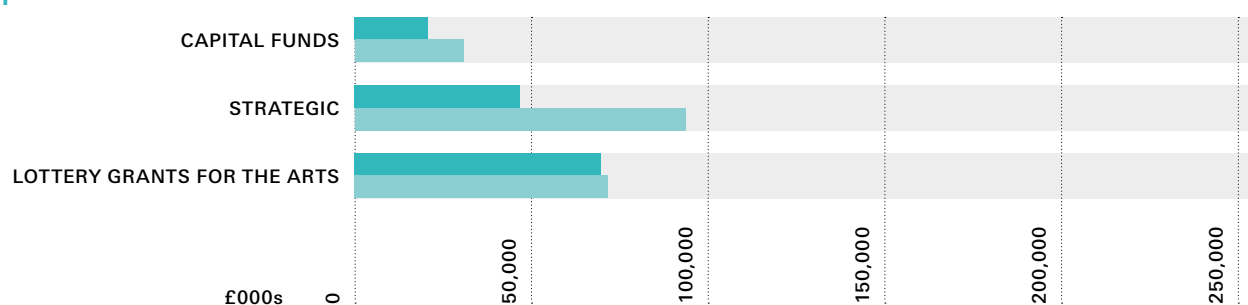
**DATA EXTRACTED FROM FIGURES RETURNED TO DCMS IN JAN 2017

†GFTA 16-17 DATA

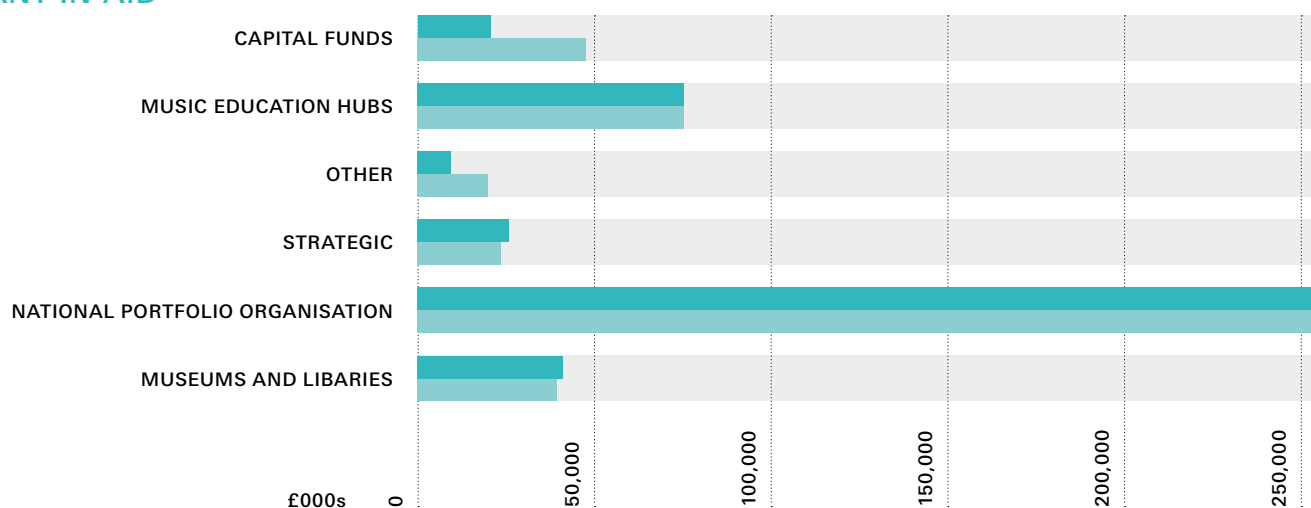
GIA and lottery budgets analysis

See below an overview of Arts Council England's expenditure categorised by Funding source and budgeting heading e.g. National Portfolio Organisation, Music Education etc.

LOTTERY



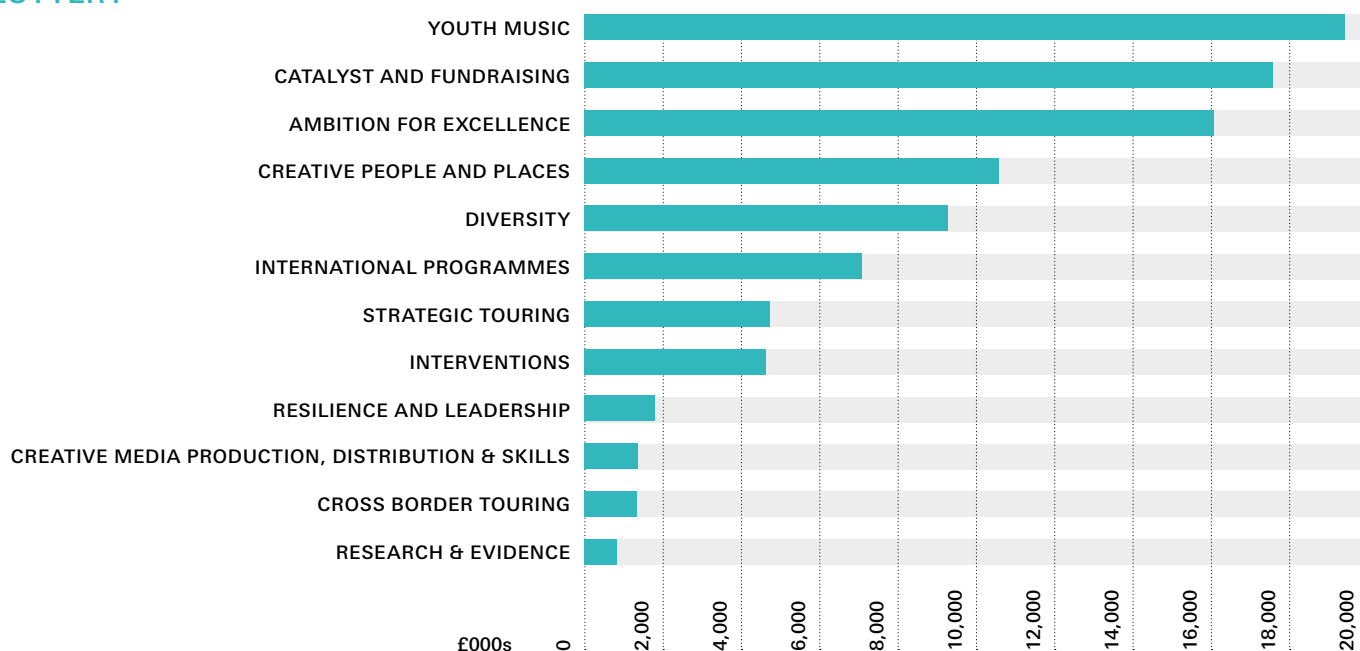
GRANT-IN-AID



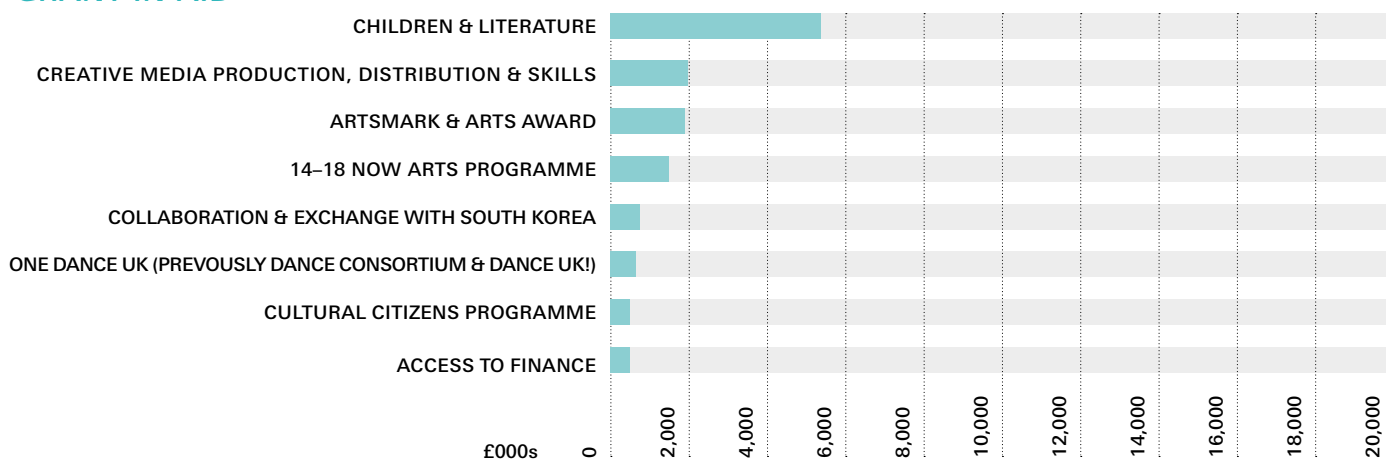
Lottery & Grant-in-Aid Strategic Funds Budgets

The graph below shows an analysis of the Lottery and Grant-in-Aid Strategic funds over £500k in value for 2016/17.

LOTTERY



GRANT-IN-AID







Goals

01

*Excellence is thriving
and celebrated in the arts,
museums and libraries*



The Arts Council believes that public investment sustains and raises the quality of our national art and culture, enhancing both individual and shared experiences.

Artistic excellence can take many forms, and we need to be open to new ways of assessing it. In the last year we have pursued a deeper and more detailed understanding about the quality of the work we support.

The Artistic and Quality Assessment programme already provides a strong and transparent framework for discussion about work produced by our funded organisations; in the last year we commissioned assessments across wider subsections of artform and geography.

The year also saw the evaluation stage of the Quality Metrics pilot project. These quality metrics were developed by the arts and cultural sector and consist of straight forward questions about the various aspects of a cultural experience, which help cultural presenters, their peers and audiences to reach qualitative judgements.

The pilot involved 153 National Portfolio Organisations testing the metrics in different situations and on a wide scale. English Touring Theatre, for example, used the metrics to evaluate one specific work, *The Herbal Bed*, on tour, giving them a powerful tool to compare the reception of the work across locations.

The results of the pilot showed us that arts and cultural organisations value being able to measure quality consistently across different events and different disciplines. This knowledge will help to shape our work as we roll out the quality framework across the portfolio in 2018.

Our key means to realise the objectives of Goal 1 remains the investment we make in the 21 Major Partner Museums and the 663 National Portfolio Organisations.

Over the last year, Arts Council investment has again supported a raft of adventurous, critically acclaimed and prize-winning work across arts, museums and libraries.

In dance, Matthew Bourne's *New Adventures/ Re:Bourne* won The Stage International Award for the Asia tour of *Sleeping Beauty*, which reached audiences of more than 70,000, while *Northern Ballet's 1984* won The South Bank Sky Arts Dance Award.

In literature it was an especially good year for Northern poetry publishers. Manchester based Carcanet, a National Portfolio Organisation, had a double win at the 2016 Forward Prize with Vahni Capildeo's *Measures of Expatriation* winning Best Collection and Sasha Dugdale's *Joy* winning Best Single Poem.

Meanwhile, Gillian Allnutt, published by Northumberland-based National Portfolio Organisation Bloodaxe Books, was awarded the Queen's Gold Medal for Poetry.

In theatre, 2016 brought national success for Newcastle based Live Theatre. Their co-production with National Theatre of Scotland, *Our Ladies of Perpetual Succour*, which was adapted for the stage by Lee Hall from Alan Warner's novel *The Sopranos*, was a hit at the Edinburgh Festival and went on to the National Theatre and the West End, winning the Olivier for Best Comedy.

Invitations to work internationally are key indicators of the state of our national arts and culture. Research into the international activity of our National Portfolio Organisations found that 65 per cent had undertaken wide-ranging activity, including UK artists' residencies abroad, hosting foreign artists' residencies, touring programmes, and undertaking co-productions or taking UK artists abroad. This activity generated £34 million, with international income accounting for 7 per cent of turnover for National Portfolio Organisations.

Our Reimagine India fund has awarded £1.3 million to help 17 organisations collaborate with their Indian counterparts in projects that will unite cities and rural areas across England and India.

There were international awards across artforms. Seven Stories, the National Centre for Children's Books, was shortlisted for the International Children in Museums Award 2016. And in visual arts, British artist Mike Pratt, represented by Workplace Gallery, won the Koninklijke Prijs voor Vrije Schilderkunst 2016.

This year has seen work start on the Factory in Manchester. There will be a total investment of £110 million, of which £78 million will be coming from the Treasury. Factory will be a ground-breaking new venue that captures the extraordinary creative vision and breadth of Manchester's cultural life. It will be a world leader in innovative producing and programming and will bring internationally renowned names from the arts world to the North and to a new range of audiences.

Factory will drive growth and regeneration, and is expected to create or support 1,500 full time jobs and add £1.1 billion to Manchester's economy over a decade. The Arts Council is the fund holder for the Treasury's capital investment of £78 million announced in the Chancellor's statement in December 2014.

Darren Henley, Chief Executive, Arts Council England, said: "As the nation's developer of our arts and culture we want to invest in bold schemes that will excite audiences and burnish our international reputation. The Factory has just such potential – it promises to be a powerful catalyst, bringing artists together to work in new ways in an intriguing new space. It promises a programme that will attract future generations of audiences to new types of performance. We are proud to support the Factory, and our partners in Manchester, as they continue their journey to become a standout cultural venue."

In libraries, Grants for the Arts invested in several headline initiatives. The Word in South Shields, a spectacular library and National Centre for the written word, opened, supported by a £99,000 award. Among many fascinating exhibitions was *Back from the Dead: Demystifying Antibiotics* at the Museum of the History of Science in Oxford, which traced the miraculous and now precarious history of antibiotics, while *Microsculpture* at the Oxford University Museum of Natural History presented insect specimens through high magnification portraiture. The exhibition was seen by more than 400,000 visitors and will tour to Switzerland and Denmark.

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The Arts Council Collection marked its 70th anniversary with celebrations that included two new touring exhibitions and eight commissions of new work that were exhibited across the country.

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There were some notable anniversaries. Celebrating Shakespeare 2016 marked the Bard's 400th anniversary with a mass participation event in libraries and bookshops across England. A total of 47 different artists or groups received 95 commissions to work on arts events in 716 libraries over the summer and autumn, attracting 12,024 people.

The Arts Council Collection marked its 70th anniversary with celebrations that included two new touring exhibitions and eight commissions of new work that were exhibited across the country. Half of the artists selected for the commissions – John Akomfrah, Hurvin Anderson, Katie Paterson and Heather Phillipson – joined the Collection for the first time.

We reinforce the work of Goal 1 through our Ambition for Excellence programme which supports exceptional projects both in and out of the National Portfolio, especially outside London. This year we invested more than £15 million, bringing our total investment since April 2015 to nearly £23 million across 42 projects.

The fund supports and invests in future talent. When Artichoke were producing *London's Burning*, marking the 350th anniversary of the Fire of London, an Ambition for Excellence grant allowed the creation of an apprentice producer development scheme. Ambition for Excellence supported Hull, City of Culture 2017, to develop future producers in partnership with other international festivals.

Through the Designation Scheme, we continue to celebrate collections of national significance and quality held in non-national museums, libraries and archives. During the year, the Designation Panel made two awards to collections that offer extraordinary coverage and insight into their subject areas. In the North, Chesterholm Museum's unique Vindolanda collection on Hadrian's Wall is central to our understanding of life on the northern frontier of Roman Britain. In the South West, The Kent's Cavern collection at Torquay Museum is of great significance to the study of climatology, human evolution, medical research and archaeological science.

Alongside the Designation Scheme, the Designation Development Fund invests in projects to support their sustainability and value to the public. Funding for 2016–18 focused on opportunities around research and understanding and awarded a total of £1,330,849 across 18 organisations.

Goal 1 incorporates the Creative Case for Diversity, through which we recognise the importance of diversity in producing ambitious, challenging and exciting work. We now require all our National Portfolio Organisations to show us how they make the Creative Case central to their thinking, and how the work they produce, present and distribute will reflect our national diversity. This year, 95 per cent of National Portfolio Organisations were rated either ‘met’ or ‘good’ in their plans to deliver against the Creative Case for Diversity.

However, successful delivery of the Creative Case will require more diverse-led organisations within the National Portfolio. In 2016/17, our new Elevate fund invested £5.3 million to help build the capacity of 40 organisations outside the portfolio. We were pleased to see that 30 of these organisations applied to join the 2018–22 portfolio.

We also invested a further £1.8 million into Shape and Artsadmin to deliver Unlimited III, a commissioning and development programme for deaf and disabled artists.

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This year, 95 per cent of National Portfolio Organisations were rated either ‘met’ or ‘good’ in their plans to deliver against the Creative Case for Diversity.

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Management agreement performance indicator

An increase in the amount of activity made available to audiences digitally through National Portfolio Organisations and Major Partner Museums.

One of the KPIs in our management agreement with the Department for Culture, Media and Sport (DCMS) relates to an increase in digital production. National Portfolio Organisations and Major Partner Museums make content available to audiences digitally through a number of mediums. We do not collect data on the total amount of activity that National Portfolio Organisations and Major Partner Museums make available to audiences digitally. However in 2016, 92 per cent of the National Portfolio reported that they make artistic content available on their website. In addition, audience figures for broadcasts were collected for the first time in 2015/16, and they indicate known viewers or visits of around 16 million.



WEBSITE CONTENTS	NUMBER OF ORGANISATIONS	% OF PORTFOLIO
Artistic content	620	92%
Video content	608	90%
Audio content	410	61%
Games/Interactive	55	8%
Educational content	453	67%
Programmes/Guides	439	65%
Ticket Sales	354	52%
Product or Service sales	339	50%
Facility to accept donations	450	66%
Customer/Audience feedback facility	331	49%
Support for access for disabled people	318	47%

BROADCASTS	KNOWN VIEWERS/ VISITS 000s	ESTIMATED VIEWERS/ VISITS 000s	TOTAL VIEWERS/ VISITS 000s
Television	921	14,285	15,206
Radio	10,626	10,620	21,246
Cinema	1,307	—	1,307
Online	3,493	—	3,493
All activities	16,347	24,905	41,252



02

Everyone has the opportunity to experience, and be inspired by, the arts, museums and libraries



Our pursuit of excellence goes hand in hand with a commitment to increased access for the public – as audiences or participants. We deliver Goal 2 through all three strands of our investment programme – National Portfolio Organisations, Grants for the Arts and strategic funding.

Our National Portfolio Organisations provide data annually through the annual survey. Data from the 2015/16 annual survey tells us that they generated approximately 104 million engagements. In addition, National Portfolio Organisations in 2015/16 engaged approximately 41 million audiences through broadcast events and projects.

Management Agreement Performance Indicator
Sustained attendance and visitor numbers in National Portfolio Organisations/Major Partner Museums

In 2015/16, the latest year for which figures are available, our National Portfolio Organisations and Major Partner Museums reported a total audience figure of 104,233,000. A breakdown of this figure is shown below.

It is important to note that these figures are approximate and are also not directly comparable with previous years as a result of changes made to the survey for 2015/16.

ACTIVITY TYPE	KNOWN ATTENDANCE 000s	ESTIMATED ATTENDANCE 000s	TOTAL ATTENDANCE 000s
Performances	19,724	10,250	29,974
Exhibition days	31,377	32,597	63,974
Film Screenings	1,567	1,034	2,601
Festival Activities	2,814	4,869	7,683
All activities	55,482	48,750	104,232

In 2016 we also collected information* on bookings and the number of tickets issued through National Portfolio Organisations and Major Partner Museums. These figures from a sample of around 135 National Portfolio Organisations/Major Partner Museums indicate an increase of 3.5 per cent in the number of tickets issued, from 15,433,851 in 2014/15 to 15,487,743, in 2015/16.

Our **Grants for the Arts** funding programme also plays a critical role in ensuring that the arts and culture we invest in has an impact throughout our communities.

Grant recipients of Grants for the Arts provided project completion reports for 2015/16, showing that their projects had audiences of more than 55 million for live work, and many times that number through a variety of digital channels. While the range of projects supported varies from year to year, these figures do give an idea of the scale and reach of our Grants for the Arts programme.

Existing evidence points to continued regional, social and economic inequalities in engagement levels and the Arts Council is working to challenge barriers, and is finding new ways of engaging people via cultural issues that are of local relevance.

Through our research grants programme we are finding out more about the role of the arts in people's lives. We funded arts producers Duckie and Queen Mary University of London, to examine whether Duckie's project for older people, The Posh Club, can promote social connections, reduce isolation and improve health and wellbeing among older people in Hackney and Crawley.

We also funded Essex County Council to explore the role of arts and culture in care settings across their care homes and day care settings, while Ignite Imagination and the University of Sheffield are looking at how the wellbeing of low-income communities can be influenced by art and culture.

In Bristol, National Portfolio Organisation Knowle West Media Centre encourages local people to create, learn and take positive action in their communities.

The Bristol Approach to Citizen Sensing project brought together artists, technologists, housing campaigners and residents of east Bristol to develop workshops and digital tools to tackle the problem of damp homes. This culminated in a sold out performance in the At-Bristol Planetarium that mixed spoken word, film and play with questions about 'big data' and how technology can be used for social good.

Another National Portfolio Organisation, The Middlesbrough Institute of Modern Art (mima) exhibition, *If All Relations Were To Reach Equilibrium This Building Would Dissolve*, was conceived as a response to the migrant crisis, and explored the town's 'red door' situation that dominated headlines around migration in early 2016. Developed with Investing in People and Cultures, a charity which works with refugee and asylum seeker communities, the show presented work produced with the group alongside work by international artists and action groups. During the exhibition, 535 people participated in the monthly film club, the weekly community day, a new community garden at the Institute and regular English language programmes which are now established events within mima's core programme.

Open Clasp is an award-winning organisation making progressive and challenging theatre through collaboration with marginalised women. Last year the company worked with female prisoners from HMP Low Newton, bringing their stories to life through an acclaimed piece called *Key Change*, which toured to male prisons and then across the country.

One Grants for the Arts project, *Effervescent*, worked in partnership with Barnardos to train five teenagers who had experienced child sexual exploitation to be curators and artists. Over six months, the young people devised and commissioned a glass, ice and sound installation that evoked the physical, cognitive and emotional harm that child sexual exploitation does. The ensuing show ran at Radiant Gallery, Plymouth, from January to April 2016, and was seen by 15,000 visitors.

The experience encouraged the participants to take up further study and career opportunities and the local council is now working with Effervescent and Barnardos to deliver mainstream services for children and young people.

Also supported by Grants for the Arts, Cultural Hubs was a programme of free arts events held across all 13 of St Helens' libraries, featuring theatre, dance, gigs, poetry readings, workshops, exhibitions and films. It beat off stiff competition from more than 600 other projects to be crowned Best Arts Project at the National Lottery Awards.

Creative People and Places is a major strategic funds initiative. It supports projects in 21 areas where communities have previously had fewer opportunities to enjoy and take part in arts and culture. The approach of involving local communities from the start and supporting people to make informed choices is making a difference in changing low engagement levels, and increasing local confidence and ambition.

In the Black Country there are around 50 successful Asian run pubs that also serve traditional 'Punjabi dhaba' style curry. Supported by Creative Black Country, *Desi Pubs* is an extraordinary story about migration, survival, love and food, in which the classic English pub with its ales, darts and dominos meets Punjabi food and Bhangra. Landlords opened their pubs to artists and helped shape bespoke creations which expressed the heart of each venue and their punters. Portraits, stained glass windows, photography, mosaics and handcrafted pub signs have been produced for permanent display in each pub.

Figures from the Taking Part survey show that participation in arts and culture falls dramatically over the age of 75. We've responded to this by launching **Celebrating Age: Arts and Cultural Organisations Leading Change**, a programme funded jointly by Arts Council England and the Baring Foundation to support cultural spaces to become more age friendly.

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Digital technology is creating new and exciting ways for audiences to access great art, irrespective of where they live.

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This has seen Cubitt Artists and All Change working in partnership with Candoco, Sadler's Wells Theatre and the London Borough of Islington Library and Heritage Service, Notting Hill Housing Group and Alsen Day Centre to deliver a range of artist residencies, public art commissions, sharing celebrations, exhibitions and performances. Work will be created by, for and with older people with limited mobility, dementia, visual impairment and hearing impairment, addressing social isolation and loneliness.

Touring is another way of reaching new communities and widening choice. National Rural Touring Forum secured a **Strategic Touring Programme** award for the Rural Touring Dance Initiative, which runs until 2018 in association with The Place, Take Art and China Plate. The project offers professional development opportunities to both artists and rural promoters and removes technical barriers to dance touring, creating and adapting work for more basic venues. To date, the project has reached 27 touring schemes across England.

Alongside touring, digital technology is creating new and exciting ways for audiences to access great art, irrespective of where they live. This year we have funded Cinegi Arts&Film to test how a digital distribution service can bring high quality filmed performances, alongside BFI programming, to new and wider audiences in non-cinema venues, such as village halls and libraries. The project is national but has a particular focus on the North East and Cornwall.

High profile 'event cinema' continues to be a strong area for engagement, reaching audiences worldwide. In 2015/16, NT Live produced nine new broadcasts, while 15 previous productions were screened as Encores.



Globally there were 14,768 screenings at 2,116 venues, with 1,458,673 attendances. In England there were 8,173 screenings at 597 venues, with 596,351 attendances.

The Space – a joint initiative between the Arts Council and the BBC – supported Artichoke to live stream, broadcast and develop wider digital content around their public artwork *London 1666*. A 120 metre-long replica of the 17th century London skyline was built by ‘burn artist’ David Best and was set alight in a dramatic retelling of the Great Fire. Some 50,000 people watched the live burn on the Thames and were joined by millions across online and broadcast channels. Overall, *London 1666* has reached and engaged audiences of more than 3.8 million, with wider content around the project reaching 6.7 million.

Working with the British Council’s Shakespeare Lives season, The Space also commissioned a live capture of *King Lear*, a production that brought together Manchester’s Royal Exchange Theatre, Birmingham Repertory Theatre and Talawa, the UK’s primary Black-led touring theatre company.

Broadcast on BBC Four on Christmas Day, the production was available on demand through the BBC in the UK and internationally as part of the BBC/British Council Shakespeare Lives digital festival, and was available to view free on BBC iPlayer. The film was screened at 13 cinemas in selected locations around England during Black History Month. Overall the audience was 112,000, confirming that there is a broader national and international reach for Talawa’s work beyond the stage. This has increased their ambition around digital distribution.



The arts, museums and libraries are resilient and environmentally sustainable

Given the current climate for funding, we have responded to the needs of the sector by continuing to invest in enterprise and innovation and building new partnerships that include the private sector and commercial organisations.

Despite the challenges, we have seen encouraging signs that the sector is managing to grow its income. Earned income across National Portfolio Organisations¹ and Major Partner Museums rose by 5 per cent and now accounts for 50 per cent of income across our National Portfolio. Contributed income within the National Portfolio is now worth more than £200 million.

Management Agreement Performance Indicator *An increase in contributed income in National Portfolio Organisations and Major Partner Museums*

Data from our latest National Portfolio Organisation and Major Partner Museum survey 2015/16 show levels of contributed income across the portfolio rose by 15 per cent over the period 2014/15 and 2015/16.

CONTRIBUTED INCOME £000s			
2013/14	2014/15	2015/16	% INCREASE
180,065	186,833	213,414	14.2%

National Portfolio Organisations and Major Partner Museums have reacted to the external environment by making use of new technologies in their business models. Some 70 per cent of National Portfolio Organisations that completed the 2015 Digital Culture survey sell tickets online and 67 per cent of National Portfolio Organisations completing the survey accepted donations online compared to only 41 per cent in 2013.

We continue to increase fundraising capacity in the sector, investing in skills, encouraging data collection, sharing and analysis, and supporting the use of digital technology to engage more audiences and increase contributed income.



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In September 2016, we extended our investment in Arts Fundraising and Philanthropy, a consortium of business, higher education and arts organisations, to allow them to continue to deliver a programme of capacity building in fundraising and philanthropy. The programme includes fundraising courses, mentoring opportunities and new pilot initiatives such as a mid-career training intervention.

At the end of January we published the final evaluation of the Catalyst programme that concluded in the summer of 2015. The final evaluation focused on the year-long transition following the end of Catalyst investment and showed how the organisations involved successfully built capacity, confidence and skills.

Catalyst Evolve responded to the lessons of the previous programme and, in July 2016, we made commitments to invest in the region of £5.2 million in capacity building and pledged to match fund in the region of £12.5 million across 140 projects; 76 per cent of this funding was awarded to organisations outside London. In 2017/18, we will follow this up with a £3 million Catalyst Small Grants strategic fund.

This last year has seen many changes in the fundraising regulation of charities in England and as a result we've been engaging with the newly established Fundraising Regulator. We recently commissioned Bells Wells Braithwaite to produce guidance and examples of best practice for the sector in handling data for fundraising purposes and this was available in April 2017.

We've also continued to work towards Gift Aid reforms and will engage with future consultations. In recent years, we've been active in supporting the introduction of tax credits for the performing arts, theatre, orchestras and more recently museums and galleries as announced in the spring 2017 Budget.

We are continuing to support sector resilience through our strategic funds and by investing in projects that explore new ways of working.

Through the second round of the Museums Resilience Fund announced in August we supported 94 projects. This included: a nation-wide professional development leadership programme, Transformers, run by the Museums Association, featuring a strand on diverse applicants; a contemporary arts and museums programme to diversify audiences led by Arts and Heritage in the North; and Buxton Museum's project using their collections to inspire their retail offer and generate additional income.

The Digital Arts and Culture Accelerator programme, delivered in partnership with Nesta and the Accelerator Network, supported nine organisations previously funded by the Digital R&D Fund for the Arts to develop 'investment ready' ventures that would enable them to reach wider markets.



In November 2016 we announced that Creative United would deliver the Business Support programme. They subsequently launched the Prosper programme, aiming to support 80 organisations across the country to develop their commercial capacity and investment readiness.

In January 2017 we announced the four successful applicant organisations that will work with us to deliver the Building Resilience Strategic programme. They will help the cultural sector to explore different approaches to long-term sustainability over the coming two years:

- School for Social Entrepreneurs will support cultural organisations to build resilience through diversity and entrepreneurship
- Arts Manager International Limited will explore and develop international philanthropy, bringing successful international models of growing philanthropy to England

- People Make it Work will deliver a programme of change management by providing the resources, insights, space and community to inspire cultural leaders
- City University London will develop organisations' thinking on their creative assets, their existing and potential intellectual property and their abilities to get best value from them

Capital funding continues to be a significant part of our resilience investment, ensuring organisations have buildings that are fit for purpose and cost effective to operate. Following the award of 16 Stage 1 capital development grants in January 2016, a number are progressing to Stage 2 decision. In February 2017 we announced a grant to the MAC Trust in Sunderland for the development of the new auditorium. It will be a significant addition to the cultural offer in Sunderland and represents an important milestone in the development of artists and audiences in the region.



Alongside the capital programme, we are now in our fifth year of environmental partnership with Julie's Bicycle; 97 per cent of National Portfolio Organisations are now registered on the online reporting tools with Julie's Bicycle and 80 per cent have an environmental policy. This partnership has led to savings of £8.7 million across our National Portfolio Organisations. A strong example of good practice is Ironbridge Museums, which has a Gold Award and Gold Star Award in the Green Tourism Business Scheme. The museum tracks all energy and water usage, uses green tariffs where possible, recycles across all 10 museum sites and is the Fairtrade flagship organisation for Shropshire. They have a Green Committee championing the Trust's Sustainable Action Plan while the CEO works with Julie's Bicycle, speaking at events and championing practical steps to improve environmental sustainability across the sector.

We continue to support resilience and sustainability through the provision of the Accreditation Scheme for museums and galleries in the UK.

The numbers of museums participating within England during 2016/17 was just over 1,300 (and more than 1,700 in the UK overall). At the 2016/17 year-end more than 90 per cent of participating museums had been awarded full Accreditation. Engagement with the scheme remains high. However, to ensure that the museum sector is supported in the most effective way via a baseline standard, we will be undertaking a light-touch review of the Accreditation Scheme in 2017/18.

We also support organisations looking to diversify their income and expand their partnerships internationally. Through the International Showcasing Fund, we invested in nine projects focused on international market development. Additionally, we invested in market development for innovators at South by South West in Austin, Texas. We will be tracking the return on these investments over the coming two years.



Resilience at a local level has been a major consideration this year. Along with Heritage Lottery Fund, the Arts Council funded the pilot Great Place Scheme, one of the flagship measures in the Government's Culture White Paper. This will support 16 place-based initiatives (including four rural areas). It will ensure that investment in culture has the greatest possible impact on jobs, economic performance, educational attainment, community cohesion, and health and wellbeing, and it will encourage civic organisations, local businesses and communities to put culture at the centre of their strategic thinking.

To attract additional investment into the sector, we launched the Creative Local Growth programme, providing Arts Council funds as match funding for EU Structural and Investment Funds into projects to grow culture's economic contribution, generate new income streams and sustain the cultural sector through new partnerships.

We continue to support the 10 Cultural Destinations partnerships funded in 2014 to grow culture's contribution to the tourist economy. We launched a second round in 2017, which sought to align with Visit England's Discover England Fund. Through our advocacy and development role, we put culture on the agenda of the Tourism Society's annual symposium; we continue to advocate this work with local government.

Arts Council investment in the £7 million Arts Impact Fund, managed by NESTA, continued in 2016–17, with investments made in arts and cultural organisations to support them to become enterprising and resilient while demonstrating their social impact.

Local authorities and combined authorities make a key contribution to the resilience of the sector and we are working around the country to help realise culture's contribution to devolution deals. We are working especially closely with the Tees Valley and Liverpool City Region Combined Authorities, where the Arts Council has been referenced as a partner and where there are well developed plans for culture.

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Resilience at a local level has been a major consideration this year. Along with Heritage Lottery Fund (HLF), Arts Council funded the pilot Great Place Scheme, one of the flagship measures in the Government's Culture White Paper.

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04

The leadership and workforce in the arts, museums and libraries are diverse and appropriately skilled



This year we published the second annual report on diversity across the arts and culture sector in England.² We collected workforce and governance data for this report through our annual survey of National Portfolio Organisations and have re-designed the survey to place a greater emphasis on diversity.

It now captures data for permanent and contractual staff, and for our 2015/16 survey we captured diversity data for the positions of chief executive, artistic director and chair, allowing us to compare the diversity of the workforce against the diversity of key leadership positions.

The report allows us to see the wider trends and shows we are moving in the right direction in relation to Black and minority ethnic representation across permanent and contractual staff in National Portfolio Organisations. There is slower progress in representation levels in Major Partner Museums.

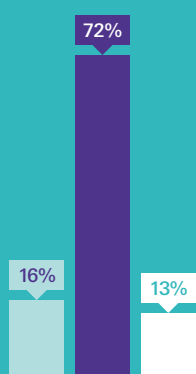
While there has been an increase in the number of disabled people working across National Portfolio Organisations and Major Partner Museums, they make up just 4 per cent of the overall workforce.

To improve understanding of disabled people's experience of the sector, we commissioned a report, *Disabled People and the Arts and Cultural Workforce*. The recommendations emerging from this will inform our work and actions, and that of the wider sector, to identify and remove the barriers to employment and progression facing disabled people.

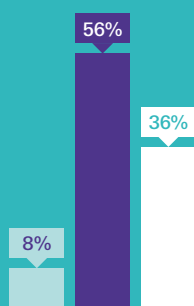
The report makes clear the significant and valuable role that voluntary staff play. From a diversity perspective, volunteers are especially important at board levels to ensure that the boards of National Portfolio Organisations and Major Partner Museums truly represent the communities they serve.

²EQUALITY, DIVERSITY & THE CREATIVE CASE – DATA REPORT 2015–16, ARTS COUNCIL ENGLAND: THIS SURVEY HAS RE-CATEGORISED SOME ARTISTIC STAFF I.E. EMPLOYEES SUCH AS PRODUCERS AND DIRECTORS ARE NOW CATEGORISED AS SPECIALIST STAFF. NEXT YEAR WE WILL BE ABLE TO START COMPARING DATA YEAR ON YEAR.

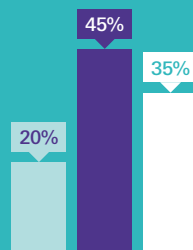
How much of our NPOs & MPMs are Black and minority ethnic?



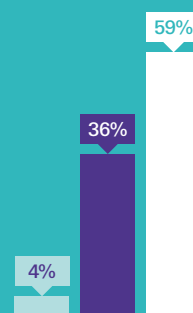
NPO PERMANENT STAFF



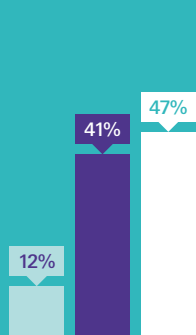
MPM PERMANENT STAFF



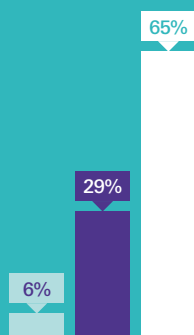
NPO CONTRACTUAL STAFF



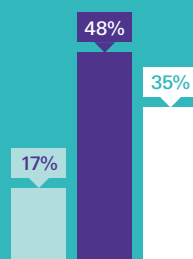
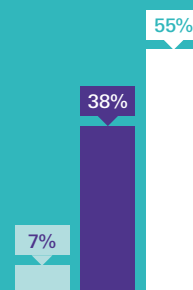
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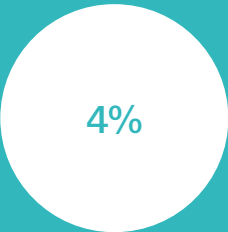
NPO VOLUNTARY STAFF



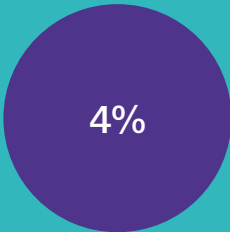
MPM VOLUNTARY STAFF

NPO TOTAL PERMANENT,
CONTRACTUAL AND
VOLUNTARY STAFFMPM TOTAL PERMANENT
CONTRACTUAL AND
VOLUNTARY STAFF

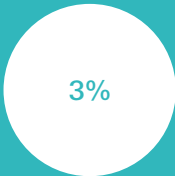
How much of our NPOs & MPMs are disabled?



NPO PERMANENT STAFF



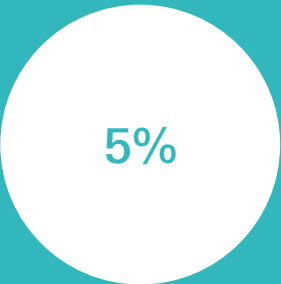
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NPO CONTRACTUAL STAFF



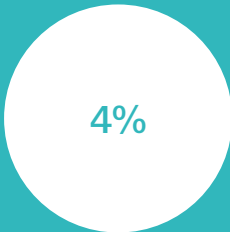
MPM CONTRACTUAL STAFF



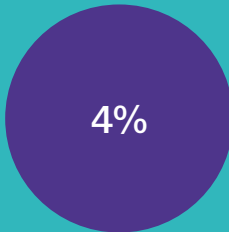
NPO VOLUNTARY STAFF



MPM VOLUNTARY STAFF



NPO TOTAL PERMANENT,
CONTRACTUAL AND
VOLUNTARY STAFF



MPM TOTAL PERMANENT
CONTRACTUAL AND
VOLUNTARY STAFF



What is the Black and minority ethnic, disability, gender and age breakdown of boards?



In our data report, a high percentage of returns stated that diversity information is unknown. While we acknowledge the complicated factors around collecting data on all protected characteristics, we want to understand and help organisations to remove barriers to reporting. We need the sector to provide us with the most comprehensive and up to date data so that we can be clearer about where to direct our efforts and make the most effective case for public funding. We will be focusing on improving data return rates over the next 12 months.

We also continue to support funded organisations to deliver their own equality action plans and ensure plans for recruitment and succession create the conditions needed to diversify their workforce and boards. By June 2017 we will produce further guidance on how to develop effective equality action plans. Early next year we will also publish *Culture Change Guide*, a toolkit with case studies and best practice examples from the arts and culture sector and beyond. This will provide guidance on how to recruit and support diverse talent, and how to capture and use diversity data to effect positive change.

Alongside creating a detailed picture of the current workforce, we will build for the future through long-term investment in leadership, skills and education, sharing good practice and promoting cultural change. We have continued to support Oxford Aspire to deliver the Oxford Cultural Leaders course. Run in partnership with the Said Business School, this programme looks at the way that cultural organisations can reinvent themselves as not-for-profit businesses.

The programme is designed to develop a cadre of new leaders with entrepreneurial ways of thinking and behaving.

This was the first year of our **Developing Resilient Leaders Strategic programme** delivered by Clore Leadership Programme. Governance and board development are included in the new programme, along with a range of leadership development opportunities for new, emerging and established leaders across museums, libraries, arts and, for the first time, Music Education Hubs.

Alongside the Clore programme, we are investing £2.57 million to support 20 individual **Change Makers** who will be hosted by National Portfolio Organisations and Major Partner Museums. The Change Makers programme will support the development of 20 future Black and minority ethnic and disabled leaders. This year we have received 50 applications to this fund, which highlights the pool of diverse talent. We expect the programme to bring about cultural changes and have a positive impact on the diversity of the host organisations in relation to their workforce and their board.

We have supported other pilot initiatives to build stronger relationships with boards, and particularly chairs, of National Portfolio Organisations. In the North Area a number of facilitated sessions were held to explore the issues facing chairs and their organisations and to improve our understanding of the support we can provide to promote good governance. This work will continue in 2017 and in March we announced a national chairs forum to be held in March 2018.



In the last year we have made a number of strategic investments in sector development agencies, including supporting the Society of Chief Librarians to undertake an organisational development programme to strengthen their support of the libraries sector. Through the Museums Resilience Fund, which supported 94 museum-led projects, we have invested in the Museums Association to deliver Transformers, a leadership programme that will help diversify the sector's workforce and audiences.

We are also investing in a pilot project to develop skills across the museums sector through mentoring. The Association for Cultural Enterprises, which promotes commercial best practice, will provide training and networking opportunities. Supported by a **Museums Resilience Fund** grant, Cultural Enterprises is also delivering the Retail Resilience programme, aiming to work with staff from 180 accredited museums over three years, to build the skills needed to increase the performance and profitability of museum shops.

The importance of strong leadership around culture in local authorities is still paramount. This year we commissioned the Local Government Association to deliver two Cultural Leadership Academies for elected members responsible for culture and the arts. We are also working with the Local Government Association to develop and deliver an online culture hub to support change and improvement in local services and we expect this to be launched in 2017.

To support skills development in the sector, we have invested further staff resource to explore the potential challenges and opportunities of the Apprenticeship Levy and its implications for the sector. A number of the largest portfolio organisations will be subject to the levy from April 2017 and we are working with the Sector Skills Councils to ensure sector organisations understand the levy and seize the opportunities offered by apprenticeship reform to increase skill levels and to diversify their workforce. This will include a reassessment of the range and relevance of current apprenticeships offered to the sector and the creation of new apprenticeship standards for occupational areas where there are currently gaps – specifically the museum, cultural heritage, visual art and library sectors. There is also a need to support the development of new higher-level apprenticeships and to secure the uptake of digital training vouchers by arts and cultural organisations.

In addition, over the last year there has been increasing demand from employers looking for advice and guidance on apprenticeships, as employers have started to hear more about the apprenticeship reforms. We will work with the Sector Skills Councils to deliver a series of regional roadshows as well as offering bespoke one-to-one advice to employers to support them to create apprenticeships. This work will be underpinned by regional workforce data reports outlining the make-up of the creative workforce in comparison with the rest of the UK economy, including information on diversity and economic impact.

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Every child and young person has the opportunity to experience the richness of the arts, museums and libraries

Work with, by and for children and young people plays an increasingly significant role in our strategic thinking. We recently published research commissioned from the EW Group reviewing equality and diversity practice for young people across our funded programmes. The research showed that early participation is the key to lifelong participation but that engagement among young people is strongly affected by socio-economic status.

Changing this requires a visible and joined up network of cultural provision for all children and young people both in and out of school. In 2015, we launched the Cultural Education Challenge, calling on our partners across the arts, education and local authority sectors to come together to offer a consistent, high-quality cultural education for children and young people, wherever they live.

Since then our network of 10 **Bridge Organisations** have been leading on promoting Local Cultural Education Partnerships in areas of greatest need. These partnerships bring together schools, arts organisations, museums, libraries, Music Education Hubs, local authorities and further and higher education institutions. More than 70 Local Cultural Educational Partnerships have now been formed.

Our Future City in Brighton and Hove is one of the most established Local Cultural Educational Partnership. Here the local authority has been working closely with leaders in education and key arts organisations, building on existing collaboration to reach more young people. They've found new partners such as Wired Sussex, the Prince's Trust and Right Here health and wellbeing project, and have set a **10-year vision** that includes supporting children and young people to develop their creativity, thinking and behavioural skills, improve their wellbeing and enable routes into employment.



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Artsmark, our flagship award programme for schools, was re-launched in October 2015, and has since reached more than one million students through the 2,500 schools that have registered.

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In Reading the Local Cultural Educational Partnership has brought together a wide range of local partners, including arts organisations and library services, head teachers, Reading College and Reading University, the Health and Wellbeing Board, Thames Valley Local Educational Partnership, the Police and Crime Commission and Thames Valley Housing Association. They have set clear objectives towards 2019, aiming to engage 5,000 children and young people with arts and cultural activities, provide training for 1,000 young people and ensure that 30 schools and colleges in Reading will have gained Artsmark status.

Artsmark, our flagship award programme for schools, was re-launched in October 2015, and has since reached more than one million students through the 2,500 schools that have registered. The award continues to be evaluated and developed to support a wider range of educational settings, including early years, youth justice and further education.

We are working with a number of cultural and media organisations to ensure continued awareness of Artsmark in schools. In February, we launched a series of teaching resources in partnership with the Times Educational Supplement and the Science Museum, to encourage primary schoolchildren to explore scientific questions in a creative way.

Music Education Hubs are groups of organisations, such as local authorities, schools, other hubs, art organisations, community or voluntary organisations, working together to create joined-up music education provision nationwide. The Hubs were established to fulfil the objectives of the National Plan for Music Education.

As part of these objectives, Music Education Hubs work with schools to support and enhance local music provision. Music Education Hubs in Calderdale, Bradford, Wakefield and Kirklees have worked together to secure joint Grants for the Arts funding to deliver **In Tune** in Yorkshire. This programme supports four schools, all of which were in the Ofsted category ‘requires improvement’, with pupils displaying a range of challenging behaviours. The project has delivered a programme of inclusive and intensive music education, through a mix of activities both in and out of school, to help young people understand the breadth of musical styles. Parents and siblings have been invited to get involved in the sessions. Staff report that the children involved are making faster progress than their peers. Two of the four schools have recently had Ofsted inspections, and both have been raised to ‘good’. In one inspection, music was specifically mentioned as an excellent feature of school life.

A significant part of our delivery of our Goal 5 ambitions comes through our National Portfolio Organisations and Major Partner Museums, Grants for the Arts and strategic funds.



The vast majority of National Portfolio Organisations are now involved in the delivery of Goal 5. One recent example of good practice is *Giselle Explored*, the programme of work in support of Akram Khan's exciting *Giselle*, which was produced with English National Ballet, Manchester International Festival and Sadler's Wells. Several strands of work explored different approaches to *Giselle*, including film, workshops, a national online poetry challenge, and work with schools in Manchester.

These workshops took place in each of the 10 boroughs of Manchester, embracing a total of 27 schools and groups: 22 secondary schools, two special schools, two private dance schools and one community group. Augmenting the workshop programme was a resource pack complete with short films, to inspire further choreographic exploration and support dance learning in schools.

Among Ideal Friends is a new theatre touring consortium developed by The Spark Arts for Children in partnership with libraries in the East Midlands. The Spark has toured theatre performances and workshops to libraries in Leicester City, Leicestershire County, in partnership with Rutland, Nottingham City and Nottinghamshire County.

Inspired by books and stories for children aged five to 11, the tour offers families and schools new opportunities to take part in arts and culture at venues on their doorstep. *A Boy and a Bear in a Boat* toured in summer 2016 to coincide with the libraries' Summer Reading Challenge. *The First*, a play for school groups based on the global events of World War I and told from the perspective of two boys from a small town in the East Midlands, toured libraries throughout November 2016 to school groups.



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The activities are often child-led, with positive impacts for the children involved including improved concentration, listening skills and confidence.

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Last year was the seventh year of Northern Ballet's under threes project, which focuses on how dance can be introduced to pre-school children using multi-sensory and movement activities and Michael Rosen's story, *We're Going on a Bear Hunt*. The activities are often child-led, with positive impacts for the children involved including improved concentration, listening skills and confidence.

In Eastbourne, the Towner Art Gallery has focused on work with disadvantaged young people. It provides access and runs programmes for individuals and groups who might otherwise never enter a gallery, including young people excluded from mainstream education and disabled young people. In Manchester, the Whitworth Art Gallery runs a range of activities for children and young people, with a particular focus on the sensory experience of early years. Workshops explore new spaces and sounds, art and music for babies and grown-ups – responding to research that shows that babies can sense and perceive, respond to beauty, recognise and remember.

We are also seeing increasing use of innovative digital content by our National Portfolio Organisations in delivering their Goal 5 ambitions. In 2016 Glyndebourne Opera celebrated 30 years of education work by producing digital, interactive opera guides aimed at teachers to use with their classes which includes introductions to characters and interpretation of operatic content and themes. The text has embedded video content and tailored resources covering music, English, art and design with Key Stages 3 and 4 lesson plans. Currently 4,000 children from 120 schools each year access the resources.

Wysing Arts Centre and Kettle's Yard, joint partners in Tate Circuit Programme, have formed Circuit Collective, a group of 15 to 25-year-olds who organise and run creative events for other young people. In June 2016 Circuit Collective ran *Circuit Unlocks Digital*, a free one-day festival for 15 to 25-year-olds. The day included workshops, artworks and performances which celebrated digital art.

01. CHAIR'S REPORT

02. CHIEF EXECUTIVE'S REPORT

03. ACHIEVING GREAT ART AND CULTURE

04. REMUNERATION & STAFF REPORT

01 APRIL 2016 — 31 MARCH 2017

05. ENVIRONMENTAL SUSTAINABILITY

06. TRUSTEES' REPORT & MANAGEMENT
COMMENTARY

07. STRATEGIC REPORT

08. GRANT-IN-AID ACCOUNTS

09. LOTTERY DISTRIBUTION ACCOUNTS

10. NATIONAL LOTTERY REPORT

11. IMAGE CREDITS

Remuneration & Staff Report

01 April 2016—31 March 2017

PART-AUDITED INFORMATION

04.



The remuneration report covers the whole organisation and the costs have been apportioned to both Grant-in-Aid and Lottery distribution accounts. The salary and pension disclosures for senior staff and the disclosures required by the Hutton Review have been audited.

THE REMUNERATION COMMITTEE

Arts Council England has a Remuneration Committee for specific matters relating to the remuneration and performance of its Chief Executive and Executive Directors. The members of the committee for most of 2016/17 were Sir Peter Bazalgette, Peter Phillips (Chair), Matthew Bowcock CBE, Alistair Spalding CBE and Nazo Moosa. Sir Nicholas Serota replaced Sir Peter Bazalgette at the point he became Arts Council Chair on 1 February 2017. The committee operates within written terms of reference, and usually meets once during the year to agree annual pay increases and performance bonuses for Executive Board. The Chief Executive also makes reward recommendations to the committee in respect of those staff on Executive Board who report directly to him.

COUNCIL MEMBERS' REMUNERATION

Our supplemental charters issued in 2002 and 2006 provide us with the authority to remunerate our National Council members, who are also regional chairs, and our Chair. Remuneration amounts are set by the Department for Culture, Media and Sport (DCMS) and agreed by the Charity Commission.

We paid the five members of National Council, who were also chairs of area councils, remuneration of £6,400 each per annum during 2016/17 (2015/16: £6,400). The Chair's remuneration was agreed by DCMS at £40,000 per annum, however since the date of his appointment Sir Peter Bazalgette had chosen to be paid at a lower level of £30,000 per annum. During 2016/17 Sir Peter Bazalgette was paid £25,000 up to his leaving date of 31 January.

The new Chair of Arts Council England, Sir Nicolas Serota, has opted not to take any remuneration for this role whilst he remains Chief Executive of the Tate. His salary during this period (1 February 2017 to 31 May 2017) was £13,333 and he has elected to pay this into an Arts Council Staff Development Fund.

EXECUTIVE DIRECTORS' REMUNERATION

Increases in salary and other performance related payments to Executive Directors are not under the control of Arts Council England management. Whilst the Chief Executive makes reward recommendations in respect of those staff on Executive Board who report directly to him, any salary increases and bonus payments to Executive Directors must be approved by the Remuneration Committee.

All performance payments to Executive Directors are normally earned on the basis of exceeding performance objectives and overall contribution to the effective leadership of Arts Council England. This is assessed formally through an annual appraisal process.

For 2016/17 the committee awarded Darren Henley, as Chief Executive, a consolidated salary increase of £360 – in line with the annual cost of living pay increase for all other Arts Council staff under the constraints of the Government's public sector pay cap.

In November 2016, following the departure of Deputy Chief Executive Althea Efunshile, the roles and responsibilities of the Executive Board were restructured, with new roles being introduced and filled either by members of the previous Executive Board or by new appointees. In summary:

- There were two new Deputy Chief Executive posts introduced – one with special responsibility for Arts and Culture (Simon Mellor) and one with special responsibility for Places and Engagement (Laura Dyer).

- Elizabeth Bushell and Mags Patten became Executive Directors, with increased responsibilities. Elizabeth Bushell, as Chief Financial Officer, now directly reports to the Chief Executive/Chief Accounting Officer. Mags Patten's role was expanded to include Public Policy.
- Two other posts were introduced: 1) Chief Operating Officer – to take over a large part of Althea's Efunshile's former role – with responsibility for Governance, Planning and Investment; 2) The Executive Director, Enterprise and Innovation

The Remuneration Committee held an extraordinary meeting in August 2016 to decide salaries for these revised Executive Board roles. They agreed three distinct salary levels for these to take effect in November 2016:

- Chief Executive: no change, other than the above-mentioned cost of living increase
- Deputy Chief Executives: £118,000 (reflecting the greater level of responsibility)
- all other Executive Directors: £105,000

These salaries were benchmarked against the salaries for similar roles in other public sector organisations. The changes were cost neutral relative to the salary budget envelope of the previous full time Executive Board of seven members two years previously from 2014/15.



MEMBER	SALARY £000s	EMPLOYERS' PENSION CONTRIBUTION £000s	VARIABLE PERFORMANCE PAYMENT £000s	CAR ALLOWANCE £000s	TOTAL REMUNERATION 2016/17 £000s	TOTAL REMUNERATION 2015/16 £000s
Darren Henley OBE Chief Executive	146	24	—	—	170	158
Althea Efunshile OBE Chief Operating Officer (until 31 October)	81	13	2	—	96	166
Laura Dyer Deputy CEO (Places & Engagement)	108	18	2	1	129	121
Simon Mellor Deputy CEO (Arts & Culture)	109	18	2	—	129	122
Elizabeth Bushell Chief Finance Officer	92	15	2	—	109	98
Mags Patten Executive Director (Public Policy & Communications)	101	17	2	—	120	116
Francis Runacres Executive Director (Enterprise & Innovation) (from 1 November 2016)	95	16	—	—	111	103
Richard Russell Chief Operating Officer (from 1 November 2016)	89	15	—	—	104	92
Mark Ball (Resigned 30th April 2016)	4	1	—	—	5	25

NOTE TO THE ABOVE:

i) With effect from September 2015 Simon Mellor was seconded for two days per week to Manchester City Council on a part time basis in order to take up the role of Project Director of The Factory, Manchester's new theatre and arts venue. His role was filled by Mark Ball for two days per week on a secondment which came to an end on 30 April 2016, at which point Simon returned to his Arts Council Executive Director role on a full time basis. The full time equivalent annual salary for Mark Ball was £100,000.

ii) The difference between Darren Henley's 2015/16 and 2016/17 salaries reflects the fact that he did not start employment with the Arts Council until 20 April 2015.

Non-consolidated, one-off variable performance payments are normally awarded to executive directors each year for outstanding performance (where appropriate). The performance payments disclosed in the remuneration report above relate to the bonuses awarded for 2015/16 which were paid in 2016/17. The Chief Executive has opted not to take his bonus since the date of his appointment.

The remuneration of Executive Directors for their performance in 2016/17 was decided at the May 2017 meeting of the Remuneration Committee. In addition to his annual salary Darren Henley, the Chief Executive, is contractually entitled to a performance related payment of up to £17,499 each year. In accordance with this he was awarded a non-consolidated payment by the committee of £17,499 as a reflection of his performance in 2016/17. He elected to pay £7,499 of this into an Arts Council staff development fund and the other £10,000 into the Arts Council's 25 year Creative Talent Plan. The other Executive Directors were each awarded bonuses of £1,500, based on their performance in the year, and they also elected to donate these in full to the same staff development fund.

The Hutton review asks organisations to disclose the median remuneration of Arts Council England's staff and the ratio between this and the remuneration of the highest paid director. The following calculation is based on the full time equivalent staff number at the reporting period end date on an annualised basis and compares this to the normal annual remuneration of the Arts Council's CEO, Darren Henley.

	2016/17 (£)	2015/16 (£)
Highest Paid Director's Remuneration	143,318	136,348
Median remuneration	30,578	30,218
Ratio	4.69	4.51

THE RANGE OF STAFF REMUNERATION DURING THE YEAR WAS £17,510 TO £143,318 (2015/16: £17,050 TO £136,348).

COMPENSATION SCHEME – EXIT PACKAGES

Details of redundancies and other exit packages agreed during 2016/17 are as follows;

EXIT PACKAGE COST BAND	2016/17			2015/16		
	NUMBER OF COMPULSORY REDUNDANCIES	NUMBER OF OTHER DEPARTURES AGREED	TOTAL EXIT PACKAGES DURING 2016/17	NUMBER OF COMPULSORY REDUNDANCIES	NUMBER OF OTHER DEPARTURES AGREED	TOTAL EXIT PACKAGES DURING 2015/16
< £9,999	2	—	2	—	1	1
£10,000–£24,999	2	—	2	1	—	1
£25,000–£49,999	—	—	—	—	—	—
£50,000–£99,999	—	—	—	1	—	1
£100,000–£149,999	—	—	—	—	—	—
Total number of exit packages by type	4	—	4	2	1	3
Total resource cost £000s	51	—	51	77	6	83

Redundancy and other departure costs have been paid in accordance with the provisions of the Arts Council's job security policy. The Arts Council pays exit costs when employment ends but provides for exit costs at the point when there is sufficiently detailed information to do so. Where early retirements have taken place, the additional pension costs are met by the Arts Council and not by the pension scheme providers.

TAX ARRANGEMENTS OF PUBLIC SECTOR APPOINTEES

In accordance with HM Treasury guidance on disclosure, the following tables set out the number of interim staff and the assurances given about tax status.

For all off-payroll engagements as of 31 March 2017, for more than £220 per day and that last for longer than six months:

Number of existing engagements as of 31 March 2017. <i>Of which:</i>	1
Number that have existed for less than 1 year at the time of reporting	1
Number that have existed for between 1 and 2 years at the time of reporting	—
Number that have existed for between 2 and 3 years at the time of reporting	—
Number that have existed for between 3 and 4 years at the time of reporting	—
Number that have existed for 4 years or more at the time of reporting	—

Arts Council England confirms that all existing off-payroll engagements, outlined above, have at some point been subject to a risk-based assessment as to whether assurance is required that the individual is paying the right amount of tax and, where necessary, that assurance has been sought and received.

For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2016 and 31 March 2017, for more than £220 per day and that last for longer than six months:

Number of new engagements, or those that reached six months in duration, between 1 April 2016 and 31 March 2017	1
Number of the above which include contractual clauses giving Arts Council England the right to request assurance in relation to income tax and National Insurance obligations	—
Number for whom assurance has been requested. <i>Of which:</i>	1
Number for whom assurance has been received	1
Number for whom assurance has not been received	—
Number that have been terminated as a result of assurance not being received	—

All required assurances have been given. For any off-payroll engagements of board members and/or senior officials with significant financial responsibility, between 1 April 2016 and 31 March 2017:

Number of off-payroll engagements of Board members and/or senior officials with significant financial responsibility, during the financial year	—
Number of individuals that have been deemed 'Board members and/or senior officials with significant financial responsibility', during the financial year	09

TRANSFER VALUES

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A transfer value is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The calculation of the pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Arts Council Retirement Plan. They also include any additional pension benefit accrued to the member as a result of buying additional pension benefits at their own cost. Transfer values are worked out in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction resulting from Lifetime Allowance Tax which may be due when the pension benefits are taken.

INCREASE IN TRANSFER VALUE (NET OF INFLATION)

This reflects the increase in transfer value that is funded by the employer net of the increase in accrued pension due to inflation. This increase also excludes contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement or purchased via an Additional Voluntary Contribution contract) and uses common market valuation factors for the start and end of the period. The methodology used to calculate the increase in transfer value has changed from previous years' where the increase included employees' contributions, transfer-in payments, and the purchase of AVCs.



MEMBER	ACCRUED PENSION AND LUMP SUM AT 31 MARCH 2017 £000s	INCREASE IN TOTAL IN YEAR (NET OF INFLATION) 2016/17 £000s	TRANSFER VALUE AT 31 MARCH 2017 £000s	INCREASE IN TRANSFER VALUE (NET OF INFLATION 2016/17) £000s	TRANSFER VALUE AT 31 MARCH 2016 £000s
Darren Henley OBE Chief Executive	30	34	146	(22)	26
Althea Efunshile CBE Chief Operating Officer (until 31 October)	11	n/a	280	n/a	315
Laura Dyer Executive Director	157	16	833	203	616
Simon Mellor Executive Director	55	34	307	1	101
Mark Ball Executive Director (until 30th April)	10	9	51	(6)	4
Elizabeth Bushell Chief Finance Officer	80	12	381	116	252
Mags Patten National Director, Advocacy and Communications	19	6	94	33	53
Francis Runacres Executive Director (since 1 November)	75	9	417	92	315
Richard Russell Executive Director (since 1 November)	123	16	644	169	464

Darren Henley OBE
Chief Executive

23 JUNE 2017

Sir Nicholas Serota CH
Chair

23 JUNE 2017

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Environmental Sustainability



05.



The sustainability report covers the whole organisation and the costs have been apportioned to both Grant-in-Aid and Lottery distribution accounts.

This year we've reviewed and updated our Environmental Sustainability policy for our own operations and continue to support and influence environmental sustainability performance in the sector through the Julie's Bicycle project.

The key aims of the policy are set out below:

- Adhere to the Greening Government Commitments
- Meet all current and foreseen environmental legal requirements and related official codes of practice, and require our suppliers to do the same
- Communicate and engage with all staff about our environmental policy and performance
- Ensure that the goods and services we purchase support our environmental objectives wherever practicable and encourage our suppliers and contractors to improve their own environmental performance
- Identify and provide appropriate training, advice and information for staff and encourage the development of new innovations
- Publish our environmental sustainability performance in our Annual Report

We met a key government objective by improving the efficiency of our estate, our key area of environmental impact, achieving an efficiency ratio of 10m²/FTE. We have plans in place to make further efficiencies in our use of office space to achieve an efficiency ratio of 8m²/FTE by 2018.

KEY ACHIEVEMENTS IN 2016/17

In previous years reductions in carbon emissions have been secured by reducing the amount of office space we occupy. The level of impact in this area has reduced due to less opportunities to effect change through the expiry of leases.

That said, during the year we reduced the occupied office space at the West Midlands office through a refurbishment that allows us the potential to sublet office space to a suitable tenant. The refurbishment gave us the opportunity to install LED lighting which we expect to both reduce energy consumption and improve the working environment for our staff.

Technology and systems changes also contributed to reducing our environmental impact:

- The introduction of new printers/photocopiers and the shift to PIN printing significantly reduced the amount of paper we consumed
- We piloted the introduction of tablets to reduce the need to print papers for meetings
- We rolled out new PCs and laptops across the organisation – the new machines are more energy efficient than the ones they replaced

PERFORMANCE COMMENTARY

Emissions arising from the operational property estate have remained largely unchanged. However, there has been an increase in electricity consumption in one of our properties, the Brighton office. This is due to poor thermal insulation. Measures have been taken to mitigate this through the installation of new double glazing, and we'll continue to monitor the effects of this and consider further action as appropriate.

Travel has increased slightly, but this is thought to be due to exceptional circumstances, and not an underlying trend.



WASTE MANAGEMENT DATA

TRAVEL		2014/15	2015/16	2016/17
CO ₂	Rail	151	161	159
	Air	18	17	34
	Car	103	101	106
	Total	272	279	299
Cost (£)	Rail	633,170	721,039	713,038
	Air	17,700	18,425	21,081
	Car	128,336	125,886	132,122
	Total	779,206	865,350	866,241
Miles	Rail	1,990,295	2,221,043	2,063,853
	Air	100,832	100,499	210,701
	Car	320,840	314,714	329,783
	Total	2,411,967	2,636,256	2,604,337

WASTE		2014/15	2015/16	2016/17
Non-financial Indicators (tonnes)	Total	163.34	173.04	183.81
	Landfill	28.37	20.45	21.24
	Reused/recycled	134.97	152.59	162.57
Financial Indicators (£)	Total	23,837	21,409	22,035
	Landfill	6,552	2,048	1,310
	Reused/recycled	17,285	19,361	20,725

GREENHOUSE GAS EMISSIONS		2014/15	2015/16	2016/17
CO ₂ (tonnes)	Total Gross Emissions (CO ₂)	461	328	347
	Gross Emissions Scope 1 (Direct)	113	65	74
	Gross Emissions Scope 2 (Indirect)	347	263	273
Energy Consumption (kWh)	Electricity	703,023	568,920	661,602
	Gas	612,871	351,169	403,285
Financial Indicators (£)	Expenditure Energy	112,595	80,965	109,593

FINITE RESOURCE CONSUMPTION		2014/15	2015/16	2016/17
Non-financial (m3)	Supplied	2,620.68	2,312.32	2,711.32
	Per Full Time Equivalent (FTE)	6.37	5.28	6.02
Financial Indicators (£)	Water Supply Costs (Office Water)	7,880	7,694	10,336

The majority of the data used in preparation of this report is based on the information provided by our suppliers. However at the time of writing (April 2017) data for some of the locations was not available. In line with HM Treasury guidance estimates have been made based on the previous quarters' actuals and, in limited circumstances, estimates have been made using 2015/16 data. All conversion factors used to produce CO₂ outputs for travel have been taken from those produced by DEFRA.

We will continue to monitor and report progress on KPIs that have a direct impact on carbon emissions and our efficiency targets (e.g. office space utilisation).

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Trustees' Report & Management Commentary



06.



GOVERNANCE STATEMENT

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 Arts Council of England, trading as Arts Council England, is a registered charity, charity registration number 1036733.

This is a single trustees' report and management commentary which covers the requirements for both the Grant-in-Aid accounts and the Lottery distribution accounts during the period 1 April 2016 to 31 March 2017.

ROLE, MISSION, OBJECTIVES AND ACTIVITIES FOR THE PUBLIC BENEFIT

The current objects of Arts Council England as stated in its Royal Charter are to:

- Develop and improve the knowledge, understanding and practice of the arts
- Increase accessibility of the arts to the public in England
- Advance the education of the public and to further any other charitable purpose which relates to the establishment, maintenance and operation of museums and libraries (which are either public or from which the public may benefit) and to the protection of cultural property
- Advise and co-operate, where it is appropriate to do so, with Departments of our Government, our Scottish administration, the Northern Ireland executive and the Welsh ministers, local authorities, the arts councils and equivalent organisations in the museums and libraries sector for Scotland, Wales, and Northern Ireland (or their successors) and other bodies on any matter related to the objects

The Royal Charter is at the core of our mission as reflected in our strategic framework, *Great Art and Culture for Everyone*.

Information about our strategic framework, our goals and activities to achieve these, as well as our funding programmes can be found on pages 10 to 43.

ARTS COUNCIL ENGLAND GOVERNANCE FRAMEWORK

Arts Council England is an arm's length non-departmental public body. It is also a registered charity. Accountability to Ministers is managed through the usual control mechanisms for arm's length bodies.

Arts Council England is regulated in accordance with a management agreement agreed with the Secretary of State for Culture, Media and Sport. This is supplemented by an agreement for the Provision of Services in Relation to Cultural Objects outlining the statutory framework for delivering the cultural property functions on behalf of the Secretary of State for Culture, Media and Sport. The Management Agreement is being revised in light of the new obligations on Arts Council England following the Tailored Review.

As a registered charity and a chartered body, Arts Council England is also subject to a range of obligations and accountabilities set out in regulations and law. We prepare our accounts for Grant-in-Aid and Lottery distribution separately to comply with accounts directions issued by the Secretary of State and Charity Commission regulations.

Arts Council England is fully compliant with relevant principles around governance best practice for public service and charitable bodies as set out in the *Corporate governance in central government departments: Code of good practice 2011*.

ARTS COUNCIL ENGLAND'S NON-EXECUTIVE GOVERNANCE STRUCTURE

Arts Council England's governance framework consists of a National Council, five area councils, an Executive Board, and a number of committees and panels. National Council has delegated responsibilities to area councils, panels and committees as shown on the following page.





National Council

14 members including the Chair

ROLE:

- Govern and hold overall authority for Arts Council England
- Retain overall responsibility for the work and conduct of the organisation
- Make decisions on Arts Council England's mission, objectives, priorities and strategies
- Make decisions on grants above a certain threshold
- Monitor delivery of 10-year strategic framework
- Approve corporate plan
- Approve Grant-in-Aid and Lottery accounts
- Advocate for arts and culture and Arts Council England

Five Area Councils

Chairs sit on National Council, 14 other members, including local authority reps, artists, and arts and culture practitioners

ROLE:

- Advise on policy and strategy
- Make decisions and recommendations on National Portfolio applications

Museums Accreditation Committee

16–20 members

ROLE:

- Make decisions on Accreditation status and applications from museums and galleries in the UK
- Provide quality assurance
- Advocate for the scheme

Performance and Audit Committee

Chair sits on National Council, four National Council members and three independent members

ROLE:

- Assess and advise on the organisation's financial risk, performance management, governance and value for money
- Performs the responsibilities of an Audit and Risk Assurance Committee

Designation Scheme Panel

10 members

ROLE:

- Make decisions on Designation applications from museums, libraries and archives
- Provide quality assurance
- Advocate for the Scheme



Remuneration Committee

Chair sits on National Council, four other National Council members

ROLE:

- Make decisions on senior executive salaries, bonuses and other terms and conditions

Acceptance in Lieu Panel

6–24 members

ROLE:

- Advise on items offered to the nation in lieu of Inheritance Tax or through the Cultural Gifts Scheme, on Conditional Exemption and on Immunity from Seizure

Arts Council Collection Acquisition Committee

8 members

ROLE:

- Advise on new additions to the Arts Council Collection with reference to the Acquisitions and Disposal and Collections Development policy



NON-EXECUTIVE GOVERNANCE

National Council:

Membership of National Council

Members of National Council are appointed by the Secretary of State for Culture, Media and Sport who seeks to ensure that National Council has an appropriate range of knowledge, skills and experience. Just over a third of National Council members are female.

All newly appointed trustees of the National Council receive a comprehensive induction upon joining, so that they are fully briefed and introduced into their role in the organisation. Appropriate training and support is offered to trustees on an ongoing basis.

The composition of National Council in 2016/17 was as follows:

Sir Peter Bazalgette

CHAIR UNTIL 31 JANUARY 2017

Sir Nicholas Serota CH

CHAIR FROM 1 FEBRUARY 2017

Professor Jon Cook

SOUTH EAST AREA COUNCIL CHAIR

Joe Docherty

NORTH AREA COUNCIL CHAIR

Sheila Healy

SOUTH WEST AREA COUNCIL CHAIR

Peter Phillips

MIDLANDS AREA COUNCIL CHAIR

Veronica Wadley

LONDON AREA COUNCIL CHAIR

Maria Balshaw CBE

MEMBER OF NATIONAL COUNCIL

Matthew Bowcock CBE

MEMBER OF NATIONAL COUNCIL

David Bryan

MEMBER OF NATIONAL COUNCIL

David Joseph CBE

MEMBER OF NATIONAL COUNCIL

Sir Nicholas Kenyon

MEMBER OF NATIONAL COUNCIL

Nazo Moosa

MEMBER OF NATIONAL COUNCIL

Alistair Spalding CBE

MEMBER OF NATIONAL COUNCIL

Rosemary Squire OBE

MEMBER OF NATIONAL COUNCIL



HIGHLIGHTS OF NATIONAL COUNCIL MEETINGS IN 2016/17

During 2016/17, National Council and its committees considered key strategic issues and routine business planning; the topics considered included:

- The Arts Council's approach to the implementation of the Government's Culture White Paper
- The Arts Council's total investment approach 2018–22
- Reviews of the programme budgets for 2018–22
- Analysis of the theatre landscape across England
- Implications of exiting the European Union for the arts and culture sector
- The Arts Council and DCMS draft management agreement 2016–20
- National Portfolio guidance (including the approach to equality analysis)
- Future development of Music Education Hubs
- Engagement with socio-economically disadvantaged communities
- Approval of a number of grants including capital grants of around £30.5 million to organisations under the Arts Council's Lottery capital programme, as well as approving around £92 million of restricted capital funding
- Reports from the Performance and Audit Committee, Remuneration Committee, Arts Council Collection Committee and the Accreditation and Designation schemes
- Quarterly reports on funded organisation risk

Further details about National Council's work during the year are available in the minutes from its meetings published on the Arts Council's website.

THE EFFECTIVENESS OF NATIONAL COUNCIL

Arts Council England recognises that an effective National Council is key to the delivery of its mission.

National Council has arrangements in place to discharge its duties effectively and ensure proportionate yet effective governance, risk management and other systems of internal control.

National Council members are appointed based on their areas of specialist interest or experience of the arts and culture world, either as practitioners, administrators, academics or executives. They hold responsibility for ensuring the achievement of the Arts Council's objectives, deciding on policy and priorities, and investing money in artists and arts and cultural organisations.

National Council also engages directly with all of the strategic, operational and financial challenges facing Arts Council England and provides leadership for Arts Council England's work.

SUMMARY OF NATIONAL COUNCIL'S REVIEW OF ITS EFFECTIVENESS

National Council conducted a review of its effectiveness in 2016–2017 at its May meeting, and as part of this members considered the terms of reference for National Council, the Scheme of Delegated Financial Authority; and the way National Council operates in practice.

It was noted that the Chair, Sir Nicholas Serota, had only formally assumed the role on the 1 February 2017, and that a number of council members were due to step down later on in the year.

Members agreed that National Council had worked well in 2016–2017. It made a number of key strategic decisions, such as the integration of museums and libraries into the National Portfolio. It had also agreed a total investment approach for 2018–2022 underpinned by key principles. It was noted that the Arts Council's Tailored Review had confirmed that the Arts Council was efficient, well governed and provides real value to the sectors it supports.

Suggestions for improving the way National Council operates in practice included:

- More effective use of the knowledge and expertise of council members, to provide specialist advice and support strategy development, outside of council meetings;
- A review of the frequency of National Council meetings, fewer but perhaps longer meetings in the years in between NPO rounds was suggested; and
- Continuing to strengthen the links between National Council and its Area Councils, members noted the national and area council conference held in November 2016 had been very useful in this regard.

Members were content with the terms of reference for National Council. However they asked for a review of the thresholds within the scheme of delegated financial authority.

Members also considered the quality of information that they received, where they noted that while the papers provided them with the information they needed to make decisions they were still quite long and detailed at times. Members asked the Executive to continue to review the length of council papers.

National Council also agreed that it would consider its effectiveness more frequently than once a year, the Chair was asked to consider whether the Chief Executive should be invited to attend for all or part of the discussion in future.



NATIONAL COUNCIL ATTENDANCES	NATIONAL COUNCIL	PERFORMANCE & AUDIT COMMITTEE	REMUNERATION COMMITTEE
Sir Peter Bazalgette (served as Chair until 31 Jan 2017)	6/6	—	2/2
Sir Nicholas Serota CH (began as Chair on 1 Feb 2017)	2/2	—	—
Maria Balshaw CBE	5/8	—	—
Matthew Bowcock CBE	7/8	4/4	2/2
David Bryan	7/8	—	—
Professor Jonathan Cook	7/8	—	—
Joe Docherty	6/8	—	—
Sheila Healy	8/8	—	—
David Joseph	5/8	—	—
Sir Nicholas Kenyon	4/8	—	—
Nazo Moosa	7/8	3/4	2/2
Peter Phillips	8/8	4/4	2/2
Alistair Spalding CBE	7/8	3/4	2/2
Rosemary Squire OBE	4/8	—	—
Veronica Wadley	7/8	—	—
OTHER MEMBERS OF PERFORMANCE & AUDIT COMMITTEE			
Christopher Yates	—	2/4	—
David Carter (retired from Performance and Audit Committee in July 2016)	—	1/1	—
Anne McMeel	—	4/4	—
Claire Ashby	—	4/4	—

PLEASE NOTE THAT THE ATTENDANCE FOR THE NATIONAL AND AREA COUNCIL CONFERENCE IN NOVEMBER IS NOT INCLUDED IN THE ABOVE DATA.

COMMITTEES AND SUB-COMMITTEES

Area councils

There are five area councils covering the breadth of England and reflecting Arts Council England's operational structure, appointed to assist National Council in developing, championing and investing in the arts and culture.

They support and promote the organisation's mission and objectives by providing advice on draft policies, making funding decisions and acting as advocates for the arts and culture, creating a live connection at an area level.

Each area council consists of 15 members including the Chair who is also a member of National Council. Area councils meet five times a year.

Performance and Audit Committee

National Council has appointed a Performance and Audit Committee to review and report on the systems of risk and internal control, governance and performance management.

The Performance and Audit Committee is chaired by Peter Phillips, a member of National Council. It would usually consist of four National Council members and three co-opted independent members with expertise in audit and accounting matters. However, it started the financial year with four National Council members and four co-opted independent members, for a short period until one of the independent members stepped down in July 2016. All National Council members receive papers and minutes of Performance and Audit Committee meetings. The Chair of the Performance and Audit Committee provides a report to National Council following each meeting, and as he deems necessary. The Performance and Audit Committee also provide a full report to National Council on their performance once a year.

The key areas scrutinised by the Performance and Audit Committee during 2016/17 included findings from internal audit reviews, the external audit of the annual report and accounts and the Governance Statement, and the Arts Council's risk management processes. The Committee also agreed a programme for internal audit,

considered our investment approach for 2018–22, considered the strength of our information security, and was given regular feedback on our organisational risks.

The Performance and Audit Committee undertook a self-evaluation of its effectiveness in March 2017. They noted the excellent breadth of experience and expertise across their present membership, and were satisfied that they were an effective committee.

They offered their confidence in Arts Council England's general reporting and effective running, and suggested that more focus could be given in future Performance and Audit Committee meetings to examining big issues and specific strategic risks in greater detail.

They also asked for members to be invited to future Area Council meetings in order to give them an opportunity to experience the full spectrum of decision making within the organisation.

Remuneration Committee

National Council has appointed a Remuneration Committee to deal with the matters set out in the remuneration report. The Remuneration Committee normally meets annually.

Executive management

National Council has delegated responsibilities for implementation of its strategy and operational matters to the Chief Executive and Executive Board. The Chief Executive has been authorised by National Council to undertake the day-to-day administration and management of the business and staff of the organisation and is responsible to National Council for those matters.

As Arts Council England's Accounting Officer, the Chief Executive is responsible for its overall efficiency and effectiveness and has responsibility for reviewing the effectiveness of the system of internal control. This review is informed by the internal auditors, the Deputy Chief Executives, Executive Directors within Arts Council England and comments from the external auditors in their management letter and other reports. The Accounting Officer may, on occasion, be required to give evidence to Parliament's House of Commons Public Accounts Committee.

From April 2016 to October 2016, Executive Board comprised the Chief Executive, the Deputy Chief Executive, and five other senior directors. From November 2016, following the departure of Althea Efunshile from her Deputy Chief Executive role, Executive Board comprises the Chief Executive, two Deputy Chief Executives, and four other senior directors. The Chief Executive is appointed by National Council with the approval of the Secretary of State for Culture, Media and Sport.

Executive Board meets formally regularly throughout the year to consider key policy, strategic and operational matters and provide advice to National Council, and it also oversees the financial performance and risk management of Arts Council England as a whole. Appropriate management structures have been created throughout the organisation to assist Executive Board members to oversee their respective departments and areas of responsibility.

The Chief Executive is appointed by National Council with the approval of the Secretary of State for Culture, Media and Sport.

Executive Board is supported by a Management Committee, a National Investment Panel whose membership includes the two Deputy Chief Executives and the five area directors, and other panels and decision-making groups.

There are written terms of reference and procedures for National Council and its sub-committees and Executive Board.

NAME	JOB TITLE
1. Darren Henley OBE	Chief Executive
2. Althea Efunshile CBE	Deputy Chief Executive (until October 2016)
3. Elizabeth Bushell	Director Finance and Corporate Services and Chief Finance Officer (from November 2016, Executive Director and Chief Financial Officer)
4. Laura Dyer	Executive Director North, Midlands, & South West (from November 2016: Deputy Chief Executive Places & Engagement)
5. Simon Mellor	Executive Director Arts and Culture (from November 2016: Deputy Chief Executive Arts and Culture)
6. Mags Patten	National Director, Advocacy and Communications (from November 2016: Executive Director Communication & Public Policy)
7. Richard Russell	Executive Director, Chief Operating Officer (from November 2016)
8. Francis Runacres	Executive Director Enterprise and Innovation (from November 2016)

RISK MANAGEMENT AND INTERNAL CONTROL

Risk management

National Council ensures there are effective arrangements for internal control including risk management at Arts Council England.

The system of internal control is based on an ongoing process designed to identify and prioritise 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 yet economically. 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. National Council takes the view that the absolute mitigation of all risks would be undesirable. It believes that it is important that Arts Council England is innovative and can take managed risks in pursuit of its overarching goal of 'great art and culture for everyone'.

The system of internal control has been in place at Arts Council England for the year ended 31 March 2017 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

System for managing 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 and is integrated into business planning across the organisation.

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 as part of the organisation's business planning process.

Arts Council England operates a range of controls over the funding programmes it operates to ensure the grant funding provided is used for the purposes intended. These controls are designed to be commensurate with the level of risk associated with each funding programme and the organisation's appetite for risk. The controls include ensuring signed funding agreements are in place, monitoring payment conditions before payments are released, reviewing activity returns and regularly monitoring risks to funded organisations.

During 2016/17, Arts Council England continued to manage risk at the strategic, operational, and individual project and programme levels.

A strategic risk workshop is held to identify Arts Council England's key risks. The risks identified are then agreed by Executive Board and assigned to an Executive Board lead and risk owner or 'manager' who will manage mitigating actions and controls thereafter. Progress on implementing relevant controls and mitigating actions on strategic risks is reported on a quarterly basis to Executive Board and the Performance and Audit Committee. An update is provided to National Council via a report from the Performance and Audit Committee. National Council review the risk register once a year.

Operational risks are also monitored on a quarterly basis, with progress on implementing relevant controls and mitigating actions reported to the Deputy Chief Executive's and from 1 November 2016 Chief Operating Officer's Operational Management Group. Programme and project level risks are monitored by the relevant programme lead or project board on a timescale appropriate to the programme or project.

THE PRINCIPAL RISKS AND UNCERTAINTIES FACING THE ARTS COUNCIL ARE SET OUT BELOW:

Data security and personal data

Arts Council England continues to maintain its performance in responding effectively to information requests, identifying opportunities to proactively disclose information, and embedding good information handling behaviours across the organisation.

There were no significant security incidents involving data at the Arts Council during 2016/17. There were five minor incidents where there was no adverse impact on, or damage to, individuals and therefore we did not report these incidents to the Information Commissioner's Office. The Arts Council dealt with all incidents immediately; each was investigated to see if any changes needed to be made to the Arts Council's systems and processes.

Internal audit

The annual programme of internal audit work is carried out by an external firm of accountants to standards defined in the Public Sector 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 the Operational Management Group and approved by the Performance and Audit Committee. The internal auditors receive all Performance and Audit Committee papers and attend the audit part of all Performance and Audit Committee meetings.

They 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. Internal audit services are being provided by Mazars.

In their annual report Mazars stated that, in their opinion:

“On the basis of our audit work, we consider that Arts Council England's governance, risk management and internal control arrangements are generally adequate and effective, except for Data Protection and Data Security. Certain weaknesses and exceptions were highlighted by our audit work, one of which was fundamental in nature relating to Data Protection and Data Security. These matters have been discussed with management, to whom we have made a number of recommendations. All of these have been, or are in the process of being addressed, as detailed in our individual reports.”

The fundamental weakness identified related to data being kept beyond the period set out in our retention schedules, and we have now agreed a package of measures to speed up the review and deletion of data at the end of its retention period.

Review of effectiveness of internal control

The Accounting Officer and the Chair of Council, as the representatives of the Trustees, have responsibility for reviewing the effectiveness of the system of internal control. This review of the effectiveness of the system of internal control is informed by the work of the internal auditors with 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. A review of the effectiveness of our system of internal control has taken place. National Council and the Performance and Audit Committee have advised about the findings in the review and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Assessment of the effectiveness of internal control during 2016/17

Progress in achieving objectives set in the Arts Council's 10-year strategy is monitored by the Executive Board and National Council.

For 2016/17, internal audit reviewed the following areas:

- Core Financial Controls
- Area Office Review – North
- Area Office Review – South West
- Fraud and Bribery Risk
- Grantium Workflows
- IT Systems and Strategy
- Data Protection and Data Security

Where weaknesses have been identified during the course of internal audit's work, the findings and the action that management have taken to address key weaknesses have been reported to the Performance and Audit Committee.

Throughout 2016/17 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.

So far, as the Accounting Officer is aware, there is no relevant audit information of which Arts Council England's auditors are unaware. Further, the Accounting Officer has taken all steps he ought to have taken to make himself aware of any relevant audit information and to establish that Arts Council England's auditors are aware of that information.

Principal risks and uncertainties

The Arts Council's risk management process assists management by facilitating the identification and assessment of significant risks to the achievement of objectives. The process is supported by a risk management policy which outlines the roles and responsibilities of National Council, the Performance and Audit Committee, Executive Board, management and staff.

The National Council reviews the risk register and risk management arrangements annually. The National Council is supported by the Performance and Audit Committee, which regularly reviews the content of the risk registers on a quarterly basis and seeks assurance over the adequacy of arrangements in place to manage the risks.

Executive Board, individual departments and identified risk owners are responsible for the identification, assessment and review of risks which fall in their area of responsibility. Risks are prioritised using an agreed scoring methodology and are assessed in terms of initial impact. Following identification of possible mitigating action, risk scores are updated to show the residual likelihood and impact of the identified risk.

The risk management process is facilitated and monitored by the Governance and Planning Department. The management of key risks are subject to independent review and assurance through the internal audit process, which reports to the Performance and Audit Committee.

The major residual risks which National Council considers most significant are:

- The possibility of further cuts in local authority investment in arts and culture remains a major risk to the achievement of our goals. Local government is the largest investor in the arts and culture sector in England. However, since 2010 its investment has dropped considerably. Further cuts in the amount local government invests could destabilise the arts and culture ecology and impinge on the achievement of our five goals. To mitigate this risk, we are working with individual local authorities, the Local Government Association and others to press the case for continued local authority investment in the sector and showcase some of the more innovative approaches to funding the arts and culture being adopted by some local councils.
- The risk that the Arts Council receives less income than expected over the 2018–22 investment period is also a major risk. We continue to monitor our projected income levels and the impact of any reduction in our projected income on our mission and five goals.

- The uncertainty of the financial environment continues to impact on the resilience of the sector, including the potential impact of Brexit and access to European funds and touring/export to EU countries. We are working closely with Government to explore the opportunities of building international markets for English artists, arts and cultural organisations.
 - The risk that we are perceived as not allocating our resources fairly in terms of geographical distribution remains a concern. To address this, we have put in place a series of measures to increase the amount spent outside London. They include a commitment that at least 75 per cent of our Lottery investment over 2015–18 will be spent outside of London, and a 4 per cent increase in National Portfolio investment outside London for the 2018–22 period. Despite this there is a risk that the perception will continue, fuelled perhaps by regional disparities in another areas like economic growth.
 - Finally the pressures on our internal staff capacity was a major risk for the Arts Council in 2016/17, as demands placed on us for example through the Culture White Paper grew, and the preparation and delivery of applications and assessments for the next round of National Portfolio investment placed additional pressure on capacity. We expect this pressure on our staff resources to continue in 2017/18. We will continue to review our resource requirements and where necessary shift our resources to address key priorities.
 - A review of roles and responsibilities in our investment team in Manchester – ensuring that the team structure is fit for purpose for organisation's 2016 investment process and providing a number of longstanding, high-performing junior staff with new opportunities
 - A new wave of internal secondments at more senior posts for 20 to 30 of our staff – developing their experience and skills and drawing on a wide expertise base to ensure the challenges of the 2016 investment process could be met
 - The investment in a new HR and payroll recording and reporting system – our first such investment in over a decade, with hoped-for gains in reliability, sophistication and accessibility
 - The introduction of collaborative workshops and action learning sets for our senior managers – to enable sharing of good management practices
- In our annual staff engagement survey, conducted in summer 2016, some highlights included:

- A 71 per cent response rate
- 76 per cent of staff rating the Arts Council as a good or very good place to work
- 85 per cent prepared to speak highly of the Arts Council outside work
- 87 per cent understanding how their work contributes to the organisation's mission
- 73 per cent agreeing their work is interesting and challenging
- 79 per cent fully understanding how their performance goals link to those of the wider organisation
- 74 per cent saying they'd like to take on more responsibility going forward
- 75 per cent feeling their area or department works effectively together

PEOPLE UPDATE

Some highlights of our year in 2016/17 included:

- The introduction of apprentices to the organisation for the first time. In 2017/18 we are introducing more new apprentice posts
- The introduction of two new members of our Executive Board – Francis Runacres commencing a brand new Executive Director brief on enterprise and innovation, and Richard Russell taking over from Althea Efunshile as Chief Operating Officer

As part of our response to survey feedback, we introduced new iPads and smartphones for our mobile staff and also conducted further consultation with them over their preferred ways of working, in terms of location. We're holding workshops in all offices in the early summer to discuss further options for smarter working with staff.

The Arts Council has to comply with strict requirements around salary bill growth and worked within the 1 per cent maximum increase in overall paybill permitted by the Government pay remit for 2016/17. This year, staff were awarded a pay increase of £360 (which is equivalent to an equal division of the overall 1 per cent paybill increase across the organisation's headcount). However to supplement this, a new scheme to allow staff to sell and purchase their annual leave was also introduced.

Voluntary staff turnover in 2016/17 was 9.31 per cent (11 per cent in 2015/16). Sickness absence rates also remain low, at 1.54 per cent in 2016/17 (1.6 per cent in 2015/16). Another positive indicator is the low level of formal employee relations cases during the year.

There were no employment tribunal claims received in the year. In terms of representation levels of some diverse groups within the workforce, the proportion of our current staff (at 31 March 2017) who classify themselves as lesbian, gay, bisexual or transgender is 13.1 per cent (2015/16: 11.4 per cent), disabled is 5.1 per cent (2015/16: 3.8 per cent) and the proportion of our staff who classify themselves as Black or other minority ethnic is 11.1 per cent (2015/16: 11.6 per cent).

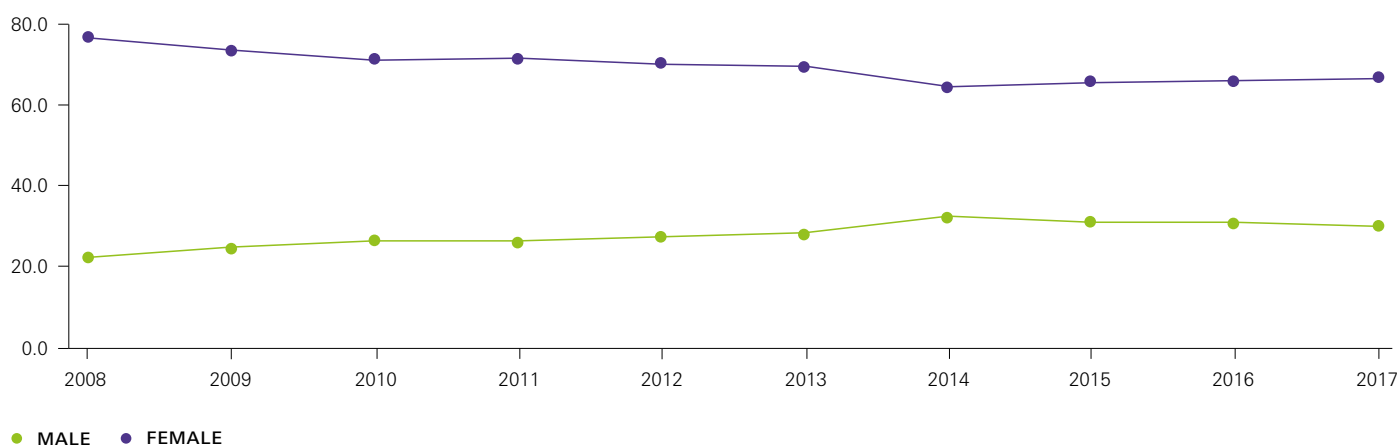
In terms of work to improve the representation of diverse groups within the Arts Council staff base we have commenced reviews of perceptions of the Arts Council as an employer by prospective external candidates and also whether our end to end recruitment process can do more to enhance this.



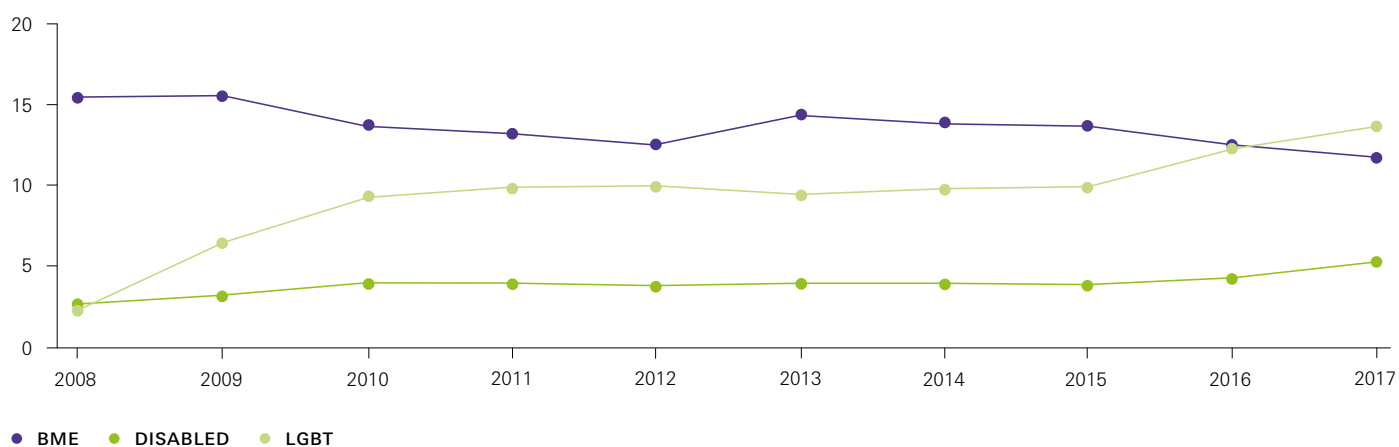
DIVERSITY UPDATE

The Arts Council is committed to diversity within the Arts Council staff base and its governing bodies. The graphs below set out the diversity statistics for Arts Council staff for 2016/17.

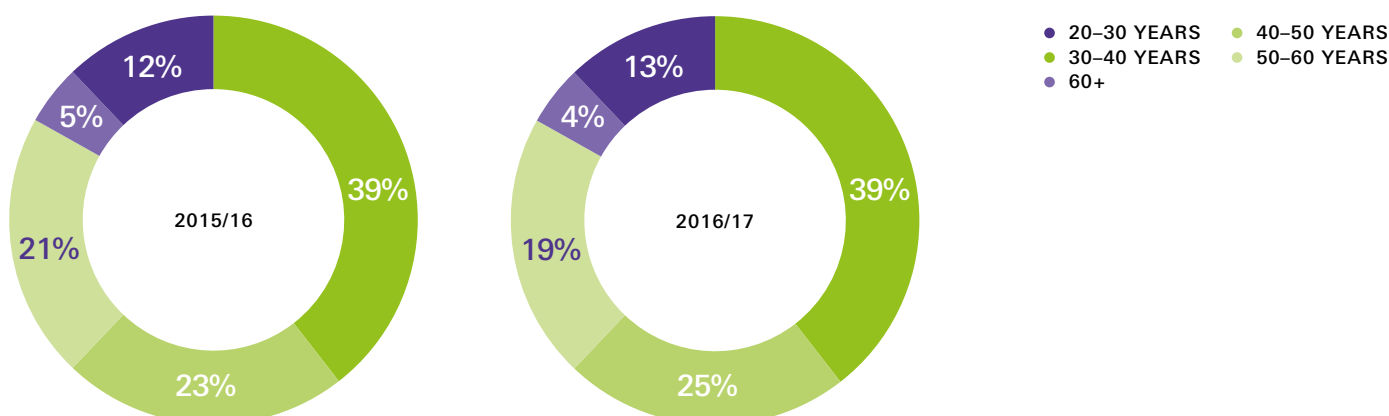
GENDER DATA COMPARISON (%)



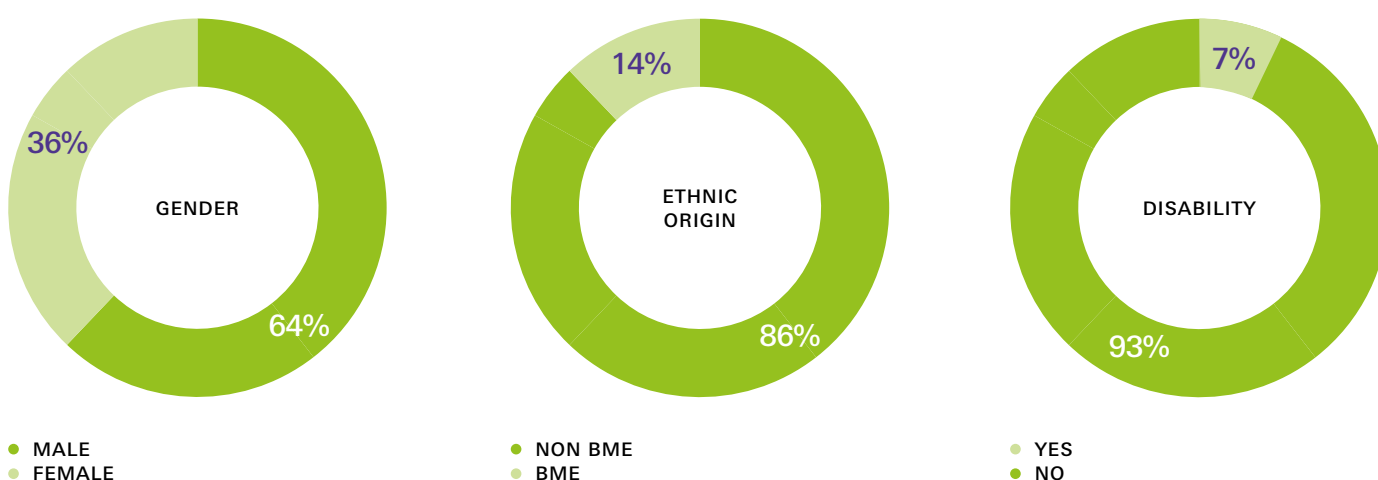
DIVERSITY DATA COMPARISON (%)



AGE DATA COMPARISON (%)



DIVERSITY STATS FOR NATIONAL COUNCIL



GRANTS TO LOCALLY GOVERNED ORGANISATIONS

All grants awarded by Arts Council England are subject to funding agreements with clearly laid out terms and conditions. We satisfy ourselves that relevant conditions are met before payment is made.

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

BETTER PAYMENT PRACTICE CODE

We attempt to abide by the Better Payment Practice Code, and in particular pay bills in accordance with our contracts. Invoices are normally settled within our suppliers' standard terms, usually 30 days, and we aspire to settle valid invoices within 10 days. During 2016/17, 100 per cent of invoices were paid within 30 days (2015/16: 100 per cent) and we paid 97.3 per cent of invoices within five days (2015/16: 96.3 per cent).

CORPORATE INFORMATION

Principal address as at 31 March 2017

21 Bloomsbury Street
London WC1B 3HC

Banker

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

Auditor

Comptroller and Auditor General
National Audit Office
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

Administrators, actuaries and investment advisers to the West Yorkshire Pension Fund

Aon Hewitt
25 Marsh Street
Bristol BS1 4AQ

Solicitors

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

Darren Henley OBE
Chief Executive

23 JUNE 2017

Sir Nicholas Serota CH
Chair

23 JUNE 2017



01. CHAIR'S REPORT

02. CHIEF EXECUTIVE'S REPORT

03. ACHIEVING GREAT ART AND CULTURE

04. REMUNERATION & STAFF REPORT

01 APRIL 2016 — 31 MARCH 2017

05. ENVIRONMENTAL SUSTAINABILITY

06. TRUSTEES' REPORT & MANAGEMENT
COMMENTARY

07. STRATEGIC REPORT

08. GRANT-IN-AID ACCOUNTS

09. LOTTERY DISTRIBUTION ACCOUNTS

10. NATIONAL LOTTERY REPORT

11. IMAGE CREDITS

Strategic Report



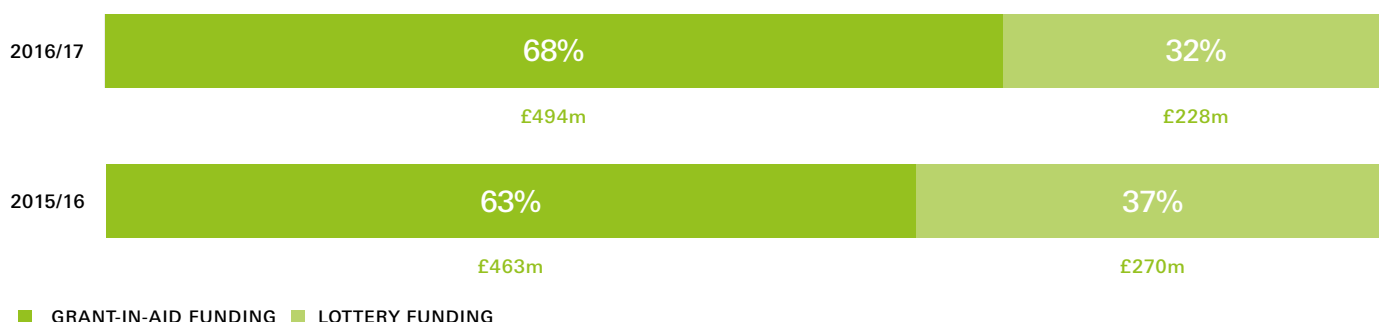


07.

FINANCIAL REVIEW, GRANT-IN-AID: OUR INCOME

Arts Council England receives Grant-in-Aid from the Department for Culture, Media and Sport (DCMS). DCMS provided Grant-in-Aid of £494 million for the year (2015/16: £463 million), which included £48.1 million of capital funds to allocate as grants. It also included funding via the Department for Education of £78.8 million (2015/16: £78.2 million) to support the implementation of the recommendations in the Henley reviews of music and cultural education.

GRANT-IN-AID AND LOTTERY INCOME



During the year we awarded grants to our National Portfolio Organisations of £279 million (2015/16: £279 million).

In addition, we spent £53 million (2015/16: £56 million) through grants and direct expenditure on strategic initiatives and £75 million (2015/16: £76 million) on restricted activities, mainly Music Education Hubs.

The Arts Council received funding specifically for the following projects during 2016/17:

	REVENUE FUNDING £MILLION	CAPITAL FUNDING £MILLION
RSC China	0.290	—
Factory Manchester	0.750	19.850
Yorkshire Festival	0.500	—
Shakespeare's Globe – Tour	0.240	—
Shakespeare's Globe – Training	0.156	—
Royal Opera House – Training	0.200	—
Southbank Centre – Festival	0.100	—
National Theatre – UK Theatre in China	0.250	—
London Concert Hall	1.144	—
Hull City of Culture	2.900	5.000
Birmingham Dance Hub	2.000	2.500
S1 Artspace	0.000	0.500
Cultural Citizens Programme	0.020	—
Creative Media Centre, Plymouth	0.000	1.000
Studio 144 Southampton	0.000	1.600
Artichoke Great Fire 350 – LIBOR funds	1.000	—
Libraries Innovation Fund	2.700	1.300

As a non-departmental public body, we have a duty to stay within our departmental expenditure limits (DEL) budgets set by DCMS, irrespective of how the financial statements then translate when prepared under the Charities SORP.

Our provisional out-turn against our revenue DEL budgets, set by DCMS, is a £0.2 million under spend (2015/16: £0.1 million underspend). However, the statement of financial activities shows net incoming resources for the year of £5,382,000 (2015/16: £339,000) on unrestricted funds after exceptional items.

The difference between our performance against our DEL and the net incoming resources for the year of £5,382,000 is attributable to adjustments related to pension costs, the treatment of provisions (which include the West Yorkshire Pension Fund liability) – ie new provisions and unutilised provisions are not included within our DEL totals until they are utilised. This does not match the accounting treatment, but is consistent with HM Treasury's consolidated budgeting guidance.

At 31 March 2017, Arts Council England had unrestricted reserves of £12.6 million (2015/16: £8.6 million) together with £0.9 million (2015/16: £0.8 million) restricted income funds and endowment capital funds reserves. Our policy on reserves has been 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. However, our use of reserves is restricted by the Government's budgetary controls, which means that we would require DCMS approval to use our reserves if it were necessary to do so.

Fees paid to the National Audit Office for Grant-in-Aid audit services during 2016/17 were £69,900 including VAT (2015/16: £76,800 including VAT). Full details in relation to financial instruments are given in note 26 to the Grant-in-Aid accounts.

LOTTERY DISTRIBUTION

Arts Council England 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). New Lottery grant commitments in the year totalled £196 million (2015/16: £140 million). At year-end, a total of £280 million (2015/16: £326 million) accepted grant commitments remained outstanding and awaiting payment. This compares with a balance in the National Lottery Distribution Fund, plus bank balances, of £317 million (2015/16: £339 million).

We monitor levels of Lottery income closely, and the level of outstanding grant commitments is considered sensible, based on past and projected income flows, given that £64 million of those commitments are known to be equally spread over a four year period to 31 March 2022. At 31 March 2017, our balance in the National Lottery Distribution Fund account was £315 million (2015/16: £334 million).

Actual proceeds received in 2016/17 were £227.4m. This was £40.9m less than 2015/16 and £21.6 million lower than originally forecast. The reason for this was due to lower income from the sale of Lottery tickets during the year.

2015/16 was a record year in terms of Lottery ticket sales but these fell by 8.8% during 2016/17. As a result of this, Camelot UK are carrying out a strategic review of the business. We will continue to monitor actual and projected income closely to ensure that our planned expenditure is affordable.

Our Lottery balance policy has been updated by National Council in 2017. Based on an assessment of the relevant risks National Council approved that our Lottery budgets should preserve a balance of at least £50 million in each year over the period to 2021/22. This is the equivalent of approximately three months' worth of income, which we feel is sufficient to mitigate the risks involved while ensuring that we commit to as high a value of Lottery grant programmes as possible. We may also choose to build up our Lottery balance for a particular reason, for example to enable the launch of a new programme where a significant budget is required in one financial year. However, our aim is to maintain a balance that does not exceed £150 million. We review this policy annually and may either revise this figure upward or downward based on our assessment of the risks.

Our Lottery balance exceeds this principle this year partly because of the additional income received in 2015/16, and partly because we kept some Lottery funding in reserve. Our National Council has therefore agreed in principle that we can now release this reserve to bring down our Lottery balance over our next budget setting period to a level more in line with the minimum balance noted above. Further details of the activities and policies of Arts Council England are included in the National Lottery report 2016/17 (see pages 162 to 177).

Full details in relation to financial instruments are given in note 19 of the notes to the Lottery distribution accounts.

Fees payable to the National Audit Office for Lottery external audit services during 2016/17 were £58,250 (2015/16: £64,000).

CONSOLIDATED ACTIVITIES

We prepare separate accounts for our Grant-in-Aid and Lottery distribution as required by the Secretary of State for Culture, Media and Sport. 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 illustrative results for the two accounts combined for the 2015/16 and 2016/17 financial years.

	2016/17 £000s	2015/16 £000s
INCOME		
Grant-in-Aid income	494,161	463,095
Share of the National Lottery Distribution Fund	227,475	268,419
Investment returns on the National Lottery Distribution Fund	741	1,095
Other Income	1,848	907
Total income	724,225	733,516
EXPENDITURE		
Net Grant-in-Aid grant commitments	475,164	445,721
Other Grant-in-Aid arts expenditure	3,788	4,125
Net Lottery grant commitments	187,445	120,349
Support costs	29,071	30,980
Total expenditure	695,468	601,175
Net gains/(losses) on investments	60	20
Net income/(expenditure)	28,817	132,361
Gain on revaluation of heritage assets	6,438	17,958
Actuarial gains/(losses) on defined benefit pension schemes	(495)	1,162
	5,943	19,120
Net movement in funds	34,760	151,481
Consolidated reserves brought forward	381,876	230,395
Consolidated reserves carried forward	416,636	381,876

Administration costs in 2016/17 for Grant-in-Aid and Lottery combined totalled £29 million compared with £31 million in 2015/16. Overall, administration costs are 4.8 per cent of income (2015/16: 4.8 per cent). Grant-in-Aid administration (excluding one-off IT costs) totalled £10.4 million, which is 2.9 per cent of income (2015/16: 3.6 per cent). Lottery administration (excluding one-off IT costs) totalled £17.8 million of income, which is 7.8 per cent of income (2015/16: 6.4 per cent). Grant-in-Aid one-off IT costs in 2016/17 were £384,442 (2015/16 £447,113), and Lottery one-off IT costs were £461,974 (2015/16: £577,670). The split over the two income streams continues to reflect the level of activity in Lottery investment compared to Grant-in-Aid. One-off IT costs for Grant-in-Aid in 2016/17 were £384,442 (2015/16: £447,113) and £461,974 (2015/16: £577,670) for Lottery.

PLANS FOR THE FUTURE

Since 2010, our investment has been made according to the goals of our 10-year strategy, *Great Art and Culture for Everyone*, and this will continue to guide all of our work for the next three years.

In 2017 the Arts Council will commence work on the next 10-year strategy that will cover the period from 2020. This will be a significant piece of work, to engage with key stakeholders on priorities for the sector.

In the 2015 Autumn Statement, arts and culture received a four-year settlement from the Treasury that was better than expected. Lottery revenues during 2016/17, however, have been below expected levels and is a concern in terms of future income.

In 2017 the Arts Council will announce the proposed allocations for National Portfolio Organisations for the period 2018–22. Also, National Council will have agreed the overall grants for Arts and Culture and Strategic budgets for the period 2018–22 covering Grant-in-Aid and Lottery funding for the sector.

We must ensure that our investment benefits communities right across England, with a particular focus on the least engaged.

We have put in place a series of measures to increase the amount spent outside London. They include a commitment that at least 75 per cent of our Lottery investment over 2015–18 will be spent outside of London, and a 4 per cent increase in National Portfolio investment outside London for the 2018–22 period.

STATEMENT OF TRUSTEES' AND CHIEF EXECUTIVE'S RESPONSIBILITIES

Under both the Royal Charter and the National Lottery etc Act 1993 (as amended by the National Lottery Act 1998), Arts Council England 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 Arts Council England's state of affairs at the year end and of our incoming resources, resources expended and cash flows for the financial year.

The Grant-in-Aid accounts are also prepared so as to comply with the Charities' SORP 2015 and the Lottery distribution accounts are prepared in line with the Government Financial Reporting Manual. Both sets of accounts are also expected to:

- Observe the accounts directions issued by the Secretary of State which set out accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis and make judgements and estimates on a reasonable basis
- State whether applicable accounting standards as set out in the Charity Statement of Recommended Practice or Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements
- Be prepared on a going concern basis, unless it is inappropriate to presume that Arts Council England will continue in operation

The Principal Accounting Officer of DCMS has designated the Chief Executive as Arts Council England's Accounting Officer.

The responsibilities of the accounting officers for Grant-in-Aid and Lottery distribution annual arm's length bodies are set out in chapter three of Managing Public Money. Formally the Accounting Officer is the person who Parliament calls to account for stewardship of its resources.

The Accounting Officer signing off these accounts has gained assurance in the following ways:

- A meeting with the Chief Finance Officer to go through the financial controls
- A meeting with the internal auditors to discuss the annual audit opinion and a meeting with the National Audit Office to discuss the process and findings of the external audit
- Discussing the annual review and accounts at an Executive Board meeting attended by Executive Board colleagues, including the Chief Financial Officer

The Accounting Officer confirms that, as far as he is aware, there is no relevant audit information of which the entity's auditors are unaware, and the Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

In approving these accounts, the Trustees have complied with their duty under section 11 of the Charities Act 2011 to have due regard to guidance published by the Charity Commission.

A copy of the Grant-in-Aid and Lottery distribution accounts directions are available from the Accounting Officer, Arts Council England, 21 Bloomsbury, London, WC1B 3HF.

Darren Henley OBE
Chief Executive
23 JUNE 2017

Sir Nicholas Serota CH
Chair
23 JUNE 2017



01. CHAIR'S REPORT

02. CHIEF EXECUTIVE'S REPORT

03. ACHIEVING GREAT ART AND CULTURE

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05. ENVIRONMENTAL SUSTAINABILITY

06. TRUSTEES' REPORT & MANAGEMENT
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08.



THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE TRUSTEES OF ARTS COUNCIL ENGLAND

I certify that I have audited the financial statements of Arts Council England for the year ended 31 March 2017. The financial statements 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 and Staff Report that is described in that report as having been audited.

RESPECTIVE RESPONSIBILITIES OF THE TRUSTEES/BOARD, ACCOUNTING OFFICER 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 the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the relevant legal and regulatory requirements. I conducted my audit in accordance with 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 read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

OPINION ON REGULARITY

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements 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 2017 and of its net income for the year then ended; and
- The financial statements have been properly prepared in accordance with the Royal Charter and Secretary of State directions issued thereunder.

OPINION ON OTHER MATTERS

In my opinion:

- The part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Royal Charter; and
- The information given in the Trustee's Report and 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 or returns adequate for my audit have not been received from branches not visited by my staff; or
- The financial statements and the part of the Remuneration and Staff Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- The Governance Statement does not reflect compliance with HM Treasury's guidance.

REPORT

I have no observations to make on these financial statements.

Sir Amyas C E Morse,
Comptroller and Auditor General
28 JUNE 2017

National Audit Office
157–197 Buckingham Palace Road
Victoria
London SW1W 9SP



STATEMENT OF FINANCIAL ACTIVITIES FOR THE PERIOD ENDING 31 MARCH 2017

	NOTE	UNRESTRICTED FUNDS £000s	RESTRICTED FUNDS £000s	ENDOWMENT FUNDS £000s	TOTAL 2016/17 £000s	TOTAL 2015/16 £000s
INCOME AND ENDOWMENTS FROM:						
Grant-in-Aid, Donations and legacies	2a	355,213	139,075	—	494,288	463,146
Investments	2b	25	15	10	50	108
Charitable activities	3	125	568	—	693	46
Other: Lottery distribution accounts	4b	18,314	—	—	18,314	17,845
Total income and endowments		373,677	139,658	10	513,345	481,145
EXPENDITURE ON:						
Charitable activities	4a	350,152	139,557	—	489,709	462,981
Other: Support costs attributable to Lottery distribution accounts	4b	18,314	—	—	18,314	17,845
Total expenditure		368,466	139,557	—	508,023	480,826
Net gains/(losses) on investments	9	—	—	60	60	20
Total income/(expenditure)		5,211	101	70	5,382	339
Net income /(expenditure)	8	5,211	101	70	5,382	339
TRANSFERS						
Gross transfers between funds			131	(131)	—	—
Net income/(expenditure) before other recognised gains and losses		5,211	232	(61)	5,382	339
OTHER RECOGNISED GAINS/LOSSES						
Gain on revaluation of heritage assets	10	6,314	124	—	6,438	17,958
Actuarial gains/(losses) on defined benefit pension schemes	7	(495)	—	—	(495)	1,162
Net movement in funds		11,030	356	(61)	11,325	19,459
RECONCILIATION OF FUNDS:						
Balance brought forward at 1 April		159,016	4,867	495	164,378	144,919
Total funds carried forward at 31 March	17	170,046	5,223	434	175,703	164,378

ALL AMOUNTS STATED IN THE STATEMENT OF FINANCIAL ACTIVITIES AND BALANCE SHEET RELATE TO CONTINUING ACTIVITIES. THE NOTES ON PAGES 95 TO 129 FORM PART OF THESE ACCOUNTS.

BALANCE SHEET AS AT 31 MARCH 2017

	NOTE	UNRESTRICTED FUNDS £000s	RESTRICTED FUNDS £000s	ENDOWMENT FUNDS £000s	TOTAL 31 MARCH 2017 £000s	TOTAL 31 MARCH 2016 £000s
FIXED ASSETS:						
Tangible assets	10	3,952	—	—	3,952	4,366
Heritage assets – Works of art	10	158,591	4,797	—	163,388	156,195
Investments	9	—	—	434	434	495
Total fixed assets		162,543	4,797	434	167,774	161,056
CURRENT ASSETS:						
Debtors	12	24,756	5,756	—	30,512	1,504
Due from Arts Council lottery accounts		3,326	—	—	3,326	2,525
Grants paid advance	13	607	—	—	607	369
Cash and cash equivalents		5,111	44,901	—	50,012	43,283
Total current assets		33,800	50,657	—	84,457	47,681
LIABILITIES: CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR						
Grants outstanding		17,049	49,553	—	66,602	24,738
Creditors	15	3,309	678	—	3,987	9,343
Total creditors: amounts falling due within one year		20,358	50,231	—	70,589	34,081
Net current assets		13,442	426	—	13,868	13,600
Total assets less current liabilities		175,985	5,223	434	181,642	174,656
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR						
Provisions for liabilities and charges	16	802	—	—	802	4,664
Net assets excluding pension liability		175,183	5,223	434	180,840	169,992
Defined benefit pension scheme liability	7	5,137	—	—	5,137	5,614
Net assets including pension liability		170,046	5,223	434	175,703	164,378
THE FUNDS OF THE CHARITY:						
Represented by income funds	17					
Unrestricted funds		12,639	—	—	12,639	8,614
Restricted funds		—	426	—	426	321
Represented by capital funds	17					
Endowment funds		—	—	434	434	495
Designated funds		158,592	—	—	158,592	151,650
Donated asset reserve		—	4,797	—	4,797	4,546
Capital reserve		3,952	—	—	3,952	4,366
Pension reserve	7	(5,137)	—	—	(5,137)	(5,614)
Total charity funds		170,046	5,223	434	175,703	164,378

Darren Henley OBE
Chief Executive
23 JUNE 2017

Sir Nicholas Serota CH
Chair
23 JUNE 2017

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

	NOTE	2016/17 £000s	2015/16 £000s
CASH FLOWS FROM OPERATING ACTIVITIES:			
Funds received from the Department for Culture, Media and Sport		460,527	468,991
Other cash receipts		22,964	18,192
Grants paid to arts organisations and other bodies		(433,540)	(432,725)
Cash paid to and on behalf of employees		(20,962)	(21,288)
Other cash payments		(20,977)	(10,910)
Net cash provided by/(used in) operating activities	18	8,012	22,260
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on short-term cash deposits		40	98
Dividends received		10	10
Purchase of tangible fixed assets		(1,454)	(1,347)
Sale of tangible fixed assets		—	499
Net cash provided by/(used in) investing activities		(1,404)	(740)
CASH FLOWS FROM FINANCING ACTIVITIES :			
Endowment Income/(Investments)		121	(10)
Net cash provided by/(used in) financing activities		121	(10)
Change in cash and cash equivalents in the reporting period	19/20	6,729	21,510
Cash and cash equivalents at the beginning of the reporting period		43,283	21,773
Cash and cash equivalents at the end of the reporting period		50,012	43,283

THE NOTES ON PAGES 95 TO 129 PART OF THESE ACCOUNTS.

NOTES TO THE GRANT-IN-AID ACCOUNTS

1. ACCOUNTING POLICIES

1a. 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 Charities SORP 2015 issued by the Charity Commission in 2014.

The accounts are prepared on a going concern basis and 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 2016/17, 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.

Arts Council England no longer owns any freehold land and buildings. All of our offices are leased. The lease commitments are disclosed within note 21 of the Grant-in-Aid accounts.

Separate accounts have been prepared for Arts Council England's Lottery distribution accounts, in accordance with the directions issued by the Secretary of State, which follow different accounting policies. Due to the different accounting policies used in the preparation of Grant-in-Aid and Lottery accounts, 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 Arts Council England's resources. In this respect, we have not been able to comply with paragraph 24.5 of the SORP issued by the Charity Commission in 2014. However, we have included a summary of the consolidated figures for our combined activities in the management commentary on page 85.

1b. INCOME

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

1c. EXPENDITURE

Grant expenditure is charged to the statement of financial activities in the year in which the grant is offered and in which funding for the grant is received from DCMS. In most circumstances this will be the same as the year in which the funded activities take place. However, in some cases grant expenditure is recognised in the accounts where the funded activity is due to take place in future years. 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 14 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. In this respect, we have not been able to comply with paragraph 7.19 of the SORP issued by the Charity Commission in 2014. The Trustees do not believe this would provide a true and fair view of Arts Council England's resources. 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.

1d. DEPRECIATION AND FIXED ASSETS

Tangible fixed assets excluding heritage assets

Depreciation is provided on all tangible fixed assets (excluding freehold land) 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. All individual assets valued greater than £2,000 are capitalised.

Heritage assets

Arts Council England is guardian and trustee over one collection of heritage assets which is held in furtherance of our mission to champion, develop and invest in artistic and cultural experiences that enrich people's lives. The collection is accounted for as follows:

Works of art

The Works of Art Collection is revalued at market value on a rolling basis, with the highest value items revalued once every five years. The collection is treated as a non-operational heritage asset and is not held for the purpose of re-sale. Any surplus or deficit on revaluation is reported in the statement of financial activities. The items in the collection are deemed to have indeterminate lives, so the Trustees do not consider it appropriate to charge depreciation. Additions to the collection are made by purchase or donation. Purchases are initially recorded at cost and donations are recorded at current value ascertained by the curator with reference to current knowledge of prices, the market and the advice of other experts where necessary.

01e. LEASES

Costs in respect of operating leases are charged to the statement of financial activities on a straight line basis over the life of the lease.

Lease incentives (eg rent free periods) are recognised as an integral part of the total lease expense, over the term of the lease.

1f. TAXATION

Arts Council England, as a registered charity (1036733), is considered to pass the tests set out in paragraph 1 schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable trust for UK income tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by part 10 Income Tax Act 2007 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. No tax charge has arisen in the year.

1g. 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. The Arts Council Retirement Plan is a multi-employer scheme and we cannot identify our share of the underlying assets and liabilities. We have therefore accounted for this scheme as if it were a defined contribution scheme, in accordance with Charities SORP (FRS102), with the costs of the scheme charged to the statement of financial activities. Arts Council England has agreed a deficit repayment plan with the Arts Council Retirement Plan and the cost of this is included as a provision within the accounts. The West Yorkshire Pension Fund is also a multi-employer scheme, but, as a local government pension scheme, we are able to identify our share of the underlying assets and liabilities and have therefore accounted for this scheme in line with Charities SORP (FRS102).

All employers are legally required to enrol their staff onto a workplace pension scheme. As such we now also provide a defined contribution scheme for staff who are automatically enrolled (via the People's Pension) if they choose not to join the Arts Council Retirement Plan.

1h. APPORTIONED COSTS

Arts Council England incurs administration costs that relate to activities funded from Grant-in-Aid and the National Lottery Distribution Fund. We are required to apportion these costs between the two areas on a full cost basis in accordance with good accounting practice.

In accordance with the Charities SORP we have apportioned administration costs between our different activities. We have recharged both pay and non-pay expenditure using staff time as a basis for calculating the apportionment. The notes to the statement of financial activities will show the costs apportioned to Arts Council England Lottery distribution accounts where appropriate.

1i. CHANGE IN ACCOUNTING POLICY

There were no changes in accounting policy during 2016/17

1j. FINANCIAL INSTRUMENTS

We have adopted Charities SORP (FRS102) on financial instruments. There has been no impact on the Accounts. Further information on our financial instruments is disclosed within Note 26.

1k. SECURITY FOR CAPITAL GRANTS

Since November 2015, the standard conditions for Grant-in-Aid capital grants for building projects of between £500,000 and £5 million give the Arts Council the option to apply for Restriction on Title. This prevents the asset being sold, mortgaged or put to an alternative use without Arts Council consent. For grants over £5 million Arts Council England would register a legal charge over the asset.

2a. VOLUNTARY INCOME

	UNRESTRICTED FUNDS £000s	RESTRICTED FUNDS £000s	ENDOWMENT FUNDS £000s	TOTAL 2016/17 £000s	TOTAL 2015/16 £000s
GRANT-IN-AID, DONATIONS AND LEGACIES					
CASH GRANT-IN-AID VOTED BY PARLIAMENT AND PAID IN FULL					
Core funding - revenue	339,396	—	—	339,396	341,613
Administration	14,547	680	—	15,227	13,728
Core capital	1,270	—	—	1,270	1,270
Ring-fenced funds	—	138,268	—	138,268	106,484
	355,213	138,948	—	494,161	463,095
OTHER DONATIONS AND LEGACIES					
	—	127	—	127	51
Grant-in Aid, Donations and Legacies	355,213	139,075	—	494,288	463,146

2b. INVESTMENT INCOME

	UNRESTRICTED FUNDS £000s	RESTRICTED FUNDS £000s	ENDOWMENT FUNDS £000s	TOTAL 2016/17 £000s	TOTAL 2015/16 £000s
INVESTMENT INCOME					
Bank Interest received	25	15	—	40	98
Dividend Income	—	—	10	10	10
Investment income	25	15	10	50	108

3. INCOME FROM CHARITABLE ACTIVITIES

	UNRESTRICTED FUNDS £000s	RESTRICTED FUNDS £000s	TOTAL 2016/17 £000s	TOTAL 2015/16 £000s
GRANTS, SPONSERSHIP AND DONATIONS RECEIVED				
Local Authorities	50	350	400	80
Other central Government bodies	74	80	154	(59)
Other grants, sponsorship and donations	—	—	—	3
Sundry	1	138	139	22
Charitable Activities income	125	568	693	46

4a. EXPENDITURE ON CHARITABLE ACTIVITIES

	ACTIVITIES UNDERTAKEN DIRECTLY £000s	GRANT FUNDING OF ACTIVITIES £000s	NET SUPPORT COSTS £000s	TOTAL 2016/17 £000s	TOTAL 2015/16 £000s
National Portfolio Organisations and Major Partner Museums	—	278,731	4,028	282,759	283,910
Grants for the arts	—	5,445	608	6,053	5,198
Strategic development, communications & advocacy	2,941	53,116	5,673	61,730	65,233
Music Education Hubs	530	75,000	134	75,664	76,741
Restricted – Other	317	63,912	314	64,543	33,053
Lapsed and revoked commitments	—	(1,040)	—	(1,040)	(1,154)
	3,788	475,164	10,757	489,709	462,981

National Portfolio 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.

Grants for the Arts is our open access funding programme for individuals, art organisations and other people who use the arts in their work. We offer awards from £1,000 to £100,000 to support a wide variety of arts-related activities, from dance to visual arts, literature to theatre, music to combined arts.

Music Education Hubs are groups of organisations – such as local authorities, schools, other hubs, art organisations, community or voluntary organisations – working together to create joined-up music education provision,

respond to local need and fulfil the objectives of the hub. Hubs are coordinated by the hub lead organisation, which takes on responsibility for the funding and governance of the hub. The total amount of hub funding from the Department for Education in 2016/17 was £78.8m million (2015/16: £75 million).

Other restricted funds are those specific projects delivered through funds provided by partners as detailed in notes 2a and 3.

4b. ANALYSIS OF SUPPORT COSTS

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.

	UNRESTRICTED £000s	LESS CHARGED TO LOTTERY £000s	TOTAL 2016/17 £000s	TOTAL 2015/16 £000s
Staff costs	18,317	(12,846)	5,471	8,134
Indirect staff costs	541	(293)	248	253
Premises	2,135	(1,157)	978	932
Supplies & Services	2,679	(1,416)	1,263	1,219
Travel & Subsistence	1,405	(762)	643	652
Professional Fees	1,447	(680)	767	414
Central Costs	588	(186)	402	506
Depreciation	1,113	—	1,113	986
Other recharges	—	(512)	(512)	(409)
IT project costs	846	(462)	384	447
	29,071	(18,314)	10,757	13,134
Corporate governance costs included above			421	500

4c. ANALYSIS OF GRANTS BY RECIPIENT

	GRANTS TO INSTITUTIONS £000s	GRANTS TO INDIVIDUALS £000s	TOTAL 2016/17 £000s	TOTAL 2015/16 £000s
National Portfolio Organisations and Major Partner Museums	278,731	—	278,731	279,283
Grants for the arts	2,664	2,781	5,445	4,836
Strategic development, communications & advocacy	53,062	54	53,116	55,859
Music Education Hubs	75,000	—	75,000	75,597
Restricted - Other	63,912	—	63,912	31,300
Lapsed and revoked commitments	(1,040)	—	(1,040)	—
	472,329	2,835	475,164	446,875

A detailed breakdown of all grant commitments can be found at:
www.artscouncil.org.uk/governance/spending

5a. STAFF COSTS

Staff costs show a significant decrease when compared with last year. This is due to the reversal of unutilised pensions provision. Further information is disclosed within Note 16c of the Accounts.

	TOTAL £000s	RESTRICTED £000s	LESS CHARGED TO LOTTERY £000s	TOTAL 2016/17 £000s	TOTAL 2015/16 £000s
STAFF COSTS COMPRISE:					
Salaries and wages	15,089	463	(10,453)	4,173	6,957
Employer's National Insurance	1,677	46	(850)	781	565
Employer's pension contributions	2,483	68	(1,251)	1,164	1,243
Redundancy Costs	51	—	(31)	20	(13)
Agency staff	689	—	(261)	428	204
	19,989	577	(12,846)	6,566	8,956

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

	PERMANENT STAFF	AGENCY STAFF	2016/17	2015/16
Direct delivery of programmes	20	2	22	22
Support & corporate governance	452	14	466	453
	472	16	488	475

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

	PERMANENT STAFF	AGENCY STAFF	2016/17	2015/16
Direct delivery of programmes	20	3	23	24
Support & corporate governance	486	22	508	488
	506	25	531	512

5b. EMOLUMENTS BY BANDS

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

EMOLUMENTS FOR THE YEAR	PENSION SCHEME			TOTAL 2016/17	TOTAL 2015/16
	DEFINED BENEFIT	DEFINED CONTRIBUTION	NO PENSION		
£60,000–£69,999	5	—	—	5	3
£70,000–£79,999	7	—	—	7	8
£80,000–£89,999	—	—	—	—	2
£90,000–£99,999	—	—	—	—	—
				12	13

Redundancy and other departure costs have been paid in accordance with the provisions of the Arts Council's job security policy. The Arts Council pays exit costs when employment ends but provides for exit costs at the point when there is sufficiently detailed information to do so. Where early retirements have taken place, the additional pension costs are met by the Arts Council and not by the pension scheme providers.

6. COUNCIL MEMBERS' EXPENSES

It is part of council members' duties to assess artistic work. The cost of their tickets for attendance at performance and events is met by the Arts Council. In 2016/17, the total cost of tickets purchased for this purpose was £2,348 (2015/16: £1,426). All our council members are able to claim back their travel and subsistence costs. The total amount reimbursed for travel and subsistence in the year is shown in note 8.

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.

All transactions generated as a result of the FRS102 report are charged initially to the Grant-in-Aid accounts. The costs are then recharged across to the Lottery Accounts in the same ratio as other salary costs. This ensures that both Grant-in-Aid and Lottery are correctly charged with their proportion of the overall pension charges. However the assets and liabilities of the WYPF scheme are shown only in the Grant-in-Aid accounts.

WEST YORKSHIRE PENSION FUND

We are an admitted member of the West Yorkshire Pension Fund. This Fund provides pensions to over 268,000 members in 383 mainly local government organisations. The actuaries of the Fund are Aon Hewitt. In the year ending 31 March 2017, nine Arts Council staff participated in the scheme. The scheme is a defined benefit scheme and is accounted for in accordance with Charities SORP (FRS102).

The disclosures below relate to the funded liabilities within the West Yorkshire Pension Fund (the "Fund") which is part of the Local Government Pension Scheme (the "LGPS"). The funded nature of the LGPS requires The Arts Council of England and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension's liabilities with investment assets.

Assumptions

The latest actuarial valuation of The Arts Council of England's liabilities took place as at 31 March 2016. Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method. The principal assumptions used by the actuary in updating the latest valuation of the Fund for FRS 102 purposes were:



PRINCIPAL FINANCIAL ASSUMPTIONS

	31 MARCH 2017	31 MARCH 2016	31 MARCH 2015
Discount rate	2.5%	3.4%	3.2%
RPI Inflation	3.1%	2.9%	2.9%
CPI Inflation	2.0%	1.8%	1.8%
Rate of increase to pensions in payment	2.0%	1.8%	1.8%
Rate of increase to deferred pensions	2.0%	1.8%	1.8%
Rate of general increase in salaries	3.25%	3.3%	3.3%

ASSET ALLOCATION

	VALUE AT 31 MARCH 2017 %	VALUE AT 31 MARCH 2016 %
Equities	77.2%	75.6%
Property	4.3%	4.9%
Government Bonds	10.1%	10.3%
Corporate Bonds	3.9%	4.6%
Cash	1.2%	1.3%
Other	3.3%	3.3%
Total	100%	100%

RECONCILIATION OF FUNDED STATUS TO BALANCE SHEET

	VALUE AS AT 31 MARCH 2017 £Ms	VALUE AS AT 31 MARCH 2016 £Ms	VALUE AS AT 31 MARCH 2015 £Ms
Fair value of assets	36.000	30.126	30.601
Present value of funded liabilities	41.137	35.740	37.161
Pension liability recognised on the balance sheet	(5.137)	(5.614)	(6.560)

AMOUNTS RECOGNISED IN INCOME STATEMENT

	PERIOD ENDING 31 MARCH 2017 £Ms	PERIOD ENDING 31 MARCH 2016 £Ms
OPERATING COST:		
Current service cost	0.095	0.103
FINANCING COST:		
Interest on net defined benefit liability / (asset)	0.185	0.208
Pension expense recognised in other comprehensive income	0.280	0.311

AMOUNTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	PERIOD ENDING 31 MARCH 2017 £Ms	PERIOD ENDING 31 MARCH 2016 £Ms
Asset gains/(losses) arising during the period	4.586	(0.718)
Liability gains/(losses) arising during the period	(5.081)	1.880
Total amount recognised in other comprehensive income	(0.495)	1.162

CHANGES TO THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION DURING THE ACCOUNTING PERIOD

	PERIOD ENDING 31 MARCH 2017 £Ms	PERIOD ENDING 31 MARCH 2016 £Ms
Opening defined benefit obligation	35.740	37.161
Current service cost	0.095	0.103
Interest expense on defined benefit obligation	1.199	1.176
Contributions by participants	0.029	0.029
Actuarial (gains)/losses on liabilities	5.081	(1.880)
Net benefits paid out	(1.007)	(0.849)
Closing defined benefit obligation	41.137	35.740

CHANGES TO THE FAIR VALUE OF ASSETS DURING THE ACCOUNTING PERIOD

	PERIOD ENDING 31 MARCH 2017 £Ms	PERIOD ENDING 31 MARCH 2016 £Ms
Opening fair value of assets	30.126	30.601
Interest income on assets	1.014	0.968
Remeasurement gains/(losses) on assets	4.586	(0.718)
Contributions by the employer *	1.252	0.095
Contributions by participants	0.029	0.029
Net benefits paid out **	(1.007)	(0.849)
Closing fair value of assets	36.000	30.126

* INCLUDES £1M ADDITIONAL CONTRIBUTION TO WYPF

** CONSISTS OF NET BENEFITS CASH-FLOW OUT OF THE FUND IN RESPECT OF THE EMPLOYER, INCLUDING AN APPROXIMATE ALLOWANCE FOR THE EXPECTED COST OF DEATH IN SERVICE LUMP SUMS.

ACTUAL RETURN ON ASSETS

	PERIOD ENDING 31 MARCH 2017 £Ms	PERIOD ENDING 31 MARCH 2016 £Ms
Interest income of assets	1.014	0.968
Gain/(Loss) on assets	4.586	(0.718)
Total amount recognized in other comprehensive income	5.600	0.250

The results of the triennial actuarial valuation of the Fund as at 31 March 2016 have been used to calculate the Arts Council England's accounting figures over the periods ending 31 March 2016 and 31 March 2017.

The 2016 valuation results included the transferred liabilities for 49 active members who transferred from the former Arts Boards but made no allowance for any bulk transfer payments to or from Surrey (11 members) or Staffordshire (13 members) Pension Funds. With respect to the 25 members who transferred from Greater Manchester an interim payment of £1,000,000 was paid by Greater Manchester Pension Fund to West Yorkshire Pension Fund in October 2014.

The value of the final payment has not yet been determined and therefore no allowance for this has been made in the calculations.

How the transfer payments should be calculated is still under discussion between those Funds, the West Yorkshire Pension Fund and Arts Council England. The actuary has made no allowance for any transfer payments in our disclosures. We have, however, made allowance for the bulk transfers in relation to the other 131 members who transferred from the former Arts Boards at the same time.

Amounts due to the fund at 31 March 2017 were £nil (31 March 2016: £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, the deferred and pensioner members remained with their legacy pension provider as detailed below:

East England Arts	Cambridgeshire Council
East Midlands Arts	Nottingham Council
Northern Arts	Tyne & Wear Pension Fund
Southern Arts	Hampshire Pensions Trust
South East Arts	Surrey Council
South West Arts	Devon Council
West Midland Arts	Staffordshire County Council
Yorkshire Arts	Remained in West Yorkshire Pension Fund

Arts Council England did not believe it was responsible for meeting any further liabilities relating to Regional Arts Board employees in respect of these funds following lump sum payments to four schemes. However, three other funds have indicated previously that liabilities exist in respect of the deferred pensioner members that they retained within their respective funds. No provision has been made in these accounts.



ARTS COUNCIL RETIREMENT PLAN (1994)

The scheme is a defined benefit scheme. Other employers contributing to the scheme are the Arts Council of Wales, Creative Scotland, the Crafts Council, Tŷ Cerdd – Music Centre Wales and Creativity, Culture and Education. 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 Charities SORP (FRS102). The actuaries of the Fund are Hymans Robertson.

The scheme is financed by payments made by Arts Council England and employees, together with those by the other employers and their employees, into a trustee-administered fund independent of Arts Council England's finances. These contributions are invested by leading fund management companies. The net market value of the scheme's assets at 31 March 2017 was £158.5 million (2016: £129 million).

An actuarial valuation of the pension fund takes place at least every three years. At the last valuation on 31 March 2016 the actuarial value of the assets using the projected unit method was sufficient to cover 84 per cent of the value accrued to members, a deficit of £25,500,000. On the advice of the actuary, with effect from 1 April 2017, we are paying employer's contributions of 21.8 per cent of pensionable salary for Arts Council England employees and 26.4 per cent of pensionable salary for employees who transferred to Arts Council England from Museums, Libraries and Archives. No further contributions are due from Arts Council England in respect to its share of the funding deficit.

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

Consumer prices inflation rate	Bank of England RPI curve, less 1.0% pa
Long term rate of pay increases	Bank of England RPI curve
Short term rate of pay increases	1.5% pa
Rate of pension increases	In line with consumer prices inflation
Discount rate	Bank of England gilt yield curve, plus 1.2% pa

Charities SORP (FRS102) requires that any agreed pension deficit repayment plan be recognised as a liability within the accounts. Arts Council England made two lump sum payments as part of the 31 March 2016 valuation which were sufficient to reduce its future share of deficit payments under the agreed recovery plan to zero. As such there is no outstanding liability to recognise.

Arts Council England is a participating employer in the Arts Council Retirement Plan (1994) together with five other separate organisations. There is no legal separation of the plan's assets or liabilities and as such there is a certain amount of inevitable cross subsidy between participating employers depending on the experience of their own members.

Under the plan's rules there is also no requirement or discretion to segregate the assets of the scheme in the event of the cessation of a participating employer. As such it is a "last man standing" arrangement and the remaining employers would become liable for meeting the pension obligations of other participating employers who cease participation."

Amounts due to the fund at 31 March 2017 were £281,124 (31 March 2016: £2,933).

The ACRP and The People's Pension are both treated as Defined Contribution schemes for the purposes of the Accounts. Employers contributions into the ACRP during 2016/17 were £2,321,916 (2015/16: £1,841,899) and Employer contributions to The Peoples Pension were £63,909 (2015/16: £56,640).

8. NET INCOME FOR THE YEAR

Net income of £5,381,854 (2015/16: £339,317) is stated after charging:

	TOTAL 2016/17 £000s	TOTAL 2015/16 £000s
Auditors' remuneration	70	77
Operating leases	1,168	1,083
Council member's travel, subsistence and hospitality for the 14 serving members during the year	20	31
Insurance trustees' and senior officers' indemnity	2	10
Depreciation	1,113	986

NO FEES WERE PAID TO OUR AUDITORS FOR NON-AUDIT SERVICES.

9. LEGACY BEQUESTS

Arts Council England is the beneficiary of two legacies; the Compton Poetry Fund and the Thornton Fund. The Compton Poetry Fund bequest was made in 1964 and the Thornton Fund bequest was made in 1950. Both legacies consist of a mixture of stocks/shares and cash; the Compton Poetry Fund consists of £302,000

in shares and £15,000 cash, the Thornton fund consists of £71,000 in shares and £46,000 cash. Both legacies were incorporated into Arts Council England's accounts during 2013/14; the values of the stocks and cash are disclosed on the balance sheet and the dividends received during the year disclosed within Note 2b (investment income).

	COMPTON POETRY FUND £000s	THORNTON FUND £000s	TOTAL £000s
Opening balance – 1 April 2016	338	157	495
Income received in-year	7	3	10
Gains/(losses) on investments	53	7	60
Expenditure	(81)	(50)	(131)
Closing Balance 31 March 2017	317	117	434

10. HERITAGE ASSETS AND TANGIBLE FIXED ASSETS

	LEASEHOLD IMPROVEMENTS £000s	EQUIPMENT, FIXTURES AND FITTINGS £000s	TOTAL TANGIBLE ASSETS £000s	HERITAGE ASSETS: WORKS OF ART £000s	TOTAL FIXED ASSETS £000s
Cost or valuation at 1 April 2016	8,212	3,062	11,274	156,195	167,469
Additions	238	461	699	755	1,454
Revaluations	—	—	—	6,438	6,438
Less: disposals	—	(32)	(32)	—	(32)
Cost or valuation at 31 March 2017	8,450	3,491	11,941	163,388	175,329
Depreciation at 1 April 2016	4,205	2,703	6,908	—	6,908
Less: depreciation on disposals	—	(32)	(32)	—	(32)
Provided for 2016/17	871	242	1,113	—	1,113
Depreciation at 31 March 2017	5,076	2,913	7,989	—	7,989
Net book value at 31 March 2017	3,374	578	3,952	163,388	167,340
Net book value at 31 March 2016	4,007	359	4,366	156,195	160,561

As at 1 April 2016 the Arts Council held a works of art and poetry collection and these were managed by the Southbank Centre on our behalf. However in October 2016 the Poetry Collection was formally transferred to the Southbank centre and is no longer held by ourselves. In the interests of completeness we will make specific disclosures in relation to both collections and these follow separately for each collection.

Unlike our other Fixed Assets there is no *de minimis* capitalisation threshold for Works of Arts. All Works of Art are capitalised, even if they are valued at under £2,000.

WORKS OF ART – ARTS COUNCIL COLLECTION

The works of art collection has been built up since 1946 and consists of 7,798 items at 31 March 2017. The purpose of the collection is to broaden the appreciation and public awareness of contemporary British art and to encourage good practice relating to painting, sculpture, photography, drawing, printmaking, mixed and new media, film and video. The collection is based in London and at Longside in Yorkshire (located at the Yorkshire Sculpture Park). The collection is managed on our behalf by the Southbank Centre through the Hayward Gallery.

Valuation

The collection has been valued by the Director of the Collection at £163,388,000 at 31 March 2017 (31 March 2016: £156,195,552). Valuation of the Collection is undertaken on a rolling programme using current knowledge of prices, the market and, where necessary, the Director seeks the advice of other experts. The policy is that works of exceptionally high value are valued once every five years as are items that are on long term loan. All items are valued when loans are agreed as this provides the value for which the lender has to insure the item. A register of works is maintained by the Collections Curator and which is amended to reflect acquisitions and items removed from the register, such as pieces damaged beyond repair, throughout the year and records the year end valuation figure. The register supports the entries in the Arts Council's annual accounts and is provided to the auditors for review.

Acquisition and disposal policy

The collection purchases innovative work by artists living in Britain with a focus on the work of younger and emerging artists. Acquisitions are made through the Acquisitions Committee comprising six individuals who are the Director of the Arts Council Collection, Director of Visual Arts ACE, Director of the Hayward Gallery, plus external advisers who are usually an artist, a writer and a curator. The committee is currently chaired by a member of ACE National Council. The external advisers to the committee are appointed for a fixed two year tenure with the exception of the National Partner Programme (NPP) representative who sits for one year only. Artists may apply to have their work considered for acquisition. Otherwise works are acquired through the recommendations of the Committee members. To be eligible, artists must live in Britain (or demonstrate that their work is relevant to current UK artistic practice), cannot be students and have to be able to demonstrate their commitment over several years by providing information about the exhibitions of their work that have taken place and are planned. The acquisitions are funded from an allocation within the Arts Council England budget.

Any offers of gifts to the collection are brought to the attention of the Acquisitions Committee which decides on their suitability. The procedure for the loss or destruction of works of art is implemented if an item is irretrievably lost or damaged beyond repair.

This requires the Director of the Arts Council Collection to report details to the Director of the Hayward Gallery and Director, Visual Arts, ACE who then seeks approval from the Arts Council England Visual Arts Panel to write off the item. The write off in accounting records is implemented by the Director Finance of Arts Council England who takes into account any insurance claims. Funds claimed in this way are paid into the Arts Council Collection acquisition allocation and earmarked to replace the lost items depending on the advice of the current purchasers.



If it is not possible to replace a work because the artist is deceased, there are no suitable replacements or equivalent works have become too expensive, the funds are transferred into the acquisition fund.

Preservation

The condition of the works is checked on receipt, before going out on loan and on return from loan. Master condition files are maintained and kept at Winchester House and Longside (for sculpture) and copies of the latest version are made when loans go out. Normally conservation is carried out by freelance conservators either in their premises or at Winchester House/Longside. Any unfitting of frames or conservation to works out on loan must be authorised by the Director of the Collection, Senior Curator or Collections Curator. Artists are consulted and involved in restoration when possible and practical, otherwise qualified conservators are employed. Each year a number of original works on paper, paintings, sculpture and photographs are restored as a matter of course. All restoration is reported annually to the Arts Council England.

Collection management

The Director of the Arts Council Collection reports to the Director of the Hayward Gallery and is responsible to the Director, Visual Arts, at Arts Council England. Arts Council Collection staff salaries (London) are paid by the Southbank Centre from the grant from Arts Council England to the Southbank Centre as part of the Hayward Gallery budget. A ring-fenced fund within the Southbank Centre and Arts Council England agreement covers the rental, and operational costs of the Longside Gallery.

Access

Public access to the works of art is achieved through items being part of Arts Council Collection touring exhibitions, National Partners Programme, Select Programme and being loaned to other institutions and galleries both at home and abroad. It also lends work to public institutions such as universities, libraries and hospitals.

PARTNERSHIPS

The National Partners Programme (NPP) launched in 2016 is a three year programme which allows four galleries in England to curate exhibitions drawn directly from the ACC. Some of these exhibitions will tour amongst the partners to encourage collaborative working and sharing of resources. The NPP is supported by outreach and digital activities with the specific aims of engaging Children & Young People, Black and Minority Ethnic, people from low socio-economic backgrounds and the over 75s. The four regional partners are Birmingham Museums Trust, The Towner, Eastbourne, Walker Art Gallery, Liverpool and existing partner Yorkshire Sculpture Park.

Priority is given to national needs. The project to digitise the Collection has progressed with only 365 sculptures remaining to be photographed. Following the appointment of a Digital Manager and an Outreach Manager in 2016 the Collection is now working to improve accessibility to the Collection via its website with more engaging content on artists, exhibitions, outreach and learning projects as well as the activities of our National Partners. This is supported by the use of social media such as Twitter, Instagram and Facebook to highlight ACC events and activities across the country.

The Arts Council Works of Art Collection heritage assets are reported at valuation in the table on the following page.

	2016/17 £000s	2015/16 £000s	2014/15 £000s	2013/14 £000s	2012/13 £000s
Cost or valuation at 1 April 2016	156,195	137,520	134,287	118,559	108,684
Additions	628	682	238	180	398
Donations	127	35	6	161	336
Revaluations	6,438	17,958	2,989	15,387	9,141
Less: impairment	—	—	—	—	—
Less: disposal	—	—	—	—	—
Cost or valuation at 31 March	163,388	156,195	137,520	134,287	118,559

POETRY COLLECTION

The Poetry Collection was started in 1953 and now consists of over 150,000 items of 20th and 21st century poetry from 1912 onwards. The collection is held in a variety of formats: books, pamphlets, audio cassettes, CDs, videos and DVDs for reference and loan, magazines, press cuttings, photographs, posters and postcards for reference. The Poetry Library promotes the reading of poetry for people of all ages, cultures and backgrounds. The aim is that the collection holds all poetry published since 1912 in the UK. The collection is housed at The Saison Poetry Library located at the Southbank Centre.

Valuation

A valuation of the Poetry Collection is not included on the balance sheet due to the difficulty in obtaining an accurate valuation. Advice has been sought from the current librarians of the collection and they have concurred with previous advice that there is no ready market in the materials held that would enable a meaningful valuation to be made. Furthermore the collection is made up of a large number of disparate items and would require, even if there were a reliable basis for a valuation, a significant input of resource which is not considered to be feasible. The amount spent on acquisitions during 2016/17 was £33,100 (2015/16: £40,322).

Acquisition and disposal policy

Acquisitions are made primarily through main UK publishers who are commissioned to provide copies of everything they publish each year.

Small press special publishers and overseas publishers are selected based on the collection librarians' opinion of what is of interest in the UK after considering reviews. Some publishers provide copies free of charge because they value the uniqueness of the collection. Identified rare items are also purchased if they become available. The librarians have to manage the acquisitions within the annual budget allocation. Two copies of each book and audio title are purchased, one for reference and one for loan. More copies are acquired of popular volumes.

The collection receives donations mainly of books which are considered for the collection.

Loan items that are identified as no longer popular or are damaged beyond repair are donated to charity.

Preservation

Items in the collection are cared for by the librarians who monitor the environment and the collection, occasionally employing a conservator to work through the books in the collection and carrying out repairs as necessary.

These include restoring covers and ripped pages. A rare book room has been set up at the library in which humidity and temperature is controlled to British Standards (BS). The digitisation of the magazines means that the originals are able to be digitally archived to protect their condition.

Collection management

The collection is managed by the Southbank Centre on behalf of Arts Council England. Day to day management is the responsibility of the collection librarians. The Poetry Librarian reports to the Deputy Director, Southbank Centre. Arts Council Collection staff salaries are paid by the Southbank Centre from the grant from Arts Council England to the Southbank Centre.

Access

The Poetry Library operates as a lending library so the collection is available to those members of the public (adults, children and groups) who take up membership of the library. Membership is free and is open to anyone who lives in the UK and presents official ID and proof of address. Members are able to borrow up to four items for four weeks and are able to renew loans up to three times providing no one else has reserved the items. The Poetry Library is part of the national inter-lending service, so the loan collection is available via the public library network. There is a postal loan service for members with sight problems.

The library has a dedicated website, poetrylibrary.org.uk, which explains the purpose of the Poetry Library, how items can be accessed and a full catalogue. This website includes a link to a further website that takes readers to the online archive of poetry magazines (poetrymagazines.org.uk). The library is open to browse by any one and the library runs an events and exhibition program to engage with new audiences.

As noted above, with effect from October 2016 the Poetry Collection was formally transferred to the Southbank Centre.

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. We have recharged both pay and non-pay expenditure between GIA and Lottery using staff time as a basis for calculating the apportionment.

12. DEBTORS

	31 MARCH 2017 £000s	31 MARCH 2016 £000s
Trade debtors	45	20
DCMS debtors	29,242	—
Other debtors	152	276
Prepayments and accrued income	1,073	1,208
	30,512	1,504

13. GRANTS PAID IN ADVANCE

The Arts Council permits organisations to draw down cash from a future year's funding agreement to cover short term cash flow problems. Advances of £607,009 were made in 2016/17 (2015/16: £369,253).

14. GRANT OFFERS — FUTURE YEARS

The Arts Council has entered into three-year funding agreements with 663 National Portfolio Organisations commencing in 2015/16. Commitments are recognised for each year, with the funding agreements making clear that continued funding is dependent on Grant-in-Aid being available to Arts Council England in those future years and that the organisation continues to deliver its agreed programme of activity as set out in the funding agreement. Forward funding at 31 March 2017 mainly represents allocations for National Portfolio Organisations, Major partner museums and Music education hubs and the figures disclosed are the cash value; they have not been discounted to present value.

FORWARD FUNDING	31 MARCH 2017 £000s	31 MARCH 2016 £000s
2016/17	—	403,487
2017/18	437,285	290,540
2018/19	21,646	646
2019/20	390	290
	459,321	694,963

15. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 MARCH 2017 £000s	31 MARCH 2016 £000s
Trade creditors	1,042	1,751
Other creditors including taxes and social security	305	657
Accruals	2,006	1,974
Deferred income	634	4,961
	3,987	9,343

DEFERRED INCOME CONSISTS WHOLLY OF £634,000
INCOME IN RELATION TO ARTSMARK.

16. PROVISIONS FOR LIABILITIES AND CHARGES

	DILAPIDATIONS £000s	TAX £000s	PENSION DEFICIT £000s	TOTAL £000s
At 31 March 2016	705	8	3,951	4,664
Arising during the year	134	—	—	134
Used during the year	—	(2)	(647)	(649)
Reversed unused	(43)	—	(3,304)	(3,347)
At 31 March 2017	796	6	—	802
EXPECTED TIMING OF CASH FLOWS				
Provisions due within one year	—	6	—	6
Provisions due in more than one year	796	—	—	796

DESCRIPTION OF PROVISIONS

a) Dilapidations

Provision for dilapidations of premises (to cover the costs of any necessary reinstatement and repairs to the property at the termination of the lease.)

b) Tax

Provision for payroll taxes on expenses and benefits identified by an internal review.

c) Pension deficit

As a result of the implementation of Charities SORP (FRS102) we are obliged to create a provision for the Arts Council Retirement Plan's deficit repayment plan. Following the triennial revaluation in 2016 and additional lump sum payments paid to both the ACRP and the WYPF it was agreed with the Actuaries of both Pension Funds that no further deficit payments would be needed until the next revaluation. As such the amount set aside for the payments was credited back to the SOFA.



17. RECONCILIATION OF MOVEMENT IN FUNDS

	AT 31 MARCH 2016 £000s	INCOME £000s	EXPENDITURE £000s	GAINS AND LOSSES £000s	TRANSFERS £000s	AT 31 MARCH 2017 £000s
Endowment funds	495	10	—	60	(131)	434
Restricted funds	321	139,658	(139,557)	—	4	426
Unrestricted income funds	8,614	372,407	(367,640)	(972)	230	12,639
CAPITAL FUNDS						
Designated funds	6,653	—	628	—	—	7,281
Revaluation Reserve	144,997	—	—	6,314	—	151,311
Donated asset reserve	4,546	—	—	124	127	4,797
Capital reserve	4,366	1,270	(1,454)	—	(230)	3,952
Pension reserve	(5,614)	—	—	477	—	(5,137)
	164,378	513,345	(508,023)	6,003	—	175,703

DESCRIPTION OF FUNDS

Endowment funds

Arts Council England is the beneficiary of two legacies: the Compton Poetry Fund and the Thornton Fund.

Restricted funds

The Arts Council receives specific ring-fenced Grant-in-Aid as well as grants, sponsorship and donations from various other sources for specific activities. Any such income and associated expenditure is identified separately.

Unrestricted income 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 restricted by the government's budgetary controls.

Capital funds**a) Designated funds**

This fund relates to capital expenditure on works of art allocated from the unrestricted fund.

b) Revaluation reserve

Due to improvements in our system for valuing works of art we are now able to show our Works of Art 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.

c) Donated asset reserve

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

d) Capital reserve

The capital reserve represents the balance of tangible assets.

e) Pension reserve

The pension reserve reflects the movements in the West Yorkshire Pension Fund defined benefit scheme.

18. CASH FLOW RECONCILIATION

RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES	2016/17 £000s	2015/16 £000s
Net income	5,382	339
Interest receivable	(40)	(98)
(Profit)/Loss on disposal of Fixed Assets	—	(4)
Dividends received	(10)	(10)
Depreciation and impairment charges	1,113	986
(Gains)/losses on investments	(60)	(20)
Decrease/(increase) in debtors and prepayments	(29,809)	1,751
(Increase) in grants paid in advance	(238)	29
Increase/(decrease) in grants outstanding	41,864	12,966
(Decrease)/increase in creditors	(5,356)	6,406
(Decrease)/increase in provisions	(3,862)	(301)
(Decrease)/increase in defined benefit liability	(972)	216
Net cash provided by operating activities	8,012	22,260

19. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN CASH

	2016/17 £000s	2015/16 £000s
(Decrease)/increase in cash and cash equivalents in the year	6,729	21,510
Cash at 1 April 2016	43,283	21,773
Cash at 31 March 2017	50,012	43,283

20. ANALYSIS OF NET CASH

	1 APRIL 2016 £000s	CASH FLOW £000s	31 MARCH 2017 £000s
Cash in hand	43,283	6,729	50,012

21. LEASES

At 31 March 2017 the Arts Council had annual commitments under non-cancellable operating leases as set out below.

LAND & BUILDINGS OPERATING LEASES WHICH EXPIRE:	31 MARCH 2017 £000s	31 MARCH 2016 £000s
Within one year	277	—
Within two and five year inclusive	807	154
Over five years	786	1,435
	1,870	1,589

22. 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.

23. 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.

24. CAPITAL COMMITMENTS

As at 31 March 2017 the total value of capital commitments was nil (2015/16: £261,826).

25. SPECIAL PAYMENTS

Special payments are payments which would not normally be made in the course of business. Examples of such payments are lease exit payments, compensations payments or ex-gratia payments. The number and value of special payments made during 2016/17 were as follows:

	2016/17 £000s	2015/16 £000s
Total value of special payments	31	6
Total number of special payments	1	1

THE PAYMENT RELATED TO AN ADDITIONAL GRANT PAYMENT TO COVER THE LOSSES OF ONE OF OUR NPOS WHICH HAD BEEN THE VICTIM OF A FRAUD.

26. FINANCIAL INSTRUMENTS

FRS 102 has a concept of basic financial instruments (such as cash, trade debtors, trade creditors) and other financial instruments (such as interest rate swaps and forward foreign currency contracts). All Arts Council England's financial instruments are categorised as basic.

As the cash requirements of the Arts Council are met largely through grant-in-aid received from the Department for Culture, Media and Sport (99.85 per cent) (2015/16: 99.97 per cent) 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 (96.4%) (2015/16: 96.45%). This means the Arts Council is exposed to little credit, liquidity or market risk.

Arts Council England is the beneficiary of two legacies: the Compton Poetry Fund and the Thornton Fund. The total value of both legacies is £434,000 and is held in a mixture of cash and stock market investments managed by Investec Wealth & Investment Ltd. Details of both legacies are disclosed in note 9.

26a. LIQUIDITY RISK

The Arts Council's previous Management Agreement with the Department for Culture, Media and Sport expired on 31 March 2015. A new Management Agreement is currently being negotiated. On 27 March 2015 a letter was issued by DCMS formally extending the previous management agreement until such time as a new one was put in place.

In the past 12 months 0.14% of funding was received from sources other than DCMS and 0.01% was generated from cash balances. This means that 99.85% of funding is sourced through cash drawn down and agreed monthly with the DCMS, based on the predicted need for the month ahead.

26b. INTEREST RATE RISK

The cash balance of £50,012k at 31 March 2017 was held in instant access variable rate bank accounts with the Co-Operative Bank, 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.

26c. FOREIGN CURRENCY RISK

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

26d. FINANCIAL ASSETS BY CATEGORY

	31 MARCH 2017 £000s	31 MARCH 2016 £000s
DCMS debtor	29,242	—
Trade debtors	45	20
Other debtors	152	276
Accrued income	1,073	1,208
Due from Arts Council lottery accounts	3,326	2,525
Cash at bank and in hand	50,012	43,283
	83,850	47,312

26e. FINANCIAL LIABILITIES BY CATEGORY

	31 MARCH 2017 £000s	31 MARCH 2016 £000s
Grants outstanding	66,602	24,738
Trade creditors	1,042	1,751
Other creditors including taxes and social security	305	657
Accruals	2,006	1,974
Deferred Income	634	4,961
	70,589	34,081

INCLUDED WITHIN THE FINANCIAL LIABILITIES ARE AMOUNTS SUCH AS GRANTS OUTSTANDING, TAX AND NATIONAL INSURANCE, AND DEFERRED INCOME. WHILST THESE LIABILITIES ARE NOT CONTRACTUAL THEY HAVE BEEN DISCLOSED ABOVE IN THE INTERESTS OF COMPLETENESS.

27. RELATED PARTIES

27a. 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. The declared interests in grant recipients along with amounts awarded for the year ended 31 March 2017 are detailed on the following page.

COUNCIL MEMBER	GRANT FOR THE YEAR ENDED 31 MARCH 2017 £000s	BALANCE UNPAID AS AT 31 MARCH 2017 £000s	ORGANISATION	RELATIONSHIP TYPE
Sir Nicholas Serota CH (from 1 February 2017)	121	9	Tate Gallery	Director
	1,036	5	Nottingham Contemporary	Partner was Chair
	—	6	BBC	Board Member
Maria Balshaw CBE	2,084	8	Halle Concerts Society	Board Member
	20,100	20,100	Manchester City Council	Director
	2,122	26	Manchester City Galleries	Director
	121	9	Tate Gallery	Director Designate
	5,000	5,000	The Manchester Museum	Partner is a Director
	69	—	The Whitworth Art Gallery	Director
Matthew Bowcock CBE	41	4	Watts Gallery	Board Member
David Bryan	466	11	Writers' Centre Norwich	Board Member
Sheila Healy	116	—	Situations	Board Member
	420	2	The Audience Agency	Chair
Sir Nicholas Kenyon	1,468	—	Artichoke Trust Ltd	Partner is a Board Member
	1,623	—	Barbican Centre	Managing Director
	14	1	Barbican Centre Trust Ltd	Trustee
	3,662	-293	North Music Trust	Board Member
Alistair Spalding CBE	2,951	50	Sadler's Wells Trust Ltd	Chief Executive
Rosemary Squire OBE	376	—	The Hall for Cornwall Trust	Trustee
Veronica Wadley	322	—	Film London	Employed by GLA which co-funds Film London
	23	2	Greater London Authority	Senior advisor to the Mayor
	1,453	—	Museum of London	Employed by GLA which co-funds the Museum of London
	150	—	Thames Festival Trust	Employed by GLA which co-funds Thames Festival Trust
	75	—	The London Design Festival Ltd	Employed by GLA which co-funds LDF Ltd

The declared interests in grant recipients along with amounts awarded for the year ended 31 March 2016 were as follows;

COUNCIL MEMBER	GRANT FOR 2015-16 £000s	BALANCE UNPAID AS AT 31 MARCH 2016 £000s	ORGANISATION	RELATIONSHIP TYPE
Sir Peter Bazalgette	—	10	Francis Crick Institute	Board Member
Maria Balshaw CBE	2244	144	Halle Concerts Society	Board Member
	66	33	The Whitworth Art Gallery	Director
	4280	2659	Manchester City Council	Director of Manchester City Galleries
	2094	13	Manchester City Galleries	Is part of Manchester City Council
Matthew Bowcock CBE	59	—	Watts Gallery	Board Member
Sheila Healy	85	—	Situations	Board Member
	673	67	The Audience Agency	Chair
Sir Nicholas Kenyon	468	—	Artichoke Trust Ltd	Partner is a Board member
	480	120	Barbican Centre	Managing Director
	5	1	Barbican Centre Trust	Trustee
	3657	—	North Music Trust	Board Member
Alistair Spalding CBE	2906	125	Sadler's Wells Trust Ltd	Chief Executive
Rosemary Squire OBE	352	—	Dance Umbrella Ltd	Former Vice-Chair
	376	—	The Hall for Cornwall Trust	Trustee
Veronica Wadley	150	15	Thames Festival Trust	Employed by GLA which co-funds Thames Festival Trust
	75	—	The London Design Festival Limited	Employed by GLA which co-funds LDF Ltd
	1453	10	Museum of London	Employed by GLA which co-funds Museum of London

27b. 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 declared interests in grant recipients along with amounts awarded for the year ended 31 March 2017 are detailed below.

DIRECTOR OR SENIOR MANAGER	GRANT FOR THE YEAR ENDED 31 MARCH 2017 £000s	BALANCE UNPAID AS AT 31 MARCH 2017 £000s	ORGANISATION	RELATIONSHIP TYPE
Mark Ball (left 30 April 2016)	1,855	3	Birmingham Repertory Theatre Limited	Brother (Steve Ball) is an Associate Director
	453	—	London International Festival of Theatre	CEO and Artistic Director
	221	—	Frantic Theatre Company Ltd	Board Member
	50	10	The British Library	Brother is Director of Collections Management
	302	—	artsdepot	Chair
Phil Gibby	108	—	Theatre Bristol Ltd	Partner is Director of Business development
Darren Henley OBE	23	2	Greater London Authority	Former committee Chair
	45	45	Associated Board of the Royal School of Music	Former Trustee
	144	—	Canterbury Festival	Former Board Member
Peter Knott	650	—	Dance UK	Partner is Chair of 'Young Peoples Panel'
	1,953	4	Leicester Theatre Trust Ltd	Partner is Head of Learning
Simon Mellor	20,100	20,100	Manchester City Council	Seconded to 'Factory' Project Director at MCC (until April 2016)

The declared interests in grant recipients along with amounts awarded for the year ended 31 March 2016 were as follows;

DIRECTOR	GRANT FOR 2015-16 £000s	BALANCE UNPAID AS AT 31 MARCH 2016 £000s	ORGANISATION	RELATIONSHIP TYPE
Mark Ball	1834	—	Birmingham Repertory Theatre Limited	Brother is an Associate Director
	236	—	Live Art Development Agency	Former Trustee
	426	18	The British Library	Brother is Director of Collections Management
	402	—	artsdepot	Chair
	221	—	Frantic Theatre Company Ltd	Board Member
	453	—	London International Festival of Theatre	CEO and Artistic Director
Isabel Wilson	70	—	Leicester Print Workshop Studios and Resource	Sister-in-Law is a Trustee
Alison Clark	788	—	Liverpool Biennial Contemporary Art	Partner is an employee
Phil Gibby	107	—	Theatre Bristol Ltd	Partner is an employee
Darren Henley OBE	144	—	Canterbury Festival	Was a director up to 17/04/2015
Michelle Freeman	70	18	Castlefield Gallery	Board Member

27c. 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 2017 £000s	DEBTOR 31 MARCH 2017 £000s	CREDITOR 31 MARCH 2016 £000s	DEBTOR 31 MARCH 2016 £000s
Balances with other DCMS government bodies	1,485	32,628	187	2,525
Balances with other central government bodies	—	—	—	7
Balances with academies	—	95	—	5
Balances with local authorities	38,284	28	9,120	62
Balances with public corporations and trading funds	11	—	29	—

	EXPENDITURE Y/E 31 MARCH 2017 £000s	INCOME Y/E 31 MARCH 2017 £000s	EXPENDITURE Y/E 31 MARCH 2016 £000s	INCOME Y/E 31 MARCH 2016 £000s
Transactions with other DCMS government bodies	3,833	494,231	3,254	463,161
Transactions with other central government bodies	1,503	5	4,069	(125)
Transactions with academies	—	430	—	4
Transactions with local authorities	127,097	50	126,585	76

28. RECONCILIATION OF OPERATING SURPLUS TO DEPARTMENTAL EXPENDITURE LIMIT

The government budget that is allocated to and spent by government departments is known as the departmental expenditure limit, or DEL. The Arts Council is not allowed to exceed its annual DEL budget.

Due to differing accounting treatments there are certain transactions which are included in these accounts but do not have an impact on our DEL budget. The Arts Council has a reported surplus of £11,325,000 but our overall DEL underspend for the year was £206,000 and the table opposite shows a reconciliation of the two amounts.

	£000s AT 31 MARCH 2017
DEL Underspend as per SOFA	(11,325)
EXCLUDE NON-DEL TRANSACTIONS	
Revaluation on Heritage Assets	6,438
FRS17 Surplus	477
Gain on investments	60
Depreciation	(1,113)
Capital expenditure	1,327
Provisions adjustments	3,923
Legacy income	10
Donations	127
Legacy expenditure	(130)
DEL Underspend (excl Depn)	(206)
REPRESENTED BY:	
RDEL Underspend	(192)
CDEL Underspend	(14)
	(206)

29. CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 March 2017.

30. POST BALANCE SHEET EVENTS

In accordance with the requirements of Charities SORP (FRS102) 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. There are no post balance sheet events to report.

31. STATEMENT OF FINANCIAL ACTIVITIES – PRIOR YEAR COMPARATORS

	UNRESTRICTED FUNDS £000s	RESTRICTED FUNDS £000s	ENDOWMENT FUNDS £000s	TOTAL 2016/17 £000s	UNRESTRICTED FUNDS £000s	RESTRICTED FUNDS £000s	ENDOWMENT FUNDS £000s	TOTAL 2015/16 £000s
INCOME AND ENDOWMENTS FROM:								
Grant-in-Aid, Donations and legacies	355,213	139,075	—	494,288	355,832	107,314	—	463,146
Investments	25	15	10	50	74	24	10	108
Charitable activities	125	568	—	693	115	(69)	—	46
Other: Lottery distribution accounts	18,314	—	—	18,314	17,845	—	—	17,845
Total income and endowments	373,677	139,658	10	513,345	373,866	107,269	10	481,145
EXPENDITURE ON:								
Charitable activities (including Governance costs)	350,152	139,557	—	489,709	355,418	107,563	—	462,981
Other: Support costs attributable to Lottery distributions accounts	18,314	—	—	18,314	17,845	—	—	17,845
Total expenditure	368,466	139,557	—	508,023	373,263	107,563	—	480,826
Net gains/(losses) on investments	—	(—)	60	60	—	—	20	20
Net income/ (expenditure)	5,211	101	70	5,382	603	(294)	30	339
TRANSFERS								
Gross transfers between funds	—	131	(131)	—	—	—	—	—
Total income/ (expenditure) before other recognised gains and losses	5,211	232	(61)	5,382	603	(294)	30	339
OTHER RECOGNISED GAINS/LOSSES								
Gain on revaluation of heritage assets	6,314	124	—	6,438	17,956	2	—	17,958
Actuarial gains/(losses) on defined benefit pension schemes	(495)	—	—	(495)	1,162	—	—	1,162
Net movement in funds	11,030	356	(61)	11,325	19,721	(292)	30	19,459
RECONCILIATION OF FUNDS:								
Balance brought forward at 1 April	159,016	4,867	495	164,378	139,296	5,159	465	144,919
Total funds carried forward at 31 March	170,046	5,223	434	175,703	159,016	4,867	495	164,378

32. BALANCE SHEET – PRIOR YEAR COMPARATORS

	UNRESTRICTED FUNDS £000s	RESTRICTED FUNDS £000s	ENDOWMENT FUNDS £000s	TOTAL 31 MARCH 2017 £000s	UNRESTRICTED FUNDS £000s	RESTRICTED FUNDS £000s	ENDOWMENT FUNDS £000s	TOTAL 31 MARCH 2016 £000s
FIXED ASSETS								
Tangible assets	3,952	—	—	3,952	4,366	—	—	4,366
Heritage assets – Works of art	158,591	4,797	—	163,388	151,649	4,546	—	156,195
Investments			434	434			495	495
Total fixed assets	162,543	4,797	434	167,774	156,015	4,546	495	161,056
CURRENT ASSETS								
Debtors	24,756	5,756	—	30,512	1,435	69	—	1,504
Due from Arts Council lottery accounts	3,326	—	—	3,326	2,525	—	—	2,525
Grants paid in advance	607	—	—	607	369	—	—	369
Cash and cash equivalents	5,111	44,901	—	50,012	29,414	13,869	—	43,283
Total current assets	33,800	50,657	—	84,457	33,743	13,938	—	47,681
LIABILITIES								
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR:								
Grants outstanding	17,049	49,553	—	66,602	16,135	8,603	—	24,738
Due to Arts Council Lottery accounts	—	—	—	—	—	—	—	—
Creditors	3,309	678	—	3,987	4,329	5,014	—	9,343
Total creditors: amounts falling due within one year	20,358	50,231	—	70,589	20,464	13,617	—	34,081
Net current assets	13,442	426	—	13,868	13,279	321	—	13,600
Total assets less current liabilities	175,985	5,223	434	181,642	169,294	4,867	495	174,656
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR:								
Provisions for liabilities and charges	802	—	—	802	4,664	—	—	4,664
Net asset excluding pension liability	175,183	5,223	434	180,840	164,630	4,867	495	169,992
Defined benefit pension scheme liability	5,137	—	—	5,137	5,614	—	—	5,614
Net assets including pension liability	170,046	5,223	434	175,703	159,016	4,867	495	164,378
THE FUNDS OF THE CHARITY:								
REPRESENTED BY INCOME FUNDS:								
Unrestricted fund	12,639	—	—	12,639	8,614	—	—	8,614
Restricted fund	—	426	—	426	—	321	—	321
REPRESENTED BY CAPITAL FUNDS:								
Endowment funds	—	—	434	434	—	—	495	495
Designated fund	158,592	—	—	158,592	151,650	—	—	151,650
Donated asset reserve	—	4,797	—	4,797	—	4,546	—	4,546
Capital reserve	3,952	—	—	3,952	4,366	—	—	4,366
Pension reserve	(5,137)	—	—	(5,137)	(5,614)	—	—	(5,614)
Total Charity funds	170,046	5,223	434	175,703	159,016	4,867	495	164,378

CHARITIES SORP (FRS102) REQUIRES PRIOR COMPARATIVE FIGURES TO BE SHOWN FOR EACH TYPE OF FUND FOR THE BALANCE SHEET AS WELL AS THE STATEMENT OF FINANCIAL ACTIVITIES. THIS NOTE DISCLOSES THE PRIOR YEAR COMPARATIVE FIGURES FOR ALL THREE TYPES OF FUNDS.

01. CHAIR'S REPORT

02. CHIEF EXECUTIVE'S REPORT

03. ACHIEVING GREAT ART AND CULTURE

04. REMUNERATION & STAFF REPORT

01 APRIL 2016 — 31 MARCH 2017

05. ENVIRONMENTAL SUSTAINABILITY

06. TRUSTEES' REPORT & MANAGEMENT
COMMENTARY

07. STRATEGIC REPORT

08. GRANT-IN-AID ACCOUNTS

09. LOTTERY DISTRIBUTION ACCOUNTS

10. NATIONAL LOTTERY REPORT

11. IMAGE CREDITS

Lottery Distribution Accounts



09.



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 for the year ended 31 March 2017 under the National Lottery etc Act 1993. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, 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 and Staff Report that is described in that report as having been audited.

RESPECTIVE RESPONSIBILITIES OF THE BOARD, ACCOUNTING OFFICER AND AUDITOR

As explained more fully in the Statement of Trustees' and Chief Executive's Responsibilities, the Trustees and the Chief Executive, as the Accounting Officer, are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the National Lottery etc Act 1993. I conducted my audit in accordance with 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 Lottery Distribution's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Arts Council England Lottery Distribution; and the overall presentation of

the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

OPINION ON REGULARITY

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements 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 Lottery Distribution's affairs as at 31 March 2017 and of the net income for the year then ended; and
- The financial statements have been properly prepared in accordance with the National Lottery etc Act 1993 and Secretary of State directions issued thereunder.

OPINION ON OTHER MATTERS

In my opinion:

- The parts of the Remuneration and Staff Report to be audited have been properly prepared in accordance with Secretary of State directions made under the National Lottery etc Act 1993; and

- The information given in the Trustees' Report and 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 or returns adequate for my audit have not been received from branches not visited by my staff; or
- The financial statements and the part of the Remuneration and Staff Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- The Governance Statement does not reflect compliance with HM Treasury's guidance.

REPORT

I have no observations to make on these financial statements.

Sir Amyas C E Morse,
Comptroller and Auditor General
28 JUNE 2017

National Audit Office
157–197 Buckingham Palace Road
Victoria
London SW1W 9SP



STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2017

	NOTE	2016/17 £000s	2015/16 £000s
INCOME			
Share of proceeds from the National Lottery Distribution Fund	2	227,475	268,419
Investment returns on the Distribution Fund	2	741	1,095
		228,216	269,514
Other income	3	968	682
Total income		229,184	270,196
EXPENDITURE			
Grant expenditure:			
Grant commitments made in the year		195,938	140,147
Less: lapsed and revoked commitments		(8,493)	(19,799)
Net grant commitments	10	187,445	120,348
Other expenditure:			
Costs apportioned from Grant-in-Aid accounts	6	18,314	17,845
Total expenditure		205,759	138,193
Net income	7	23,425	132,003
Interest receivable		9	19
Net income after interest		23,434	132,022
Total comprehensive income for the year ended 31 March		23,434	132,022

ALL INCOME AND EXPENDITURE DISCLOSED ABOVE RELATES TO CONTINUING ACTIVITIES. THE NOTES ON PAGES 137 TO 161 FORM PART OF THESE ACCOUNTS.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

	NOTE	31 MARCH 17 £000s	31 MARCH 16 £000s
CURRENT ASSETS			
Trade and other receivables	9	214	36
Investments: balance in the National Lottery Distribution Fund	2	314,514	334,285
Cash and cash equivalents		2,630	5,081
Total current assets		317,358	339,402
CURRENT LIABILITIES			
Grant liabilities due within one year	10	215,646	209,283
Trade and other payables	11	123	177
Due to grant-in-aid accounts		3,326	2,525
Total current liabilities		219,095	211,985
Net current assets		98,263	127,417
Non-current liabilities			
Grant liabilities due in more than one year	10	64,318	116,906
Net assets		33,945	10,511
EQUITY			
General reserve		31,828	8,394
Fair value reserve		2,117	2,117
		33,945	10,511

THE NOTES ON PAGES 137 TO 161 FORM PART OF THESE ACCOUNTS.

Darren Henley OBE
Chief Executive
23 JUNE 2017

Sir Nicholas Serota CH
Chair
23 JUNE 2017

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2017

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2017	NOTE	2016/17 £000s	2015/16 £000s
CASH FLOWS FROM OPERATING ACTIVITIES			
Funds received from the National Lottery Distribution Fund	2	247,987	260,926
Other cash receipts		790	704
Grants paid	10	(233,670)	(242,889)
Cash paid to Grant-in-Aid accounts		(17,513)	(18,699)
Other cash payments		(54)	—
Net cash inflow/(outflow) from operating activities	12	(2,460)	42
CASH FLOW FROM INVESTING ACTIVITIES			
Interest received		9	19
Net cash inflow from investing activities		9	19
Net increase/(decrease) in cash and cash equivalents	13/14	(2,451)	61
Cash and cash equivalents at beginning of period		5,081	5,020
Cash and cash equivalents at end of period		2,630	5,081

THE NOTES ON PAGES 137 TO 161 FORM PART OF THESE ACCOUNTS.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017

	GENERAL RESERVE £000s	FAIR VALUE RESERVE £000s	TOTAL RESERVES £000s
Closing reserve position 31 March 2016	8,394	2,117	10,511
Transferred (to)/from the statement of comprehensive net expenditure	23,434	—	23,434
Closing reserve position 31 March 2017	31,828	2,117	33,945

NOTES TO THE LOTTERY DISTRIBUTION ACCOUNTS

1. ACCOUNTING POLICIES

We have prepared these accounts in accordance with the National Lottery etc Act 1993 (as amended) and directions issued thereunder by the Secretary of State for Culture, Media and Sport with the consent of HM Treasury and the 2016/17 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate for the particular circumstances of the Arts Council Lottery distribution accounts for the purpose of giving a true and fair view, has been selected. The particular policies adopted by the Arts Council Lottery distribution accounts are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

The accounts are prepared on a going concern basis. Last year the Statement of Financial Position showed a surplus of £11 million. This year the position has moved to a surplus of £34 million. The reason for this is that, unlike Grant-in-Aid, the full amount of Lottery grant commitments are shown in the accounts in the year when the commitment is made. In 2014/15 we entered into our new three-year investment round, which means those National Portfolio Organisations which are being funded through the Lottery distribution accounts are showing the full three year commitment in 2015/16 of £117 million, for activity and payments which will take place over the period 2016–19. This deficit has moved to a surplus this year, which will continue to increase over the next two years as we make payments against these grants from income in those years. The grant commitments have been entered into after consideration of the cash requirements of grant recipients and after taking account of income projections provided by the Department for Culture, Media and Sport.

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. Full consolidated accounts have not been prepared.

1b. RECOGNITION OF INCOME AND EXPENDITURE

All income and expenditure are accounted for on a receivable and payable basis. Grant 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.

1c. 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 date of the statement of financial position, 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.

1d. TAXATION

Arts Council England, as a registered charity (1036733), is considered to pass the tests set out in paragraph 1, schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable trust for UK income tax purposes.

Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by part 10 of the Income Tax Act 2007 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. No tax charge has arisen in the year.

1e. 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.

The Arts Council Retirement Plan is a multi-employer scheme and we cannot identify our share of the underlying assets and liabilities. We have therefore accounted for this scheme as if it were a defined contribution scheme, in accordance with FRS102, with the costs of the scheme being charged to the statement of financial activities. The West Yorkshire Pension Fund is also a multi-employer scheme, but, as a local government pension scheme, we are able to identify our share of the underlying assets and liabilities and have therefore accounted for this scheme in line with FRS102.

All pensions adjustments are charged through the Grant-in-Aid accounts and recharged to the Lottery Distribution accounts.

The law on workplace pensions has changed and every employer must automatically enrol its staff onto a workplace pension scheme. In order to meet these requirements, we now also provide a defined contribution scheme for staff who are automatically enrolled (via the People's Pension).

1f. 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 FRS102 and the Charity SORP, 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.

1g. FINANCIAL INSTRUMENTS

In accordance with the Lottery accounts direction, unrealised profits and losses on investments are recognised within the statement of comprehensive net expenditure.

1h. POLICY ON RESERVES

Reserves held within the Lottery distribution accounts represent the difference between the amount allocated to Arts Council England and the amount committed.

We believe that our Lottery financial model should preserve a balance of approximately £50–£80 million in each year over the period to 2017/18. This is the equivalent of approximately three to four months' worth of income or cash payments which we feel is sufficient to mitigate the risks involved while ensuring that we commit to as high a value of Lottery grant programmes as possible. We may also choose to build up our Lottery balance for a particular reason, for example to enable the launch of a new capital programme where a significant budget is required in one financial year. However as a general principle we would not allow our balance to exceed one year's worth of income. We review this policy annually and may either revise this figure upward or downward based on our assessment of the risks.

1i. STATEMENT OF FINANCIAL POSITION

The statement of financial position reports the revaluation reserve on the National Lottery Distribution Fund balance as a fair value reserve.

1j. ADOPTION OF INTERNATIONAL REPORTING STANDARDS

Arts Council England has been required to present the Lottery distribution accounts under International Financial Reporting Standards (IFRS) since 2009/10.

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. In previous years the value of this liability has been considered immaterial. However, with the adoption of FRS102 for the Grant-in-Aid accounts and to show consistency between the Grant-in-Aid and Lottery accounts an accrual of £21,946 was charged to the Lottery accounts for untaken leave as at 31 March 2017.

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.

2. NATIONAL LOTTERY DISTRIBUTION FUND

	2016/17 £000s	2015/16 £000s
Balance at 1 April	334,285	325,697
Share of proceeds from the National Lottery Distribution Fund	227,475	268,419
Investment returns on the Distribution Fund	741	1,095
Cash drawn down	(247,987)	(260,926)
Balance at 31 March	314,514	334,285

THE BALANCE IN THE NATIONAL LOTTERY DISTRIBUTION FUND AT 31 MARCH 2017 IS BASED ON THE INTERIM CERTIFICATE ISSUED BY DCMS.

3. OTHER INCOME

GRANTS AND SPONSORSHIP RECEIVED	2016/17 £000s	2015/16 £000s
Other central Government bodies	514	475
Public Corporations	200	204
Sundry	254	3
	968	682

Grants, sponsorship and donations are analysed as follows:

	£000s	£000s
OTHER CENTRAL GOVERNMENT BODIES		
Arts Council of Northern Ireland	150	150
Arts Council of Wales	150	150
Creative Scotland	175	175
Home Office	39	—
PUBLIC CORPORATIONS		
British Council	200	204
	714	679

4. STAFF COSTS

No operating costs are directly charged to the Lottery accounts; all costs are initially charged to Grant-in-Aid and then recharged to Lottery based on the amount of time spent on Lottery-related activities. These are disclosed on page 145.

5. 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.

All transactions generated as a result of the FRS102 report are charged initially to the Grant-in-Aid accounts. The costs are then recharged across to the Lottery Accounts in the same ratio as other salary costs. This ensures that both Grant-in-Aid and Lottery are correctly charged with their proportion of the overall pension charges. However the assets and liabilities of the WYPF scheme are shown only in the Grant-in-Aid accounts.

WEST YORKSHIRE PENSION FUND

We are an admitted member of the West Yorkshire Pension Fund. This Fund provides pensions to over 268,000 members in 383 mainly local government organisations.

The actuaries of the Fund are Aon Hewitt. In the year ending 31 March 2017, nine Arts Council staff participated in the scheme. The scheme is a defined benefit scheme and is accounted for in accordance with FRS102.

The disclosures below relate to the funded liabilities within the West Yorkshire Pension Fund (the “Fund”) which is part of the Local Government Pension Scheme (the “LGPS”). The funded nature of the LGPS requires The Arts Council of England and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension’s liabilities with investment assets.

Assumptions

The latest actuarial valuation of The Arts Council of England’s liabilities took place as at 31 March 2016. Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method. The principal assumptions used by the actuary in updating the latest valuation of the Fund for FRS 102 purposes were:

	31 MARCH 2017	31 MARCH 2016	31 MARCH 2015
PRINCIPAL FINANCIAL ASSUMPTIONS			
Discount rate	2.5%	3.4%	3.2%
RPI Inflation	3.1%	2.9%	2.9%
CPI Inflation	2.0%	1.8%	1.8%
Rate of increase to pensions in payment	2.0%	1.8%	1.8%
Rate of increase to deferred pensions	2.0%	1.8%	1.8%
Rate of general increase in salaries	3.25%	3.3%	3.3%

ASSET ALLOCATION

	VALUE AT 31 MARCH 2017 %	VALUE AT 31 MARCH 2016 %
Equities	77.2%	75.6%
Property	4.3%	4.9%
Government Bonds	10.1%	10.3%
Corporate Bonds	3.9%	4.6%
Cash	1.2%	1.3%
Other	3.3%	3.3%
Total	100%	100%

RECONCILIATION OF FUNDED STATUS TO BALANCE SHEET

	VALUE AS AT 31 MARCH 2017 £Ms	VALUE AS AT 31 MARCH 2016 £Ms	VALUE AS AT 31 MARCH 2015 £Ms
Fair value of assets	36.000	30.126	30.601
Present value of funded liabilities	41.137	35.740	37.161
Pension liability recognised on the balance sheet	(5.137)	(5.614)	(6.560)

AMOUNTS RECOGNISED IN INCOME STATEMENT

	PERIOD ENDING 31 MARCH 2017 £Ms	PERIOD ENDING 31 MARCH 2016 £Ms
OPERATING COST:		
Current service cost	0.095	0.103
FINANCING COST:		
Interest on net defined benefit liability/(asset)	0.185	0.208
Pension expense recognised in other comprehensive income	0.280	0.311

AMOUNTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	PERIOD ENDING 31 MARCH 2017 £Ms	PERIOD ENDING 31 MARCH 2017 £Ms
Asset gains/(losses) arising during the period	4.586	(0.718)
Liability gains/(losses) arising during the period	(5.081)	1.880
Total amount recognised in other comprehensive income	(0.495)	1.162

CHANGES TO THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION DURING THE ACCOUNTING PERIOD

	PERIOD ENDING 31 MARCH 2017 £Ms	PERIOD ENDING 31 MARCH 2016 £Ms
Opening defined benefit obligation	35.740	37.161
Current service cost	0.095	0.103
Interest expense on defined benefit obligation	1.199	1.176
Contributions by participants	0.029	0.029
Actuarial (gains)/losses on liabilities	5.081	(1.880)
Net benefits paid out	(1.007)	(0.849)
Closing defined benefit obligation	41.137	35.740

CHANGES TO THE FAIR VALUE OF ASSETS DURING THE ACCOUNTING PERIOD

	PERIOD ENDING 31 MARCH 2017 £Ms	PERIOD ENDING 31 MARCH 2016 £Ms
Opening fair value of assets	30.126	30.601
Interest income on assets	1.014	0.968
Remeasurement gains/(losses) on assets	4.586	(0.718)
Contributions by the employer*	1.252	0.095
Contributions by participants	0.029	0.029
Net benefits paid out**	(1.007)	(0.849)
Closing fair value of assets	36.000	30.126

*INCLUDES £1M ADDITIONAL CONTRIBUTION TO WYPF. **CONSISTS OF NET BENEFITS CASH-FLOW OUT OF THE FUND IN RESPECT OF THE EMPLOYER, INCLUDING AN APPROXIMATE ALLOWANCE FOR THE EXPECTED COST OF DEATH IN SERVICE LUMP SUMS.

ACTUAL RETURN ON ASSETS

	PERIOD ENDING 31 MARCH 2017 £Ms	PERIOD ENDING 31 MARCH 2016 £Ms
Interest income of assets	1.014	0.968
Gain/(Loss) on assets	4.586	(0.718)
Total amount recognised in other comprehensive income	5.600	0.250

The results of the triennial actuarial valuation of the Fund as at 31 March 2016 have been used to calculate the Arts Council England's accounting figures over the periods ending 31 March 2016 and 31 March 2017.

The 2016 valuation results included the transferred liabilities for 49 active members who transferred from the former Arts Boards but made no allowance for any bulk transfer payments to or from Surrey (11 members) or Staffordshire (13 members) Pension Funds. With respect to the 25 members who transferred from Greater Manchester an interim payment of £1,000,000 was paid by Greater Manchester Pension Fund to West Yorkshire Pension Fund in October 2014. The value of the final payment has not yet been determined and therefore no allowance for this has been made in the calculations.

How the transfer payments should be calculated is still under discussion between those Funds, the West Yorkshire Pension Fund and Arts Council England. The actuary has made no allowance for any transfer payments in our disclosures. We have, however, made allowance for the bulk transfers in relation to the other 131 members who transferred from the former Arts Boards at the same time.

Amounts due to the fund at 31 March 2017 were £nil (31 March 2016: £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, the deferred and pensioner members remained with their legacy pension provider as detailed below:

East England Arts	Cambridgeshire Council
East Midlands Arts	Nottingham Council
Northern Arts	Tyne & Wear 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 did not believe it was responsible for meeting any further liabilities relating to Regional Arts Board employees in respect of these funds following lump sum payments to four schemes. However, three other funds have indicated previously that liabilities exist in respect of the deferred pensioner members that they retained within their respective funds. Following specialist legal advice Arts Council England has asked the funds to provide documentary evidence that it is liable. No provision has been made in these accounts for potential sums payable, because of the uncertain nature of these liabilities.

ARTS COUNCIL RETIREMENT PLAN (1994)

The scheme is a defined benefit scheme. Other employers contributing to the scheme are the Arts Council of Wales, Creative Scotland, the Crafts Council, Tŷ Cerdd – Music Centre Wales and Creativity, Culture and Education. 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 FRS102. The actuaries of the Fund are Hymans Robertson.

The scheme is financed by payments made by Arts Council England and employees, together with those by the other employers and their employees, into a trustee-administered fund independent of Arts Council England's finances. These contributions are invested by leading fund management companies. The net market value of the scheme's assets at 31 March 2017 was £158.5 million (2016: £129 million).

An actuarial valuation of the pension fund takes place at least every three years. At the last valuation on 31 March 2016 the actuarial value of the assets using the projected unit method was sufficient to cover 84 per cent of the value accrued to members, a deficit of £25,500,000. On the advice of the actuary, with effect from 1 April 2017 we are paying employer's contributions of 21.8 per cent of pensionable salary for Arts Council England employees and 26.4 per cent of pensionable salary for employees who transferred to Arts Council England from Museums, Libraries and Archives. No further contributions are due from Arts Council England in respect to its share of the funding deficit.

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

Consumer prices inflation rate	Bank of England RPI curve, less 1.0% pa
Long term rate of pay increases	Bank of England RPI curve
Short term rate of pay increases	1.5% pa
Rate of pension increases	In line with consumer prices inflation
Discount rate	Bank of England gilt yield curve, plus 1.2% pa

FRS102 requires that any agreed pension deficit repayment plan be recognised as a liability within the accounts. Arts Council England made two lump sum payments as part of the 31 March 2016 valuation which were sufficient to reduce its future share of deficit payments under the agreed recovery plan to zero. As such there is no outstanding liability to recognise.

Arts Council England is a participating employer in the Arts Council Retirement Plan (1994) together with five other separate organisations. There is no legal separation of the plan's assets or liabilities and as such there is a certain amount of inevitable cross subsidy between participating employers depending on the experience of their own members. Under the plan's rules there is also no requirement or discretion to segregate the assets of the scheme in event of the cessation of a participating employer.

As such it is a "last man standing" arrangement and the remaining employers would become liable for meeting the pension obligations of other participating employers who cease participation."

Amounts due to the fund at 31 March 2017 were £281,124 (31 March 2016: £2,933).

The ACRP and The People's Pension are both treated as Defined Contribution schemes for the purposes of the Accounts. Employers contributions into the ACRP during 2016/17 were £2,321,916 (2015/16: £1,841,899) and Employer contributions to The Peoples Pension were £63,909 (2015/16: £56,640).

6. COSTS APPORTIONED FROM ARTS COUNCIL ENGLAND GRANT-IN-AID ACCOUNTS

	2016/17 £000s	2015/16 £000s
Staff costs	12,846	11,871
Indirect staff costs	293	331
Premises	1,157	1,219
Supplies & Services	1,878	2,134
Travel & Subsistence	762	858
Professional Fees	680	864
Central Costs	186	159
Other Recharges - contribution to depreciation	512	409
	18,314	17,845
Corporate governance costs included above	482	483

7. INCREASE/DECREASE IN LOTTERY FUNDS

	2016/17 £000s	2015/16 £000s
Stated after charging:		
(a) Auditors' remuneration	58	64
(b) Staff travel, subsistence and hospitality	762	858

The statutory audit fee for 2016/17 is £58,250 (2015/16: £64,000). There were no fees payable to the auditors for non-audit services.

8. NON-CURRENT ASSETS

Lottery accounts are charged their share of the depreciation of assets employed across all Arts Council activities. All tangible fixed assets are recognised on the Grant-in-Aid balance sheet and it is not possible to allocate them across accounts.

9. RECEIVABLES

	31 MARCH 2017 £000s	31 MARCH 2016 £000s
Prepayments and accrued income	200	1
Other receivables	63	35
Provision for doubtful debts	(49)	—
	214	36

10. GRANT COMMITMENTS

Prior to 2014/15, commitments accounted for were limited to those where there had been written acceptance from the grant recipient.

In line with the 2014/15 Lottery Directions, issued by the Secretary of State, commitments are now accounted for when the decision to award grants had been made and communicated to the grant recipient.

	31 MARCH 2017 £000s	31 MARCH 2016 £000s
Grant liabilities brought forward	326,189	448,730
New Grant commitments made	195,938	140,147
Less: Lapsed and revoked commitments	(8,493)	(19,799)
Grant liabilities paid	(233,670)	(242,889)
Balance of grant liabilities carried forward	279,964	326,189

AGEING OF GRANT LIABILITIES:	31 MARCH 2017 £000s	31 MARCH 2016 £000s
2016/17	N/A	209,283
2017/18	215,646	104,251
2018/19	45,260	10,739
2019/20	16,639	1,916
2020/21	2,064	—
2021/22	355	—
	279,964	326,189

11. CURRENT LIABILITIES

	31 MARCH 2017 £000s	31 MARCH 2016 £000s
Trade payables	123	177
	123	177

12. CASH FLOW RECONCILIATION

RECONCILIATION OF NET INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES	2016/17 £000s	2015/16 £000s
Net income	23,434	132,022
Interest receivable	(9)	(19)
Decrease/(increase) in receivables and prepayments	19,593	(8,599)
Increase/(decrease) in payables	(45,478)	(123,362)
Net cash inflow/(outflow) from operating activities	(2,460)	42

13. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN CASH

	2016/17 £000s	2015/16 £000s
Increase/(decrease) in cash and cash equivalents in the year	(2,451)	61
Cash at 1 April	5,081	5,020
Cash at 31 March	2,630	5,081

14. CASH AND CASH EQUIVALENTS

	1 APRIL 2016 £000s	CASH FLOW £000s	31 MARCH 2017 £000s
Cash and cash equivalents	5,081	(2,451)	2,630
	5,081	(2,451)	2,630

15. LEASES

There were no commitments under non-cancellable operating leases at 31 March 2017 (31 March 2016: £nil).

16. CAPITAL COMMITMENTS

There were no contracted capital commitments as at 31 March 2017 (31 March 2016: £nil).

17. CHARGES ON ASSETS

Since April 2012, the standard conditions for capital grants for building projects of £500,000 or more give Arts Council England the option to take security on assets.



18. RECONCILIATION OF TRANSACTIONS WITH DELEGATE BODY

18a. NATIONAL FOUNDATION FOR YOUTH MUSIC

The National Foundation for Youth Music 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 National Foundation for Youth Music as follows:

TRANSACTIONS IN ARTS COUNCIL ENGLAND ACCOUNTS:	2016/17 £000s	2015/16 £000s
Grant commitments in the year	19,302	—
NFYM payables balance as at 31 March	12,064	4,826
THIS RECONCILES TO NATIONAL FOUNDATION FOR YOUTH MUSIC'S ACCOUNTS FOR THE YEAR ENDED 31 MARCH AS FOLLOWS:		
Balance at 1 April	1,497	1,425
INCOMING FUNDS:		
Arts Council England grant	9,651	9,651
Other funds	577	545
OUTGOING FUNDS:		
Grant expenditure	(9,138)	(8,913)
Other expenditure	(1,246)	(1,211)
Balance at 31 March	1,341	1,497
Arts Council England receivables balance as at 31 March	2,413	4,826

The difference of £9,651k between the Arts Council payables and Youth Music receivables is due to the different accounting treatment of the future years grant commitments. The 2016/17 figures were unaudited at the date of signing these accounts; the 2015/16 figures have been adjusted to reflect audited accounts.

18b. NATIONAL SKILLS ACADEMY

The National Skills Academy 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 the National Skills Academy as follows:

TRANSACTIONS IN ARTS COUNCIL ENGLAND ACCOUNTS:	2016/17 £000s	2015/16 £000s
Grant commitments in the year	—	—
National Skills Academy payables balance as at 31 March	—	—

This reconciles to the National Skills Academy's accounts for the year ended 31 March as follows:

	2016/17 £000s	2015/16 £000s
Balance at 1 April	5,989	7,384
INCOMING FUNDS:		
Arts Council England grant	—	—
Other funds	—	—
OUTGOING FUNDS:		
Grant expenditure	(270)	(1,683)
Other expenditure	(3,766)	(179)
Balance at 31 March	1,953	5,989

The 2016/17 figures were unaudited at the date of signing these accounts. The 2015/16 figures have been adjusted to reflect the audited accounts.

18c. PERFORMING RIGHTS SOCIETY FOR MUSIC FOUNDATION

The Performing Rights Society for Music Foundation 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 the Performing Rights Society for Music Foundation as follows:

TRANSACTIONS IN ARTS COUNCIL ENGLAND ACCOUNTS:	2016/17 £000s	2015/16 £000s
Grant commitments in the year – Grant-in-Aid	—	508
Grant commitments in the year – Lottery	1,000	—
Performing Rights Society for Music Foundation payables balance as at 31 March – Grant-in-Aid	1	251
Performing Rights Society for Music Foundation payables balance as at 31 March – Lottery	625	—

This reconciles to the Performing Rights Society for Music Foundation accounts for the year ended 31 March as follows:

	GRANT-IN-AID 2016/17 £000s	LOTTERY 2016/17 £000s	GRANT-IN-AID 2015/16 £000s	LOTTERY 2015/16 £000s
Balance at 1 April	—	—	—	9
INCOMING FUNDS:				
Arts Council England grant	—	375	261	—
Other funds	—	235	—	136
OUTGOING FUNDS:				
Grant expenditure	—	(657)	(261)	(76)
Other expenditure	—	(78)	—	(69)
Balance at 31 March	—	(125)	—	—
Arts Council England receivables balance as at 31 March	1	125	251	—

The difference of £500k between the Arts Council payables and Youth Music receivables is due to the different accounting treatment of the future years grant commitments. The 2016/17 figures were unaudited at the date of signing these accounts. The 2015/16 figures have been adjusted to reflect the audited accounts.

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 2016 the fund balance was £334 million.

This had decreased to £315 million by 31 March 2017, at which point there were £280 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 provided by the Department for Culture, Media and Sport. This means that the Arts Council is exposed to little immediate credit, liquidity or market risk.

19a. LIQUIDITY RISK

In 2016/17, 99.58% of Arts Council England's income derived from the National Lottery and the investment returns from the balances held with the National Lottery Distribution Fund.

£000s	
At the balance sheet date, Arts Council England had net assets of:	33,945

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 of £216 million over the next financial year.

LIQUID ASSETS AS AT 31 MARCH 2017: £000s	
Market value of National Lottery Distribution Fund investments	314,514
Cash and cash equivalents	2,630

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 £314,514,123.

In the year, the average return on these investments was 0.50 per cent (2015/16: 0.50 per cent).

	FUND BALANCE £000s	INVESTMENT RETURN £000s	AVERAGE RETURN	PROPORTION OF TOTAL INCOME
2016/17	314,514	741	0.34%	0.32%
2015/16	334,285	1,095	0.50%	0.41%
2014/15	325,697	1,101	0.50%	0.40%
2013/14	286,613	1,083	0.50%	0.47%
2012/13	282,192	1,445	0.78%	0.53%
2011/12	194,490	1,515	2.26%	0.71%
2010/11	125,457	2,092	1.13%	1.15%
2009/10	97,363	1,396	0.58%	0.81%
2008/09	129,622	7,122	3.72%	4.66%
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 per cent below base rate during the year.

The cash balance at the year end was £2,630,692.

19c. FOREIGN CURRENCY RISK

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

19d. FINANCIAL ASSETS BY CATEGORY

	2016/17 £000s	2015/16 £000s
RECEIVABLES DUE WITHIN ONE YEAR		
Accrued income	200	1
Other receivables	14	35
	214	36
INVESTMENTS		
National Lottery Distribution Fund	314,514	334,285
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	2,630	5,081
Total financial assets	317,358	339,402

19e. FINANCIAL LIABILITIES BY CATEGORY

	2016/17 £000s	2015/16 £000s
Trade payables	123	177
Due to Arts Council Grant-in-Aid accounts	3,326	2,525
Grant payables falling due within one year	215,646	209,283
Grant payables falling due over one year	64,318	116,906
Total financial liabilities	283,413	328,891

Included within the financial liabilities are amounts such as grants outstanding and deferred income. Whilst these liabilities are not contractual they have been disclosed above in the interests of completeness.

20a. 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. The declared interests in grant recipients along with amounts awarded for the year ended 31 March 2017 are detailed on the following page.

COUNCIL MEMBER	GRANT FOR THE YEAR ENDED 31 MARCH 2017 £000s	BALANCE UNPAID AS AT 31 MARCH 2017 £000s	ORGANISATION	RELATIONSHIP TYPE
Sir Nicholas Serota CH (from 1 February 2017)	140	453	Kneehigh Theatre Trust Ltd	Partner is a Trustee
	—	425	Cornubian Arts and Science Trust	Partner is Chair
	629	434	Nottingham Contemporary	Partner was Chair
	—	425	Tate Gallery	Director
Maria Balshaw CBE	65	146	Manchester City Council	Director of Manchester City Galleries, linked to MCC
	730	630	The Whitworth Art Gallery	Director
	4,840	4,840	Halle Concerts Society	Board Member
	—	643	Tate Gallery	Director Designate
	100	40	Manchester City Galleries	Director of Manchester City Galleries, linked to MCC
David Bryan	877	893	Writers' Centre Norwich	Board Member
Sheila Healy	140	453	Kneehigh Theatre Trust Ltd	Board Member
	—	165	Situations	Board Member
Alistair Spalding CBE	—	56	Sadler's Wells Trust Ltd	Chief Executive
Rosemary Squire OBE	166	2,442	Rambert Dance Company	Partner is Chair
Veronica Wadley	39	17	Greater London Authority	Senior Advisor to the Mayor for the team London, Volunteering, Charities and Sponsorship

The declared interests in grant recipients along with amounts awarded for the year ended 31 March 2016 were as follows;

COUNCIL MEMBER	GRANT FOR 2015-16 £000s	BALANCE UNPAID AS AT 31 MARCH 2016 £000s	ORGANISATION	RELATIONSHIP TYPE
Sir Peter Bazalgette	85	228	The Charleston Trust	Partner is a trustee
Maria Balshaw CBE	93	87	Manchester City Council	Director of Manchester City Galleries linked to city council
	—	24	The Witworth Art Gallery	Director
	78	32	Manchester City Galleries	Director of Manchester City Galleries linked to City Council
	1500	1696	The Clore Leadership Programme	Member of Strategic Advisory Board
Matthew Bowcock CBE	8	1	Watts Gallery	Board Member
Sheila Healy	—	709	Kneehigh Theatre Trust Ltd	Board Member
	—	298	The Audience Agency	Chair
	300	255	Situations	Board Member
Sir Nicholas Kenyon	750	750	Artichoke Trust Ltd	Partner is a Board member
	23	11	House of Illustration	Partner is a trustee
Alistair Spalding CBE	—	979	Dance Consortium Limited	Director
	563	281	Sadler's Wells Trust Ltd	Chief Executive
Rosemary Squire OBE	88	4595	Rambert Dance Company	Partner is Chair
	—	19	The Hall for Cornwall Trust	Trustee
Veronica Wadley	59	71	Greater London Authority	Senior Advisor to the Mayor for the team London, Volunteering, Charities and Sponsorship

20b. 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 declared interests in grant recipients along with amounts awarded for the year ended 31 March 2017 are detailed below.

DIRECTOR OR SENIOR MANAGER	GRANT FOR THE YEAR ENDED 31 MARCH 2017 £000s	BALANCE UNPAID AS AT 31 MARCH 2017 £000s	ORGANISATION	RELATIONSHIP TYPE
Mark Ball (left 30 April 2016)	479	854	Birmingham Repertory Theatre Limited	Brother (Steve Ball) is an Associate Director
	—	21	London International Festival of Theatre	CEO and Artistic Director
Darren Henley OBE	39	17	Greater London Authority	Former committee Chair
Peter Knott	134	94	Dance UK	Partner is Chair of 'Young Peoples Panel'
	100	10	Leicester Theatre Trust Ltd	Partner is Head of Learning
Simon Mellor	65	146	Manchester City Council	Seconded to 'Factory' Project Director at MCC until April 2016



The declared interests in grant recipients along with amounts awarded for the year ended 31 March 2016 were as follows;

DIRECTOR OR SENIOR MANAGER	GRANT FOR THE YEAR ENDED 31 MARCH 2016 £000s	BALANCE UNPAID AS AT 31 MARCH 2016 £000s	ORGANISATION	RELATIONSHIP TYPE
Mark Ball	1050	825	Birmingham Repertory Theatre Limited	Brother (Steve Ball) is Associate Director
	215	107	London International Festival of Theatre	CEO and Artistic Director
Alison Clark	250	155	Liverpool Biennial Of Contemporary Art	Partner is an employee
	82	62	Northern Film and Media	Board member
Joyce Wilson	59	71	Greater London Authority	Member of London Cultural Strategy Group
Clare Titley	—	56	National Council for Voluntary Organisations	Member of Advisory Council
Darren Henley OBE	—	13	Canterbury Festival	Former director
	—	1	Future Talent	Former director
	59	71	Greater London Authority	Former committee chair
Michelle Freeman	—	8	Castlefield Gallery	Board Member

20c. 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, National Skills Academy and the Performing Rights Society for Music Foundation are similarly regarded as related parties by virtue of their funding relationships with the Arts Council. At the year end Arts Council England had the following balances outstanding with other government bodies:

	PAYABLES 31 MARCH 2017 £000s	RECEIVABLES 31 MARCH 2017 £000s	PAYABLES 31 MARCH 2016 £000s	RECEIVABLES 31 MARCH 2016 £000s
Balances with other DCMS government bodies	6,134	—	7,758	—
Balances with other central government bodies	5	—	28	—
Balances with academies	22	—	12	—
Balances with local authorities	28,797	—	20,670	—
Balances with NHS Trusts	—	—	24	—
Balances with public corporations and trading funds	—	200	—	4

	EXPENDITURE Y/E 31 MARCH 2017 £000s	INCOME Y/E 31 MARCH 2017 £000s	EXPENDITURE Y/E 31 MARCH 2016 £000s	INCOME Y/E 31 MARCH 2016 £000s
Transactions with other DCMS government bodies	132	—	705	—
Transactions with other central government bodies	880	514	1,881	475
Transactions with academies	39	—	—	—
Transactions with local authorities	18,984	—	14,660	—
Transactions with NHS Trusts	15	—	—	—
Transactions with public corporations and trading funds	—	200	—	204

21. CONTINGENT LIABILITY

There were no contingent liabilities as at 31 March 2017.

22. CONTINGENT ASSETS

The National Lottery Distributors are entitled to receive a share of receipts from the sale of land on Queen Elizabeth Olympic Park in return for their contribution of an additional £675m to the funding of the London 2012 Olympic and Paralympic Games. This was announced in 2007. The arrangements are set out in a legal agreement between the Secretary of State and the Greater London Authority dated 29 March 2012 which sets out the distribution of funds between the GLA and the lottery distributors (via DCMS). Land sales are likely to take place over a lengthy period, estimated to be from 2016–17 to 2036–37. DCMS estimates the first payments to the Lottery Distributors to come through around 2020/21.

23. EVENTS AFTER THE REPORTING PERIOD

In accordance with the requirements of IAS10 Events After The Reporting Period, these events after the reporting period 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. There are no events after the reporting period to report.

24. LOSSES & SPECIAL PAYMENTS

	2016/17 £000s	2015/16 £000s
Total value of losses	15	—
Total number of losses	2	—

THE TWO LOSSES WHICH OCCURRED DURING THE FINANCIAL YEAR RELATE TO BAD DEBTS WHICH WERE WRITTEN OFF.

01. CHAIR'S REPORT

02. CHIEF EXECUTIVE'S REPORT

03. ACHIEVING GREAT ART AND CULTURE

04. REMUNERATION & STAFF REPORT

01 APRIL 2016 — 31 MARCH 2017

05. ENVIRONMENTAL SUSTAINABILITY

06. TRUSTEES' REPORT & MANAGEMENT
COMMENTARY

07. STRATEGIC REPORT

08. GRANT-IN-AID ACCOUNTS

09. LOTTERY DISTRIBUTION ACCOUNTS

10. NATIONAL LOTTERY REPORT

11. IMAGE CREDITS

National Lottery Report



10.



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. The Policy Directions were updated in May 2016 and 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*

Our 10-year strategy for the arts, libraries and museums, *Great Art and Culture for Everyone*, guides all of our investment, development and advocacy work. The strategy has been shaped by the views of artists, arts and cultural organisations, the public and our many other stakeholders and partners.

Since 2009, we have been running a programme of research that explores perceptions of the Arts Council and experiences of working with us among a range of audience and stakeholder groups. In this way, we explore levels of trust and confidence in Arts Council England, as well as perceptions of accountability and attitudes to Lottery funding of the arts. Every year we track our progress against certain issues, as well as any changes in opinions. In 2016/17 we ran two public polls to explore perceptions of arts and culture and research with political stakeholders such as MPs and local councillors. No sector research was commissioned this financial year because extensive sector consultation took place in March 2016 on the 2018–22 investment process, the findings from which have influenced our investment programmes. The Tailored Review process also involved consultation with the sector.

b) *Its assessment of the needs of the arts and culture and its priorities for addressing them*

Great Art and Culture for Everyone sets out our commitment to our mission and our five goals. It also brings together our responsibilities across the arts and the wider cultural sector. It describes what success looks like, and how we measure progress towards our goals.

With its focus on long-term collaborative action, this strategy directs Arts Council England to work with its partners to bring about positive change throughout the arts, museums and libraries. It helps create the conditions in which great art and culture can be presented and produced, experienced and appreciated by as many people as possible. It enables us to focus our investment where it can achieve the greatest impact. It supports the development of world-class museums and great libraries that engage diverse audiences. It sustains us as we work to maintain and enhance England's status as a leading cultural force in the world.

c) *The need to increase access and participation for those who do not currently benefit from the cultural opportunities available in England*

We believe that everyone has the right to experience and be inspired by the arts and culture, so we want to transform the opportunities open to people in these places. The Creative People and Places fund focuses on parts of the country where involvement in the arts is significantly below the national average. The aim is to increase the likelihood that people will participate. In 2016/17, we made 25 awards totalling £10,507,011 through this programme.

Increasing public engagement with the arts is an important principle of Grants for the Arts, with specific criteria that require applicants to demonstrate how the funding applied for provides opportunities for the public to engage with the arts activity. Many projects we support focus on providing opportunities for people who do not currently engage in the arts, and we track projects that engage people in the local authority areas that have the least engagement (according to the Active People Survey).



For example, Creative Arts and Futures Ltd was awarded £14,995 to deliver 2016's *Sand, Sea & Spray*, a street arts festival that brings world-class street artists to Blackpool to paint live in various derelict and run-down locations around the town and the Fylde Coast and work with local people to explore the artform. Turning the town's unused urban spaces into a free, open-air gallery, the festival engages the public – including those who do not currently engage in the arts – as well as business owners and local authorities in the positive side of urban arts.

The Strategic Touring Programme funds touring work, focusing especially on areas where people have low engagement with the arts and those who rely on touring for much of their arts provision. It also seeks to extend the reach of high quality work by broadening the range of venues presenting it. In 2016/17, 41 projects were awarded £6,988,390, enabling people across England to experience high quality art touring to their local area.

Ramps on the Moon, awarded £2,300,000 over three years through the Strategic Touring programme, is an ambitious and exciting project led by New Wolsey Theatre, Ipswich. It aims to change the landscape of touring theatre and audiences across England by placing disabled actors, audiences and integrated practice at centre stage when creating and staging touring work. A strong partnership of seven organisations including West Yorkshire Playhouse, Birmingham Rep and strategic partner Graeae is creating three new pieces of large-scale, high quality touring theatre with disabled people as fully integrated members of the cast. The project aims to develop the skills, knowledge and ethos around disability at each partner venue, with a longer term view to change how work is made, future touring practice and the make-up of audiences.

d) *The need to inspire children and young people, awakening their interest and involvement in the arts and culture*

One of our goals in *Great Art and Culture for Everyone* outlines our commitment to high quality arts, museums and libraries provision for children and young people.

We have a number of Lottery funded programmes that support our priorities around children and young people.

In 2016/17, through our Grants for the Arts programme, we have invested over £21 million into over 1,100 projects focused on activities with, for and by children and young people. Young Norfolk Arts Trust were one of the organisations to benefit. We awarded £50,000 to support Young Norfolk Arts Festival. The festival developed and implemented a countywide framework for the delivery of cultural opportunities for young people, putting the organisation at the heart of their area cultural education partnership. A team of young people delivered the festival itself (through supervised activity) which enabled them to experience first-hand the work involved in delivering a high quality cultural festival, evidencing this learning through the achievement of Arts Awards.

Creative Writing in Schools was a strategic fund which aimed to develop and implement high-quality creative writing in schools in the North and South West of England. In 2016/17 we awarded of £1.2 million to two projects. First Story received £600,000 to bring professional writers into secondary schools serving low-income communities across Bradford, Leeds, Kirklees, Calderdale, Sheffield, Doncaster and Hull. They have been working with teachers and students to foster creativity and communication skills, running intensive, fun programmes to help students find their voices and raise their aspirations. This in turn will give students the skills and confidence they need to achieve those aspirations. The award allows First Story to extend their current programme of creative writing residencies across the North and South West, and also enables the charity to mount a national creative writing initiative which will be aimed at every school-age child. Bath also received £600,000 to develop the Creative Writing Education Hub, a new innovative project that will bring creative writing education into schools across the South West.

Drawing together expertise from leading arts organisations, educators, researchers and writers, it will create a sustainable evidence-based model of best practice for creative writing education that can be adopted by schools across the UK. The partnership of Bath Spa University, Bath Festivals and the National Association of Writers in Education are using the grant to develop and deliver a three-year programme. The consortium is working with 100 schools and a thriving community of regional arts organisations to create opportunities for pupils from areas with less opportunity to engage with art and culture and work with professional creative writers. A research-led professional development programme for teachers and writers will also be devised.

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. We have funded a range of projects that have been produced by, for and with communities across the country, presented in spaces from theatres to village halls and shopping centres.

Alphabetti Theatre was awarded £10,000 to produce a new piece of documentary theatre called *How Did We Get To This Point?* in partnership with Crisis, the national charity for homeless people. Culminating in five performances in Newcastle, the piece is made up of the voices, stories and views of people who have experienced or dealt with homelessness. Captured from conversations and interviews, it uses a number of different mediums to bring the script to life including film, sound, animation and music. The project will also provide an opportunity for Crisis service users to devise a short solo performance piece in response to the show, to be performed by a professional actor.

Oyster Community Press was awarded £5,848 to deliver the Eye for Ipswich project, which worked with 24 Ipswich residents from a diverse range of cultural backgrounds to teach them printmaking skills.

Participants came together and used their new skills to explore their own stories, backgrounds and life in the Norwich Road area of the city, and the project culminated in a public exhibition of the work they produced during National Refugee Week.

f) *The need to support volunteering and participation in the arts and culture community*

We encourage high quality experiences for people participating in the arts. Voluntary and community groups are eligible to request funding and we aim to support participation through the programme.

For example, the Rising Sun Arts Centre in Reading was awarded £24,556 to deliver an artistic and organisational development project that will help them to work more effectively with their volunteers and participants. The centre is a volunteer-run community arts space that runs a diverse participation-focused programme, and the extra capacity this grant provides is being used to co-ordinate and develop the centre's volunteers in a more structured way and to develop processes and skills. The project will result in a more resilient organisation and empowered volunteers who are better able to shape and deliver high quality participatory arts activities for the local community.

During the year we partnered with the Baring Foundation to develop a £3 million joint fund, Celebrating Age, to award funding to organisations developing dedicated, high-quality programmes created by – and for – older people.

For example, Wolverhampton Art Gallery has been awarded £90,800 to work with Choices Housing Association, Staffordshire Arts Services and Creative Health (Arts and Health) CIC to produce Still Lively. This two-year programme of visual art activities, exhibitions and events will be created by and with older people. The gallery and Shire Living Schemes in Staffordshire will become a place to celebrate, create and share their artwork, stories and ideas, inspiring those taking part as well as other visitors.

g) *The need to support excellence and skills, and to encourage innovation in artform development, in attracting new audiences, visitors and participants, and in value creation and business models*

The Artists' International Development Fund is jointly funded by the British Council and Arts Council England. It offers early stage development opportunities for individual freelance and self-employed artists and/or creative practitioners (including, for example, producers, curators, publishers, editors, translators and choreographers) based in England to spend time building links with artists, organisations and/or creative producers in another country.

In 2016/17, we awarded £891,203 to 214 artists.

Our Ambition for Excellence programme is aimed at supporting projects that stimulate and support ambition, talent and excellence across the arts sector in England. It will support the creation of work for major national moments that build on the legacy of the London 2012 Cultural Olympiad, enabling organisations to reach international and national audiences. In 2016/17, we awarded £15,968,044 to 28 projects which included an award of £730,000 to The Whitworth Art Gallery for The New North and South, a three-year programme between a network of three Northern cities and five South Asian biennials, and the British Council. The Whitworth, Manchester Art Gallery, Manchester Museum, Liverpool Biennial, and the Tetley in Leeds, will work with the Lahore, Kochi, Colombo, and Karachi biennials and the Dhaka Art Summit on a series of co-commissioned exhibitions, performances, critical dialogues and professional development activities.

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 require applicants for funding to clearly demonstrate the expected public benefit of their proposed activity. We give this careful consideration during our assessment processes.

i) *The need to further the objectives of sustainable development*

Our Capital investment programme is committed to furthering the objectives of sustainable development. We expect organisations applying for capital investment, as far as possible, to take account of all long-term benefits and costs – environmental, social and economic – and to consider energy efficiency as a priority.

In the year under review, we made a Capital award of £2.7 million to Plymouth City Museum and Art Gallery (run by the Cultural Services Department of Plymouth City Council) towards costs of £31.5 million to transform the site of Plymouth City Museum and Art Gallery, the Central Library and St Luke's Church, into a state-of-the-art cultural centre. The project has been developed in alignment with BREEAM achieving a 'very good' rating, including the evaluation of 'passive design' and 'low or zero carbon technologies' where the architectural and heritage requirements permit. The proposals will meet the council's own planning policy where 15 per cent of the energy used on the site will come from renewable sources. A district heating system is proposed to be brought to the development as part of a wider city initiative. The centre will open in 2020 as Plymouth's flagship project for the Mayflower 400 celebrations.

The focus of our Building Resilience programme is to increase the resilience of up to 100 cultural organisations and to provide models and case studies that can be shared and used more widely to increase resilience across the sector. This programme will support up to four external organisations/consultancies to lead up to four cohorts of organisations exploring and piloting different approaches to long term sustainability. The themes are:

- Diversity and entrepreneurship
- International philanthropy – bringing successful international models of growing philanthropy to England
- Change management
- What are you good at – making the most of your intellectual property

City University London has been awarded £462,092 to deliver Boosting Resilience: Survival Skills for the New Normal which aims to design, deliver and evaluate innovative, boundary-pushing and creative learning experiences enabling a wide range of arts and cultural organisations to develop their capacity for resilience and sustainability. The programme will develop new thinking and approaches to seizing opportunities, deploying resources and identifying and mitigating risk. This will help programme participants to anticipate and withstand economic, social, environmental and technological change. Boosting Resilience will focus on developing organisations' thinking on their creative assets, their existing and potential intellectual property and their abilities to maximise these through working with wider sectors, eg health, education and environment.

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*

We know that where people live is likely to have a profound impact on the likelihood of them attending or participating in the arts. There are considerable differences in engagement levels for regions, local authority areas and neighbourhoods across England and one of the factors that affect engagement is economic and social deprivation. Since the Lottery began, 28 per cent of the total value of Lottery grants awarded have been channelled into the 20 most deprived local authorities in England.³

Sunderland is ranked the 38th most deprived local authority area on the Indices of Multiple Deprivation 2015. In the year under review, the University of Sunderland received £2,000,000 through the Creative People and Places fund to continue the Cultural Spring programme, which will continue to consult with the communities it serves to deliver an inclusive programme of arts and culture opportunities.

This includes a workshop programme across 10 new wards in Sunderland and South Tyneside, a programme of commissioned, large scale events, research and development opportunities for artists working with the communities and its new Guest List programme offering people a chance to see work across a range of artforms and venues. It will also be piloting an accreditation programme with the University of Sunderland for adults taking part in its activities.

k) *The need to support the long-term managerial viability and leadership of arts and cultural organisations*

The Developing Sector Leaders programme is Arts Council England's main grant programme for developing sector leadership in 2016–19, and is a key strand in our work to deliver Goal 4 of our 10-year strategy. The Clore Leadership Programme has been awarded a grant of £1.5 million to provide a range of leadership and governance development opportunities across all regions of England to meet the arts and cultural sector's need. It places a particular focus upon diversity, partnerships and place-making, and aims to bring about long term change in the leadership of culture, helping to ensure that leadership of the arts and culture is fully reflective of society.

Our £2.57 million investment through our Change Makers programme is aimed at increasing the diversity of senior leaders within England's arts and cultural organisations.

The money will support 20 National Portfolio Organisations or Major Partner Museums to host training placements for disabled and Black or minority ethnic leaders from across the country with bursaries.

Leading on projects, and supported by tailored development programmes, these change makers will gain the relevant experience, knowledge, skills and confidence to compete for Artistic Director, Chief Executive or other senior leadership positions in the future.

³BASED ON 2015 IMD RANKING

l) *The desirability of working jointly with other organisations, including other distributors*

We recognise that through partnership working and alignment of our activities at local and national level, greater benefits can be realised for the economy, and the effectiveness and impact of our Lottery funded activity can be increased. With our Capital investment programme, 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 good causes.

We have also developed close relationships with a number of organisations.

Cultural Destinations is a partnership initiative between Arts Council England and Visit England, the national tourist board, to help develop the potential of arts and culture to drive growth in the visitor economy. This programme aims to increase participation in the arts, expand the markets open to culture to make the sector more resilient and sustainable, and contribute to economic growth. It will also enable culture to play a key role in delivering the ambitions for Visit England's new Discover England programme. The 2016/17 round of this initiative saw 18 awards made, totalling £4,288,600.

The Celebrating Age programme is jointly funded by Arts Council England and the Baring Foundation and supports the shared objectives of both organisations. The programme has been designed to support cultural spaces and other organisations working collaboratively, in a partnership or as a consortium, to support arts and cultural spaces to be open, positive and welcoming places for older people and/or take arts and culture into places where older people will find it easier to engage. 2016/17 saw the first round of this programme, when £1,442,156 was awarded to 16 projects.

The Great Place Scheme is jointly funded by Arts Council England and the Heritage Lottery Fund.

Its aim is to put arts, culture and heritage at the heart of the local vision for 12 places across England, making a step change in the contribution of culture in those areas, and embedding them in the places' plans for the future. By strengthening the networks between arts, culture and heritage, civic and community organisations, and by involving citizens, projects will enhance the role that culture plays in the future of each place participating in the scheme. In time this will lead to the social and economic benefits that arts, culture and heritage can achieve. In this pilot year, a total of £19,999,200 (Arts Council England: £9,999,600; Heritage Lottery Fund: £9,999,600) was awarded to 16 projects.

m) *The need to ensure that all those receiving Lottery money acknowledge it using the common Lottery branding*

We recognise how important it is that the public can 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 use our 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. Applicants are always asked to provide information about the financial viability of their projects (including how they will raise match funding, whether in cash or in kind) and to describe how their projects will be managed (including how they will evaluate their work and learn or share lessons). Lottery funding is allocated through three main channels:

1. Grants for the Arts is our flagship open application programme that provides Lottery funding to individuals and organisations and for national activities. Grants range from £1,000 to £100,000 (although we may fund activities to a higher value in exceptional circumstances, and can cover activities lasting up to three years). 2016/17 was the thirteenth full year of operation and saw the programme make nearly 4,150 awards with a total value of over £76,500,000.

2. Strategic funding is used alongside our National Portfolio investment to target particular challenges, opportunities or gaps in the delivery of those priorities. It is open to any individual, organisation or consortium that meets the eligibility criteria.

Awards support additional work, rather than the running costs of arts organisations. National Portfolio Organisations that apply will need to show how work supported by strategic funding is additional to their core programme.

Strategic funding must be invested in arts activities, as required by Lottery regulations. Museums and libraries can therefore only apply to this programme for work that is primarily arts focused.

Our strategic funds are used to target particular challenges, opportunities or funding gaps, creating the environment for further development to take place in the arts and culture sector. Ultimately, they help us meet our mission of *Great Art and Culture for Everyone*. In 2016/17 nearly 600 awards were made with a total value of over £108 million (including over £29 million invested in eight Capital projects).

3. In 2016/17, £67,260,776 supported some of our National Portfolio Organisations to deliver touring activity and work with, for and by children and young people.

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 England, 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 2016/17. A copy of the Statement of Financial Requirements is publicly available.

PERFORMANCE AGAINST TARGETS FOR ADMINISTRATIVE EFFICIENCY

The financial year 2016/17 was the sixth year covered by our 10-year strategic framework. October 2013 saw the launch of our 'green book', *Great Art and Culture for Everyone*, which updates our 10-year strategic framework, now fully integrating the arts, museums and libraries.

It builds on the ambitions of *Achieving Great Art for Everyone* and *Culture, Knowledge and Understanding: Achieving Great Museums and Libraries for Everyone*, setting out our continued commitment to our mission and our five goals.

Detailed information on our goals can be found on pages 10 to 43. These goals have been central to all of our Lottery funded activities.

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. The actual Lottery administration costs data below shows that the 2016/17 administration costs are nearly £790,000 less than the target and approximately £650,000 more than last year.

1. ACTUAL LOTTERY ADMINISTRATION COSTS (£m)

	ACTUAL 2007/08	ACTUAL 2008/09	ACTUAL 2009/10	ACTUAL 2010/11	ACTUAL 2011/12	ACTUAL 2012/13	ACTUAL 2013/14	ACTUAL 2014/15	ACTUAL 2015/16	ACTUAL 2016/17	TARGET 2016/17
ACTUAL ADMINISTRATION COSTS*	17.33	16.55	18.34	12.63	16.06	14.43	16.84	17.74	17.25	17.85	18.64

*EXCLUDES EXCEPTIONAL ITEMS AND ONE-OFF IT DEVELOPMENT COSTS

ADMINISTRATION



2. ADJUSTED LOTTERY ADMINISTRATION COSTS

The figures in this table are for illustration only and show administration costs adjusted for inflation using inflation rates as defined by the Treasury's GDP deflators.

	ACTUAL 2007/08	ACTUAL 2008/09	ACTUAL 2009/10	ACTUAL 2010/11	ACTUAL 2011/12	ACTUAL 2012/13	ACTUAL 2013/14	ACTUAL 2014/15	ACTUAL 2015/16	ACTUAL 2016/17	TARGET 2016/17
ACTUAL ADMINISTRATION COSTS*, **	16.92	15.73	17.20	11.63	14.59	12.84	14.74	15.30	14.78	15.02	15.69

* EXCLUDES EXCEPTIONAL ITEMS AND ONE-OFF IT DEVELOPMENT COSTS

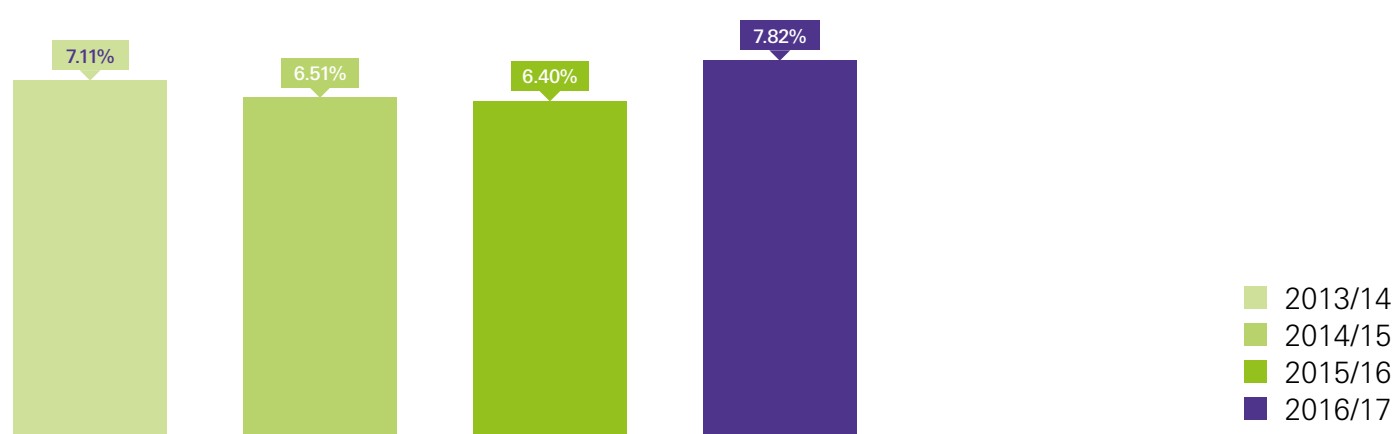
** FIGURES HAVE BEEN ADJUSTED FOR INFLATION USING 2007/08 AS THE BASE YEAR

3. ACTUAL LOTTERY ADMINISTRATION COSTS AS A PROPORTION OF LOTTERY INCOME

	ACTUAL 2007/08	ACTUAL 2008/09	ACTUAL 2009/10	ACTUAL 2010/11	ACTUAL 2011/12	ACTUAL 2012/13	ACTUAL 2013/14	ACTUAL 2014/15	ACTUAL 2015/16	ACTUAL 2016/17
ACTUAL ADMINISTRATION COSTS AS % OF LOTTERY INCOME*	11.44%	10.92%	10.59%	6.95%	7.53%	5.30%	7.11%	6.51%	6.40%	7.82%

*EXCLUDES EXCEPTIONAL ITEMS AND ONE-OFF IT DEVELOPMENT COSTS

ADMINISTRATION COSTS AS A % OF LOTTERY INCOME



THE 7.82% FIGURE IN THE TABLE ABOVE REPRESENTS OUR TOTAL ADMIN COSTS. OF THIS FIGURE 5% REPRESENTS OUR GRANT PROCESSING COSTS AND 2.82% REPRESENTS OTHER ADMIN COSTS.

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 £15,000:	6 weeks
Applications for funding for £15,001 and above:	12 weeks

Since 2009/10 we have adopted a target of processing 90 per cent of all applications within our stated turnaround times. The thresholds were increased on 1 July 2013 from £10,000 to £15,000.

YEAR		A	B	C
2005/06	Actual	93.20%	92.80%	93.00%
2006/07	Actual	92.90%	94.70%	93.60%
2007/08	Actual	91.70%	93.80%	92.50%
2008/09	Actual	93.60%	94.90%	94.10%
2009/10	Actual	94.30%	95.30%	94.90%
2010/11	Actual	99.10%	94.70%	98.00%
2011/12	Actual	84.90%	94.70%	91.90%
2012/13	Actual	85.20%	77.90%	83.50%
2013/14	Actual*	77.40%	89.00%	86.40%
2013/14	Actual**	99.60%	98.50%	99.40%
2014/15	Actual	99.58%	98.26%	99.32%
2015/16	Actual	99.50%	98.71%	99.37%
2016/17	Actual	99.83%	99.13%	99.73%
2016/17	Target	90%	90%	90%

*GRANT THRESHOLDS OF £10,000 AND UNDER, AND £10,001 AND OVER

**GRANT THRESHOLDS OF £15,000 AND UNDER, AND £15,001 AND OVER

A. A Percentage of applications for up to £15,000 processed in six weeks or less (£10,000 prior to 1 July 2013)

B. Percentage of applications for over £15,001 processed in 12 weeks or less (£10,001 prior to 1 July 2013)

C. Overall percentage of applications processed within target time

Please note that for the years of 2004/05 to 2009/10 the target time was six weeks for applications for up to £5,000 and 12 weeks for applications over £5,000.

POLICY ON ADDITIONALITY

Arts Council England 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 2016/17 was the fourth year covered by our refreshed strategy, *Great Art and Culture for Everyone*, which set out details of our five goals for the arts and culture. Detailed information on our goals can be found on 10 to 43. These goals have been central to all of our Lottery-funded activities.

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 CAPITAL AWARDS OVER £5 MILLION

This section reports on projects that have received capital awards totalling over £5 million, even if they involve a number of separate awards. It includes any projects that were active at 1 April 2016 but fully paid during 2016/17 and those with outstanding balances at 31 March 2017. 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 2017

b) Projects completed and opened during 2016/17

c) Projects completed and opened in previous years but with final payments still outstanding at 1 April 2016

A. PROJECTS STILL TO BE COMPLETED AT 31 MARCH 2017

Bristol Old Vic

£5,000,000

The phased refurbishment project will demolish and replace the existing annexe to create a new foyer with studio theatre, improved office facilities, bar/dining area and events space. Due to complete in summer 2018, the project should facilitate new trading opportunities and improve financial resilience and environmental sustainability.

£1,457,895 paid (29 per cent of the total award)

Brighton and Hove City Council**£5,632,380**

Phase 1 of this major redevelopment of Brighton Dome's heritage venues, the project will refurbish the Studio Theatre and Grade 1 listed Corn Exchange, improve access and back of house areas, create a new entrance with enhanced foyers, box office, creation spaces and café bar, replace mechanical and electrical systems, and undertake essential repairs. Aimed at enhancing sustainability, resilience and facilities for artists and audiences, the project is due to complete in summer 2018.

£255,460 paid (4.5 per cent of the total award)**The Hall for Cornwall Property Trust****£5,000,000**

Cornwall's principal theatre venue will undergo a comprehensive redevelopment and refurbishment including the creation of a new classical three-tiered auditorium. With increased audience capacity and new café bars, the project will enable more diverse and better quality artistic programming and significantly improved financial sustainability. The project is due to complete in autumn 2019.

£344,495 paid (7 per cent of the total award)**Hallé Concerts Society****£5,000,000**

St Peter's is the Hallé's rehearsal, recording and event venue in Ancoats, Manchester. The project will enable a new build extension to the Grade 2 listed deconsecrated church to provide flexible spaces for rehearsals and performances, providing a fully functional and inspirational home for the Hallé where instrumental and vocal talent can be trained, nurtured and showcased. The extended building will provide more accessible facilities for engagement with a wider and more diverse range of participants and practitioners, including the Hallé's education and outreach programme. The project is due to complete in early 2019.

£152,474 paid (3 per cent of the total award)**Oldham Metropolitan Council****£7,079,488**

This project will enable Oldham Coliseum Theatre to move from its current premises to a new state-of-the-art facility including a 550-seat main auditorium and a 170-seat studio theatre with improved front-of-house facilities. The new-build project will be a central part of Oldham's Cultural Quarter and will locate the Coliseum Theatre adjacent to a new Heritage and Arts Centre linked with Gallery Oldham, Library and Lifelong Learning Centre. The project is due for completion in autumn 2020.

£0 paid (0 per cent of the total award)**Southampton City Council****£7,344,000**

Southampton's new arts complex (studio 144) will create dramatic new contemporary arts spaces in the heart of the city. 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. The project is due to complete in spring 2017.

£5,683,540 paid (77 per cent of the total award)**Southbank Centre****£16,675,000**

Southbank Centre will undertake refurbishment of the Festival Wing comprising the Queen Elizabeth Hall, Purcell Room, Hayward Gallery and surroundings. This project will improve the experience of audiences, staff and artists, providing more appropriate facilities and spaces for the centre's festival approach to artistic programming and curation of the site. It will also enhance the environmental performance of the buildings, reducing energy consumption and improving ongoing sustainability. The project is due to complete in early 2018.

£7,911,448 paid (47.4% of total award)

Square Chapel Trust Limited**£5,058,900**

Square Chapel, Halifax, is a community-based arts centre which plays a significant role in the community, encouraging participation and engagement. Cornerstone is a project to transform Square Chapel Centre for the Arts by creating a new extension and improved facilities to benefit the community, volunteers and artists that use the community venue. The project is due for completion in spring 2017.

£4,555,135 paid (90 per cent of the total award)**Sunderland Music, Arts and Culture (MAC) Trust****£6,026,200**

The extension of a former fire station will create a multi-use auditorium providing theatre, music and performance space which will act as the anchor tenant of a new cultural quarter in Sunderland. The auditorium will facilitate the development and showcasing of Sunderland's indigenous artistic and cultural talent and also attract artists and performers both nationally and internationally. The project is due for completion in 2019/20.

£0 paid (0 per cent of the total award)**B. PROJECTS COMPLETED AND OPENED DURING 2016/17**

After a project has been completed and opened, Arts Council England retains a percentage of the award for payment until a full account for the project has been received.

Royal Opera House**£10,000,000**

The Royal Opera House is undertaking a strategic programme of capital improvements over a four-year period to ensure that it can continue to stage a world-class programme of opera, ballet and dance, and to continue to compete in an international market. The project was completed in March 2017.

£10,000,000 paid (100 per cent of the total award)**C. PROJECTS COMPLETED AND OPENED IN PREVIOUS YEARS BUT WITH FINAL PAYMENTS STILL OUTSTANDING AT 1 APRIL 2016**

After a project has been completed and opened, Arts Council England retains a percentage of the award for payment until a full account for the project has been received.

Lyric Theatre Hammersmith**£6,000,000**

The Lyric Theatre Hammersmith project will make improvements to the existing building as well as create a range of new facilities, including an extension on an adjacent site to house the first ever teaching theatre for the performing arts. This will allow young people to participate in cross artform formal statutory training as well as education activities. The project opened in April 2015.

£5,000,720 paid (83 per cent of the total award)**Royal Liverpool Philharmonic Society****£7,500,000**

Refurbishment of the 1939 Art Deco Grade II Liverpool Philharmonic Hall and replacing the rear annexe will improve the experience for resident/visiting musicians, audiences and participants and increase environmental and economic sustainability. The completed project re-launched in October 2015.

£7,500,000 paid (100 per cent of the total award)**Royal National Theatre****£17,500,000**

NT Futures will transform the current National Theatre building – inside and outside – including the public spaces and behind the scenes. This project will improve the experiences of those who visit and work in the theatres, and will generate new spaces for learning, production and recreation. The Dorfman Theatre (formerly the Cottesloe) reopened in September 2014 with the remaining NT Futures works completed in 2016/17.

£17,500,000 paid (100 per cent of the total award)

01. CHAIR'S REPORT

02. CHIEF EXECUTIVE'S REPORT

03. ACHIEVING GREAT ART AND CULTURE

04. REMUNERATION & STAFF REPORT

01 APRIL 2016 — 31 MARCH 2017

05. ENVIRONMENTAL SUSTAINABILITY

06. TRUSTEES' REPORT & MANAGEMENT
COMMENTARY

07. STRATEGIC REPORT

08. GRANT-IN-AID ACCOUNTS

09. LOTTERY DISTRIBUTION ACCOUNTS

10. NATIONAL LOTTERY REPORT

11. IMAGE CREDITS

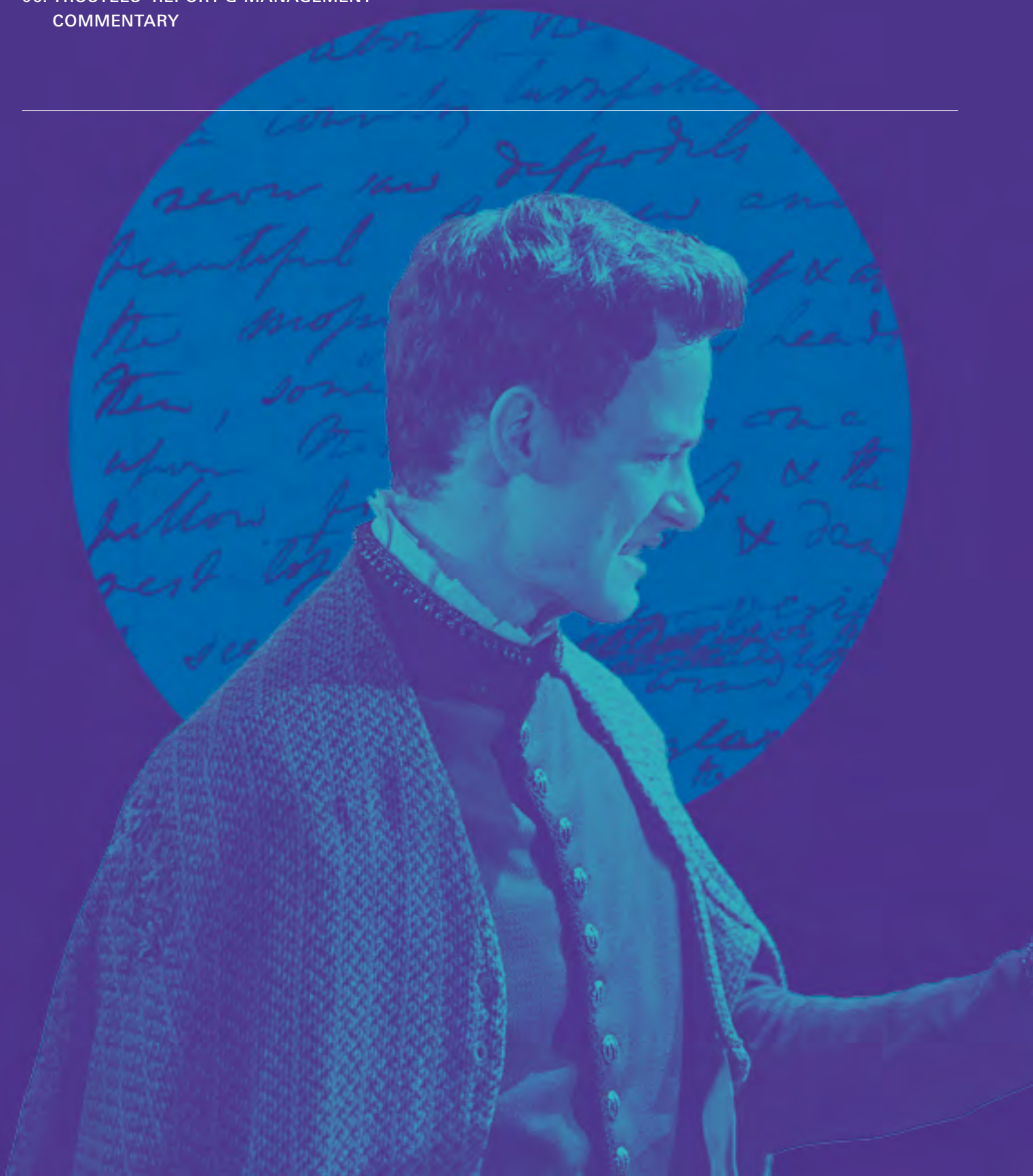




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In order of appearance



MUCHO BRUMCHA BY EYE CANDY AT BIRMINGHAM WEEKENDER 2015. PHOTO © ANDREW FOX. BIRMINGHAM WEEKENDER, BIRMINGHAM HIPPODROME.



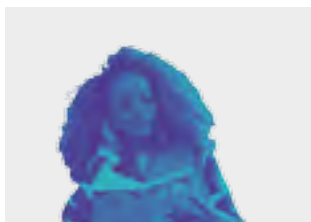
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URBAN ASTRONAUT BY HIGHLY SPRUNG AT BIRMINGHAM. PHOTO © ANDREW FOX/ BIRMINGHAM WEEKENDER 2015.



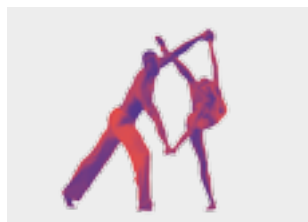
WEEK 53, THE LOWRY. PHOTO: NATHAN COX.



WAKEFIELD LIBRARIES AND INFORMATION SERVICES. PHOTO © JILL JENNINGS / WAKEFIELD LIBRARIES AND INFORMATION SERVICES.



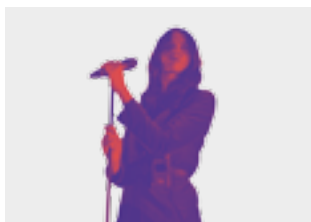
DESIGN FOR A CURTAIN OR TABLECLOTH, SILVER STUDIO, 1893. IMAGE © MUSEUM OF DOMESTIC DESIGN & ARCHITECTURE, MIDDLESEX UNIVERSITY.



ALVIN AILEY AMERICAN DANCE THEATER'S AKUA NONI PARKER AND JAMAR ROBERTS IN CHRISTOPHER WHEELDON'S AFTER THE RAIN PAS DE DEUX. PHOTO © ALVIN AILEY AMERICAN DANCE THEATER/PAUL KOLNIK.



PHOTO © HUGO GLENDINNING.



JOSEFIN ÖHRN & THE LIBERATION, LOUD IN LIBRARIES. PHOTO: ANDY VON PIP.



LAUREN SAGAR AND SHARON CAMPBELL'S HEATHLANDS VILLAGE GLASS. PHOTO © GEOFF BROKATE.



SONIA SABRI, SONIA SABRI COMPANY. PHOTO (C) SIMON RICHARDSON, SONIA SABRI DANCE COMPANY.



CHARLES BOORTH'S 'MAP DESCRIPTIVE OF LONDON POVERTY, 1898-9, KING'S CROSS AND ST PANCREAS'. IMAGE © BRITISH LIBRARY OF POLITICAL AND ECONOMIC SCIENCE, LONDON.



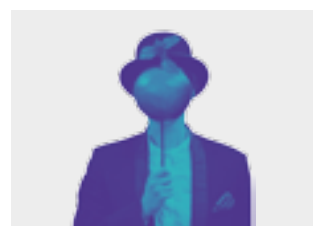
PHOTO © SUNDERLAND ECHO



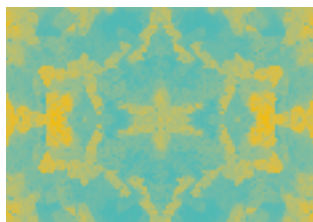
TOWNER ART GALLERY:
VISITOR(S), SEPTEMBER 2016.
PHOTO © PETE JONES



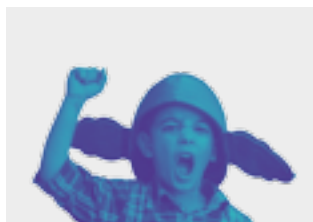
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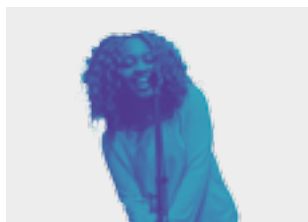
THEATRE ALIBI – OLIVE & THE
DREAM TRAIN. PHOTO © STEVE
TANNER.



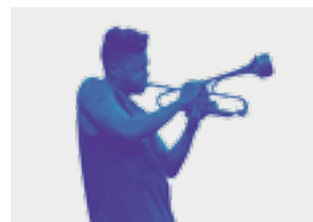
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CHILDREN TRYING ON ROMAN
UNIFORM FROM ROYAL ALBERT
MEMORIAL MUSEUM & ART
GALLERY AT EXETER RESPECT
FESTIVAL. PHOTO © MATT AUSTIN/
ROYAL ALBERT MEMORIAL
MUSEUM & ART GALLERY,
EXETER RESPECT. FESTIVAL.



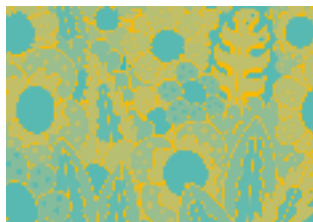
ORT GALLERY, PHOTO
© MARCIN SZ.



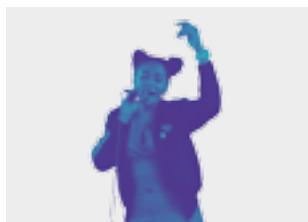
CHRISTIAN SCOTT AT RICH MIX:
EFG LONDON JAZZ FESTIVAL
2015. PHOTO © EMILE HOLBA,
EFG LONDON JAZZ FESTIVAL.



GDANCE STUCK IN THE MUD.
DANCERS ALICE SHEPPARD AND
DAISUKE MIURA PERFORMING
IN GDANCE'S PARTNERSHIP
PRODUCTION WITH BALLET
CYMRU, STUCK IN THE MUD
(2013) AT HIDCOTE MANOR
GARDENS, GLOS. IMAGE ©
JAMES ROWBOTHAM.



STILL FROM TOXIC MEGA
FADE BY ANDY BAKER AND
KYLE PLATTS, PRODUCED IN
ASSOCIATION WITH RANDOM
ACTS. PHOTO © ANDY BAKER
AND KYLE PLATTS/IT'S NICE
THAT.



BROWNSWOOD FUTURE
BUBBLERS. PHOTO BY NINA
MANANDHAR.



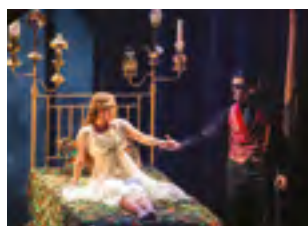
STUDENTS OF THE FOUNDATION
AND BA HONS DEGREE IN
CIRCUS ARTS AT THE NATIONAL
CENTRE FOR CIRCUS ARTS.
BERTIL NILSSON FOR THE
NATIONAL CENTRE FOR
CIRCUS ARTS.



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VIKING SCHOOLS WORKSHOPS AT NATIONAL MARITIME MUSEUM CORNWALL. PHOTO © TOBY WELLER / NATIONAL MARITIME MUSEUM CORNWALL.



NEW ADVENTURES & RE:BOURNE: SLEEPING BEAUTY, THEATRE ROYAL, PLYMOUTH, 2015. PHOTO CREDIT: JOHAN PERSSON.



NCUTI GATWA (MERCUTIO) IN ROMEO & JULIET AT VICTORIA BATHS, PRESENTED BY HOME. PHOTO © GRAEME COOPER/ HOME.



WNO MACBETH, MARY ELIZABETH WILLIAMS (LADY MACBETH). PHOTO: RICHARD HUBERT SMITH.



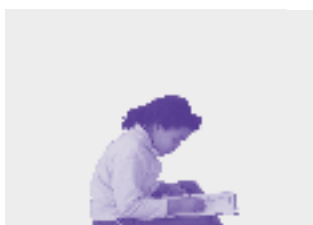
JOIE DE VIVRE, PAVILION DANCE SOUTH WEST. PDSW JOIE DE VIVRE POSTCARDS ANDREW CORSER FROM INNER GROUND DANCE COMPANY. PHOTO © MATT AUSTIN.



VIEW OF A COMMUNITY DAY SESSION, PART OF 'IF ALL RELATIONS WERE TO REACH EQUILIBRIUM, THEN THIS BUILDING WOULD DISSOLVE', MIDDLESBROUGH INSTITUTE OF MODERN ART, 2016. PHOTO: JUDY HUME



GULBENKIAN'S BOING! FESTIVAL, 2016, FEAT. COREY BAKER DANCE: PHONE BOX. KENT'S INTERNATIONAL FAMILY FESTIVAL. PHOTO, DANI BOWER.



MODERN ART OXFORD: THE OXFORD SHOW, 2004. PHOTO © MODERN ART OXFORD.



FAYE CLARIDGE, WEIGHTY FRIEND, MEADOW ARTS COMMISSION 2015. WITH THANKS TO ENGLISH HERITAGE AND IRONBRIDGE GORGE MUSEUM TRUST. PHOTO © MARK WRIGHT.



SEVEN STORIES, THE NATIONAL CENTRE FOR CHILDREN'S BOOKS. PHOTO © DAMIEN WOOTTEN.



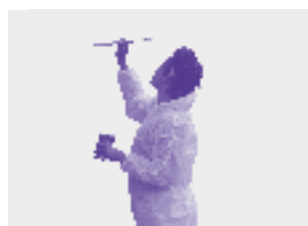
SINGIN' IN THE RAIN, PHOTO: RICHARD DAVENPORT.



LAUREN SAGAR AND SHARON CAMPBELL'S HEATHLANDS VILLAGE GLASS. PHOTO © GEOFF BROKATE.



BLACK SWAN, RECREATED FOR THE 11 MILLION REASONS EXHIBITION BY SEAN GOLDTHORPE. PHOTO © SEAN GOLDTHORPE/11 MILLION REASONS/PEOPLE DANCING.



IDLE WOMEN. PHOTO – SUPER SLOW WAY.



PAVILION DANCE SOUTH WEST, JOIE DE VIVRE POSTCARDS WENDY HERMELIN & MARGIE BARBOUR FROM GRACE & GROWL DANCE COMPANY. PHOTO © MATT AUSTIN.



JURASSIC AMMONITES FROM BAVARIA, HOUSED AT LAPWORTH MUSEUM OF GEOLOGY. IMAGE © LAPWORTH MUSEUM OF GEOLOGY, UNIVERSITY OF BIRMINGHAM.



PLYMOUTH MUSIC ZONE PARTICIPANTS MAKING MUSIC. PHOTO © PLYMOUTH MUSIC ZONE. PHOTO © KEVIN CLIFFORD.



STRICTLY COME DANCING, RECREATED FOR THE 11 MILLION REASONS EXHIBITION BY SEAN GOLDTHORPE. PHOTO © SEAN GOLDTHORPE/11 MILLION REASONS/PEOPLE DANCING.

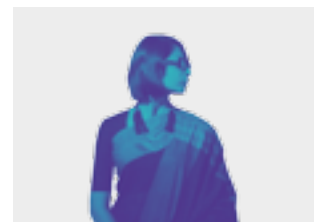
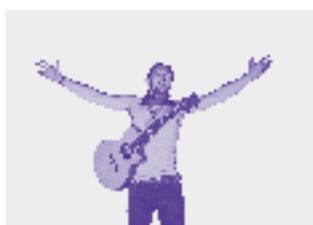


PHOTO ARTCORE (6). IMAGE © ARTCORE.



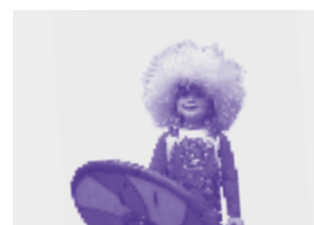
SONGLINES INSTALLATION BY OPEN CLASP. PHOTO © PHYLLIS CHRISTOPHER/OPEN CLASP THEATRE COMPANY.



A WINTER'S TALE AT THE BARBICAN CENTRE, PRODUCED BY CHEEK BY JOWL. PHOTO © JOHAN PERSSON / CHEEK BY JOWL.



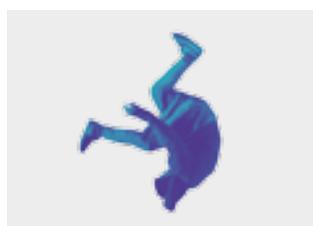
MEN & GIRLS DANCE BY FEVERED SLEEP. PHOTO © KAREN ROBINSON/FEVERED SLEEP.



NATIONAL MARITIME MUSEUM CORNWALL – VIKING VOYAGERS. IMAGE © MICHAEL SWEENEY.



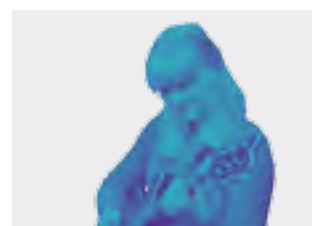
COLLINGWOOD SCHOOL AND MEDIA ARTS COLLEGE. PHOTO: SARAH DEANE.



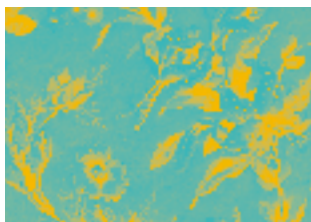
RIFCO ARTS: BREAK THE FLOORBOARDS @ WATFORD PALACE THEATRE, 2013. PHOTO, MANUEL HARLAN.



H. HULSBERGH, ENGRAVING OF BLUE COAT SCHOOL. PHOTO: BLUECOAT.



YOUNG MUSICIAN AT THE ROUNDHOUSE. PHOTO © ELLIE PINNEY/THE ROUNDHOUSE.



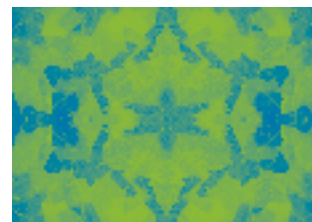
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STUDENTS FROM COMBER GROVE PRIMARY SCHOOL, SOUTHWARK, LONDON. PHOTO © ROGER BROWN FOR A NEW DIRECTION.



GANDINI JUGGLING: 4X4 EPHEMERAL ARCHITECTURES, JAN 2015. PHOTO, ASH - AMBER HUNT & ARNAUD STEPHENSON.



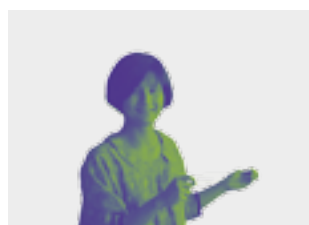
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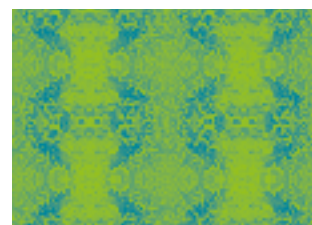
JOIE DE VIVRE, PAVILION DANCE SOUTH WEST. PDSW JOIE DE VIVRE POSTCARDS JILLY SLATER FROM INNER GROUND DANCE COMPANY. PHOTO BY MATT AUSTIN.



EYE QUEUE HEAR. PHOTO © CAROLINE MOORE / ACCESS ALL AREAS.



SEIKO KINOSHITA, YORKSHIRE ARTSPACE, SHEFFIELD. PHOTO © OUR FAVOURITE PLACES / NIGEL BARKER FOR YORKSHIRE ARTSPACE.



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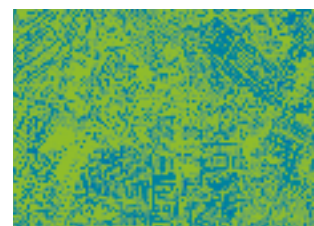
SOUTHBANK CENTRE ALCHEMY FESTIVAL 2016. CREDIT SOUTHBANK CENTRE



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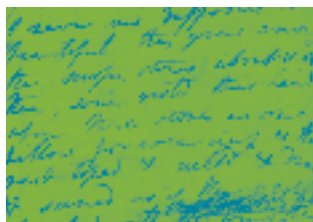
NIKHIL CHOPRA, SPACE ODDITY. MEADOW ARTS COMMISSION 2013. PHOTO © STEFAN HANDY.



CHARLES BOORTH'S 'MAP DESCRIPTIVE OF LONDON POVERTY, 1898-9, KING'S CROSS AND ST PANCREAS'. IMAGE © BRITISH LIBRARY OF POLITICAL AND ECONOMIC SCIENCE, LONDON.



ALVIN AILEY AMERICAN DANCE THEATER'S JACQUELINE GREEN IN ALVIN AILEY'S CRY. PHOTO © ALVIN AILEY AMERICAN DANCE THEATER / PAUL KOLNIK.



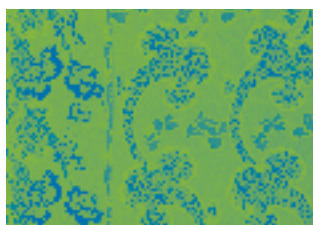
A PAGE FROM DOROTHY WORDSWORTH'S GRASMERE JOURNAL, ENTRY FROM 15TH APRIL 1802, IN WHICH SHE DESCRIBES SEEING 'DAFFODILS' BY ULLSWATER. IMAGE © WORDSWORTH MUSEUM.



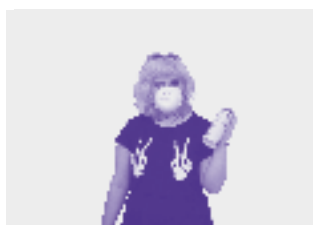
CIRCA 'IL RITORNO' AT BARBICAN THEATRE. LONDON INTERNATIONAL MIME FESTIVAL. CREDIT: CHRIS HERZFELD, CAMLIGHT PRODUCTIONS.



LESLIE DEERE, MODERN CONJURING FOR AMATEURS, PHOTO BY MARIE VALOGNES, 2016. WHITSTABLE BIENNALE 2016. IMAGE © LESLIE DEERE, MODERN CONJURING FOR AMATEURS, PHOTO BY MARIE VALOGNES, 2016.



DESIGN FOR A CURTAIN OR TABLECLOTH, SILVER STUDIO, 1893. IMAGE © MUSEUM OF DOMESTIC DESIGN & ARCHITECTURE, MIDDLESEX UNIVERSITY.



KETTLE'S YARD CIRCUIT GALLERY TAKEOVER. PHOTO © CATARINA RODRIGUES / KETTLE'S YARD, UNIVERSITY OF CAMBRIDGE.



DERRIN CRAWFORD & DEMI-LEIGH CRUICKSHANK IN 'THE LIVER BIRDS' LOVE MAGAZINE, LIVERPOOL, 2012. PHOTO: ALICE HAWKINS.



THE ALBANY THE BROKE N BEAT COLLECTIVE – GROUP ON SOFA.



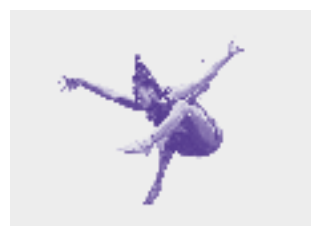
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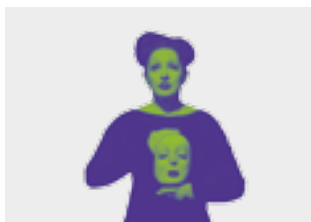
KALA SANGAM. PHOTO: BRIAN SLATER PHOTOGRAPHY.



LAUREN SAGAR AND SHARON CAMPBELL'S HEATHLANDS VILLAGE GLASS. PHOTO © GEOFF BROKATE.



TRIKONANGA: HEMABHARATHY PALANI. OUT OF INDIA: MODERN MOVES, PART OF DANCE UMBRELLA 2015. PHOTO © FOTEINI CHRISTOFILOPOULOU.



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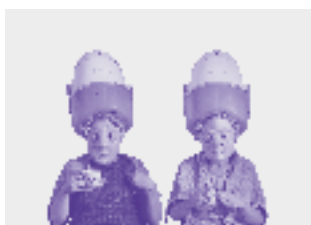
JURASSIC AMMONITES FROM BAVARIA, HOUSED AT LAPWORTH MUSEUM OF GEOLOGY. IMAGE © LAPWORTH MUSEUM OF GEOLOGY, UNIVERSITY OF BIRMINGHAM.



JOIE DE VIVRE, PAVILION DANCE SOUTH WEST. PDSW JOIE DE VIVRE POSTCARDS MEG EDGAR FROM DANCE SIX-0. PHOTO BY KEVIN CLIFFORD.



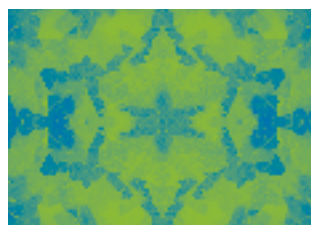
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THE BEST THING BY VAMOS MASK THEATRE – LADIES AT THE HAIRDRESSERS. IMAGE © ALIENPEN.



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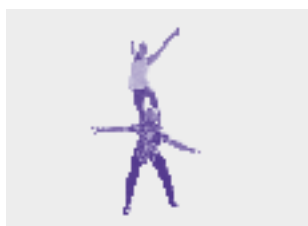
KALA UTSAV, KALA SANGAM PRODUCTIONS. PHOTO: BRIAN SLATER.



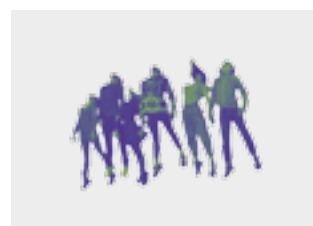
MALAIKA SHAW PERFORMS AT WORDS IN THE CITY. PHOTO © TIM SMITH FOR IKLEY LITERATURE FESTIVAL.



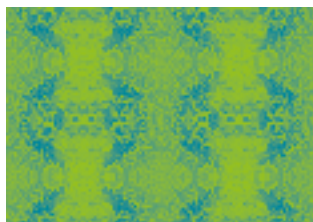
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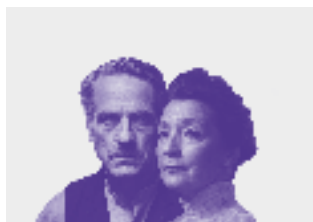
MOTIONHOUSE AT BIRMINGHAM WEEKENDER 2015. PHOTO © ANDREW FOX/BIRMINGHAM WEEKENDER.



SOUTH EAST DANCE: PEBBLE TRUST FLOURISH FUND. PHOTO, JEVAN CHOWDHURY.



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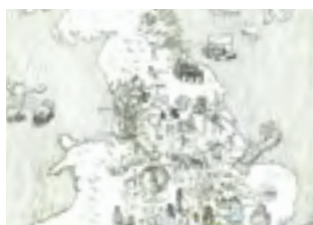
LONG DAYS JOURNEY INTO NIGHT, BRISTOL OLD VIC. PRESS IMAGE FOR LONG DAY'S JOURNEY INTO NIGHT AT BRISTOL OLD VIC. PHOTOGRAPHY © SEAMUS RYAN.



BRYONY KIMMINGS: FAKE IT UNTIL YOU MAKE IT, 2015–16. PHOTO, RICHARD DAVENPORT. FAKE IT TILL YOU MAKE IT PRODUCTION PHOTOS.



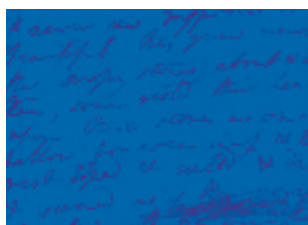
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HAMLET 2016 SHAKESPEARE AT THE TOBACCO FACTORY AND TOBACCO FACTORY THEATRES CO-PRODUCTION. IMAGE © MARK DOUET.



A PAGE FROM DOROTHY WORDSWORTH'S GRASMERE JOURNAL, ENTRY FROM 15TH APRIL 1802, IN WHICH SHE DESCRIBES SEEING 'DAFFODILS' BY ULLSWATER. IMAGE © WORDSWORTH MUSEUM.

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