

annual
review
2007

ARTS COUNCIL
ENGLAND





welcome

Arts Council England works to get more art to more people in more places. We develop and promote the arts across England, acting as an independent body at arm's length from government.

Between 2006 and 2008, we will invest £1.1 billion of public money from government and the National Lottery in supporting the arts. This is the bedrock of support for the arts in England.

We believe that the arts have the power to change lives and communities, and to create opportunities for people throughout the country.

Front cover:

Dancer Kelly Wilson performing in ballet LORENT's *la nuit intime*.
Photo: Ravi Deepres

Inside front cover:

Whiteplane_2, a sound and light collaboration toured by the Contemporary Music Network. Photo: Manuel Vason

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The arts help bond people together, promoting community cohesion and regeneration.

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Our work empowers the English arts community to work internationally, and also 'internationalises' England by supporting artists from abroad to present their work here.

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The arts help us to develop a sense of our identity and ourselves as individuals, as members of our communities and as a nation.

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chair's report



Sir Christopher Frayling
Photo: Piers Allardyce

In the year in which Arts Council England celebrated its 60th birthday, the arts and culture of England are the healthiest they have ever been. A spirit of creativity, confidence and inventiveness has been encouraged, thanks in part to increased public funding over the last 10 years. When, in a speech to the arts sector standing in front of the metal slides at Tate Modern in March this year, the then Prime Minister Tony Blair described these years as a 'golden age' for the arts, his words resonated across the arts community.

Of course not everything is perfect, but as a result of a 73 per cent increase in funding over the last 10 years more than 1,100 arts organisations have been enabled to deliver excellent arts and, as a result, an exceptional reputation. The number of creative experiences for children and young people, a step of paramount importance in developing creativity in the next generation, reached an impressive 17 million over the last three years.

Attendance at arts events is at its highest point for 10 years. In the past year alone, 66 per cent of the population attended an arts event and more than half participated in arts activities. At a time when a resounding 79 per cent agree that arts and cultural projects should receive public funding, I can say with confidence that we're enjoying a considerable, maybe unprecedented, level of public support and appreciation for the arts.

While these figures reassuringly demonstrate that the arts add significant value to our lives – people are clearly voting for a diverse, first-rate arts scene with their feet – they also tell us that there are considerable challenges to be met in the coming years. Arts Council England has the responsibility and the expertise to build on these successes with renewed vigour and vision. Always at the forefront of our mind is the knowledge that the arts can do more than provide entertainment, pleasure and challenge. The arts can also achieve remarkable outcomes in education, health and economic and social regeneration. These truths must be central to our future path.

Left: *Water on the Brain* by Claire Morgan. A temporary site-specific work situated on the grounds of Cragside, a National Trust property. It is a replica of a gunboat and is situated within a functioning spillway.
Photo: Claire Morgan



Fete, Beresford Square, Woolwich (Greenwich+Docklands International Festival, June 2006). Photo: Alastair Muir

When the Arts Council was created over 60 years ago, one of its founding principles was encouraging access as well as artistic excellence. Our *Taking Part* agenda embodies the key role we play here. One example of our commitment to put the arts at the heart of national life and people at the heart of the arts was our partnership with Barclays during the 2006/07 football season. *Finding Fan Gogh*, an art competition that asked the public to produce a visual representation of what football meant to them, sought out new audiences and new talent. I even found myself carrying the Premiership Cup – though not for long!

chair's report

This year also saw the arts debate, the Arts Council's first ever public value inquiry. The arts debate is a major programme exploring how people value the arts – combining in-depth research with wider consultation and debate. It brings together members of the public, artists, arts organisations and other key stakeholders to share their opinions and set some fresh expectations for public investment in the arts. We have gathered a huge amount of data, intelligence and other insights, and over the next few months we will be analysing all we have learned in detail and considering the implications for public investment in the arts.

Looking to the future, much will of course depend on the outcome of the Government's Comprehensive Spending Review – and until the final decisions are made, we will continue our vigorous campaign to make the case to government and others for sustained investment in the arts.

In the year to come we will also be reaching the point at which we will next be judged against the Public Service Agreement (PSA) targets set for us by HM Treasury and the Department for Culture, Media and Sport (DCMS). Although to date our progress here has not been as fast as we would like, together with DCMS we took an important step forward by developing an action plan. Work with DCMS and the Treasury has been collaborative and productive, and we are now ready to make some positive steps towards meeting the targets.

Next year will see us finding new ways of engaging with audiences, discovering innovative ways in which new technologies and digital distribution can increase artists' and arts organisations' connections with the public in an age of increasing personalised choice. To echo Tony Blair's speech once more, dynamism in arts and culture promotes dynamism in a nation, and Arts Council England's energy and expertise will be at the forefront of this action. Maybe next year will be the year when the 'hearts and minds' agenda will at last be related, as it should be, to the arts.

Sir Christopher Frayling, Chair



chief executive's report



Peter Hewitt
Photo: Piers Allardyce

This will be my last annual report as chief executive of the Arts Council as early next year I will step down, having completed 10 years in my current role.

Looking back on 2006/07, it seems to me that it has been as remarkable a year as any in my time at the Arts Council – or indeed in the 30 years I have worked in the arts. The year began and ended with two different and, in their own way, very special events that say much about the strength and vitality of the arts in England today.

Over the 2006 May Day bank holiday around one million people shared the unique, magical and unforgettable experience that was the *Sultan's Elephant*, brought to England by Artichoke Productions. The 40-foot, 42-tonne mechanical elephant, its companion – a 20-foot little girl – and their entourage ambled through the heart of London and caught the imagination of the city and its people for four days. Moving and inspirational in equal measure, it was described by one commentator as 'nothing less than an artistic occupation of a city'.

Fast forward a few months to March 2007 when, in one of his final speeches as Prime Minister, Tony Blair talked unequivocally about how arts and culture are now so central to our national life. It was the first time a serving prime minister had devoted a speech exclusively to arts and culture and that fact alone is a tribute to the creativity and energy of artists and arts organisations throughout the country.

Tony Blair was not alone in his assessment – the last year has seen commentators, columnists and critics regularly observing that the arts are thriving as never before. In every sector, the 1,100 arts organisations who are regularly funded by Arts Council England continued to bring work of the highest quality to audiences in every part of the country.

We have also continued to invest directly and strategically in innovative projects and initiatives which both break new ground and reach new audiences. Our partnerships with broadcasters have resulted in the

During the Exeter Winter Festival of Light, Wren Music led lantern workshops in schools and the children formed a lantern parade.
Photo: Kevin Clifford

chief executive's report

moving and powerful *Ballet changed my life: Ballet Hoo!* on Channel 4, *The Singing Estate* on Five, and tens of thousands of people participating – many for the first time – in dance, through the BBC's *Big Dance*.

Meanwhile our Artists' Insights programme has tackled some of those apparently intractable problems such as workspaces, the legal framework and long-term financial planning and security which have beset individual artists for years.

The year also saw the Arts Council's 60th anniversary and, as well as celebrating our many past successes, we saw this as an opportunity to look forward by launching the arts debate – our first ever public value inquiry. It is a major programme of research, consultation and debate exploring how people value the arts. The arts debate continues into next year and its findings are already informing our thinking and planning, although I believe that the full impact of the arts debate will be felt only in the longer term.

The last year has not been without its difficulties and uncertainties, both internally and in the public arena. Internally, we saw the review of the operation and structure of the Arts Council's national office. In many ways this was the final stage of a process which began in 2002 with the merger that created Arts Council England and led to significant changes in personnel at all levels of the national office. It is of course unsettling when a number of people – some of whom have been with the organisation for many years – move on and for some it has undoubtedly been a difficult year. The new national office, smaller and more focused on national strategic leadership, is now up and running with new teams bringing renewed energy to our planning, strategic thinking and advocacy.

Perhaps the most significant uncertainty has been the long delay in the outcome of the Government's Spending Review. As a result, we have been unable to plan fully for the period from 2008–11, causing real concern for arts organisations and artists, many of whom are, in turn, hampered in planning their future work and programmes.

In addition, the announcement in March that a substantial sum of lottery funding would be diverted from the arts to contribute to the costs of



Ivor Setterfield conducting the Blackbird Leys Choir during their performance at the Royal Albert Hall for *The Singing Estate*. Photo: Charlie Gray

the Olympics caused dismay across the arts world. We still believe that the Olympics offers a fantastic opportunity for the arts, but in order to deliver the bold cultural ambition which was so central to the original bid we will need both secure funding for the arts infrastructure and specific funds to support the Cultural Olympiad itself.

I am confident that whatever the future may hold, the arts sector today is healthier, stronger and more robust than it was 10 years ago and so is in a better position to continue to thrive, responding positively to the challenges ahead and continuing to take great art to more people in more places.

It remains for me to thank all those with whom I have worked at the Arts Council over the last 10 years, Sir Gerry Robinson and Sir Christopher Frayling as chairs, all those who have served on Council, all my senior colleagues and indeed every member of staff in every part of England, for what they have helped to achieve. It has been a great privilege and an honour to have been chief executive of the Arts Council throughout this remarkable decade, and I wish my successor every good fortune for the future.

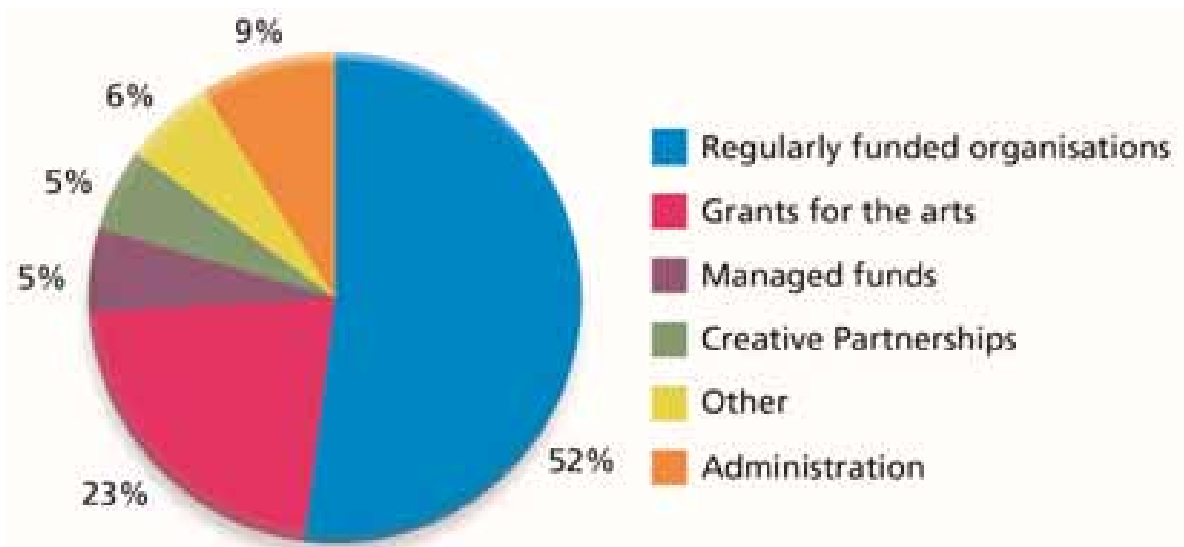
Peter Hewitt, Chief Executive

more art, more people, more places

The Arts Council works to get more art to more people in more places. We develop and promote the arts across England, acting as an independent body at arm's length from government.

We invest public money from government and the National Lottery in supporting the arts. In 2006/07, our total income was £589,973,000. This is the bedrock of support for the arts in England.

How we fund the arts



We provide funding to around 1,100 organisations on an ongoing basis and these are known as regularly funded organisations. Each regularly funded organisation is assessed annually and monitored as to how effectively it delivers against our ambitions.

Just over half of our regularly funded organisations have received constant funding from us in the last 10 years. We see these organisations as key centres of excellence, essential to the health of the arts sector.

They include the Royal Shakespeare Company (see page 15) and English National Opera (see page 42). The other half of our regularly funded organisations joined mainly in the last five years and reflect our commitment to supporting excellence, emerging artforms, Black and minority ethnic-led venues and newly built arts venues in regeneration arts such as The Sage Gateshead. These regularly funded organisations received £48 million in 2006/07, or 15 per cent of our total regularly funded organisations spend.

Grants for the arts is the Arts Council's open access funding stream for individuals and organisations that use the arts in their work. Grants for the arts are awarded to projects that help more people to take part in and enjoy the arts, or those that allow artists or arts organisations to develop and improve their performance and productivity.

Our Grants for the arts programme is funded by the National Lottery. In 2006/07, we made a total of 4,334 grants totalling £84.6 million.

Managed funds allow us to identify new opportunities for the arts, take new initiatives, establish new partnerships and address particular ambitions for growth. These funds are not normally open to application.

Our managed funds expenditure for 2006/07 was £29.6 million. Managed funds are used for development projects, including time-limited one-off events such as the *Sultan's Elephant* (see page 16) and the arts debate, our first public consultation exercise (see page 46).

Creative Partnerships has been running across 36 areas of England since 2002, making a real difference to the lives of young people. A recent Ofsted report¹ highlighted the effectiveness of the programme, which is bringing significant improvements in the basic learning skills, self-confidence and creative skills of young people.

¹ *Creative Partnerships: initiative and impact*, Ofsted, September 2006.



taking part in the arts

We want as many people as possible to engage with the arts.

As well as funding a range of participatory arts projects, we research the factors that may be limiting people's involvement with artistic activity, and the challenges and opportunities for the arts sector in countering these.

■ **We helped more than 2,800 people buy £2.4 million worth of art in 2006/07 through our innovative Own Art scheme.**

Own Art makes it easy and affordable for everyone to buy contemporary works of art and craft such as paintings, photography, sculpture, glassware and furniture. People can borrow up to £2,000 and pay back the loan in 10 monthly instalments. The scheme is available through a network of more than 250 participating venues across the country.

■ **The Take it away loan scheme helps people who would love to play or upgrade an instrument but can't afford to, by offering interest-free loans of up to £2,000, available through a network of retailers.**

During 2006/07 we ran a successful trial in the south east and the scheme is now rolling out nationally.

■ **The Royal Shakespeare Company (RSC) is one of the Arts Council's regularly funded organisations. In the past five years, annual productions aimed at families have successfully brought 150,000 people to the theatre for the first time.**

In April 2006, the RSC launched the most ambitious and exciting festival in its history: a year-long celebration of the entire Shakespeare canon, *The Complete Works Festival*, in Stratford-upon-Avon. It gave audiences the opportunity to see over 50 productions and take part in dozens of workshops, discussions and events.

Left: Strange Fruit perform as part of *Dancing City* at Canary Wharf, June 2006. Photo: Alastair Muir

Right: *Flower bag* by Kei Ito, exhibited as part of the Own Art scheme at the Djanogly Gallery, Lakeside Arts, Nottingham. Photo: Tony Chau

Far right: Joseph Millson (Benedick) from the RSC's production of *Much Ado About Nothing*. Photo: Simon Annand. Copyright: RSC





Sultan's Elephant. Photo: Sophie Laslett

Sultan's Elephant

In May 2006, London hosted the biggest piece of free theatre ever staged in the capital.

Created by European street theatre company Royal de Luxe and part-funded by the Arts Council, the *Sultan's Elephant* featured a 42-tonne, 40-foot high time-travelling mechanical elephant and a giant girl, 20 foot high.

The elephant and the girl captivated over a million spectators as they followed the show through the streets of central London.

'The Sultan's Elephant ... makes you feel incredibly happy and gives you permission to let your imagination take flight.'

The Guardian, May 2006

Right: Hundreds of dancers gathered on Haytor, Dartmoor in July 2006 as part of the Big Dance Class.
Photo: Jim Wileman

taking part in the arts

Big Dance

Six world records were broken in July 2006 when the nation took part in Big Dance – a week-long celebration involving dance-based events across England.

Nearly 9,000 people took part in The Big Dance Class, a mass participation dance event co-ordinated by BBC local radio. All over the country people took to the streets, parks, schools, museums and cultural centres to join in and smashed the record for the highest number of people taking part in a dance class in different places.

In the north west, the Wired Aerial Theatre performed Arts Council funded work, while the Greater Manchester Carnival saw

local community dance groups winding their way through the streets of Manchester.

The grand finale in Trafalgar Square was broadcast live by the BBC and featured 800 dancers performing 45 dance styles including bhangra, swing, flamenco and African.

The Big Dance campaign is the result of a partnership between the Arts Council, the Mayor of London and the BBC.

'I thought Big Dance was a wonderful event which engaged many new people with dance and was fantastic for raising the profile of dance in our region. I would love to make it a regular event!'
Dancer, Cornwall





Greenwich+Docklands Festivals

The Arts Council supports many free outdoor spectacles. One of our regularly funded organisations is Greenwich+Docklands Festivals – a small organisation with big ambition.

Its portfolio includes: the Greenwich+Docklands International Festival, London's most spectacular multi-artform festival; *First Night*, a celebration of the new year through the arts; and Diversivents, a nationwide programme of international artists and community groups that provides high-quality, site-specific arts events.

Il Cielo che Danza
(The Dancing Sky)
by Studio Festi, at
the Old Royal Naval
College, 2006.
Photo: Alastair Muir

taking part in the arts

The Margate Exodus

Margate played host to a large-scale community arts performance in summer 2006 when *The Margate Exodus* was staged, with all the roles played by the people of Thanet.

Featuring lice, locusts, frogs and flies, a 25-metre high sacrificial sculpture and a cast of thousands, the Old Testament Book of Exodus was retold with a clear resonance for our time, involving the community working collaboratively with teams of artists.

Waste Man by Antony Gormley at *The Margate Exodus*, Penny Woolcock. Commissioned and produced by Artangel, 2006.
Photo: Matthew Andrews





'Applying for Artsmark was a journey of development for us which has had a strong impact on the school. Our teachers are more skilled, the pupils have developed their confidence and self-esteem and the parents have become more involved in supporting the arts in the school.'

Moorlands Junior School, Greater Manchester

children and young people

The arts have an extraordinary power to deepen, broaden and transform the lives of children and young people. The country's long-term aspirations as a creative economy depend on providing opportunities now for children and young people to participate in arts and creativity.

■ **Our Arts Award is a professional learning programme for young people which develops and assesses both arts-related and transferable skills, such as creativity, communication, planning and teamwork.**

The programme results in a national qualification which recognises how young people develop as artists and arts leaders. Since the awards scheme was launched in 2005, more than 7,000 young people have taken part.

■ **From September 2006, we funded a new programme aimed at helping hospitalised children and their families.**

The Clown Doctors are professional artists, all trained to work with children in healthcare settings, who visit hospitals in Newcastle, Sunderland and Middlesbrough. Performing arts such as storytelling, music, improvisation and clowning are used to engage children and to help them come to terms with their situation using humour and play.

■ **Our Artsmark awards scheme encourages schools to increase arts provision to pupils and to raise the profile of arts education across the country.**

Artsmark has just completed its seventh round with the highest ever number of participating schools – more than 1,400, including awards for four pupil referral units and more than 70 special schools. To date, 30 per cent of all secondary schools and 10 per cent of all schools in England have received the award. Eighty-seven per cent of Artsmark schools say it has raised their school's profile in the local community.

Left: Students from Abbey Hill School and Performing Arts College perform *An African Tale* at the West Midlands Artsmark Celebration Awards 2006 in Stoke-on-Trent. Photo: Davinder Claire, CC Images Ltd



Soft Touch Arts Award Centre. Photo: Paul Colwell

children and young people

Flagship creativity programme unlocks potential

The Arts Council's Creative Partnerships seeks to unlock the potential of pupils and teachers by taking an innovative approach to teaching and learning.

A flagship creative learning programme for schools and young people, it focuses on the most deprived communities in England. The programme helps schools to develop a broad, balanced and relevant curriculum by enabling them to build long-term relationships with a range of creative practitioners.

A recent independent survey¹ of head teachers showed that 92 per cent had seen an improvement in pupils' confidence, while 94 per cent saw an improvement in teaching skills.

Recent highlights include *Anthem for Northumberland*, a collection of film and music devised by local schools working with professional musicians and film makers. The work, which premiered at The Sage Gateshead in October, expressed Northumberland's rich heritage.

Exciting Minds, Creative Partnerships' first national conference and creativity arena, took place in Manchester over two days in November and attracted nearly 1,000 attendees. It explored the importance of creativity in education and showcased the work of a range of agencies and initiatives working with schools.

¹ British Market Research Bureau (BMRB), April 2006.

Right: Shoot for the Moon. Photo: John Robertson

The Shoot for the Moon project saw Dale Primary School and an art and architecture collective work together on the *Field of Ribbons*. Ten thousand strips of yellow ribbons were suspended on wires tensioned across a previously under-used play area.





children and young people

Making a NOISE

This year we supported NOISE, an innovative arts festival that exhibits the very best in creative talent from people aged 25 and under.

The festival has no physical location. The central hub of activity takes place on the NOISE website and across the media, making it the first virtual festival of its kind in Europe. NOISE has already taken thousands of submissions from a massive range of artistic disciplines – from fashion, film, music and design to the written word and fine art and illustration.

The best work is selected for media showcase by a panel of leading creative professionals. Selectors in 2006 included designer Wayne Hemingway, artist Stella Vine and fashion designer Eley Kishimoto.

Life-changing ballet

We worked with Channel 4 to support a groundbreaking dance project which brought 100 young people from disadvantaged or troubled backgrounds into contact with ballet professionals.

The project, called Ballet Hoo!, was filmed by Channel 4 and shown as *Ballet Changed My Life: Ballet Hoo!* in March. Aided by funding from the Arts Council, the series charted the progress of the young people from the Midlands as they prepared to perform the ballet *Romeo and Juliet* at Birmingham Hippodrome.

'I would like to dedicate my performance to my foster carers, for all they have done for me.'

Carol, participant, Ballet Hoo!

'Ballet Hoo! has taught me not to judge a book by the cover.' Marion Tate, ballet mistress with Birmingham Royal Ballet

Left: *Romeo and Juliet*; Jenna Roberts as Juliet and Christina as the nurse. Photo: Phil Hitchman



the creative economy

At a time of intense international competitiveness, arts and creativity will continue to play a significant part in injecting innovation and enterprise into the economy.

We have a role in developing and sustaining the creative economy in England by funding investment in innovative work and new talent, and stimulating connections between the subsidised and commercial creative industries.



■ **Art06, our third annual spotlight on the arts, took place in Preston in June.**

One of the key commissions for the event came from a competition to design a wallpaper for Graham and Brown's Best of British range. The winning design, *My Perfect Teacher* by Andy Magee (above), is now commercially available throughout the UK. Other commissions included: a range of jigsaws featuring work by Charles Hadcock, Lubaina Himid, Bryan Talbot and Halima Cassell; and a stick of rock designed by Wayne Hemingway.

Left: In Norwich and Cambridge, our Creative Careers Fairs gave young people and future creatives the opportunity to explore careers in the creative industries. Photo: Dougal Waters

■ **The Cultural Leadership Programme (CLP) was launched in May 2006 to promote excellence in management and leadership.**

Supported by the Arts Council, the project aims to nurture and develop world-class, dynamic and diverse leaders for the 21st century by developing a range of activities and opportunities. CLP supports opportunities to learn within existing working environments and encourages best practice in coaching and mentoring across the cultural and creative industries.



The Meltdowns arts facility, one of the Thanet Baker's Dozen supported by CIBAS. Photo: David Fisher

Supporting creative industries

The Creative Industries Business Advisory Service (CIBAS) supports the growth of the creative sector by providing one-to-one specialist business advice, training seminars and networking events for artists and small arts businesses.

The first CIBAS project was established in 2003 by Arts Council England, South East, in partnership with Business Link Kent. The CIBAS model has been rolled out through various partnership configurations in six

different locations in the south east, supporting over 700 clients in one-to-one sessions.

In May 2006 the *Thanet Baker's Dozen* event offered a showcasing opportunity to 13 creative businesses supported through CIBAS, and based in Thanet. The event was a huge success and attracted a wide and diverse audience from the creative community, local authorities, funders, regeneration partners and the general public.

the creative economy

First time lucky

North east-based artist Claire Morgan won a prestigious prize for young sculptors for her very first international group show. The Arts Council has supported Claire's work over a number of years and a £4,456 award in 2006/07 made it possible for Claire to enter the competition.

Claire won the Italian Primo Fondazione Arnaldo Pomodoro, worth €10,000, for her work *Red or Dead* (below). The installation is a breathtaking giant arrow made of thousands of fresh cherries individually

suspended from the ceiling using fine, almost invisible thread.

'We've been proud to support Claire in various ways since 2004 when she joined our Graduate Placement Scheme to work with transport company Nexus. The progress made since then has been fantastic and a great example of the difference our support makes to artists as they build their careers.'

Mark Robinson, Executive Director,
Arts Council England, North East

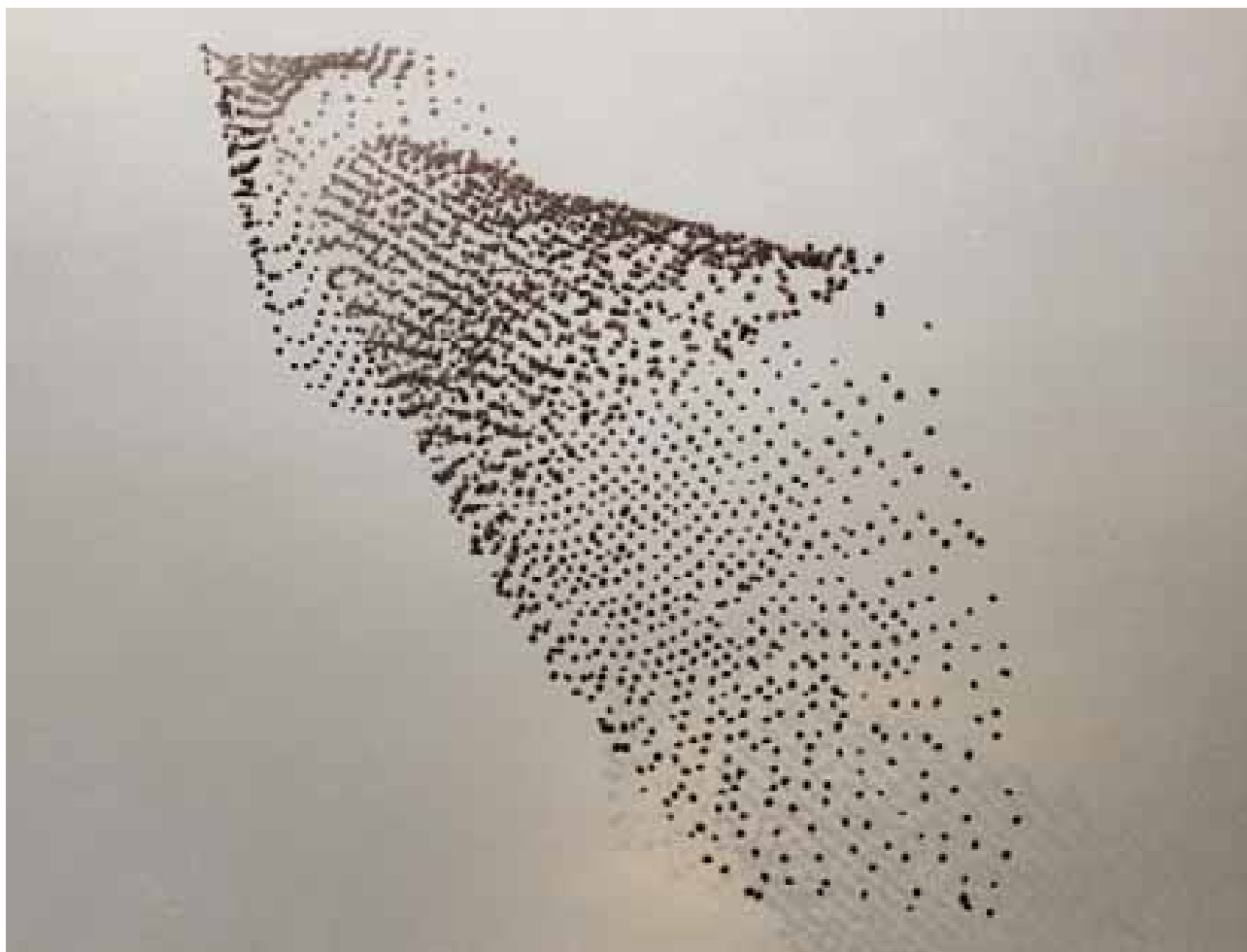


Photo: Claire Morgan



the creative economy

Escalator East to Edinburgh

Some of the best artistic talent from the east of England gained career-enhancing exposure at the Edinburgh Festival Fringe in 2006, thanks to the Arts Council and a Routemaster bus.

Our Escalator East to Edinburgh initiative helps emerging artists to perform at the Edinburgh Festival Fringe by transporting acts to the festival. In 2006, the double-decker bus also provided an alternative theatre venue for their performances.

The project achieved an unprecedented level of national and local press coverage, raising profiles and accumulating an advertising equivalent of over £1 million.

'Escalator East to Edinburgh has now become an established part of the Fringe and I'm delighted it has been so successful that it has expanded once again. It is to the great credit of Arts Council England, East that the companies that they support through this initiative are able to take part and also to make a big collective impact on the Festival.'
Paul Gudgin, Edinburgh Festival Fringe Director

Awarding lifetime achievement and supporting young writers

The David Cohen Prize for Literature 2007 was awarded to poet Derek Mahon for a lifetime's achievement in literature. The prize, worth £40,000, is awarded biennially and is administered by Arts Council England.

The winner also chooses a recipient for the £12,500 Clarissa Luard Award. This award is funded by the Arts Council and is given to a literature organisation that supports young writers or to an individual writer under the age of 35. Derek Mahon chose to present this cheque to his publisher, The Gallery Press, to continue its development of younger poets.

Left: Miss High Leg Kick, Escalator East to Edinburgh



vibrant communities

The arts breathe life and energy into communities, creating a sense of belonging and pride. Communities with the arts at their centre are more creative, productive and enjoyable places to live and their quality of life is tangibly better than places with no artistic or creative activity.



Leeds Grand Theatre. Photo: Stephen Vaughan

■ **The Dearne Playhouse in Goldthorpe, Yorkshire opened in June following a £1 million lottery award from the Arts Council.**

The theatre is now the largest in the area and will be an important focus for the community in the Dearne Valley. Professional, amateur and touring companies are performing there, and there is a thriving youth theatre group and a dance school.

Left: *Decoy* by Carl Von Weiler, part of the *Inside Outside* exhibition. When the National Trust's Cragside House was closed for essential rewiring work, artists were commissioned to create installations which gave a flavour of the inside of the house on the outside. Photo: John Williamson

■ **We support the Lowdham Book Festival – Nottingham's biggest literature event.**

Held each year in June, Lowdham Book Festival is fast becoming a big name in the international book festival scene, and 2006 saw a big increase in the numbers of writers and members of the public attending. Yet it also retains the atmosphere of a village fete, with masses of free events for adults and children taking place in marquees and the village hall.

■ **We provided £13.5 million of funding to redevelop Opera North's home venue, Leeds Grand Theatre.**

The refurbished facilities successfully married the restoration of the traditional auditorium with improved access and cutting-edge technical facilities, providing benefits for audiences and performers alike.

Phase two of the project will provide a new performance venue, rehearsal space and a home for Opera North's education programme. The redevelopment will not only enhance Leeds as a place to live and work, but will enrich the cultural life of the region, and allow Opera North to flourish and engage with wider audiences.



The Dreamcatcher's Project works with five schools in Knowle West to explore and represent young people's aspirations. Photo: Knowle West Media Centre

Bristol's house of straw

Knowle West Media Centre in Bristol is based in one of the most disadvantaged areas in the UK. The centre started as a one-off photography project, aiming to give young people something positive and creative to do in their own neighbourhood. With support from the Arts Council, the project has grown to include a wide range of excellent media and digital arts projects for all sections of the community.

Central to the future of the centre is an ambitious plan to build a bespoke community media centre on the current site.

Helped by a £100,000 Arts Council grant, work has started on a new centre using eco-friendly straw-bale building techniques – the largest building of its kind in Europe.

'The new building will enable us to extend and develop our work in the community. We believe that our work will contribute enormously to the cultural, economic and social development of the area.'

Carolyn Hassan, Director, Knowle West Media Centre

Right: *Turning the Place Over*, Richard Wilson, 2007. Photo: Alexandra Wolkowicz

vibrant communities

Welcome to the North

The three northern Arts Council England regions are partners in the UK's most ambitious large-scale public arts programme. The Northern Way's *Welcome to the North* programme is distributing £4.4 million of grant funding to deliver a small number of major artworks positioned at key gateways across the north.

The programme aims to improve the quality of public spaces and enhance the north's image and profile, attracting new people and investment into the area.

Projects include Antony Gormley's *Another Place* on Crosby foreshore in the north west, which comprises 100 cast-iron life-size statues and which has won three major regeneration and tourism awards and attracted 300,000 visitors. Another striking project is *Turning the Place Over* by Richard Wilson, which turns the façade of a Liverpool city centre building inside out by rotating it within and outside the building.





internationalism

Our ambition is to internationalise the arts. Our approach begins with the artists themselves, as we support artists from this country to work abroad, international artists to work here, and artists of all cultures to work together.

We aim to empower the arts community to work internationally, to develop international knowledge and capacity, and to help internationalise England culturally at a wider and deeper level.



Dancers from Horn of Africa performing at the World Summit on Arts and Culture. Photo: i2i photography

■ **In June 2006 we welcomed the world when we hosted the World Summit on Arts and Culture – five days of lively debate and cultural exchange at NewcastleGateshead.**

More than 480 delegates from 77 countries took part in discussions, workshops and cultural visits. Regeneration, learning and sharing were common themes throughout the summit, the first held in Europe.

■ **Derbyshire poet David Fine received a Grants for the arts award to be the poet in residence for the 2006 Ashes cricket test series in Australia.**

He wrote 25 poems, one for each day's play. The project attracted huge press coverage in the UK and Australia and introduced poetry to a new audience.

■ **We funded innovative art and music promoters Capsule, who run the Supersonic music festival in Birmingham. The event showcases emerging musicians from the West Midlands to an international audience.**

Capsule artists regularly perform at the El Sonar festival in Barcelona, which was the inspiration for Supersonic.

Left: *Monkey: Journey to the West*. Photo: Joel Fieldes

internationalism

A first for Manchester

We awarded more than £1.25 million to the inaugural Manchester International Festival – the only festival in the world that comprises entirely new work, all of which has been commissioned especially for Manchester.

The festival premiered work by established and emerging international musicians. One of the highlights was *Monkey: Journey to the West*, a dazzling new opera based on a Chinese legend, composed by Gorillaz'

Damon Albarn and Jamie Hewlett and directed by Chen Shi-Zheng.

'The visual arts, opera, theatre – these were not what sprung to mind when you mentioned Manchester in the past. If even 10 of our productions work, then Manchester will feed the cultural bloodstream of an international arts community.' Alex Poots, Manchester International Festival



Monkey: Journey to the West. Photo: Joel Fieldes



Shaman musicians of the Mehinaku tribe from the Amazonian rainforest. The musicians and dancers toured the UK for the first time in July 2006 with the help of CMN. Photo: Vitto D'Alessio

Contemporary Music Network

Our Contemporary Music Network (CMN) presented 11 tours in 2006/07 and reached over 11,000 people at its live performances all over the UK.

CMN toured members of the Amazonian Mehinaku tribe, enabling them to perform for the first time outside of Brazil. Other music presented included spatial soundscapes from Iceland, a UK/India collaboration spanning Asian classical and electronic music, and *Whiteplane_2* – the first performance using ambisonic technology in a live context.

celebrating diversity

Race, ethnicity, faith, disability and sexuality remain major preoccupations in this country, and the arts are fundamental to debates about them. Such debates help us to develop our own identity, as well as that of our nation.

We celebrate diversity, and the artistic and creative opportunities it offers. We have a role to play in removing any social or institutional barriers that prevent people from participating in and enjoying the arts.



Bhangrafest, Birmingham, September 2006. Photo: Adrian Burrows

■ **Bhangra music is one of the West Midlands' most successful arts exports, and Bhangrafest 2006 offered a weekend of free workshops and performances from local and international artists.**

It was organised by Bhangra in Birmingham, which receives Arts Council funding and supports more than 50 internationally performing bhangra acts and 10 record labels. It helps raise awareness of the value and artistic quality of Birmingham's bhangra scene and its success regionally, nationally and internationally.

■ **Our decibel programme sponsored a strand of events at the Cheltenham Literature Festival 2006 in October.**

One of the highlights – *Whose Story* – was a chain story written by 10 leading UK authors, including David Baddiel and Tracy Chevalier, who wrote a chapter each. Their identities were kept hidden until the event and readers were invited to guess the authors of the chapters.

The highest number of correct guesses was just five, illustrating how the experiment had successfully challenged assumptions about cultural identity in fictional writing.



Practical Mechanics, Ben Cove at Cell Project Space. Photo: Peter Abrahams

Practical Mechanics

We funded Ben Cove's first solo show at Cell Project Space in London as part of Adjustments, a series of exhibitions and debates which addressed thinking on disability, equality and inclusion.

Ben, a wheelchair user, presented *Practical Mechanics*, featuring an oversized pantograph drawing tool, wool-wrapped skulls and a video.

celebrating diversity



Red Earth performing *The Crane* at the Lost in Translation conference. The theatre piece was devised for deaf and hearing audiences. Photo: Robert Day

Cold Hands Warm Heart

The English National Opera, one of our regularly funded organisations, produced *Cold Hands Warm Heart* with The Croxley Project, a centre for adults with learning difficulties.

The piece was inspired by *La Bohème* and incorporated singing, music, drama, dance, design and video. A 15-minute film of the project was screened for an invited audience at the Curzon Soho cinema in Westminster in June.

Lost in Translation

Lost in Translation was a one-day conference held at Derby Dance Centre in June 2006 which focused on deaf and integrated arts and aimed to create links between mainstream and deaf artists and organisations.

The main purpose of the day was to increase awareness of the levels of integration needed to draw in and truly include deaf audiences, going beyond the traditional provision of British Sign Language interpreters and captioning.

Right: Ballet Black. Photo: Bill Cooper

Ballet Black

Britain's only Black ballet company, Ballet Black, brought innovative new work to the Arts Council funded Royal Opera House in January. The work included *Umdlalo kaSisi* by African choreographer Bawren Tavaziva, which fused ballet and traditional African movement.





celebrating diversity

The art prize that celebrates age

50 over 50: the Celebrating Age Open Art Prize is the UK's first national visual art prize for artists over 50.

Fifty works of art by artists aged 50 and over were selected and featured in an exhibition at the University of Brighton Gallery, which was opened by Sir Christopher Frayling, Chair of Arts Council England, in July.

50 over 50 is part of Celebrating Age, a series of events in Brighton and Hove aiming to explode negative images of ageing and celebrate the contribution that older people make to society. Celebrating Age receives funding from Arts Council England through the Urban Cultural Programme.

Remembering slavery

The 25th of March 2007 was the bicentenary of the abolition of the slave trade in the then British Empire. We invited poets to write on the theme of enslavement and commissioned 11 poems from some of the country's leading poets.

A 12th poem from an unpublished poet was chosen through a competition, and all were published on the Arts Council website.

Exodus in Manchester

Exodus is an exciting three-year creativity programme run by the Greater Manchester Refugees Arts Partnership.

Supported by the Arts Council, it develops partnerships with the creative and cultural sector, artists and groups among the refugee communities, and the wider population.

Exodus ran a refugee theatre season between November and December 2006, exploring issues around war, asylum and migration. Performances were developed with refugee communities and artists-in-exile, including a Congolese project exploring corruption and the arms trade in the Congo.

Detail from *Versace*, Chris Stevens, 2006, oil on canvas, 180x150cm. Overall prize winner of 50 over 50, curated by Shea Debnam Associates, July 2006.
Photo: Chris Stevens

the arts debate

In November 2006, we launched the arts debate, the UK's first ever full inquiry into the public value of the arts. We wanted to better understand public aspirations for the arts, and how they can be balanced with the needs of artists and arts organisations.

The debate focused around five key questions:

- what do you value about the arts?
- what principles should guide public funding of the arts today?
- what are the responsibilities of a publicly funded arts organisation?
- when should an artist receive public money?
- should members of the public be involved in arts funding decisions?

It consisted of a programme of formal research and a wider public consultation. The formal research involved people from all our stakeholder groups – artists, arts organisations and the general public, including people who currently have little or no involvement with the arts.

The fieldwork was completed in summer 2007 and the full findings will be published later in 2007/08. The results of both the formal research and the wider debate will inform what the Arts Council does in the future.

Another important source of information for future planning is *Taking Part*, a large-scale, continual survey of cultural participation commissioned in 2005 by the Department for Culture, Media and Sport in partnership with the Arts Council and other cultural agencies. *Taking Part* provides us with rich and robust data about who is and who isn't engaging with the arts and why, based on around 29,000 interviews conducted with adults in England (aged 16 and over) every year.

arts debate

by Luke Wright

Come on let's talk about art
Let's have an old fashioned debate
Argue 'til three in warm, musty bars
Gossip over tea with some mates
Just don't miss the chance to post your reviews
Because believe me, art talks about you

Right: Arts Council England and Sainsbury's 'art in your hand' sustainable shopping bags created to mark the 60th anniversary. Designs by Michael Craig-Martin (left) and Paul Morrison. Photo: John Spinks

sixty years of celebrating the arts

August 2006 was the Arts Council's 60th birthday. We marked 60 years of celebrating the arts with a range of projects that put original pieces of art into our everyday lives.

In November 2006, we teamed up with Sainsbury's. Three major artists (Michael Craig-Martin, Paul Morrison and Anya Gallaccio) created work for Sainsbury's reusable carrier bags on the theme of food. Over a million were produced for stores all over the country, and sold out in record time.

In March 2007, we created nine travel card wallets from a range of artists including dancers, writers and actors as well as visual artists. The wallets were then distributed to commuters, workers and shoppers all over the country – from Newcastle to Penzance.

The Arts Council also marked its anniversary with a major exhibition called 'How to improve the world' at the Hayward Gallery, London.



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reporting against our official commitments

The Arts Council has a funding agreement with our sponsoring department, the Department for Culture, Media and Sport (DCMS). This section reports on our performance on our funding agreement objectives for the period April 2006 to March 2007.

Participation and attendance

Our objective is to increase the number of adults and young people aged 16 and above from priority groups who participate in arts activity at least twice a year by 2% and to increase the number who attend arts events at least twice a year by 3% by 2008.

This target is the Arts Council's Public Service Agreement (PSA) 3 target. 2006/07 was a transitional year for our PSA targets. During the year, final data was received to enable us to report against PSA2. We also set the baseline for our new target, PSA3.

PSA target 2 (2003–06)

Our PSA2 ran from 2003–06 and aimed to:

- increase the proportion of people from priority groups who participate in at least two different arts activities a year by two percentage points
- increase the proportion of people from priority groups who attend at least two arts events a year by three percentage points

For this PSA target, arts activities were defined as:

- writing any stories, plays or poetry
- doing any ballet or other dance
- playing a musical instrument for own pleasure
- writing or composing a piece of music
- performing or rehearsing in a play or drama

- painting, drawing, print making or sculpture
- crafts

Arts events were defined as:

- play or drama
- exhibition or collection of art, photography or sculpture
- event connected with literature
- performance of opera/opera/operetta
- classical music concert
- jazz concert
- live dance, including ballet, contemporary dance, African people's dance, South Asian dance, or some other dance
- craft exhibition

People from priority groups were defined as adults aged 20 and over who are:

- disabled (using limiting longstanding illness as a proxy measure)
- from Black and minority ethnic groups
- socially excluded (using National Statistics' socio-economic classification (NS-SEC) as a proxy measure)

Baselines for these targets were established using surveys of attendance, participation and attitudes to the arts (the Omnibus Survey) carried out in 2001 and 2002 by the Office for National Statistics. Final performance against the targets was measured using data drawn from a new DCMS survey of cultural participation called *Taking Part*. This major national survey of the general public was commissioned by DCMS in partnership with Arts Council England, Sport England, English Heritage and the Museums, Libraries and Archives Council.

reporting against our official commitments continued

The data we used was collected between July 2005 and July 2006 and, adjusting for methodological differences¹ between the two surveys, the final estimates of participation and attendance by priority groups are shown in Table 1.

Table 1: Changes in participation and attendance levels since 2001

Priority group	Baseline	Participation		
		Range	Final	Range ²
Disabled	12.2%	10.5–13.9%	13.4%	12.4–14.4%
Socially excluded	9.7%	8.5–10.9%	10.5%	9.8–11.2%
Black and minority ethnic	14.6%	12.8–16.4%	12.7%	11.4–14.0%

Priority group	Baseline	Attendance		
		Range	Final	Range
Disabled	29.4%	27.0–31.8%	31.9%	30.0–33.8%
Socially excluded	22.9%	21.3–24.5%	24.5%	23.1–25.9%
Black and minority ethnic	32.2%	29.9–34.5%	30.8%	28.2–33.4%

Since the baselines were established, there has been no statistically significant change in participation by any of the priority groups or in attendance by disabled and socially excluded groups. *Taking Part* data shows a statistically significant decline in attendance by Black and minority ethnic groups.

PSA target 3 (2005–08)

We are now contributing to a new target, PSA3, running from 2005–08.

The aim of this target is, by 2008, to:

- increase the number of people aged 16 and over from priority groups who participate in arts activity at least twice a year by 2%
- increase the number of people aged 16 and over from priority groups who attend arts events at least twice a year by 3%

¹ The full report on the methodological differences can be found on the Arts Council website at: www.artscouncil.org.uk/finalreportonpsa2. *Final report on PSA target 2 on the take-up of cultural opportunities by people aged 20 and over from priority groups*, Arts Council England, April 2007.

² All ranges in this report are calculated using 95% confidence intervals.

reporting against our official commitments continued

The priority groups are defined as:

- Black and minority ethnic groups
- people with a limiting disability
- people in lower socio-economic groups

For this PSA target, arts participation activities are defined as:

- ballet
- other dance (not for fitness)
- singing to an audience or rehearse for a performance (not karaoke)
- playing a musical instrument to an audience or rehearse for a performance
- playing a musical instrument for your own pleasure
- writing music
- rehearsing or performing in play/drama
- rehearsing or performing in opera/opera
- painting, drawing, printmaking or sculpture
- photography as an artistic activity (not family or holiday 'snaps')
- making films or videos as an artistic activity (not family or holidays)
- using a computer to create original artworks or animation
- textile crafts such as embroidery, crocheting or knitting
- wood crafts such as wood turning, carving or furniture making
- other crafts such as calligraphy, pottery or jewellery making
- writing any stories or plays
- writing any poetry

Arts attendance events are defined as:

- exhibition or collection of art, photography or sculpture
- event which includes video or electronic art
- culturally-specific festival (for example Mela, Baisakhi, Navratri)
- play/drama
- other theatre performance (for example musical, pantomime)
- opera/opera
- classical music performance
- jazz performance
- other live music event
- ballet
- contemporary dance
- African people's dance or South Asian and Chinese dance
- other live dance events

Table 2: Arts engagement targets 2005–08

Priority group	Participation	
	Baseline	Target
Black and minority ethnic	21%	23%
Limiting disability	19%	21%
Lower socio-economic	15%	17%
Priority group	Attendance	
	Baseline	Target
Black and minority ethnic	24%	27%
Limiting disability	24%	27%
Lower socio-economic	17%	20%

PSA3 is measured using data from the *Taking Part* survey. The baseline (our starting point) for the targets was set in December 2006, using 12 months of data. We will report on progress towards these targets annually.

reporting against our official commitments continued

Education sessions delivered by regularly funded organisations

Our objectives are to:

- increase attendance at formal education sessions delivered by regularly funded organisations for the 4–19 age group by 2% year on year, from 2,020,000 in 2004/05 to 2,060,000 in 2005/06, 2,100,000 in 2006/07 and 2,140,000 in 2007/08
- increase attendance at informal education sessions delivered by regularly funded organisations for the 4–19 age group by 2% year on year from 530,000 in 2004/05 to 540,000 in 2005/06, 550,000 in 2006/07, and 570,000 in 2007/08

Targets are set within our funding agreement with DCMS for the number of education sessions delivered by regularly funded organisations. Based on provisional data for 2005/06, attendance at our regularly funded organisation education sessions was as follows:

Attendance at formal³ education sessions

Target 2005/06	2,060,000
Actual 2005/06	2,050,000

Attendance at informal⁴ education sessions

Target 2005/06	540,000
Actual 2005/06	750,000

Informal figures are based on sessions delivered by regularly funded organisations

³ Formal education sessions relate to education work connected to the school curriculum

⁴ Informal education sessions relate to education work outside the school curriculum. Sessions delivered to the 4–19 age group only relate to organisations in receipt of £100,000 or more of regular grant-in-aid funding from the Arts Council

in receipt of more than £100,000 of regular funding from the Arts Council.

Young People's Arts Award

Our objective is to roll out the Young People's Arts Award to register 10,000 young people by 2007/08.

As at 31 March 2007, 7,500 have registered for the award.

The Arts Award team working with Trinity Guildhall is now expecting to register 15,000 children and young people by March 2008. This is due to effective collaboration with regional agencies who promote the award to relevant professional sectors, local authorities, schools and arts organisations and who undertake training and support of the Arts Award advisers.

Regularly funded organisations

Our objective is for at least 55% of the portfolio of regularly funded organisations to meet the criteria 'met strong' or 'met outstanding' in terms of artistic quality as measured by the annual assessments.

Sixty per cent of regularly funded organisations in our portfolio were assessed as 'strong' or 'outstanding' during the 2006/07 annual assessment of regularly funded organisations.

reporting against our official commitments continued

Public value and evaluation

Our objectives are to undertake a public value inquiry by April 2007 and to produce an evaluation, data and evidence strategy by April 2007.

The arts debate, our public value inquiry, began in November 2006, with the open consultation stage launched in February 2007. Final conclusions and implications from the arts debate will be published in autumn 2007 and integrated into the development of our next corporate plan.

The corporate evaluation, data and evidence strategy has been developed within the context of our approach to corporate planning which was agreed by the March 2007 Executive Board. The evaluation strategy was taken to the May 2007 Executive Board and approved.

Creative Partnerships

Creative Partnerships works in 36 areas around the country. From May 2002 to July 2007, the number of attendances by young people in a Creative Partnerships project was 823,146. There have been 7,008 projects involving 74,611 teachers. Formal Continuing Professional Development (CPD) sessions have been provided to 46,753 teachers and 8,875 creative professionals. Creative Partnerships is working intensively with around 1,400 schools. It has delivered projects to young people or CPD to teachers in a further 1,800 schools and disseminated best practice to a further 8,000, so that over one-third of schools in England have now had some contact with the programme.

Operational delivery

Our objective was to implement the new national office structure by November 2006, delivering approximately £2 million savings per year.

The new staffing structure for the national office was introduced with effect from November 2006. The transition to this structure will be fully completed in 2007/08. Pay-related savings will be realised from November 2006 and property-related ones from autumn 2007/08. Therefore, the first year in which the savings are fully realised will be 2008/09.

Administrative savings

In response to the outcome of the 2004 Spending Review, we agreed with DCMS that we would cap our core administration costs in 2006/07 and 2007/08 at the 2005/06 level. This was achieved in 2006/07, as the following table shows:

	2006/07 £000s	2005/06 £000s
Total operating costs per summary above	51,670	54,121
Less one-off development costs (Arena IT system)	(1,943)	(4,364)
Adjusted ongoing operating costs	49,727	49,757

remuneration report (audited information)

1 April 2006–31 March 2007

The Remuneration Committee

The Council has appointed a Remuneration Committee to advise on the remuneration of regional chairs and for specific matters relating to the remuneration and performance of the chief executive and executive directors. The members of the Committee during the year were Sir Christopher Frayling, Dorothy Wilson, Sir Brian McMaster CBE, Professor Stuart Timperley and Professor Alan Livingston. The Committee operates within written terms of reference, and usually meets once during the year.

Council members' remuneration

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

We paid the nine members of Council who are also chairs of regional councils remuneration of £6,170 each during 2006/07 (2005/06: £6,045). The chair and remaining members of Council received no remuneration during 2006/07 (2005/06: £nil).

Executive directors' remuneration

The remuneration system for executive directors was established in 2003/04. There are two pay bands and jobs are allocated to a band depending on the scale of responsibilities for the role.

Salary progression through the bands is dependent on individuals' performance. Non-consolidated, one-off bonuses are also awarded to the highest performing executive directors each year, from a pot calculated as around 1.5% of the overall salary budget for this group of employees.

The chief executive makes proposals on salary progression and bonus awards for executive directors to the Remuneration Committee for approval. The chair makes similar recommendations for the chief executive to the Committee for approval.

remuneration report (audited information) continued

The remuneration of our executive directors for the year ended 31 March 2007 was:

	Salary £000s	Pension £000s	Bonus £000s	Total remuneration 2006/07 £000s	Total remuneration 2005/06 £000s
Peter Hewitt (Chief Executive)	144	27	5	176	162
Nick Capaldi (South West)	77	11	3	91	88
Andy Carver (Yorkshire)	77	11	0	88	85
Gus Casely-Hayford (Arts Strategy)*	8	2	0	10	0
Laura Dyer (East Midlands)	77	19	0	96	90
Michael Eakin (North West)	86	12	3	101	95
Althea Efunshile (Arts Planning and Investment)*	23	0	0	23	0
Kim Evans (Arts)*	96	18	0	114	152
Keith Harrison (Resources)	89	22	3	114	103
Felicity Harvest (South East)	77	19	0	96	88
Sally Luton (West Midlands)	77	11	3	91	88
Aileen McEvoy (North West)*	28	4	0	32	0
Mark Robinson (North East)	67	10	0	77	50
Andrea Stark (East)	85	21	3	109	99
Pauline Tambling (Development)*	84	20	0	104	99
Sarah Weir (London)	90	22	0	112	107
Andrew Whyte (Advocacy and Communications)	96	24	3	123	8

* Part-year figures

Peter Hewitt is on a fixed contract which expires in March 2008 and Mark Robinson is on a fixed contract which expires in December 2007. All other executive directors are on permanent contracts. Kim Evans left the organisation in November 2006 and was paid a redundancy payment of £82,245 in accordance with our job security policy. Pauline Tambling left the organisation in March 2007 and was paid a redundancy payment of £67,451 in accordance with our job security policy. Althea Efunshile and Gus Casely-Hayford joined the organisation in January 2007 and March 2007 respectively. Aileen McEvoy took up the role of Executive Director, North West from November 2006 to March 2007, covering Michael Eakin's secondment to Executive Director, Arts Strategy.

remuneration report (audited information) continued

Details of the pension entitlements for our executive directors for the year ended 31 March 2007 were:

	Accrued pension at 31 March 2007 £000s	Pension increase in the year (net of inflation) 2006/07 £000s	Cash equivalent transfer value at 31 March 2007 £000s	Increase in cash equivalent transfer value (net of inflation) 2006/07 £000s	Cash equivalent transfer value at 31 March 2006 £000s
Peter Hewitt (Chief Executive)	128	6	426	4	412
Nick Capaldi (South West)	70	4	235	21	209
Andy Carver (Yorkshire)	56	5	215	28	183
Laura Dyer (East Midlands)* **	70	68	133	129	4
Michael Eakin (North West)	113	2	422	19	393
Keith Harrison (Resources)	46	9	112	15	94
Felicity Harvest (South East)**	14	(4)	53	18	34
Sally Luton (West Midlands)	107	5	453	25	417
Mark Robinson (North East)**	27	5	83	65	17
Andrea Stark (East)** ***	13	4	28	8	19
Sarah Weir (London)**	18	5	45	34	10
Andrew Whyte (Advocacy and Communications)	5	5	12	12	0

* During the year a transfer was paid into the Arts Council Retirement Plan in respect of benefits from the West Yorkshire Pension Fund

** Pensionable amounts for 2005/06 re-stated

*** Also retains deferred benefit in the West Yorkshire Pension Fund not included in these figures

Peter Hewitt
Chief Executive

Sir Christopher Frayling
Chair

8 October 2007

8 October 2007

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Arts Council England grant-in-aid accounts

1 April 2006–31 March 2007

Trustees' report and management commentary

Reference and administrative details of the charity

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

National Council

Council members are responsible for ensuring the achievement of Arts Council England's objectives, which are to develop and improve the knowledge, understanding and practice of the arts, and to increase the accessibility of the arts to the public. They do this by deciding on policy and priorities, and retain overall responsibility for the investment strategy of Arts Council England.

Our Council members are the trustees of Arts Council England. The national Council consists of 15 members, nine of whom also take on the role of chair of one of the regional councils as detailed opposite.



Trustees' report and management commentary continued

Member	Regional Arts Board original appointment (pre merger)	National Council appointment (post merger)	Renewal	End of appointment	Region – Chair
1 Sir Christopher Frayling (Chair)		2 February 2004	1 February 2008	31 January 2009	
2 Diran Adebayo		20 October 2004		19 October 2008	
3 Janet Barnes		1 February 2005		31 January 2009	Yorkshire
4 Tom Bloxham MBE	April 2000	1 June 2002	31 May 2006	31 May 2010	North West
5 Professor Andrew Brewerton		6 August 2007		5 August 2010	South West
6 Kentaké Chinyelu-Hope		1 October 2005		30 September 2009	South East
7 Keith Khan		1 May 2006		30 September 2010	
8 Professor Alan Livingston	October 1999	1 June 2002	31 May 2006	31 May 2007	South West
9 François Matarasso		1 October 2005		30 September 2009	East Midlands
10 Sir Brian McMaster CBE		1 June 2002	31 May 2004	31 May 2008	
11 Elsie Owusu OBE		1 June 2002	31 May 2005	31 May 2009	
12 Alice Rawsthorn		27 February 2007		31 January 2011	
13 Dr Tom Shakespeare		1 October 2004		30 September 2008	North East
14 Professor Stuart Timperley		1 June 2002	31 May 2004 31 May 2006	31 May 2008	East
15 Dorothy Wilson		1 June 2002	31 May 2005	31 May 2009	West Midlands
16 Lady Sue Woodford Hollick	September 2000	1 June 2002	31 May 2006	31 May 2008	London
William Sieghart	June 2000	1 June 2002		31 May 2006	

Trustees' report and management commentary *continued*

National Council *continued*

Members of our national Council are appointed by the Secretary of State for Culture, Media and Sport. Council members are usually appointed for four years, and may be reappointed for a further term of four years. Council meets approximately five times during the year.

From 2007/08, the London Mayor will hold responsibility for appointing the Chair of London Regional Council.

During the year, William Sieghart retired as a member of the Council at the end of his term of appointment. Alice Rawsthorn was appointed to fill the vacancy.

The Council has appointed an Audit Committee, with Dorothy Wilson as Chair. Sir Brian McMaster CBE, Professor Stuart Timperley and Professor Alan Livingston served as members of the committee during the year, with David Brierley CBE and Gill Laver as co-opted members. The committee is responsible for overseeing the internal and external audit process, monitoring the codes of practice for Council members and staff, and overseeing the risk register. The committee operates within written terms of reference, and met four times during the year.

Policies and procedures adopted for the induction and training of trustees

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

For all newly appointed trustees, the Council arranges for an induction process to be undertaken. This includes meeting with the chief executive and the chair to discuss the role of the member and the functions of Arts Council England, and a range of meetings with staff of the Council to appreciate the policies, strategies and activities of the Council in more detail. Members who are also appointed to chair a regional council receive a further induction to that role, led by the relevant regional director.

The Council undertakes regular debates and facilitated group sessions, ranging from half a day to two days, outside of their business meetings, at least four times a year. These afford opportunities for development and consideration of a range of issues that are important to the work of the Council outside the formal meeting setting.

Other training for members of the regional councils is undertaken in the regions.

Trustees' report and management commentary *continued*

Executive Board

The Executive Board is Arts Council England's strategic and executive decision-making body and comprises the chief executive and all national and regional executive directors. It provides the executive link between the national and regional offices. It is responsible for developing the long-term strategy for the Arts Council and for ensuring delivery of the corporate plan.

It is made up of the Chief Executive, Peter Hewitt, the nine regional executive directors and the four executive directors at the national office.



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14

Member	Job title	Region
1 Peter Hewitt	Chief Executive	National Office
2 Andrea Stark	Executive Director	East
3 Laura Dyer	Executive Director	East Midlands
4 Sarah Weir	Executive Director	London
5 Mark Robinson	Executive Director	North East
6 Michael Eakin	Executive Director	North West
7 Felicity Harvest	Executive Director	South East
8 Nick Capaldi	Executive Director	South West
9 Sally Luton	Executive Director	West Midlands
10 Andrew Carver	Executive Director	Yorkshire
11 Keith Harrison	Executive Director, Resources	National Office
12 Althea Efunshile	Executive Director, Arts Planning and Investment	National Office
13 Andrew Whyte	Executive Director, Advocacy and Communications	National Office
14 Gus Casely-Hayford	Executive Director, Arts Strategy	National Office

The Council appointed the Chief Executive, Peter Hewitt, on 9 March 1998 with the approval of the Secretary of State for Culture, Media and Sport. His contract expires on 31 March 2008.

Responsibilities of trustees, the chief executive, Executive Board and Management Committee

The Council, as trustees, retains overall responsibility for the work and conduct of the organisation. The Council is invited to consider and approve major matters of policy development, including the overall framework for the strategic delivery of those policies. In addition, approval of certain financial transactions over a specified monetary limit has been reserved for the Council. A list of matters reserved for the decision of the Council has been agreed in the Council's guidelines to the chief executive.

The Council has approved the delegation of powers for delivery of the agreed policies and strategies to the Executive Board, composed of all of the executive directors and with the chief executive presiding. Written terms of reference and procedures for the Executive Board have been agreed by the Council, including a requirement for the Board to have regard to the authority of the chief executive and the regional councils. The Executive Board held five formal business meetings in the year.

The Council has approved the further delegation of powers to a Management Committee as a sub-committee of the Executive Board. The Management Committee is responsible for day-to-day management and review of the corporate plan, ongoing business and agreed corporate projects. The Committee is composed of five executive directors selected to be a cross-representation of the organisation, and was chaired during the year by the executive director, resources. Written terms of reference and procedures have been agreed by the Executive Board for this committee, including having regard to the authority of the chief executive and the regional councils. The Management Committee meets on a monthly basis.

The chief executive has been authorised by the Council to undertake the day-to-day administration and management of the business and staff of the organisation. He is responsible to the Council for those matters. The Council has agreed and issued guidelines to the chief executive, indicating those matters for which it reserves decisions to itself.

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

Trustees' report and management commentary *continued*

Governance

Arts Council England was established by Royal Charter on 13 March 1994, taking over those responsibilities in England previously discharged by the Arts Council of Great Britain. The objectives of the Arts Council as stated in the Royal Charter, our governing document, are:

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

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

Arts Council England was granted a Supplemental Charter on 18 March 2002. Its purpose was 'to give effect to new arrangements for regionalisation of its structure and activities'. There were no changes to the objectives of the Arts Council and the main changes relate to our powers to establish and to delegate powers and functions to regional councils. The charter sets out the new composition of the Council, which includes the chairs of the regional councils.

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

We attempt to abide by the Better Payment Practice Code, and in particular pay bills in accordance with contract. Invoices are normally settled within our suppliers' standard terms, usually 30 days. In 2006/07, 76% of undisputed grant-in-aid invoices were paid within 30 days (2005/06: 84%). During 2006/07, we put in place a one-month payment freeze on invoices in order to implement our new organisation-wide finance and grants IT system. This has caused our average percentage of invoices paid within 30 days to drop when compared to previous years. This figure excludes the period October to December where data was unavailable following the implementation of this new IT system.

Structure

Arts Council England has nine regional offices, matching the government's regional boundaries, and a national office. Each region has a council and the 15-strong national Council (details on page 59) includes the chair of each of the regional councils.

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

Trustees' report and management commentary *continued*

Principal advisers

Banker:

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

Administrators, actuaries and investment

advisers to the Arts Council Retirement Plan:

Hewitt Bacon & Woodrow Limited
6 More London Place
London
SE1 2DA

Auditor:

Comptroller and Auditor General
157–197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Solicitors:

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

Subsidiary undertakings

Artco Trading Limited, registered address Central Square, Forth Street, Newcastle upon Tyne NE1 3PJ, is a wholly owned subsidiary of Arts Council England with share capital of two ordinary shares at £1 each. It runs the Own Art programme, which is an art purchase scheme.

In addition, during 2006/07, it piloted the Take it away initiative, which is a musical instrument purchase scheme. This pilot ran for six months between 31 July 2006 and 31 January 2007, in 15 stores throughout the south east of England. Due to the success of this pilot, the scheme will be launched nationally during 2007/08. This national launch was also made possible through the receipt of a private donation of £50,000. Grant-in-aid funding for the scheme (2006/07: £543,000) goes directly to Artco Trading Limited from DCMS. As at 31 March 2006, there are four Arts Council employees on the Artco Trading Limited board.

During 2006/07, the Tabernacle Centre Limited, registered address 2 Pear Tree Court, London EC1R 0DS, was a wholly owned subsidiary of Arts Council England. It is a company limited by the guarantee of its directors. It runs a community arts centre. As at 31 March 2007, there are two Arts Council employees on the board. It is expected that the company will cease to exist in 2007/08 as it is wound down.

Responsibility towards the environment and sustainable development

Over the past year, we have furthered our engagement with environmental and sustainable development agendas. This has meant starting to review internal policies in line with these agendas, giving consideration to how the arts in England can demonstrate best practice regarding ecological impact and, finally, encouraging recognition of artists' unique insights into critical issues of our time.

Specific pieces of work that occurred during 2006/07 are detailed below:

- working with the Carbon Trust, we have commissioned environmental consultants Ecofys to produce an energy audit that examines the carbon footprint of our estate and the working practices that would better support efficient use of our resources
- PricewaterhouseCoopers have been requested to undertake a study to identify areas where joint procurement by Arts Council clients might lead to savings and greater efficiency
- we have become a partner in the Culture and Sustainable Communities Joint Agreement, alongside other key charities and public bodies. This partnership aims to ensure all communities, particularly those experiencing housing-led growth and regeneration, can benefit from cultural and sporting engagement
- we formed a partnership with the Royal Society for the Encouragement of Arts called Arts and Ecology, which profiled cultural engagement with ecological issues
- a draft sustainable development policy and action plan was written and approved by the Management Committee
- a partnership with Sainsbury's led to the introduction of a reusable shopping bag with various designs during November 2006

In 2007/08, further development of work will occur internally and externally. Internally, this will look at our energy consumption across our buildings and, externally, will involve seminars and work with our regularly funded organisations portfolio.

Arena

In October 2006, we launched Arena, an internal web-based finance and grants management system used by all staff across our national office and regional offices. Arena is also a contacts database that holds over 190,000 contacts, and a procurement system that allows staff to raise and approve purchase orders online.

Express yourself! Staff survey 2007

In March 2007, Arts Council England carried out a second organisation-wide staff survey, through a comprehensive online questionnaire to all employees. The main objective was to assess levels of employee advocacy for and engagement with the organisation and our activities, which impact on employee retention, productivity and achievement of corporate objectives. It also aimed to measure changes in staff views and satisfaction levels since the 2005 original survey in response to action taken in the last two years. The survey was conducted by the independent research company Ipsos-MORI, who designed and conducted the survey in consultation with a group of staff survey champions, drawn from staff across the organisation. During 2007/08, the findings will be analysed, shared and discussed with staff, with a view to developing action plans to make improvements where the findings show lower levels of employee engagement and satisfaction. The research will also make an important contribution to the development of the organisation's people strategy, which will provide the strategic human resources thinking to underpin the organisation's corporate plan.

Approach to diversity

Championing diversity is one of the Arts Council's core ambitions. We want to encourage an environment where the arts reflect the full range and diversity of contemporary English society. Internally, the diversity team in the national office leads this work, but all regions and departments are contributing to make this work a success. Areas of work include:

- **race equality scheme (RES)** – this was implemented with a three-year action plan to ensure race equality was acted on internally and also externally through our regularly funded organisations. We provided workshops, seminars and other support materials to our clients to help them devise their own race equality schemes or diversity action plans. Through our Grants for the arts programme, more funding than ever has gone to Black and minority ethnic artists and Black and minority ethnic-led arts organisations. With the first RES action plan having been completed, work is now in progress to produce its successor for the period 2008–11. Unlike the first RES, RES 2 will focus on the external agenda and on making strategic interventions to support the development of Black and minority ethnic artists and organisations. RES 2 will be produced using the independent evaluation of RES 1 and by talking to Black and minority ethnic artists throughout the country and will include work such as the decibel and Whose Theatre initiatives.
- **disability equality scheme (DES)** – like the RES before it, our disability equality scheme seeks to change the way the Arts Council thinks and operates around disability equality issues as well as asking our clients and the arts industries that we fund and support to do the same. This work includes producing a disability arts strategy and deaf arts strategy, and we will work with clients, especially from disabled-led arts organisations, to ensure that the DES Action Plan 2007–10 removes artificial barriers to access and involvement in the arts by disabled artists and audiences.

Approach to diversity *continued*

- **a new model for diversity.** The Arts Council's diversity agenda is concerned with all potential social barriers to access and participation, not only with race and disability. Our diversity agenda should not remain fixed but will need to evolve over time in response to social changes and emerging patterns of discrimination. There is increasing evidence of widening inequality in life chances and opportunities and barriers to progression related to social background and origin. In the focus on 'marginalised groups', public institutions may have paid insufficient attention to the needs of those in lower socio-economic groups, which may be just as great as those from minority ethnic groups. The future will see diversity defined in a broader way that recognises there are a whole set of artificial social and institutional barriers (whether race, faith, ethnicity, age, gender, disability, sexual orientation, social origin or class based) that prevent the arts from being at the centre of a genuinely national life for all groups and communities in the UK.

In recognition of our positive approach to recruiting and managing staff with disabilities, we have been awarded the 'Two Ticks' symbol by The Employment Services. Our commitment to equality for gay, lesbian and bisexual employees has also been recognised externally and we have achieved a place in the Stonewall Workplace Equality Index as one of 100 top employers for gay people in Britain.

Approach to human resources

Arts Council England was recognised as an Investor in People in spring 2006 for the first time as one organisation. We were one of the first employers to achieve the newly introduced level 2 accreditation, which is higher than basic recognition.

As part of the organisation's overall strategy to utilise technology to improve efficiency and access to services and information, in 2006 we launched three new online systems: an online recruitment system, which has streamlined staff recruitment processes significantly; an employee data and reporting system accessible to all staff called HR Connect; and an e-learning system, which complements the corporate training and development programme. In 2007/08, the e-learning system will be shared with a pilot group of arts organisations to support development of their staff.

Internally, there are arrangements to promote effective consultation and communication with staff. Executive Board and Council activities are disseminated through a system of team briefing meetings, the intranet and regularly emailed updates, supplemented from time to time by organisation-wide, region-wide and departmental meetings.

Trustees' report and management commentary *continued*

Approach to human resources *continued*

More formally, Arts Council England recognises the trade unions Unite and Unison for consultation and collective bargaining, with well established consultative arrangements. The National Joint Consultative and Negotiating Committee (NJCNC) handles all core pay, terms and conditions of employment and human resources policies and procedures across the whole organisation. The NJCNC is supported by Local Joint Consultative and Negotiating Committees in each of the 10 workplaces.

We actively engage with Black and minority ethnic employees through a recognised Black Workers Group and employees with disabilities through the Disabled Workers Group. We have set Black and minority ethnic staff profile targets for recruitment and retention. Currently, 16% of staff classify themselves as Black or minority ethnic and 2% classify themselves as disabled.

Arts Council England seeks to ensure that the requirements of health and safety legislation are met in the workplace. Health and safety issues of general concern are discussed with Unite and Unison. During 2006/07, a new corporate health and safety policy has been drafted which will be implemented across all Arts Council England offices in 2007/08.

Restructure

In autumn 2006, structural changes to the national office were implemented. The changes were designed to create a national office that is better equipped to deliver the organisation's strategic aims effectively.

The new structure sets out a blueprint for a more focused, streamlined and effective organisation that is better able to provide national leadership and planning, build new partnerships and make a stronger case for the arts. Four new teams have been created: Arts Strategy, Arts Planning and Investment, Advocacy and Communications, and Resources.

Financial review

Arts Council England receives grant-in-aid from the Department for Culture, Media and Sport (DCMS) and is one of the bodies designated to distribute funds from the National Lottery by the National Lottery etc Act 1993 (as amended by the National Lottery Act 1998).

DCMS provided grant-in-aid of £427 million for the year (2005/06: £409 million). Ring-fenced funding is as stated in the table opposite.

Financial review continued

	2006/07
Ring-fenced funding	£m
Creative Partnerships	32.0
Young People's Arts Awards	0.2
Youth Theatre	0.6
Centres of Excellence	1.5
Cultural Leadership Programme	5.5
European Capital of Culture	2.0
South Bank Centre	3.0

In addition, we received £12 million of grants and donations for specific strategic projects from a number of other organisations.

During the year, we awarded grants to our regularly funded organisations of £315 million, and made awards worth £10 million under the Grants for the arts – individuals, our open application programme for individual artists. In addition, we spent £48 million directly on strategic initiatives and £33 million on our Creative Partnerships programme.

The statement of financial activities funded from grant-in-aid shows net incoming resources for the year of £3 million on unrestricted funds. This surplus is due to the change in the timing of some projects, which have slipped into the next financial year.

At 31 March 2007, Arts Council England had unrestricted reserves of £20 million. Our policy on reserves is to ensure that we hold sufficient funds to maintain liquidity, to cover unforeseen short-term cash requirements and to cover planned future expenditure. We review this policy and our reserves position annually. Our use of reserves, however, is restricted by the government's end-of-year flexibility regulations, which mean that we are not currently allowed to use our reserves brought forward from 2001/02 of £10 million.

In December 2004, DCMS announced that our funding for the financial year 2007/08 would be £411.5 million. This figure includes an undesignated capital allocation of £1 million in 2007/08. In addition, we will receive £6.5 million in 2007/08 towards the Cultural Leadership Programme.

Full details in relation to financial instruments are given in note 24 of the notes to the grant-in-aid accounts.

Trustees' report and management commentary *continued*

Grant-making policy

We award and monitor grants in accordance with regulations set out in our Charter and Financial Memorandum. Grant-making decisions are based on our objectives as stated in the Charter and the current funding agreement between Arts Council England and DCMS.

Consolidated activities

We prepare separate accounts for our grant-in-aid and lottery activities as required by the Secretary of State. We do not prepare a full set of consolidated accounts due to the differing accounting policies we are required to follow under the two separate accounts directions. However, to give a better understanding of our activities, we have prepared the following summary results for the two accounts combined for the 2006/07 and 2005/06 financial years.

	2006/07 £000s	2005/06 £000s
Income		
Grant-in-aid income	426,531	408,678
Share of proceeds from the National Lottery Distribution Fund	142,934	163,828
Investment returns on the Distribution Fund	6,396	8,115
Other income	14,112	12,537
Total income	589,973	593,158
Expenditure		
Net grant-in-aid grant commitments	373,710	350,610
Other grant-in-aid arts expenditure	30,448	30,216
Net lottery grant commitments	146,493	170,143
Operating costs	51,670	54,121
Total expenditure	602,321	605,090
Exceptional items		
Cost of fundamental reorganisation	(62)	(1,797)
Net (outgoing) resources	(12,410)	(13,729)
Profit on revaluation of fixed assets	16,169	8,003
Net movement in funds	3,759	(5,726)
Consolidated reserves brought forward	12,495	18,221
Consolidated reserves carried forward	16,254	12,495

Trustees' report and management commentary *continued*

Consolidated activities *continued*

The above figures for net lottery grant commitments include an accounting policy adjustment to reflect grant-in-aid accounting policies (note 1). This has the effect of increasing net grant commitments compared with the figures in the lottery distribution accounts by £18.3 million in 2006/07 (2005/06: a decrease of £28 million).

In response to the outcome of the 2004 Spending Review, the Arts Council agreed with DCMS that we would cap our core administration costs in 2006/07 and 2007/08 at the 2005/06 level. This was achieved in 2006/07, as the following table shows:

	2006/07 £000s	2005/06 £000s
Total operating costs per summary above	51,670	54,121
Less one-off development costs (Arena IT system)	(1,943)	(4,364)
Adjusted ongoing operating costs	49,727	49,757

Fees paid to the National Audit Office (NAO) for grant-in-aid external audit services during 2006/07 were £62,000 (2005/06: £53,000). So far as the trustees and the chief executive are aware, there is no relevant audit information of which the NAO is unaware, and all the steps have been taken that ought to have been taken to make sure the trustees and the chief executive are aware of any relevant audit information and to establish that the NAO is aware of that information.

Trustees' report and management commentary *continued*

Statement of trustees' and chief executive's responsibilities

Under the Royal Charter, the Arts Council is required to prepare a statement of accounts for the financial period in the form and on the basis directed by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury. The accounts are to be prepared on an accruals basis and to show a true and fair view of the Arts Council's state of affairs at the year end and of our incoming resources and resources expended and cash flows for the financial year. They are also prepared so as to comply with the Charities Statement of Recommended Practice (revised 2005). In preparing the accounts, the accounting officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

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

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

Peter Hewitt
Chief Executive

8 October 2007

Sir Christopher Frayling
Chair

8 October 2007

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

Statement on internal control

1 Scope of responsibility

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

2 The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Arts Council England's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Arts Council England for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Arts Council England's policy on risk can be summarised as follows. We will at all times

ensure that we meet our statutory reporting and regulatory obligations, are accountable to the public and will maintain systems to ensure that we protect our resources. Against this background, risk-taking is acceptable where it helps to deliver the organisation's core objectives.

It is Arts Council England's intention that risk-taking is not avoided; it is managed. The key to this approach is understanding the risks we face, their causes and how to control them, and then focusing attention on key risks.

3 Capacity to handle risk

We undergo a six-monthly review of our central risk register. The register captures risks identified by staff across the organisation and categorises these risks as strategic, operational, financial, external, reputational, human resources or compliance risks. Their impact and likelihood of occurrence are evaluated by senior staff, and decisions are taken on whether to tolerate, transfer, terminate or treat the risk. Steps to mitigate against each risk are identified and recorded in the register and assigned to a member of our Executive Board to manage. A summary of the high-level risks is reviewed by Arts Council England's Audit Committee every six months.

Risk management forms part of our ongoing activity and is addressed as a matter of standard practice in our corporate project plans. It continues to be a key element of how we monitor our corporate policies and initiatives. Each corporate project is monitored against milestones and is supported by a risk management plan.

Statement on internal control continued

3 Capacity to handle risk continued

During 2006/07, the organisation developed more comprehensive guidance on risk management with greater focus on risk action plans.

4 The risk and control framework

The system of internal control is based on a framework of regular management information, administrative procedures, including the segregation of duties, and a system of delegation and accountability. Arts Council England has established the following processes:

- a) A national Council, made up of the trustees of Arts Council England, which has a code of practice that includes a policy on declaration and registration of interests. Our defined responsibilities include:
 - strategic planning and control, including approval each year of a corporate plan and approval of the overall budget allocation on a three-year basis
 - delegating responsibility for specific matters to the regional councils
 - being accountable for public funds, ensuring that Arts Council England conducts operations economically, efficiently and effectively
 - approving the annual report and accounts
 - ensuring that we fulfil our obligations as an employer and comply with all relevant legislation
- b) An Audit Committee with agreed terms of reference which include:
 - reviewing Arts Council England's internal and external financial statements to ensure they reflect best practice
 - considering internal and external audit reports and reviewing our relationship with our internal and external auditors
 - reviewing the effectiveness of Arts Council England's internal control system, including the review of the risk management policy and risk register
 - reporting to the national Council on the above duties
- c) An Executive Board and Management Committee sub-group with defined terms of reference, which include:
 - developing the corporate policy on high-level issues and overseeing the implementation of nationally agreed policies and plans
 - receiving and monitoring financial information relevant to Arts Council England's overall management responsibilities
 - taking decisions within delegated powers and approving further delegation as appropriate
- d) An internal audit function that operates to standards defined in the Government Internal Audit Standards and whose programme of work is agreed and monitored by the Audit Committee. Internal auditors base their annual internal audit plans on an analysis of the risk to which Arts Council England is exposed. This analysis of risk and the plans are endorsed by Arts Council England's Audit Committee and approved by us. At least annually, the head of internal audit reports on internal audit activity in Arts Council England.

Statement on internal control continued

4 The risk and control framework continued

The report includes the head of internal audit's independent opinion on the adequacy and effectiveness of Arts Council England's system of internal control.

5 Review of effectiveness

As accounting officer and representative of the trustees, we have responsibility for reviewing the effectiveness of the system of internal control. Our review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the Executive Board, who have responsibility for the development and maintenance of the internal control framework, and by the comments made by the external auditors in their management letter and other reports. We have been advised on the implications of the result of our review of the effectiveness of the system of internal control by the Executive Board and the Audit Committee

and plan to address weaknesses and ensure continuous improvement of the system is put in place.

Improvements to internal controls made during the year include the establishment of a new department in the national office to lead on arts planning and investment. This includes a functional lead for each of our funding programmes to develop and monitor policies and procedures across the organisation. In addition, in October 2006, we implemented a new IT system 'Arena' which, when fully embedded, will further improve internal controls across the organisation in relation to procurement and grant assessment and monitoring.

Peter Hewitt
Chief Executive

8 October 2007

Sir Christopher Frayling
Chair

8 October 2007

The certificate and report of the comptroller and auditor general to the trustees of Arts Council England

I have audited the financial statements of Arts Council England for the year ended 31 March 2007. These financial statements have been prepared in the form directed by the Secretary of State and approved by HM Treasury. These comprise the statement of financial activities, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the remuneration report that is described in that report as having been audited.

Respective responsibilities of the trustees, chief executive and auditor

The trustees and chief executive, as accounting officer, are responsible for preparing the annual review, the remuneration report and the financial statements in accordance with the Charities Act 1993 and the directions made thereunder by the Secretary of State and for ensuring the regularity of financial transactions funded by Parliamentary grant (grant-in-aid). These responsibilities are set out in the statement of trustees' and chief executive's responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the remuneration report to be audited have been properly prepared in accordance

with the Charities Act 1993 and the directions made thereunder by the Secretary of State. I report to you whether, in my opinion, certain information given in the annual review, which comprises the trustees' report and management commentary, is consistent with the financial statements. I also report whether in all material respects the expenditure, income and resources funded by grant-in-aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

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

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

The certificate and report of the comptroller and auditor general to the trustees of Arts Council England

continued

Basis of audit opinion

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

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

Opinions

Audit opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Charities Act 1993 and directions made thereunder by the Secretary of State, of the state of Arts Council England's affairs as at 31 March 2007 and of its incoming resources and application of resources for the year then ended
- the financial statements and the part of the remuneration report to be audited have been properly prepared in accordance with the Charities Act 1993 and Secretary of State directions made thereunder
- information given within the annual review, which comprises the trustees' report and management commentary, is consistent with the financial statements.

Audit opinion on regularity

In my opinion, in all material respects, the expenditure and income funded by Parliament have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

John Bourn

Comptroller and Auditor General

National Audit Office

157–197 Buckingham Palace Road

Victoria, London SW1W 9SP

24 October 2007

The maintenance and integrity of Arts Council England's website is the responsibility of the Accounting Officer. My work does not involve consideration of these matters and accordingly I accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Statement of financial activities

For the year ended 31 March 2007

	Note	Unrestricted funds £000s	Restricted funds £000s	Total 2006/07 £000s	Total 2005/06 £000s
Incoming resources					
Incoming resources from generated funds					
Voluntary income	2	380,126	46,405	426,531	408,678
Investment income	2	1,232	0	1,232	1,289
Incoming resources from charitable activities	3	975	11,521	12,496	10,616
Total incoming resources		382,333	57,926	440,259	420,583
Resources expended					
Charitable activities	4	377,308	56,499	433,807	411,823
Governance costs		1,743	0	1,743	1,645
Total resources expended		379,051	56,499	435,550	413,468
Net incoming resources before exceptional items		3,282	1,427	4,709	7,115
Exceptional items					
Cost of fundamental reorganisation	25	0	0	0	(1,000)
Net incoming resources after exceptional items		3,282	1,427	4,709	6,115
Notional costs					
Cost of capital	8	(877)	0	(877)	(686)
Net incoming resources after notional costs		2,405	1,427	3,832	5,429
Reversal of notional costs		877	0	877	686
Net incoming resources for the year	9	3,282	1,427	4,709	6,115
Profit on sale of tangible fixed assets		0	0	0	459
Profit on revaluation of tangible fixed assets	10	16,169	0	16,169	7,544
Net movement in funds		19,451	1,427	20,878	14,118
Balance brought forward at 1 April		69,533	5,119	74,652	60,534
Balance carried forward at 31 March		88,984	6,546	95,530	74,652

The notes on pages 81 to 100 form part of these accounts.

Balance sheet

As at 31 March 2007

	Note	Unrestricted funds £000s	Restricted funds £000s	Total 31 March 2007 £000s	Total 31 March 2006 £000s
Heritage assets					
Works of art	10	<u>67,369</u>	<u>851</u>	<u>68,220</u>	<u>51,838</u>
Fixed assets					
Tangible assets	10	<u>5,250</u>	<u>0</u>	<u>5,250</u>	<u>5,652</u>
Current assets					
Debtors	12	1,995	6,953	8,948	6,309
Grant-in-aid receivable	2	0	0	0	1,000
Due from Arts Council lottery accounts		3,001	0	3,001	1,917
Grants paid in advance		20,666	0	20,666	12,475
Cash at bank and in hand		<u>20,013</u>	<u>10,878</u>	<u>30,891</u>	<u>31,265</u>
		<u>45,675</u>	<u>17,831</u>	<u>63,506</u>	<u>52,966</u>
Creditors: amounts falling due within one year					
Grants outstanding		22,654	9,310	31,964	26,882
Creditors	13	<u>7,507</u>	<u>1,975</u>	<u>9,482</u>	<u>9,796</u>
		<u>30,161</u>	<u>11,285</u>	<u>41,446</u>	<u>36,678</u>
Net current assets		<u>15,514</u>	<u>6,546</u>	<u>22,060</u>	<u>16,288</u>
Grant-in-aid receivable in over one year	2	0	0	0	874
Total assets less current liabilities		<u>88,133</u>	<u>7,397</u>	<u>95,530</u>	<u>74,652</u>
Represented by income funds					
Unrestricted fund	19	20,455	0	20,455	17,386
Restricted fund		0	6,546	6,546	5,119
Represented by capital funds					
Endowment fund	19	0	0	0	0
Designated fund		67,678	0	67,678	51,296
Donated asset reserve		0	851	851	851
		<u>88,133</u>	<u>7,397</u>	<u>95,530</u>	<u>74,652</u>

The notes on pages 81 to 100 form part of these accounts.

Peter Hewitt
Chief Executive

Sir Christopher Frayling
Chair

8 October 2007

8 October 2007

Cash flow statement

For the year ended 31 March 2007

	Note	2006/07 £000s	2005/06 £000s
Operating activities			
Grant-in-aid received		428,405	409,678
Other cash receipts		9,857	11,678
Grants paid to arts organisations and other bodies		(376,820)	(344,870)
Cash paid to and on behalf of employees		(33,942)	(33,961)
Net cash movements relating to the Arts Council lottery accounts		(1,084)	(1,319)
Cash payment relating to fundamental reorganisation		0	(1,000)
Other cash payments (net)		(27,148)	(27,085)
Net cash inflow from operating activities	20	<u>(732)</u>	<u>13,121</u>
Returns on investments and servicing of finance			
Interest received on short-term cash deposits		1,232	1,289
Net cash inflow from returns on investments		<u>1,232</u>	<u>1,289</u>
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(874)	(1,752)
Sale of tangible fixed assets		0	1,578
Net cash (outflow) from capital expenditure		<u>(874)</u>	<u>(174)</u>
(Decrease)/increase in cash	21, 22	<u>(374)</u>	<u>14,236</u>

The notes on pages 81 to 100 form part of these accounts.

Notes to the grant-in-aid accounts

1 Accounting policies

a) Basis of accounts

We have prepared these accounts in accordance with the Accounts Direction issued by the Secretary of State for Culture, Media and Sport in May 2002. They meet the requirements of the Companies Acts, and of the Statements of Standard Accounting Practice/Financial Reporting Standards issued and adopted by the Accounting Standards Board, so far as those requirements are appropriate. The accounts are presented in accordance with the revised Statement of Recommended Practice (SORP) issued by the Charity Commission in 2005.

The accounts are prepared on a historic cost basis. The Accounts Direction requires the inclusion of fixed assets at their value to the business by reference to current costs. However, for 2006/07, the values of fixed assets expressed in current cost terms, with the exception of the works of art collection and freehold land and buildings, are not materially different to historic costs. Therefore, these fixed assets are shown at historic cost on the balance sheet. Freehold land and buildings are revalued periodically to current market value and are included at this valuation on the balance sheet.

Separate accounts have been prepared for the Arts Council's lottery activities, in accordance with the directions issued by the Secretary of State, which follow different accounting policies. Grant commitments are recognised in the lottery accounts once grant offers are accepted. Grant commitments in the grant-in-aid accounts are recognised when the offer is issued. Consequently, in the opinion of the trustees, it is not possible to prepare

full consolidated accounts covering both grant-in-aid and lottery activities as it would not provide a fair view of the application of the Arts Council's resources. In this respect, we have not been able to comply with paragraph 381 of the SORP issued by the Charity Commission in 2005. However, we have included a summary of the consolidated figures for our combined activities and an estimate of the impact of the change in accounting policy on the lottery accounts in the management commentary on page 71.

We have two fully owned subsidiary companies as detailed in note 26 to the accounts. We do not consider that these companies are material enough to require us to produce separate consolidated accounts, therefore the grant-in-aid accounts include both these subsidiary companies' assets and liabilities.

b) Incoming resources

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

c) Expenditure

Grant expenditure is charged to the statement of financial activities in the year in which funded activities take place. Any amounts unpaid from grants at the year end are shown in the balance sheet as creditors. Grant commitments made in the year relating to future years' activity as disclosed in note 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. The trustees do not believe

Notes to the grant-in-aid accounts *continued*

1 Accounting policies *continued*

this would provide a true and fair view of the Arts Council's resources. In this respect, we have not been able to comply with paragraph 159 of the SORP issued by the Charity Commission in 2005. Any advance payments to funded organisations in anticipation of grants to be charged in the following financial year are shown as assets in the balance sheet.

Expenditure classified as activities undertaken directly relates to expenditure supporting the arts other than grants. This includes the cost of delivering major arts policies and projects.

Support costs comprise operational expenditure, including staff costs, directly attributable to charitable activities.

Governance costs comprise an apportionment of general administration expenditure based on an estimate of staff time and direct costs such as the cost of administering national Council and external and internal audit.

d) Depreciation and fixed assets

Depreciation is provided on all tangible fixed assets (excluding freehold land and works of art) at rates calculated to write off the cost less estimated residual value of each asset systematically over its expected useful life as follows:

- freehold buildings: 50 years
- leasehold buildings: life of the lease
- equipment, fixtures and fittings: four years
- motor vehicles: four years

A full year's depreciation is provided in the year of an asset's acquisition, and none in the year of its disposal. Software costs are written off in full in the year of acquisition.

Donated fixed assets are capitalised and included as income at market value in the year in which they are received. All individual assets valued greater than £2,000 are capitalised, except our freehold interests in the South Bank Centre and National Theatre as described in notes 17 and 18 of these accounts.

Our works of art collection is revalued at market value on a rolling basis, with all assets being revalued at least once every five years, and the highest value items at least every three years.

e) Leases

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

f) Taxation

Arts Council England is a registered charity (number 1036733) and is eligible under the Income and Corporation Taxes Act 1988 to seek from HM Revenue and Customs exemption from taxes on income arising from our charitable objectives. HM Revenue and Customs has granted this exemption. Accordingly, no taxation has been provided for in these accounts.

g) Pensions

We provide a defined benefit pension scheme for our employees (the Arts Council Retirement Plan 1994) and are a participating employer in the West Yorkshire Pension Fund. However, as these are multi-employer schemes, we cannot identify our share of the underlying assets and liabilities. We have therefore accounted for the schemes as if they were defined contribution schemes, in accordance with FRS17 *Retirement Benefits*, with the costs of the schemes charged to the statement of financial activities.

Notes to the grant-in-aid accounts *continued*

1 Accounting policies *continued*

h) Apportioned costs

Arts Council England incurs indirect costs, which are shared between activities funded from grant-in-aid and activities funded from the National Lottery. We are required to apportion indirect costs properly between the two areas on a full-cost basis in accordance with good accounting practice.

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

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

i) Notional costs

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

2 Voluntary and investment income

	Unrestricted funds £000s	Restricted funds £000s	Total 2006/07 £000s	Total 2005/06 £000s
Voluntary income				
Cash grant-in-aid voted by Parliament and paid in full				
Core funding	375,400	0	375,400	369,152
End year flexibility agreed	6,600	0	6,600	0
Capital funds for South Bank Centre	0	3,000	3,000	2,000
Capital funds for Capital of Culture	0	2,000	2,000	3,000
Other ring-fenced funds	0	7,405	7,405	2,800
Creative Partnerships	0	34,000	34,000	32,726
	<u>382,000</u>	<u>46,405</u>	<u>428,405</u>	<u>409,678</u>
Less: grant-in-aid receivable at 31 March 2006	<u>(1,874)</u>	<u>0</u>	<u>(1,874)</u>	<u>(2,874)</u>
	<u>380,126</u>	<u>46,405</u>	<u>426,531</u>	<u>406,804</u>
Plus: grant-in-aid receivable outstanding as at 31 March 2007	0	0	0	1,874
Grant-in-aid as shown in the statement of financial activities	<u>380,126</u>	<u>46,405</u>	<u>426,531</u>	<u>408,678</u>

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

Notes to the grant-in-aid accounts continued

3 Incoming resources from charitable activities

	Unrestricted funds £000s	Restricted funds £000s	Total 2006/07 £000s	Total 2005/06 £000s
Grants, sponsorship and donations received	0	11,333	11,333	9,832
Local authority subscriptions	383	0	383	383
Sundry	592	188	780	401
	<u>975</u>	<u>11,521</u>	<u>12,496</u>	<u>10,616</u>

	£000s	£000s	£000s	£000s
Grants, sponsorship and donations are analysed as follows:				
Arts Council of Northern Ireland	0	150	150	150
Arts Council of Wales	0	150	150	150
Arts Investment Funding	0	60	60	0
Association of Greater Manchester Authorities	0	170	170	340
Birmingham City Council	0	0	0	189
Bolton Metropolitan Borough Council	0	143	143	84
Cannon (UK)	0	75	75	0
Commission for Architecture and the Built Environment	0	0	0	223
Department for Culture, Media and Sport	0	510	510	375
Department for Education and Skills	0	2,589	2,589	2,504
Deutsche Bank	0	38	38	60
DTI Phoenix Fund	0	0	0	1,003
East Midlands Development Agency	0	150	150	0
East of England Development Agency	0	498	498	0
Esmée Fairbairn Foundation	0	0	0	84
European Regional Development Fund	0	800	800	970
European Social Fund	0	904	904	1,118
Kent County Council	0	124	124	0
Lancashire County Council	0	69	69	69
Liverpool City Council	0	63	63	0
London Development Agency	0	100	100	0
Manchester City Council	0	0	0	101
McLaren Group Ltd	0	50	50	0
North West Development Agency	0	0	0	58
Northumberland County Council	0	0	0	73
Nottingham County Council	0	0	0	70
One NorthEast	0	220	220	200
Scottish Arts Council	0	175	175	240
South East England Development Agency	0	162	162	203
South West Regional Development Agency	0	214	214	0
Yorkshire Forward	0	1,873	1,873	0
Other	0	2,046	2,046	1,568
	<u>0</u>	<u>11,333</u>	<u>11,333</u>	<u>9,832</u>

Notes to the grant-in-aid accounts *continued*

4a Charitable activities

	Activities undertaken directly £000s	Grant funding of activities £000s	Net support costs £000s	Total 2006/07 £000s	Total 2005/06 £000s
Regularly funded organisations	58	314,916	5,641	320,615	306,209
Grants for the arts – individuals	0	9,729	3,854	13,583	12,509
Strategic funding and activity	13,333	16,273	12,211	41,817	46,251
Creative Partnerships	15,121	17,461	6,579	39,161	34,081
Other restricted funds	1,936	16,482	1,364	19,782	14,564
Lapsed and revoked commitments	0	(1,151)	0	(1,151)	(1,791)
	<u>30,448</u>	<u>373,710</u>	<u>29,649</u>	<u>433,807</u>	<u>411,823</u>

- Regularly funded organisations are those organisations of strategic importance with which the Arts Council has long-term, multi-year funding agreements
- Grants for the arts – individuals are awards for activities that benefit people in England or help artists from England to carry out their work
- 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
- Creative Partnerships are projects through which the Arts Council encourages schools to explore new ways to improve learning and attainment through creativity
- Other restricted funds are those specific projects delivered through funds provided by partners as detailed in note 3

4b Analysis of grant funding by office

	Regularly funded organisations £000s	Grants for the arts individuals £000s	Other £000s	Total 2006/07 £000s	Total 2005/06 £000s
East	8,733	814	1,665	11,212	11,028
East Midlands	9,752	961	1,428	12,141	11,945
London	164,621	2,716	2,213	169,550	156,336
North East	12,832	798	2,927	16,557	16,196
North West	22,357	1,018	3,395	26,770	27,891
South East	13,366	781	1,151	15,298	14,982
South West	14,998	935	1,520	17,453	16,849
West Midlands	43,233	807	913	44,953	39,085
Yorkshire	24,400	899	2,906	28,205	25,693
National	624	0	14,637	15,261	20,023
Creative Partnerships	0	0	17,461	17,461	12,373
	<u>314,916</u>	<u>9,729</u>	<u>50,216</u>	<u>374,861</u>	<u>352,401</u>

Notes to the grant-in-aid accounts *continued*

4c Analysis of grants by recipient

	Grants to institutions £000s	Grants to individuals £000s	Total 2006/07 £000s	Total 2005/06 £000s
Regularly funded organisations	314,916	0	314,916	300,805
Grants for the arts – individuals	0	9,729	9,729	8,866
Strategic funding and activity	15,025	1,248	16,273	22,803
Creative Partnerships	14,472	2,989	17,461	12,373
Other restricted funds	16,307	175	16,482	7,554
	<u>360,720</u>	<u>14,141</u>	<u>374,861</u>	<u>352,401</u>

4d Analysis of support costs

	Unrestricted £000s	Restricted £000s	Less recharge to lottery £000s	Total 2006/07 £000s	Total 2005/06 £000s
Staff costs	23,104	3,334	(9,827)	16,611	16,581
Agency staff costs	1,233	408	(540)	1,101	1,504
Depreciation	926	0	(388)	538	407
Travelling, subsistence and entertainment	1,289	430	(565)	1,154	1,250
Rent and rates	4,219	843	(1,873)	3,189	3,093
Professional fees	1,782	381	(912)	1,251	856
Office and sundry	4,509	867	(1,948)	3,428	3,419
IT project*	1,943	0	(790)	1,153	2,660
Irrecoverable Value Added Tax	1,647	317	(740)	1,224	1,227
	<u>40,652</u>	<u>6,580</u>	<u>(17,583)</u>	<u>29,649</u>	<u>30,997</u>
Corporate governance costs				1,743	1,645
				<u>31,392</u>	<u>32,642</u>

* This reflects costs incurred in the year on the development of the new 'Arena' system for finance, grants and management information to replace the different IT systems which were in place until October 2006 in each office.

5 Staff costs

	2006/07 £000s	2005/06 £000s
Salaries and wages	25,250	25,678
Employer's National Insurance	2,131	2,126
Employer's pension contributions	4,704	3,670
Agency staff	1,857	2,487
	<u>33,942</u>	<u>33,961</u>

Notes to the grant-in-aid accounts *continued*

5 Staff costs *continued*

Staff costs include £4,970,000 (2005/06: £4,544,000) for staff involved in direct delivery of programmes included in activities undertaken directly in note 4.

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

	2006/07	Restated 2005/06
Direct delivery of programmes	42	40
Creative Partnerships	185	179
Support and corporate governance	645	651
	<u>872</u>	<u>870</u>

The figures above are net of five staff seconded to other organisations during 2006/07.

The figures for 2005/06 have been restated to include revised figures in relation to agency staff.

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

	2006/07	2005/06
Emoluments for the year:		
£60,000–£69,999	12	6
£70,000–£79,999	2	4
£80,000–£89,999	2	0

6 Council members' expenses

It is part of Council members' duties to assess artistic work. The cost of their tickets for attendance at performances and events is met by the Arts Council. In 2006/07, the total cost of tickets purchased for this purpose was £3,000 (2005/06: £1,000). All our Council members are able to claim back their travel and subsistence costs. The total amount reimbursed in the year is shown in note 9.

7 Pensions

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

Arts Council Retirement Plan (1994)

The scheme is a defined benefit scheme. However, because it is a multi-employer scheme, we are unable to identify our share of the underlying assets and liabilities. Consequently, we have accounted for the scheme as if it were a defined contribution scheme, in accordance with FRS17 *Retirement Benefits*.

The scheme is financed by payments by Arts Council England and employees into a trustee-administered fund independent of Arts Council England's finances. These contributions are invested by a leading fund management company. The net market value of the scheme's assets at 31 March 2007 was £58.5 million.

An actuarial valuation of the pension fund takes place every three years. At the last valuation on 1 April 2005, the actuarial value of the assets using the projected unit method was sufficient to cover 67% of the value accrued to members, a deficit of £17,100,000. As a result, and on the advice of the actuary, we have increased our employer's contribution to 23.5% with effect from 1 April 2006.

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

Price inflation rate	2.9%
Rate of pay increases	4.4%
Rate of pension increases	2.8%

Amounts due to the fund at 31 March 2007 were £nil (31 March 2006: £nil).

Notes to the grant-in-aid accounts *continued*

7 Pensions *continued*

West Yorkshire Pension Fund

We are an admitted member of the West Yorkshire Pension Fund. The scheme is a defined benefit scheme. However, because it is a multi-employer scheme, we are unable to identify our share of the underlying assets and liabilities. Consequently, we have accounted for the scheme as if it were a defined contribution scheme, in accordance with FRS17 *Retirement Benefits*.

The net market value of total scheme assets at 31 March 2007 was £7.3 billion.

An actuarial valuation of the pension fund takes place every three years. At the last valuation on 31 March 2004, the actuarial value of the assets using the projected unit method was sufficient to cover 82% of the value accrued to members. From 1 April 2003, employer contributions were set at 15%.

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

Rate of inflation	2.8%
Rate of pay increases	4.6%
Rate of pension increases	2.8%

Amounts due to the fund at 31 March 2007 were £nil (31 March 2006: £nil).

Legacy Regional Arts Board pension schemes

All active Regional Arts Board pension members, except those from London Arts, transferred to the West Yorkshire Pension Fund on 1 April 2002. However, their past service remained with the legacy pension provider as detailed below:

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

Arts Council England is responsible for meeting any further liabilities relating to Regional Arts Board employees which arise in respect of these funds. Liabilities in relation to three schemes have been addressed. The remaining schemes have not indicated that any liability exists. No provision has been made in these accounts for potential sums payable, because of the uncertain nature of these liabilities.

8 Notional costs

Notional cost of capital is calculated as 3.5% (2005/06: 3.5%) of the average net assets employed by the Arts Council in the year.

Notes to the grant-in-aid accounts continued

9 Net incoming resources for the year

	2006/07 £000s	2005/06 £000s
Net incoming resources are stated after charging:		
a) auditors' remuneration	80	53
b) operating leases	4,261	3,893
c) Council members' travel, subsistence and hospitality	47	42
d) insurance: trustees' and senior officers' indemnity	14	16

10 Heritage assets and tangible fixed assets

	Land and buildings £000s	Equipment, fixtures and fittings £000s	Vehicles £000s	Heritage assets: works of art £000s	Total £000s
Costs at 1 April 2006	7,089	2,858	18	51,838	61,803
Additions	516	145	0	213	874
Revaluations	0	0	0	16,169	16,169
Less: disposals	0	0	0	0	0
Cost at 31 March 2007	7,605	3,003	18	68,220	78,846
Depreciation at 1 April 2006	2,470	1,838	5	0	4,313
Less: depreciation on disposals	0	0	0	0	0
Revaluations	0	0	0	0	0
Provided for 2006/07	509	550	4	0	1,063
Depreciation at 31 March 2007	2,979	2,388	9	0	5,376
Net book value at 31 March 2007	4,626	615	9	68,220	73,470
Net book value at 31 March 2006	4,619	1,020	13	51,838	57,490

The net book value of land and buildings comprises:

	31 March 2007 £000s	31 March 2006 £000s
Freehold	811	1,344
Short leasehold improvements	3,815	3,275
	4,626	4,619

Our freehold property in Dewsbury was professionally revalued at 31 March 2005 by Drivers Jonas to an open market value of £600,000. On a historic cost basis the net book value at 31 March 2007 would have been £399,000.

Notes to the grant-in-aid accounts continued

10 Heritage assets and tangible fixed assets continued

Works of art and poetry collection

The Arts Council Collection has been valued by the curator at £68,220,000 at 31 March 2007 (31 March 2006: £51,838,000).

The purpose of the collection is to increase the understanding and appreciation of contemporary art and to widen the audience for contemporary art through loans to other galleries, public institutions and exhibitions. It is not held for investment or resale, and is therefore classified as a designated fund.

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

11 Costs apportioned to Arts Council England lottery distribution accounts

Directions issued by the Secretary of State require that costs incurred which relate to both grant-in-aid and lottery activities should be apportioned between the two in accordance with good accounting practice. Consequently, we have apportioned them accordingly, based on an assessment of time spent on each activity. Costs associated with Creative Partnerships are excluded from this assessment.

12 Debtors

	31 March 2007 £000s	31 March 2006 £000s
Trade debtors	7,100	4,350
Other debtors	770	710
Prepayments and accrued income	1,078	1,249
	<u>8,948</u>	<u>6,309</u>

13 Creditors: amounts falling due within one year

	31 March 2007 £000s	31 March 2006 £000s
Trade creditors	1,065	749
Other creditors including taxes and social security	285	418
Accruals and deferred income	8,132	8,629
	<u>9,482</u>	<u>9,796</u>

Notes to the grant-in-aid accounts continued

14 Grant offers

	31 March 2007 £000s	31 March 2006 £000s
Forward funding:		
2006/07	n/a	313,226
2007/08	324,509	323,202
	<u>324,509</u>	<u>636,428</u>

Forward funding at 31 March 2006 mainly represents allocations for regularly funded organisations for the three-year funding cycle 2005/06 to 2007/08 that were announced before the year end.

15 Leases

At 31 March 2007 the Arts Council had annual commitments under non-cancellable operating leases as set out below.

	Land and buildings 31 March 2007 £000s	Land and buildings 31 March 2006 £000s
Operating leases which expire:		
within one year	865	660
within two and five years inclusive	412	515
over five years	2,444	2,402
	<u>3,721</u>	<u>3,577</u>

16 Capital commitments

There were contracted capital commitments at 31 March 2007 of £685,000 (31 March 2006: £nil).

17 South Bank 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 South Bank 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.

Notes to the grant-in-aid accounts *continued*

18 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.

19 Reconciliation of movements in funds

	At 1 April			At 31 March	
	2006	Income	Expenditure	Transfers	2007
	£000s	£000s	£000s	£000s	£000s
Income funds					
Unrestricted funds	16,499	382,333	(379,051)	(213)	19,568
Revaluation reserve	887	0	0	0	887
Restricted funds*					
Creative Partnerships	1,582	37,556	(38,951)	0	187
Other restricted funds	3,537	20,370	(17,548)	0	6,359
Capital funds					
Designated funds	3,688	0	0	213	3,901
Donated asset reserve	851	0	0	0	851
Endowment funds	0	0	0	0	0
Revaluation reserve	47,608	16,169	0	0	63,777
	<u>74,652</u>	<u>456,428</u>	<u>(435,550)</u>	<u>0</u>	<u>95,530</u>

* Restricted funds balances at 1 April 2006 have been restated.

Description of funds

Income funds

a) Unrestricted funds

Grant-in-aid is received from the Department for Culture, Media and Sport. This is the Arts Council's main source of income, and is supplemented by other income. This fund is applied to grants expenditure and the running costs of the Arts Council.

b) Revaluation reserve

This relates to the unrealised surplus on revalued freehold properties.

Notes to the grant-in-aid accounts continued

19 Reconciliation of movements in funds continued

c) Restricted funds

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

	31 March 2007 £000s	31 March 2006 £000s
Department for Culture, Media and Sport (Creative Partnerships)	187	1,357
Department for Culture, Media and Sport (other)	2,701	1,635
European Regional Development Fund	849	579
European Social Fund	837	711
North West Development Agency	0	60
South East England Development Agency	0	270
Other	1,972	507
	<u>6,546</u>	<u>5,119</u>

Capital funds

a) Designated funds

This fund relates to capital expenditure on works of art allocated from the unrestricted fund. The transfer figure of £213,000 relates to additions to the collection purchased during the year from unrestricted funds less disposals in the year.

b) Donated asset reserve

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

c) Endowment funds

This fund was transferred to another organisation during 2005/06.

d) Revaluation reserve

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

Notes to the grant-in-aid accounts continued

20 Cash flow reconciliation

	2006/07 £000s	2005/06 £000s
Reconciliation of operating surplus to net cash inflow from operating activities		
Operating surplus	20,878	14,118
Interest receivable	(1,232)	(1,289)
Depreciation charges	1,063	1,176
(Profit)/loss on disposal of fixed assets	0	(459)
Revaluation of fixed assets	(16,169)	(7,544)
(Increase) in debtors and prepayments	(1,849)	(376)
(Increase)/decrease in grants paid in advance	(8,191)	786
Increase in grants outstanding	5,082	4,954
(Decrease)/increase in creditors	(314)	1,755
Net cash (outflow)/inflow from operating activities	<u>(732)</u>	<u>13,121</u>

21 Reconciliation of net cash flow to movement in funds

	2006/07 £000s	2005/06 £000s
(Decrease)/increase in cash in the year	(374)	14,236
Funds at 1 April	31,265	17,029
Funds at 31 March	<u>30,891</u>	<u>31,265</u>

22 Analysis of net cash

	1 April 2006 £000s	Cash flow £000s	31 March 2007 £000s
Cash	31,265	(374)	30,891

Notes to the grant-in-aid accounts *continued*

23 Related parties

23a) Council members

We maintain publicly available registers in which Council members declare their interests, including any direct interests in grant applications made to and commercial relationships with the Arts Council. These are the interests in grant recipients declared for the year ended 31 March 2007:

Grant for the year ended 31 March 2007 £000s	Balance unpaid at 31 March 2007 £000s	Organisation	Council member	Relationship
161	7	Cardboard Citizens	Diran Adebayo	Employee
80	0	York Museums and Gallery Trust	Janet Barnes	Employee
1,270	20	Liverpool Culture Company	Tom Bloxham MBE	Board member
144	4	Mind the Gap		Tenant of Mind the Gap
190	19	The Manchester International Festival		Board member
92	0	Royal College of Art	Sir Christopher Frayling	Employee
6	0	Victoria & Albert Museum		Trustee
550	50	Rich Mix	Keith Khan	Employee
51	0	City Arts	François Matarasso	Wife is board member
449	188	Engage		Adviser/ consultant
83	0	Sound Sense		Adviser/ consultant
170	0	National Opera Studio*	Sir Brian McMaster CBE	Board member
20	21	Royal Society of Arts	Elsie Owusu OBE	Practice
70	0	Yaa Asantewaa Arts & Community Centre		Adviser/ consultant

Notes to the grant-in-aid accounts continued

23 Related parties continued

Grant for the year ended 31 March 2007 £000s	Balance unpaid at 31 March 2007 £000s	Organisation	Council member	Relationship
2	0	Alec Finlay	Dr Tom Shakespeare	Other
69	0	Arcadea		Employee
170	3	East London Dance		Board member
13	0	Fiona Wright		Other
183	0	Foundation for Community Dance		Board member
389	0	GRAEAE Theatre Company*		Supplier
272	0	LUDUS Dance Agency		Adviser/ consultant
65	0	Monster Productions		Board member
7	0	PEALS Research Institute, Newcastle University		Employee
96	1	aliss	Dorothy Wilson	Co-director
2	25	Culture West Midlands		Board member
725	76	Midlands Arts Centre Ltd		Employee
251	0	Motionhouse Dance Theatre		Board member
247	0	Nitro	Lady Sue Woodford Hollick	Family member is director
18,859	0	South Bank Centre*		Partner is chair
156	150	Tate Modern		Board member

* In addition to the above, in the year ended 31 March 2007, advance payments on grants are included in the balance sheet for the following:

	Debtor balance at 31 March 2007 £000s
South Bank Centre	11,600
GRAEAE Theatre Company	220
National Opera Studio	96

Notes to the grant-in-aid accounts *continued*

23 Related parties *continued*

23b) Directors and senior managers

Executive directors and senior managers in Arts Council England are also required to declare any direct interests in grant applications made to and commercial relationships with the Arts Council. These are the interests in grant recipients declared for the year ended 31 March 2007:

Grant for the year ended 31 March 2007 £000s	Balance unpaid at 31 March 2007 £000s	Organisation	Executive director/ senior manager	Relationship
2,009	0	Halle Concerts Society	Hilary Boulding	Partner is employee
57	2	Bristol Cultural Development Partnership	Nick Capaldi	Board member
52	1	Culture South West		Board member
175	88	Clore Leadership Programme	Gus Casely-Hayford	Fellowship/ lecturer
3,407	3	The Sage Gateshead	Paul Collard	Partner is employee
1	0	Rose Flint	Holly Donagh	Other
44	0	Leeds Metropolitan University	Adrian Friedli	Partner is employee
0	2	Hastings Borough Council	Felicity Harvest	Family member is employee
85	25	Kent County Council		Board member
20	10	Arc Publishing	Mark Robinson	Other
170	0	New Writing North		Other
45	45	The Community Channel	Andrew Whyte	Non-pecuniary- board member and trustee
45	5	The Media Trust		Non-pecuniary- board member and trustee

Notes to the grant-in-aid accounts *continued*

23 Related parties *continued*

23c) 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, the Arts Council had the following balances outstanding with other government bodies:

	Creditor 31 March 2007 £000s	Debtor 31 March 2007 £000s
Balances with other central government bodies	156	2,571
Balances with local authorities	3,074	82
Balances with NHS Trusts	5	0
Balances with public corporations and trading funds	11	4

24 Financial instruments

FRS 13, *Derivatives and other Financial Instruments*, requires disclosure of the role which financial instruments have had during the period, in creating or changing the risks the entity faces in undertaking its activities.

As permitted by FRS 13, debtors and creditors which mature or become payable within 12 months of the balance sheet date have been omitted from this note.

a) Liquidity risk

All the Arts Council's liabilities are covered by current assets. As a result, we are not exposed to significant liquidity risks.

b) Interest rate risk

The cash balance of £30,891,000 at 31 March 2007 was held in instant access variable rate bank accounts which carried an average interest rate of 0.22% below base rate.

c) Foreign currency risk

Our exposure to foreign currency risk is not significant.

Notes to the grant-in-aid accounts *continued*

25 Exceptional items

In March 2006, we announced a major restructuring of our national office and a provision for the cost of implementing this was included in the accounts for 2005/06. Costs relating to the restructuring, as detailed below, have been disclosed separately in the income and expenditure account as an exceptional item. Also included in this figure are the final costs of the merger of the Arts Council of England with the 10 regional arts boards in April 2002.

	2006/07 £000s	2005/06 £000s
Redundancy costs	0	1,000
	<u>0</u>	<u>1,000</u>

26 Subsidiary undertakings

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

	2006/07 £000s	2005/06 £000s
Artco Trading Ltd		
Cash at bank and in hand	429	349
Other debtors	255	4
Current assets	<u>684</u>	<u>353</u>
Other creditors	34	65
Amounts due to Arts Council England	474	101
Current liabilities	<u>508</u>	<u>166</u>
Net assets	<u>176</u>	<u>187</u>
Reserves	<u>176</u>	<u>187</u>

Notes to the grant-in-aid accounts *continued*

26 **Subsidiary undertakings** *continued*

During 2005/06, the Tabernacle Centre Limited became a wholly owned subsidiary of Arts Council England. It is a company limited by the guarantee of its directors. It runs a community arts centre. As at 31 March 2007, there are two Arts Council employees on the board.

Tabernacle Centre Limited	2006/07 £000s	2005/06 £000s
Fixed assets	17	23
Cash at bank and in hand	23	34
Other debtors	0	4
Current assets	<u>40</u>	<u>61</u>
Other creditors	3	8
Current liabilities	<u>3</u>	<u>8</u>
Net assets	<u>37</u>	<u>53</u>
Reserves	<u>37</u>	<u>53</u>

The 2006/07 figures were unaudited at the date of signing these accounts.

27 **Post balance sheet event**

These accounts were authorised for issue by the accounting officer on 24 October 2007.

lottery distribution accounts

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121	Notes to the lottery distribution accounts

Arts Council England lottery distribution accounts

1 April 2006–31 March 2007

Management commentary

Reference and administrative details of the charity

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

National Council

Council members are responsible for ensuring the achievement of Arts Council England's objectives, which are to develop and improve the knowledge, understanding and practice of the arts, and to increase the accessibility of the arts to the public. They do this by deciding on policy and priorities, and retain overall responsibility for the investment strategy of Arts Council England.

Our Council members are the trustees of Arts Council England. The national Council consists of 15 members, nine of whom also take on the role of chair of one of the regional councils as detailed opposite.



Management commentary *continued*

Member	Regional Arts Board original appointment (pre merger)	National Council appointment (post merger)	Renewal	End of appointment	Region – Chair
1 Sir Christopher Frayling (Chair)		2 February 2004	1 February 2008	31 January 2009	
2 Diran Adebayo		20 October 2004		19 October 2008	
3 Janet Barnes		1 February 2005		31 January 2009	Yorkshire
4 Tom Bloxham MBE	April 2000	1 June 2002	31 May 2006	31 May 2010	North West
5 Professor Andrew Brewerton		6 August 2007		5 August 2010	South West
6 Kentaké Chinyelu-Hope		1 October 2005		30 September 2009	South East
7 Keith Khan		1 May 2006		30 September 2010	
8 Professor Alan Livingston	October 1999	1 June 2002	31 May 2006	31 May 2007	South West
9 François Matarasso		1 October 2005		30 September 2009	East Midlands
10 Sir Brian McMaster CBE		1 June 2002	31 May 2004	31 May 2008	
11 Elsie Owusu OBE		1 June 2002	31 May 2005	31 May 2009	
12 Alice Rawsthorn		27 February 2007		31 January 2011	
13 Dr Tom Shakespeare		1 October 2004		30 September 2008	North East
14 Professor Stuart Timperley		1 June 2002	31 May 2004 31 May 2006	31 May 2008	East
15 Dorothy Wilson		1 June 2002	31 May 2005	31 May 2009	West Midlands
16 Lady Sue Woodford Hollick	September 2000	1 June 2002	31 May 2006	31 May 2008	London
William Sieghart	June 2000	1 June 2002		31 May 2006	

Management commentary *continued*

National Council *continued*

Members of our national Council are appointed by the Secretary of State for Culture, Media and Sport. Council members are usually appointed for four years, and may be reappointed for a further term of four years. Council meets approximately five times during the year.

From 2007/08, the London Mayor will hold responsibility for appointing the Chair of London Regional Council.

During the year, William Sieghart retired as a member of the Council at the end of his term of appointment. Alice Rawsthorn was appointed to fill the vacancy.

The Council has appointed an Audit Committee, with Dorothy Wilson as Chair. Sir Brian McMaster CBE, Professor Stuart Timperley and Professor Alan Livingston served as members of the committee during the year, with David Brierley CBE and Gill Laver as co-opted members. The committee is responsible for overseeing the internal and external audit process, monitoring the codes of practice for Council members and staff, and overseeing the risk register. The Committee operates within written terms of reference, and met four times during the year.

Executive Board

The Executive Board is Arts Council England's strategic and executive decision-making body and comprises the chief executive and all national and regional executive directors. It provides the executive link between the national and regional offices. It is responsible for developing the long-term strategy for the Arts Council and for ensuring delivery of the corporate plan.

It is made up of the Chief Executive, Peter Hewitt, the nine regional executive directors and the four executive directors at the national office.



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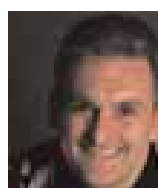
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Management commentary *continued*

Executive Board *continued*

	Member	Job title	Region
1	Peter Hewitt	Chief Executive	National Office
2	Andrea Stark	Executive Director	East
3	Laura Dyer	Executive Director	East Midlands
4	Sarah Weir	Executive Director	London
5	Mark Robinson	Executive Director	North East
6	Michael Eakin	Executive Director	North West
7	Felicity Harvest	Executive Director	South East
8	Nick Capaldi	Executive Director	South West
9	Sally Luton	Executive Director	West Midlands
10	Andrew Carver	Executive Director	Yorkshire
11	Keith Harrison	Executive Director, Resources	National Office
12	Althea Efunshile	Executive Director, Arts Planning and Investment	National Office
13	Andrew Whyte	Executive Director, Advocacy and Communications	National Office
14	Gus Casely-Hayford	Executive Director, Arts Strategy	National Office

The Council appointed the Chief Executive, Peter Hewitt, on 9 March 1998 with the approval of the Secretary of State for Culture, Media and Sport. His contract expires on 31 March 2008.

Governance

Arts Council England was established by Royal Charter on 13 March 1994, taking over those responsibilities in England previously discharged by the Arts Council of Great Britain. The objectives of the Arts Council as stated in the Royal Charter, our governing document, are:

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

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

Arts Council England was granted a Supplemental Charter on 18 March 2002. Its purpose was 'to give effect to new arrangements for regionalisation of its structure and activities'. There were no changes to the objectives of the Arts Council and the main changes relate to our powers to establish and to delegate powers and functions to regional councils. The charter sets out the new composition of the Council, which includes the chairs of the regional councils.

Management commentary *continued*

Governance *continued*

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

We attempt to abide by the Better Payment Practice Code, and in particular pay bills in accordance with contract. Invoices are normally settled within our suppliers' standard terms, usually 30 days. In 2006/07, 73% of undisputed lottery invoices were paid within 30 days (2005/06: 72%). In 2006/07, we put in place a one-month payment freeze on invoices in order to implement our new organisation-wide finance and grants IT system. The figure of 73% excludes the period October to December where data was unavailable following the implementation of this new system.

Structure

Arts Council England has nine regional offices, matching the government's regional boundaries, and a national office. Each region has a council and the 15-strong national Council (details on page 103) includes the chair of each of the regional councils.

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

Principal advisers

Banker:

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

Administrators, actuaries and investment advisers to the Arts Council Retirement Plan:

Hewitt Bacon & Woodrow Limited
6 More London Place
London
SE1 2DA

Auditor:

Comptroller and Auditor General
157–197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Solicitors:

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

Management commentary *continued*

Responsibility towards the environment and sustainable development

Over the past year, we have furthered our engagement with environmental and sustainable development agendas. This has meant starting to review internal policies in line with these agendas, giving consideration to how the arts in England can demonstrate best practice regarding ecological impact and, finally, encouraging recognition of artists' unique insights into critical issues of our time.

Specific pieces of work that occurred during 2006/07 are detailed below:

- working with the Carbon Trust, we have commissioned environmental consultants Ecofys to produce an energy audit that examines the carbon footprint of our estate and the working practices that would better support efficient use of our resources
- PricewaterhouseCoopers have been requested to undertake a study to identify areas where joint procurement by Arts Council clients might lead to savings and greater efficiency
- we have become a partner in the Culture and Sustainable Communities Joint Agreement, alongside other key charities and public bodies. This partnership aims to ensure all communities, particularly those experiencing housing-led growth and regeneration, can benefit from cultural and sporting engagement
- we formed a partnership with the Royal Society for the Encouragement of Arts called Arts and Ecology, which profiled cultural engagement with ecological issues
- a draft sustainable development policy and action plan was written and approved by the Management Committee
- a partnership with Sainbury's led to the introduction of a reusable shopping bag with various designs during November 2006

In 2007/08, further development of work will occur internally and externally. Internally, this will look at our energy consumption across our buildings and, externally, will involve seminars and work with our regularly funded organisations portfolio.

Arena

In October 2006, we launched Arena, an internal web-based finance and grants management system used by all staff across our national office and regional offices. Arena is also a contacts database that holds over 190,000 contacts, and a procurement system that allows staff to raise and approve purchase orders online.

Management commentary *continued*

Express yourself! Staff survey 2007

In March 2007, Arts Council England carried out a second organisation-wide staff survey, through a comprehensive online questionnaire to all employees. The main objective was to assess levels of employee advocacy for and engagement with the organisation and our activities, which impact on employee retention, productivity and achievement of corporate objectives. It also aimed to measure changes in staff views and satisfaction levels since the 2005 original survey in response to action taken in the last two years. The survey was conducted by the independent research company Ipsos-MORI, who designed and conducted the survey in consultation with a group of staff survey champions, drawn from staff across the organisation. During 2007/08, the findings will be analysed, shared and discussed with staff, with a view to developing action plans to make improvements where the findings show lower levels of employee engagement and satisfaction. The research will also make an important contribution to the development of the organisation's people strategy, which will provide the strategic human resources thinking to underpin the organisation's corporate plan.

Approach to diversity

Championing diversity is one of the Arts Council's core ambitions. We want to encourage an environment where the arts reflect the full range and diversity of contemporary English society. Internally, the diversity team in the national office leads this work, but all regions and departments are contributing to make this work a success. Areas of work include:

- **race equality scheme (RES)** – this was implemented with a three-year action plan to ensure race equality was acted on internally and also externally through our regularly funded organisations. We provided workshops, seminars and other support materials to our clients to help them devise their own race equality schemes or diversity action plans. Through our Grants for the arts programme, more funding than ever has gone to Black and minority ethnic artists and Black and minority ethnic-led arts organisations. With the first RES action plan having been completed, work is now in progress to produce its successor for the period 2008–11. Unlike the first RES, RES 2 will focus on the external agenda and on making strategic interventions to support the development of Black and minority ethnic artists and organisations. RES 2 will be produced using the independent evaluation of RES 1 and by talking to Black and minority ethnic artists throughout the country and will include work such as the decibel and Whose Theatre initiatives.
- **disability equality scheme (DES)** – like the RES before it, our disability equality scheme seeks to change the way the Arts Council thinks and operates around disability equality issues as well as asking our clients and the arts industries that we fund and support to do the same. This work includes producing a disability arts strategy and deaf arts strategy, and we will work with clients, especially from disabled-led arts organisations, to ensure that the DES Action Plan 2007–10 removes artificial barriers to access and involvement in the arts by disabled artists and audiences.

Management commentary *continued*

Approach to diversity *continued*

- **a new model for diversity.** The Arts Council's diversity agenda is concerned with all potential social barriers to access and participation, not only with race and disability. Our diversity agenda should not remain fixed but will need to evolve over time in response to social changes and emerging patterns of discrimination. There is increasing evidence of widening inequality in life chances and opportunities and barriers to progression related to social background and origin. In the focus on 'marginalised groups', public institutions may have paid insufficient attention to the needs of those in lower socio-economic groups, which may be just as great as those from minority ethnic groups. The future will see diversity defined in a broader way that recognises there are a whole set of artificial social and institutional barriers (whether race, faith, ethnicity, age, gender, disability, sexual orientation, social origin or class based) that prevent the arts from being at the centre of a genuinely national life for all groups and communities in the UK.

In recognition of our positive approach to recruiting and managing staff with disabilities, we have been awarded the 'Two Ticks' symbol by The Employment Services. Our commitment to equality for gay, lesbian and bisexual employees has also been recognised externally and we have achieved a place in the Stonewall Workplace Equality Index as one of 100 top employers for gay people in Britain.

Approach to human resources

Arts Council England was recognised as an Investor in People in spring 2006 for the first time as one organisation. We were one of the first employers to achieve the newly introduced level 2 accreditation, which is higher than basic recognition.

As part of the organisation's overall strategy to utilise technology to improve efficiency and access to services and information, in 2006 we launched three new online systems: an online recruitment system, which has streamlined staff recruitment processes significantly; an employee data and reporting system accessible to all staff called HR Connect; and an e-learning system, which complements the corporate training and development programme. In 2007/08, the e-learning system will be shared with a pilot group of arts organisations to support development of their staff.

Internally, there are arrangements to promote effective consultation and communication with staff. Executive Board and Council activities are disseminated through a system of team briefing meetings, the intranet and regularly emailed updates, supplemented from time to time by organisation-wide, region-wide and departmental meetings.

Management commentary *continued*

Approach to human resources *continued*

More formally, Arts Council England recognises the trade unions Unite and Unison for consultation and collective bargaining, with well established consultative arrangements. The National Joint Consultative and Negotiating Committee (NJCNC) handles all core pay, terms and conditions of employment and human resources policies and procedures across the whole organisation. The NJCNC is supported by Local Joint Consultative and Negotiating Committees in each of the 10 workplaces.

We actively engage with Black and minority ethnic employees through a recognised Black Workers Group and employees with disabilities through the Disabled Workers Group. We have set Black and minority ethnic staff profile targets for recruitment and retention. Currently, 16% of staff classify themselves as Black or minority ethnic and 2% classify themselves as disabled.

Arts Council England seeks to ensure that the requirements of health and safety legislation are met in the workplace. Health and safety issues of general concern are discussed with Unite and Unison. During 2006/07, a new corporate health and safety policy has been drafted which will be implemented across all Arts Council England offices in 2007/08.

Restructure

In autumn 2006, structural changes to the national office were implemented. The changes were designed to create a national office that is better equipped to deliver the organisation's strategic aims effectively.

The new structure sets out a blueprint for a more focused, streamlined and effective organisation that is better able to provide national leadership and planning, build new partnerships and make a stronger case for the arts. Four new teams have been created: Arts Strategy, Arts Planning and Investment, Advocacy and Communications, and Resources.

Management commentary *continued*

Financial review

Arts Council England receives grant-in-aid from the Department for Culture, Media and Sport (DCMS) and is one of the bodies designated to distribute funds from the National Lottery by the National Lottery etc Act 1993 (as amended by the National Lottery Act 1998). This licence was renewed during 2006 and runs until 2019.

Net lottery grant commitments (offers made and accepted, less de-commitments) in the year totalled £128 million. At year end, a total of £202 million accepted grant commitments remained outstanding and awaiting payment together with £34 million commitments offered but not accepted. This compares with a balance in the National Lottery Distribution Fund (NLDF), plus bank balances, of £159 million. We monitor levels of lottery income closely, and the level of outstanding grant commitments is considered prudent, based on past and projected income flows.

At 31 March 2007, our balance in the NLDF account was £155 million. This exceeds the forecast balance of £105 million. This is because in the last 12 months, the level of cash payments has not matched forecast due to delays in payments on major capital projects. These are often caused by delays relating to legal charges and to partnership funding. The cash balance at the same date stood at £4 million.

Further details of the activities and policies of Arts Council England are included in the National Lottery report 2006/07 (see pages 136 to 150).

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

Fees paid to the National Audit Office (NAO) for lottery external audit services during 2006/07 were £60,000 (2005/06: £45,000). So far as the chief executive is aware, there is no relevant audit information of which the NAO is unaware, and all the steps have been taken that ought to have been taken to make sure the chief executive is aware of any relevant audit information and to establish that the NAO is aware of that information.

Management commentary *continued*

Statement of Council's and chief executive's responsibilities

Under the National Lottery etc Act 1993 (as amended by the National Lottery Act 1998), the Arts Council is required to prepare a statement of accounts for the financial period in the form and on the basis directed by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury. The accounts are to be prepared on an accruals basis and to show a true and fair view of the Arts Council's state of affairs at the year end and of our incoming resources and resources expended and cash flows for the financial year. In preparing the accounts, the accounting officer must comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

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

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

Peter Hewitt
Chief Executive

Sir Christopher Frayling
Chair

8 October 2007

8 October 2007

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

Statement on internal control

1 Scope of responsibility

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

2 The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Arts Council England's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Arts Council England for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Arts Council England's policy on risk can be summarised as follows. We will at all times

ensure that we meet our statutory reporting and regulatory obligations, are accountable to the public and will maintain systems to ensure that we protect our resources. Against this background, risk-taking is acceptable where it helps to deliver the organisation's core objectives.

It is Arts Council England's intention that risk-taking is not avoided; it is managed. The key to this approach is understanding the risks we face, their causes and how to control them, and then focusing attention on key risks.

3 Capacity to handle risk

We undergo a six-monthly review of our central risk register. The register captures risks identified by staff across the organisation and categorises these risks as strategic, operational, financial, external, reputational, human resources or compliance risks. Their impact and likelihood of occurrence are evaluated by senior staff, and decisions are taken on whether to tolerate, transfer, terminate or treat the risk. Steps to mitigate against each risk are identified and recorded in the register and assigned to a member of our Executive Board to manage. A summary of the high-level risks is reviewed by Arts Council England's Audit Committee every six months.

Risk management forms part of our ongoing activity and is addressed as a matter of standard practice in our corporate project plans. It continues to be a key element of how we monitor our corporate policies and initiatives. Each corporate project is monitored against milestones and is supported by a risk management plan.

Statement on internal control continued

3 Capacity to handle risk continued

During 2006/07, the organisation developed more comprehensive guidance on risk management with greater focus on risk action plans.

4 The risk and control framework

The system of internal control is based on a framework of regular management information, administrative procedures, including the segregation of duties, and a system of delegation and accountability. Arts Council England has established the following processes:

- a) A national Council, made up of the trustees of Arts Council England, which has a code of practice that includes a policy on declaration and registration of interests. Our defined responsibilities include:
- strategic planning and control, including approval each year of a corporate plan and approval of the overall budget allocation on a three-year basis
 - delegating responsibility for specific matters to the regional councils
 - being accountable for public funds, ensuring that Arts Council England conducts operations economically, efficiently and effectively
 - approving the annual report and accounts
 - ensuring that we fulfil our obligations as an employer and comply with all relevant legislation
- b) An Audit Committee with agreed terms of reference which include:
- reviewing Arts Council England's internal and external financial statements to ensure they reflect best practice

- considering internal and external audit reports and reviewing our relationship with our internal and external auditors
 - reviewing the effectiveness of Arts Council England's internal control system, including the review of the risk management policy and risk register
 - reporting to the national Council on the above duties
- c) An Executive Board and Management Committee sub group with defined terms of reference, which include:
- developing the corporate policy on high-level issues and overseeing the implementation of nationally agreed policies and plans
 - receiving and monitoring financial information relevant to Arts Council England's overall management responsibilities
 - taking decisions within delegated powers and approving further delegation as appropriate
- d) An internal audit function that operates to standards defined in the Government Internal Audit Standards and whose programme of work is agreed and monitored by the Audit Committee. Internal auditors base their annual internal audit plans on an analysis of the risk to which Arts Council England is exposed. This analysis of risk and the plans are endorsed by Arts Council England's Audit Committee and approved by us. At least annually, the head of internal audit reports on internal audit activity in Arts Council England.

Statement on internal control continued

4 The risk and control framework continued

The report includes the head of internal audit's independent opinion on the adequacy and effectiveness of Arts Council England's system of internal control.

5 Review of effectiveness

As accounting officer and representative of the trustees, we have responsibility for reviewing the effectiveness of the system of internal control. Our review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the Executive Board, who have responsibility for the development and maintenance of the internal control framework, and by the comments made by the external auditors in their management letter and other reports. We have been advised on the implications of the result of our review of the effectiveness of the system of internal control by the Executive Board and the Audit Committee

and plan to address weaknesses and ensure continuous improvement of the system is put in place.

Improvements to internal controls made during the year include the establishment of a new department in the national office to lead on arts planning and investment. This includes a functional lead for each of our funding programmes to develop and monitor policies and procedures across the organisation. In addition, in October 2006, we implemented a new IT system 'Arena' which, when fully embedded, will further improve internal controls across the organisation in relation to procurement and grant assessment and monitoring.

Peter Hewitt
Chief Executive

Sir Christopher Frayling
Chair

8 October 2007

8 October 2007

The certificate and report of the comptroller and auditor general to the Houses of Parliament

I certify that I have audited the financial statements of Arts Council England's lottery distribution accounts for the year ended 31 March 2007 under the National Lottery etc Act 1993 (as amended). These comprise the income and expenditure account, the balance sheet, the cash flow statement and the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the remuneration report that is described in that report as having been audited.

Respective responsibilities of the Council, chief executive and auditor

The Council and chief executive, as accounting officer, are responsible for preparing the annual review, the remuneration report and the financial statements in accordance with the National Lottery etc Act 1993 (as amended) and Secretary of State directions made thereunder, with the consent of HM Treasury, and for ensuring the regularity of financial transactions. These responsibilities are set out in the statement of the Council's and chief executive's responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the remuneration report to be audited have been properly prepared in

accordance with the National Lottery etc Act 1993 (as amended) and Secretary of State directions made thereunder. I report to you if, in my opinion, certain information given in the annual review, which comprises management commentary and performance against targets for administrative efficiency, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

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

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

The certificate and report of the comptroller and auditor general to the Houses of Parliament continued

Basis of audit opinion

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

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

Opinions

Audit opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the National Lottery etc Act 1993 (as amended) and directions made thereunder by the Secretary

of State, of the state of Arts Council England's lottery distribution affairs as at 31 March 2007 and of its increase in funds, recognised gains and losses and cash flows for the year then ended

- the financial statements and the part of the remuneration report to be audited have been properly prepared in accordance with the National Lottery etc Act 1993 (as amended) and Secretary of State directions made thereunder
- information given within the annual review, which comprises management commentary and performance against targets for administrative efficiency, is consistent with the financial statements.

Audit opinion on regularity

In my opinion, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.

John Bourn

Comptroller and Auditor General

National Audit Office

157–197 Buckingham Palace Road

Victoria, London SW1W 9SP

24 October 2007

The maintenance and integrity of Arts Council England's website is the responsibility of the Accounting Officer. My work does not involve consideration of these matters and accordingly I accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Income and expenditure account

For the year ended 31 March 2007

	Note	2006/07 £000s	2005/06 £000s
Share of proceeds from the National Lottery Distribution Fund	7	142,934	163,828
Investment returns on the Distribution Fund	7	8,261	9,164
(Loss) on revaluation of the Distribution Fund		(1,865)	(1,049)
Interest received		308	602
Other income		76	30
Total income		149,714	172,575
Grant commitments made in the year	9	141,460	210,928
Less: lapsed and revoked commitments	9	(13,217)	(13,012)
Net grant commitments		128,243	197,916
General expenditure			
Staff costs	2	635	1,321
Other operating costs	3a	2,060	2,855
Costs apportioned from grant-in-aid accounts	3b	17,583	17,303
Total operating costs		20,278	21,479
Total expenditure		148,521	219,395
Net resources expended before exceptional items and notional costs		1,193	(46,820)
Exceptional items			
Cost of fundamental reorganisation	21	(62)	(797)
Net resources expended after exceptional items before notional costs		1,131	(47,617)
Notional costs			
Cost of capital	8	0	0
Net resources expended after notional costs		1,131	(47,617)
Reversal of notional costs		0	0
Increase/(decrease) in lottery funds		1,131	(47,617)
Accumulated deficit brought forward		(46,743)	874
Accumulated deficit carried forward	17	(45,612)	(46,743)

Arts Council England has no recognised gains or losses other than those disclosed in the above income and expenditure account. Consequently, no separate statement of recognised gains and losses has been prepared. There are no discontinued activities.

The notes on pages 121 to 135 form part of these accounts.

Balance sheet

As at 31 March 2007

	Note	31 March 2007 £000s	31 March 2006 £000s
Fixed assets			
Tangible assets	5	<u>0</u>	<u>16</u>
		0	16
Current assets			
Debtors	6	855	998
Investments: balance in the National Lottery Distribution Fund	7	155,403	153,235
Cash at bank and in hand		<u>4,047</u>	<u>9,578</u>
		160,305	163,811
Creditors: amounts falling due within one year			
Grant commitments	9	91,083	101,963
Creditors	10	510	565
Due to grant-in-aid accounts		<u>3,001</u>	<u>1,917</u>
		94,594	104,445
Net current assets		<u>65,711</u>	<u>59,366</u>
Total assets less liabilities		65,711	59,382
Creditors: amounts falling due over one year			
Grant commitments	9	<u>111,323</u>	<u>106,125</u>
		(45,612)	(46,743)
Represented by			
Reserves	17	<u>(45,612)</u>	<u>(46,743)</u>
		(45,612)	(46,743)

The notes on pages 121 to 135 form part of these accounts.

Peter Hewitt
Chief Executive

Sir Christopher Frayling
Chair

8 October 2007

8 October 2007

Cash flow statement

For the year ended 31 March 2007

	Note	2006/07 £000s	2005/06 £000s
Operating activities			
Funds received from the National Lottery Distribution Fund	7	147,162	191,968
Other cash receipts		76	30
Grants paid	9	(133,925)	(177,596)
Cash paid to and on behalf of employees		(635)	(1,321)
Other cash payments		(18,610)	(19,173)
Net cash movements relating to exceptional items		(62)	(797)
Net cash inflow/(outflow) from operating activities	14	(5,994)	(6,889)
Returns on investments and servicing of finance			
Interest received		287	602
Loans repaid by other bodies	6	925	695
Loans made to other bodies	6	(749)	0
Net cash inflow from returns on investments and servicing of finance		463	1,297
Increase/(decrease) in cash	15	(5,531)	(5,592)

The notes on pages 121 to 135 form part of these accounts.

Notes to the lottery distribution accounts

1 Accounting policies

a) Basis of accounts

We have prepared these accounts in accordance with the Accounts Direction issued by the Secretary of State for Culture, Media and Sport in May 2002. They have been prepared in a form directed by the Secretary of State with the consent of HM Treasury in accordance with Section 35(3) of the National Lottery etc Act 1993. They meet the requirements of the Companies Acts, and of the 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 prepared on a historic cost basis. The Accounts Direction requires the inclusion of fixed assets at their value to the business by reference to current costs. However, for 2006/07, the values of fixed assets expressed in current cost terms are not materially different to historic costs, and so fixed assets are shown at historic cost on the balance sheet.

Separate accounts have been prepared for the activities funded from grant-in-aid, in accordance with the directions issued by the Secretary of State. Consolidated accounts have not been prepared.

b) Recognition of income and expenditure

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

As required by the Secretary of State, we have made a distinction between lottery grants that are 'hard' and 'soft' commitments. A hard commitment is when the Arts Council has made a firm offer of grant which (together with appropriate conditions) has been accepted by the recipient. A soft commitment is when we have agreed in principle to fund a scheme and made an offer, but the offer and associated conditions have not been accepted.

Hard commitments are recognised as items of expenditure in the income and expenditure account. Details of soft commitments are disclosed in note 9 to the accounts.

Hard commitments payable within one year of the balance sheet date are recognised in the balance sheet as current liabilities. Those payable more than one year from the balance sheet date are shown as grant commitments over one year.

c) Depreciation and fixed assets

Depreciation is provided on all tangible fixed assets financed by lottery funds at rates calculated to write off the cost less estimated residual value of each asset systematically over its expected useful life as follows:

- leasehold buildings: the life of the lease
- equipment, fixtures and fittings: four 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

Notes to the lottery distribution accounts *continued*

1 Accounting policies *continued*

Assets used jointly for grant-in-aid and lottery activities are accounted for in the grant-in-aid accounts. A capital recharge for the use of these assets by lottery is included in the apportioned costs (note 1g).

d) National Lottery Distribution Fund

Balances held in the National Lottery Distribution Fund remain under the stewardship of the Secretary of State for Culture, Media and Sport. However, the share of these balances attributable to Arts Council England is as shown in the accounts and, at the balance sheet date, has been notified by the Secretary of State for Culture, Media and Sport as being available for distribution by Arts Council England for current and future commitments.

e) Taxation

Arts Council England is a registered charity (number 1036733) and is eligible under the Income and Corporation Taxes Act 1988 to seek from HM Revenue and Customs exemption from taxes on income arising from its charitable objectives. HM Revenue and Customs has granted this exemption. Accordingly, no taxation has been provided for in these accounts.

f) Pensions

We provide a defined benefit pension scheme for our employees (the Arts Council Retirement Plan 1994) and are a participating employer in the West Yorkshire Pension Fund. However, as these are multi-employer schemes, we cannot identify our share of the underlying assets and liabilities. We have therefore accounted for the schemes as if they were defined contribution schemes, in accordance with FRS17 *Retirement Benefits*, with the costs of the schemes charged to the statement of financial activities.

g) 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.

h) Notional costs

Arts Council England is required to calculate a notional cost of capital, which is disclosed in the income and expenditure account. These accounts cover the lottery distribution activities of Arts Council England, and only funds from the National Lottery are included, which bear a cost of capital of 0%.

Notes to the lottery distribution accounts *continued*

2a) Staff costs

	2006/07 £000s	2005/06 £000s
Salaries and wages	497	1,042
Employer's National Insurance	49	107
Employer's pension contributions	80	121
Agency staff	9	51
	<u>635</u>	<u>1,321</u>

In addition to the cost of staff working directly on lottery activities in the table above, £10,367,000 (2005/06: £9,912,000) of the costs apportioned from Arts Council England's grant-in-aid accounts relate to staff costs.

The average number of staff engaged directly on lottery activities for the year ended 31 March 2007 was as follows:

	2006/07	2005/06
Management and operational	<u>12</u>	<u>29</u>

The reduction in staff numbers reflects the impact of changes in staffing structure arising from the review of the national office and capital services department.

2b) Pensions

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

Arts Council Retirement Plan (1994)

The scheme is a defined benefit scheme. However, because it is a multi-employer scheme, we are unable to identify our share of the underlying assets and liabilities.

Consequently, we have accounted for the scheme as if it were a defined contribution scheme, in accordance with FRS17 *Retirement Benefits*.

The scheme is financed by payments by Arts Council England and employees into a trustee-administered fund independent of Arts Council England's finances. These contributions are invested by a leading fund management company. The net market value of the scheme's assets at 31 March 2007 was £58.5 million.

An actuarial valuation of the pension fund takes place every three years. At the last valuation on 1 April 2005, the actuarial value of the assets using the projected unit method was sufficient to cover 67% of the value accrued to members, a deficit of £17,100,000. As a result, and on the advice of the actuary, we have increased our employer's contribution to 23.5% with effect from 1 April 2006.

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

Price inflation rate	2.9%
Rate of pay increases	4.4%
Rate of pension increases	2.8%

Amounts due to the fund at 31 March 2007 were £nil (31 March 2006: £nil).

West Yorkshire Pension Fund

We are an admitted member of the West Yorkshire Pension Fund. The scheme is a defined benefit scheme. However, because it is a multi-employer scheme, we are unable to identify our share of the underlying assets

Notes to the lottery distribution accounts *continued*

2b) Pensions *continued*

and liabilities. Consequently, we have accounted for the scheme as if it were a defined contribution scheme, in accordance with FRS17 *Retirement Benefits*.

The net market value of total scheme assets at 31 March 2007 was £7.3 billion.

An actuarial valuation of the pension fund takes place every three years. At the last valuation on 31 March 2004, the actuarial value of the assets using the projected unit method was sufficient to cover 82% of the value accrued to members. From 1 April 2003, employer contributions were set at 15%.

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

Rate of inflation	2.8%
Rate of pay increases	4.6%
Rate of pension increases	2.8%

Amounts due to the fund at 31 March 2007 were £nil (31 March 2006: £nil).

Legacy Regional Arts Board pension schemes

All active Regional Arts Board pension members, except those from London Arts, transferred to the West Yorkshire Pension Fund on 1 April 2002. However, their past service remained with the legacy pension provider as detailed below:

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

Arts Council England is responsible for meeting any further liabilities relating to Regional Arts Board employees which arise in respect of these funds. Liabilities in relation to three schemes have been addressed. The remaining schemes have not indicated that any liability exists. No provision has been made in these accounts for potential sums payable, because of the uncertain nature of these liabilities.

Notes to the lottery distribution accounts *continued*

3a) Other operating costs

	2006/07 £000s	2005/06 £000s
Depreciation	16	22
Travelling, subsistence and entertainment	33	46
Professional fees	466	578
Office and sundry	75	37
Irrecoverable Value Added Tax	186	313
External assessment costs	1,284	1,859
	<u>2,060</u>	<u>2,855</u>

3b) Costs apportioned from the grant-in-aid accounts

	2006/07 £000s	2005/06 £000s
Staff costs	9,827	9,092
Agency staff costs	540	820
Depreciation	388	615
Travelling, subsistence and entertainment	565	587
Rent and rates	1,873	1,742
Professional fees	912	450
Office and sundry	1,948	1,637
IT project*	790	1,704
Irrecoverable Value Added Tax	740	655
	<u>17,583</u>	<u>17,302</u>

* This reflects costs incurred in the year on the development of the new 'Arena' system for finance, grants and management information to replace the different IT systems which were in place until October 2006 in each office.

4 Decrease in lottery funds

	2006/07 £000s	2005/06 £000s
Stated after charging:		
a) Auditors' remuneration	60	45
b) Staff travel, subsistence and hospitality	33	46

Notes to the lottery distribution accounts continued

5 Tangible fixed assets

	Short leasehold improvements £000s	Total £000s
Cost at 1 April 2006	213	213
Less: disposals	0	0
Cost at 31 March 2007	213	213
Depreciation at 1 April 2006	197	197
Less: depreciation on disposals	0	0
Provided for 2006/07	16	16
Depreciation at 31 March 2007	213	213
Net book value at 31 March 2007	0	0
Net book value at 31 March 2006	16	16

6 Debtors

	31 March 2007 £000s	31 March 2006 £000s
Prepayments and accrued income	59	73
Other debtors	796	925
	855	998

Included in 'other debtors' are interest-free loans to the following organisations:

- Yorkshire Artspace Society, £75,000 included in 2005/06 was repaid on 5 October 2006
- FACT Centre, £250,000 included in 2005/06 was repaid during 2006/07
- English National Opera, £600,000 included in 2005/06 was repaid on 25 September 2006
- Africa Centre, £749,000 included in 2006/07. This loan is repayable by 6 July 2009

Notes to the lottery distribution accounts continued

7 Investments: balance in the National Lottery Distribution Fund

	2006/07 £000s	2005/06 £000s
Balance at 1 April	153,235	173,260
Share of proceeds from the National Lottery Distribution Fund	142,934	163,828
Investment returns on the Distribution Fund	8,261	9,164
Unrealised losses	(1,865)	(1,049)
Cash drawn down	(147,162)	(191,968)
Balance at 31 March	<u>155,403</u>	<u>153,235</u>

The balance in the National Lottery Distribution Fund at 31 March 2007 was unaudited at the date of signing these accounts.

Arts Council England's ongoing commitments policy can be summarised as follows.

Arts Council England will set additional commitments at a level to ensure that our National Lottery Distribution Fund balance continues to reduce but does not fall below an acceptable limit. This limit is based on our assessment of the risks and uncertainties involved in forecasting ticket income and payments on existing commitments. The projection of ticket income is informed by forecasts provided by DCMS. Our current forecasts show that the balance is predicted to fall below £100 million by 31 March 2009.

The balance in the NLDF exceeds the target set for 2006/07 because in the last 12 months, the level of cash payments has not matched forecast due to delays in payments on major capital projects. These are often caused by delays relating to legal charges and to partnership funding.

	Target £000s	Actual £000s
31 March 2005	175,000	173,260
31 March 2006	160,000	153,235
31 March 2007	105,000	155,403

Notes to the lottery distribution accounts *continued*

8 Notional costs

The Arts Council is required to calculate a notional cost of capital, which is disclosed in the income and expenditure account. These accounts cover the lottery distribution activities of Arts Council England, and only funds from the National Lottery are included, which bear a cost of capital of 0%.

9 Soft and hard commitments

	31 March 2007 £000s	31 March 2006 £000s
Soft commitments brought forward	15,414	43,187
Soft commitments transferred to hard commitments	(141,460)	(210,928)
Soft de-commitments	(78)	(8,329)
Soft commitments made	159,788	191,484
Balance of soft commitments outstanding carried forward	<u>33,664</u>	<u>15,414</u>
Hard commitments brought forward	208,088	187,768
Hard commitments met in the last year	(133,925)	(177,596)
Hard de-commitments	(13,217)	(13,012)
Hard commitments made	141,460	210,928
Balance of hard commitments outstanding carried forward	<u>202,406</u>	<u>208,088</u>
Ageing of hard commitments:		
2006/07	n/a	101,963
2007/08	91,083	47,860
2008/09	56,673	33,294
Post 2009/10	54,650	24,971
Total hard commitments	<u>202,406</u>	<u>208,088</u>

During 2006/07, we paid out £3 million (2005/06: £2 million) on grants awarded to the South Bank Centre into an ESCROW account held by the South Bank Centre. At the year end, the South Bank Centre had withdrawn £14 million including interest (2005/06: £21 million) from this account, leaving a balance remaining of £2.5 million (2005/06: £5 million). The South Bank Centre paid £9 million into this account during 2006/07.

10 Creditors

	31 March 2007 £000s	31 March 2006 £000s
Trade creditors	34	88
Accruals and deferred income	476	477
	<u>510</u>	<u>565</u>

Notes to the lottery distribution accounts *continued*

11 Leases

There were no commitments under non-cancellable operating leases at 31 March 2007 (31 March 2006: £nil).

12 Capital commitments

There were no contracted capital commitments at 31 March 2007 (31 March 2006: £nil).

13 Charges on assets

Since November 1997, the standard conditions for grants give Arts Council England an option to take a formal charge on assets for building projects for grants exceeding £250,000.

14 Cash flow reconciliation

	2006/07 £000s	2005/06 £000s
Reconciliation of operating surplus/(deficit) to net cash flow from operating activities		
Operating surplus/(deficit)	1,131	(47,617)
Interest receivable	(287)	(602)
Unrealised loss on investment	1,865	1,049
Depreciation charges	16	22
(Increase)/decrease in debtors and prepayments	(4,066)	19,315
(Decrease)/increase in creditors	(4,653)	20,944
Net cash (outflow) from operating cash flows	<u>(5,994)</u>	<u>(6,889)</u>

15 Reconciliation of net cash flow to movement in funds

	2006/07 £000s	2005/06 £000s
(Decrease) in cash in the year	(5,531)	(5,592)
Funds at 1 April	<u>9,578</u>	<u>15,170</u>
Funds at 31 March	<u>4,047</u>	<u>9,578</u>

16 Analysis of net cash

	1 April 2006 £000s	Cash flow £000s	31 March 2007 £000s
Cash	<u>9,578</u>	<u>(5,531)</u>	<u>4,047</u>
	9,578	(5,531)	4,047

17 Movement in lottery funds

	2006/07 £000s	2005/06 £000s
Opening lottery reserve at 1 April	(46,743)	874
Transferred from the income and expenditure account	<u>1,131</u>	<u>(47,617)</u>
Lottery reserve at 31 March	<u>(45,612)</u>	<u>(46,743)</u>

Notes to the lottery distribution accounts continued

18 Reconciliation of transactions with delegate bodies

18a) National Foundation for Youth Music

The National Foundation for Youth Music (NFYM) is a delegate body of Arts Council England in distributing lottery funds. Transactions in these accounts relating to this delegation reconcile to transactions in the accounts of the NFYM as follows:

	2006/07 £000s	2005/06 £000s
Transactions in Arts Council England accounts:		
Grant commitments in the year	10,000	10,000
NFYM creditor balance as at 31 March	0	0
This reconciles to the NFYM's accounts for the year ended 31 March as follows:		
Balance at 1 April	844	(829)
Incoming funds: Arts Council England grant	10,000	10,000
other funds	3,288	1,352
Outgoing funds: grant expenditure	(11,222)	(9,325)
other expenditure	(344)	(354)
Balance at 31 March	<u>2,566</u>	<u>844</u>
Arts Council England debtor balance as at 31 March	0	0

The 2006/07 figures were unaudited at the date of signing these accounts.

18b) UK Film Council

The UK Film Council is a delegate body of Arts Council England for distributing lottery funds. Transactions in these accounts relating to this delegation reconcile to transactions in the accounts of the UK Film Council as follows:

	2006/07 £000s	Restated 2005/06 £000s
Transactions in Arts Council England accounts:		
Grant commitments in the year	0	0
UK Film Council creditor balance as at 31 March	11,035	13,235
This reconciles to the UK Film Council's accounts for the year ended 31 March as follows:		
Balance at 1 April	2,070	13,920
Incoming funds: grants received	0	0
Outgoing funds: grant expenditure	(1,610)	(11,650)
other expenditure	(252)	(200)
Balance at 31 March	<u>208</u>	<u>2,070</u>
Arts Council England debtor balance as at 31 March	11,035	13,235

Notes to the lottery distribution accounts *continued*

19 Related parties

19a) Council members

Arts Council England maintains publicly available registers in which Council members declare their interests, including any direct interests in grant applications made to and commercial relationships with Arts Council England. The following interests in grant recipients were declared for the year ended 31 March 2007:

Grant for the year ended 31 March 2007 £000s	Balance unpaid at 31 March 2007 £000s	Organisation	Council member	Relationship
24	40	Cardboard Citizens Group	Diran Adebayo	Employee
2,000	111	Liverpool Culture Company	Tom Bloxham MBE	Board member
18	0	Manchester Contemporary Jewellers Network		Partner is member
5	68	Mind the Gap		Tenant of Mind the Gap
560	560	The Manchester International Festival		Board member
70	35	Platform for Art	Keith Khan	Board member
1,150	110	Rich Mix		Employee
17	2	Artsreach	François Matarasso	Adviser/ consultant
90	45	Culture East Midlands		Adviser/ consultant
38	19	Double Impact		Wife is board member
107	51	Engage		Adviser/ consultant
18	2	Villages in Action		Adviser/ consultant
16	0	Aduna	Elsie Owusu OBE	Board member
0	1	Africa Centre		Practice
15	0	Border Crossing Ltd		Adviser/ consultant

Notes to the lottery distribution accounts continued

19 Related parties continued

Grant for the year ended 31 March 2007 £000s	Balance unpaid at 31 March 2007 £000s	Organisation	Council member	Relationship
30	0	Arcadea	Dr Tom Shakespeare	Employee
16	2	Fathom Project		Board member
28	0	Hatton Gallery		Collaborator
74	7	Monster Productions		Board member
14	1	Platform North East		Other
35	0	PEALS Research Institute, Newcastle University		Employee
0	3	Atrix	Dorothy Wilson	Chair
0	7	Belmont Arts Centre		Board member
5,461	5,461	Midlands Arts Centre Ltd		Employee
100	50	Motionhouse Dance Theatre		Board member
26	0	Nitro	Lady Sue Woodford Hollick	Family member is director
75	0	October Gallery		Family member is trustee
26	0	South Bank Centre		Partner is chair

Notes to the lottery distribution accounts *continued*

19 Related parties *continued*

19b) Directors and senior managers

Executive directors and senior managers in Arts Council England are also required to declare any direct interests in grant applications made to and commercial relationships with the Arts Council. The following interests in grant recipients were declared for the year ended 31 March 2007.

Grant for the year ended 31 March 2007 £000s	Balance unpaid at 31 March 2007 £000s	Organisation	Executive director/ senior manager	Relationship
25	25	Bristol Cultural Development Partnership	Nick Capaldi	Board member
0	1	Africa Centre	Hilary Carty	Partner is employee
17	8	Kirklees Metropolitan Council	Andy Carver	Partner is director
15	2	Birkbeck College	Gus Casely-Hayford	Lecturer
0	70	Hastings Borough Council	Felicity Harvest	Family member is employee
0	583	Kent County Council		Board member
19	10	Arc Publishing	Mark Robinson	Other
40	0	New Writing North		Other

19c) Other government bodies

The Department for Culture, Media and Sport is the sponsoring department for Arts Council England and is regarded as a related party. The National Foundation for Youth Music is similarly regarded as a related party by virtue of its funding relationship with the Arts Council. At the year end, Arts Council England had the following balances outstanding with other government bodies:

	Creditor 31 March 2007 £000s	Debtor 31 March 2007 £000s
Balances with other central government bodies*	325	155,403
Balances with local authorities	57,204	0
Balances with NHS Trusts	215	0
Balances with public corporations and trading funds	0	0

*The debtor figure relates to our balance in the National Lottery Distribution Fund.

20 Financial instruments

FRS 13, *Derivatives and other Financial Instruments*, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks Arts Council England faces in undertaking its activities.

Liquidity risk

In 2006/07, 95.5% of Arts Council England's income derived from the National Lottery. The remaining income derived from investment returns from the balance held with the National Lottery Distribution Fund of 4.3%, and from bank interest and other income of 0.2%.

At the balance sheet date, Arts Council England had net liabilities of £45,612,000. This is in line with our policy to commit funds in advance of receiving the income from the NLDF. We consider this to be an appropriate policy as the Arts Council is confirmed as a lottery distributor until 2019.

Cash flow projections over the next financial year

We do not believe that we are exposed to significant liquidity risks, and are satisfied that we have sufficient current liquid resources to cover our projected payments over the next financial year.

Liquid assets as at 31 March 2007	£000s
Market value of NLDF investments	155,403
Cash	4,047

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 its 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.

Notes to the lottery distribution accounts continued

20 Financial instruments continued

At the balance sheet date, the market value of the Arts Council's shares of the National Lottery Distribution Fund was £155,403,000. In the year, the average return on these investments was 4.14%.

Cash balances which are drawn down by Arts Council England from the National Lottery Distribution Fund to pay grant commitments and operating costs are held in an instant access variable rate bank account, which carried an interest rate of 0.22% below base rate during the year. The cash balance at the year end was £4,047,000. We consider that we are not exposed to significant interest rate risks on our cash balances.

Foreign currency risk

Arts Council England is not exposed to any significant foreign exchange risks.

21 Exceptional items

In March 2006, we announced a major restructuring of our national office, and a provision for the cost of implementing this has been included in the accounts. Costs relating to the restructuring as detailed below have been disclosed separately in the income and expenditure account as an exceptional item. Also included in this figure are the final costs of the merger of the Arts Council of England with the 10 regional arts boards in April 2002.

	2006/07 £000s	2005/06 £000s
Redundancy costs	62	797
	<u>62</u>	<u>797</u>

22 Post balance sheet event

These accounts were authorised for issue by the accounting officer on 24 October 2007.

National Lottery report

As one of the distributors of the proceeds of the National Lottery, we are required to report on a number of areas relating to how we decide to distribute lottery funds and the administration of our grants programmes.

This section of our annual review contains information on the following areas:

137	Policy Directions
141	Monitoring and evaluation
144	Financial Directions
145	Performance against targets for administrative efficiency
146	Policy on additionality
146	Performance against strategic objectives
147	Progress report on major lottery awards over £5 million

Policy Directions

Policy Directions

Under the National Lottery etc Act 1993, the Secretary of State issued Policy Directions in August 1998, which we must take into account in distributing National Lottery funds. These are set out below, with a short explanation of how the directions have been met.

The references below relate to the National Lottery etc Act 1993 as amended by the National Lottery Act 1998.

A The need to ensure that money is distributed under section 25(1) for projects which promote the public good or charitable purposes and which are not intended primarily for private gain.

All of our application processes, as well as those of our delegates, require applicants for funding to clearly demonstrate the expected public benefit of their proposed activity. We give this careful consideration during our assessment process.

B The need to ensure that it considers applications which relate to the complete range of activities falling within section 22(3)(a) and in respect of which it has power to distribute money, taking into account:

- i its assessment of the needs of the arts and its priorities for the time being for addressing them
- ii the need to ensure that all parts of England have access to funding
- iii the scope for reducing economic and social deprivation at the same time as creating benefits for the arts

The financial year 2006/07 was the first of two years covered by our corporate plan, *Our agenda for the arts 2006–8*. This plan lays out our six strategic objectives and represents our assessment of the needs of the arts and our current priorities. Pages 15 to 45 provide information and examples of our performance against our strategic objectives.

We continue to deliver our lottery-funded programmes through our regional offices, which are best placed to understand the needs of the communities they serve.

Our 'vibrant communities' corporate priority reflects our belief in the transformational power of the arts to improve everyday life in communities across England.

C The need to promote access to the arts for people from all sections of society.

By including 'celebrating diversity' as one of our six priorities, *Our agenda for the arts 2006–8* reflects our continuing commitment to promoting access to the arts for people from all sections of society.

Through Grants for the arts we continue to give priority to and place importance on broadening access and increasing opportunities for diversity in the arts. We consider diversity in all its forms including race, ethnicity, faith, disability, sexuality, class and economic disadvantage. We continue to target at least 10% of our Grants for the arts budget to applicants from Black and minority ethnic communities.

Policy Directions *continued*

With our capital programmes we stipulated that each capital project specifically address issues of cultural diversity, and we made cultural diversity a priority under the Arts Capital Programme and the Grants for the arts – capital programme.

D The need to promote knowledge and appreciation of the arts by children and young people.

We continue to recognise the importance of the arts in having a positive influence on the development of children and young people. Children and young people remain a priority for *Our agenda for the arts 2006–8* as they were for our 2003–06 corporate plan.

In 2006/07 we delegated another £10 million of lottery funds to Youth Music, to distribute on our behalf through a number of schemes that focus on the participation of children and young people in music-making activities. Much activity based on other artforms for children and young people has been funded through Grants for the arts.

E The need to further the objectives of sustainable development.

As we reported last year, we share the government's definition of sustainable development and recognise our responsibilities in the three areas of social, economic and environmental sustainability. During 2006/07,

we continued to work in partnership with the other lottery distributors to develop a common approach in this area.

We recognise that arts and cultural buildings can have high energy consumptions, and as part of the assessment and monitoring process for such projects, we review the organisation's environmental strategy to ensure the approach is appropriate and furthers the sustainable agenda.

Further details of our responsibility towards the environment and sustainable development can be found on page 65.

F The needs of projects relating to film and the moving image, and in particular the need to foster the development of sustainable structures in the film industry by, among other things, supporting the development, distribution and promotion of films, as well as their production.

As in previous years, the Film Council continues to act as a delegate body for us, delivering a number of programmes aimed at improving the distribution of film, in particular the funding of digital projection equipment.

During 2006/07, the Department for Culture, Media and Sport (DCMS) concluded a review of our Policy Directions and indicated that from 2007/08 we will no longer need to take this direction into account.

Policy Directions *continued*

G The needs of projects relating to crafts.

Crafts-based projects, organisations and artists continue to benefit from funding through Grants for the arts and our other programmes. These activities are assessed on their merits alongside other visual arts-related activities, as well as activity involving other artforms.

During 2006/07, DCMS concluded a review of our Policy Directions and indicated that from 2007/08 we will no longer need to take this direction into account.

H The need for money distributed under section 25(1) to be distributed to projects only where they are for a specific time-limited purpose.

We have only ever used lottery funding for specific time-limited projects. We use our grant-in-aid funding from the Treasury to support our portfolio of regularly funded organisations.

I The need:

- i in all cases, for applicants to demonstrate the financial viability of the project for the period of the grant
- ii where capital funding or setting-up costs are sought, for a clear business plan beyond the period of the grant incorporating provision for associated running and maintenance costs
- iii in other cases, for consideration to be given to the likely availability of other

funding to meet any continuing costs for a reasonable period after completion of the period of the lottery award, taking into account the size and nature of the project, and for lottery funding to be used to assist progress towards viability beyond the period of the grant wherever possible

All applicants are required to provide us with a balanced budget that demonstrates clearly and realistically how they will fund their project to a successful conclusion.

With capital projects, the viability of the ongoing business plan is central to our assessment and decision to provide funding. We scrutinise plans in great detail and work closely with other stakeholders to ensure that sufficient funding is in place to ensure the long-term operation and success of projects.

J The desirability of supporting the development of long-term financial and managerial viability of organisations in the arts. In taking this into account, the Arts Council shall have regard to Direction H.

We welcome applications to Grants for the arts from organisations wishing to undertake capacity building and other activities that will strengthen their long-term viability. In addition, a number of organisations are continuing to benefit from support and funding through our stabilisation and recovery programmes. These programmes are dedicated to ensuring that arts organisations are fit to meet the challenges of the 21st century.

Policy Directions *continued*

K The need to require an element of partnership funding and/or contributions in kind from other sources, commensurate with the reasonable ability of different kinds of applicants, or applicants in particular areas, to obtain such support.

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.

L The desirability of working with other organisations, including other distributors, where this is an effective means of delivering elements of its strategy.

We continue to work with the Big Lottery Fund, Heritage Lottery Fund and Sport England to deliver the Awards for All England programme to provide a quick, simple and efficient opportunity for small-scale community-based groups to access lottery funding.

The assessment process for Grants for the arts involves us in regular consultations with local authority partners on applications that we receive, in order that we can benefit from their local knowledge as well as coordinating jointly funded activities.

With large-scale projects, we believe it is essential for all the major stakeholders involved to share a common approach and understanding to maximise the likelihood of successful delivery.

M The need to ensure that its powers of solicitation under section 25(2A) are used in conjunction with the pursuit of strategic objectives.

During 2006/07, we and our delegate bodies only used our powers to solicit applications when pursuing objectives set out in our corporate plan.

N Such information as it considers necessary to make decisions on each application, including expert independent advice when required.

We design our application materials and assessment processes to ensure that we receive the information necessary for us to assess thoroughly each application for funding. Our assessment process allows us to ask for further information from applicants if we think it necessary to reach a decision.

Our programmes that provide funding for capital developments or organisational change draw on external expertise in areas such as building design, project management and business planning.

Monitoring and evaluation

Monitoring and evaluation

As reported in 2004/05, we have adopted a single set of principles to inform the level of monitoring we carry out for each of our funding programmes. The level is based on an analysis of risk that takes into consideration:

- the amount of money involved
- the strategic importance of the activity
- any other risk factors

We do not necessarily avoid risk; it is often a central aspect of the creative process. Our approach is to manage risk by carefully assessing all applications we receive and tailoring our monitoring requirements on a project-by-project basis. Where the risks associated with a project are considered low, a 'light touch' approach is adopted, enabling us to concentrate our resources on monitoring and supporting projects where the risks may be higher.

We evaluate our funding programmes regularly to assess whether they are delivering the benefits that we expect for artists, arts organisations and the wider public. We use the findings of such evaluations to refine existing programmes and inform the development of future ones.

We describe how we approached this for each of our programmes below.

Awards for All

Awards for All in England is a joint-distributor lottery scheme funded by Arts Council England, Big Lottery Fund, Heritage Lottery Fund and Sport England. Overall management of the scheme is the

responsibility of a programme board made up of representatives of the contributing distributors. The Big Lottery Fund undertakes day-to-day operations of the scheme, including monitoring and evaluation. The programme board receives regular reports on the operation of the scheme that have informed its development.

Capital programmes

Our programmes dedicated to providing funding for large-scale capital projects, such as new buildings or renovations of existing buildings, have not been open to new applications for a number of years. The final section of this lottery report provides details of the progress of existing major projects that received more than £5 million in funding from us.

Staff in our regional offices undertake the monitoring of capital projects in progress and those in a period of post-completion. The monitoring process uses a number of tools including:

- regular progress reports from the organisations
- independent expert project monitors – receiving updates on all areas of the project and undertaking regular visits
- a robust system of scrutiny of payment claims
- careful monitoring of partnership funding and cash flow control
- a series of key stages and key stage reviews with a comprehensive framework of deliverables identified for the life of the project

Monitoring and evaluation continued

- regular risk assessment analysis followed by consideration and implementation of risk management strategies
- regular expert reviews of the design progress of the project
- control of the grant through an allocation into parts with key stages having to be successfully completed before the next part is confirmed
- regular reviews of the forward revenue projections looking beyond completion of the capital project

Our capital programmes have been subject to a number of evaluations in the past and these have informed the development of our current monitoring arrangements, as well as the design of future schemes.

Grants for the arts – organisations and national activities

Grants for the arts is our flagship open application programme that provides lottery funding to organisations and for national activities. Grants range from £200 to £200,000 and can cover activities lasting up to three years; 2006/07 was the fourth full year of operation.

An appropriate level of monitoring for each project is determined during the assessment stage of each application. Our assessors consider what likely risks a project may face and, if thought necessary, additional conditions are attached to our offer of funding. These conditions require projects to demonstrate either before or during their activities that they have taken appropriate steps to mitigate the risks that we have identified.

We undertake an ongoing training programme for our assessing staff to ensure consistency in how we apply our monitoring principles (described in the introduction to this section of our lottery report), and during the year, we introduced a new IT grants management system that will enable us to further improve in this area.

In 2006/07, we introduced a number of improvements to the application pack, based on the results of testing that we undertook of the usability and accessibility of our application materials. We will be conducting a further evaluation and review of Grants for the arts during 2007/08.

Along with the other lottery distributors, we gave an undertaking several years ago to monitor the access of Black and minority ethnic groups to lottery funds. We have continued to honour this commitment and in 2006/07 introduced a new grants management system that will enable us to monitor and report in this and other areas in far more detail. The system is currently undergoing an extensive programme of testing and verification.

Stabilisation and recovery

Our stabilisation and recovery programmes were launched some years ago and were designed to provide resources and support to enable organisations to undertake significant developmental change. By 2006/07, the majority of the organisations awarded funds had completed their change plans, with the remainder anticipated to do so in 2007/08.

Monitoring and evaluation continued

Monitoring is undertaken throughout the implementation of each organisation's plan and includes regular meetings between us, the organisation and other stakeholders. We review a wide range of evidence submitted by each organisation such as board papers, financial and marketing plans and other documents to assess how well the implementation plan is progressing. When an organisation is identified as being 'high risk', we adopt a more intensive approach, meeting with the organisation on a more frequent basis and reviewing the implementation plan in more detail.

On completion of the implementation plan, each organisation is required to prepare and adopt a three-year business plan. We regularly undertake follow-up meetings up to a year after an organisation has left the programme.

Urban Cultural Programme

Launched in 2004/05, with the funding coming on stream in 2005/06, the Urban Cultural Programme was a scheme jointly funded by the Arts Council and the Millennium Commission. Its aim was to help fund groups of local government authorities to undertake large-scale programmes of cultural activities.

Due to the value of the grants issued under the Urban Cultural Programme, we have put in place a detailed monitoring process involving the submission of a quarterly return, setting out the activity that has taken place and details of expenditure and partnership income.

Youth Music (National Foundation for Youth Music)

Youth Music distributes £10 million of lottery funds on our behalf through a number of schemes that focus on the participation of children and young people in music-making activities. Youth Music monitors and evaluates these schemes in a number of ways.

Officers or external experts make visits to one in 20 projects funded and produce a written progress report. Projects are selected on the basis of the level of risk identified during the assessment of applications. In addition, projects identified as having the potential for exceptional good practice are also selected so that they may be used as examples.

Youth Music has established an evaluation and research group to oversee the evaluation of their schemes. In 2006/07, there was an evaluation of the effectiveness of their key scheme that provides support to individuals – the Musicleader network scheme. The results showed that the service is effective and identified the most effective ways to support individuals. A summary of the report is available from Youth Music's website.

Financial Directions

Financial Directions

Under section 26(3), (3a) and 4 of the National Lottery etc Act 1993 (as amended by the National Lottery Act 1998), the Secretary of State issued Financial Directions to the Arts Council, as set out below.

The Arts Council of England ('the Council') shall comply with the requirements contained within the attached Statement of Financial Requirements, which have the status of Directions under section 26 of the National Lottery etc Act 1993, as amended ('the Act'). The Statement of Financial Requirements complements the Council's Management Statement and Financial Memorandum (MS/FM), which deals with corporate management matters and with the application of non-lottery funds, and should be read in conjunction with the MS/FM.

We confirm that, to the best of our knowledge, we complied fully with the financial requirements in 2006/07. A copy of the Statement of Financial Requirements is available from us.

Performance against targets for administrative efficiency

Performance against targets for administrative efficiency

In accordance with the Financial Directions issued by the Secretary of State, we operate a system of performance measures and targets for analysing our administrative efficiency.

In 2006/07, we introduced a new grants management system that will enable us to monitor and report on our performance on a wider range of areas and in greater detail.

The system is currently undergoing an extensive programme of testing and verification.

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.

	Year 1 2002/03	Year 2 2003/04	Year 3 2004/05	Year 4 2005/06	Year 5 2006/07
Lottery administration costs	£m	£m	£m	£m	£m
Adjusted administration costs*	23.54	19.02	17.53	18.34	17.58
Actual administration costs**	23.54	19.57	18.54	19.78	19.49
Actual admin costs as % of lottery income	13.24%	12.15%	10.96%	11.50%	13.05%

* Figures have been adjusted for inflation using 2002/03 as the base year

** Excludes exceptional items and one-off IT development costs

Policy on additionality

Policy on additionality

The Arts Council and the organisations that distribute lottery funds on its behalf recognise and respect the additionality principles of lottery funding. Lottery funding enables us to extend the reach and increase the impact of the activity that we could undertake if only Exchequer funds were available.

Together with the other lottery distributors who make up the Lottery Forum, we have agreed to share the following common definition of additionality:

'Lottery funding is distinct from government funding and adds value. Although it does not substitute for Exchequer expenditure, where appropriate it complements government and other programmes, policies and funding.'

We and our delegates will have regard to the principles of additionality and this policy when we set the strategic objectives of our lottery-funded programmes and when we decide how each programme will operate. We have, and will continue to use, lottery funding to fund specific time-limited activity that would not take place without the support of the lottery.

We have reviewed our activities and confirm that we have adhered to our policy on additionality.

Performance against strategic objectives

Performance against strategic objectives

The financial year 2006/07 was the first of two years covered by our corporate plan, *Our agenda for the arts 2006–8*. This plan lays out our six strategic objectives:

- Taking part in the arts
- Children and young people
- The creative economy
- Vibrant communities
- Internationalism
- Celebrating diversity

These priorities have been central to all of our lottery-funded activities.

Pages 15 to 45 provide information and examples of our performance against our strategic objectives.

Customer service charter

In April 2005, we agreed with the other lottery distributors and with DCMS to adopt a common customer service charter. This includes 11 standards to make sure we provide the best possible service and maintain high standards of customer care. The charter is available from our website.

Progress report on major lottery awards over £5 million

Progress report on major lottery awards over £5 million

This section reports on projects which have received awards totalling over £5 million, even if they involve a number of separate awards. It includes any projects which were active at 1 April 2006 but fully paid during 2006/07 and those with outstanding balances at 31 March 2007. 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 2007
- B projects completed and opened during 2006/07
- C projects completed and opened in previous years but with final payments still outstanding at 1 April 2006

The awards are all for capital projects except for one award made under the stabilisation programme to the Royal Liverpool Philharmonic Society.

A Projects still to be completed at 31 March 2007

Colchester Borough Council

Award: £5,120,000

Colchester Borough Council is working in partnership with the firstsite art gallery towards the development of a new visual arts facility that will showcase established artists and emerging talent and meet a regional need for a large-scale, contemporary visual arts venue. It is proposed the spaces will also act as a focus for the University of Essex's Latin American art collection.

£1,402,231 paid (27.4% of the total award)

Leicester City Council

Award: £12,220,000

The project is a partnership between Leicester City Council, Leicester Theatre Trust (Haymarket Theatre) and the Leicester Arts Centre Trust (Phoenix). The project proposes building a new performing arts centre, a replacement venue for the old Haymarket Theatre and the performing arts elements of the Phoenix Arts Centre. It will be the first phase of a new cultural quarter in the St George's regeneration area of Leicester city centre.

£4,601,084 paid (37.7% of the total award)

National Theatre

Award: £32,090,000

The project proposes a refurbishment and redevelopment of the backstage and public areas and car park, investment in new

Progress report on major lottery awards over £5 million continued

equipment and information technology, and purchase of the lease for a new research and development space, the Studio. Front-of-house work was completed at the end of 1997. Further redevelopment work on the Studio will provide a new home for the National Theatre archive and will create a dedicated base for its education.

£30,355,546 paid (94.5% of the total award)

Nottingham City Council

Award: £5,080,000

This project will see the construction at the site known as Garners Hill of a building that will be the East Midlands' new 'flagship' contemporary arts space. The Centre for Contemporary Arts in Nottingham will have five large galleries and a flexible space to include a social area and live art performance space. The performance element will be part of a broadly described contemporary visual arts programme.

£882,392 paid (17.4% of the total award)

The Public (previously c/PLEX)

Award: £29,960,703

This development of a major landmark building will house innovative, community-focused arts practice with an emphasis on digital technologies and the central element of the regeneration strategy for West Bromwich. The operating company went into administration in March 2005 and the administrators are working with stakeholders to produce a viable operating plan for the business.

£29,260,520 paid (97.7% of the total award)

Rivington Place

Award: £5,620,000

The project is a new building to house two culturally diverse visual arts agencies (InIVA and Autograph ABP) with a gallery, project spaces for small-medium enterprises, expanded multimedia, a library and research facilities. Rivington Place will be situated in the heart of the diverse communities of east London, characterised by a dynamic city fringe economy and considerable deprivation.

£4,949,746 paid (88.1% of the total award)

Royal Liverpool Philharmonic Society

Award: £10,793,702

This is a stabilisation award to eliminate the accumulated deficit, to reach agreement with Liverpool City Council on the future funding of Philharmonic Hall, to recruit a new chief executive and other senior management posts, and to cover transitional operational costs.

£9,611,457 paid (89% of the total award)

Royal Shakespeare Company

Award: £50,806,540

The Royal Shakespeare Company is one of the most significant theatre production companies in the UK and has a prominent international reputation. The company focuses on the plays of Shakespeare as well as developing and producing new work. This project is the redevelopment of the Royal Shakespeare Theatre in Stratford-upon-Avon to provide better facilities for audiences, performers and staff.

£12,564,052 paid (24.7% of the total award)

Progress report on major lottery awards over £5 million continued

South Bank Centre

Award: £36,711,308

This project will see the development of the Royal Festival Hall through improvement to existing foyers and renovation of the auditorium, access improvements, improved natural acoustics and improved box office facilities. It will also see an extension to the frontage of the Hayward Gallery including improved foyer, education, conference and outreach facilities (completed in October 2003) and improvements to external landscaping on the South Bank.

£36,688,286 paid (99.9% of the total award)

Wakefield City Council

Award: £5,080,000

The local authority is creating a new cultural amenity for the city as part of a comprehensive regeneration plan. The development of the Hepworth, a major new art gallery, comes from the offer of 30 sculptures by Barbara Hepworth's estate, as well as a desire to re-house Wakefield Gallery's own large art collection. The project will vastly improve accommodation for collections, exhibitions and education activity.

£36,000 paid (0.7% of the total award)

B Projects completed and opened during 2006/07

After a project has been completed and opened, the Arts Council retains a percentage of the award for payment until a full account for the project has been received and/or final certificates have been issued.

Leeds City Council

Award: £13,600,000

The project is a partnership between Leeds City Council, Leeds Grand Theatre and Opera North. It provides a new base and rehearsal centre for Opera North and refurbishment and modernisation of the Leeds Grand Theatre. It comprises a mix of new build development, operational improvements and heritage investment. It reopened in October 2006.

£7,067,244 paid (52.0% of the total award)

Northampton Theatres Trust

Award: £7,748,725

This project is the refurbishment and reconfiguration of the Northampton Derngate and Royal Theatres. The two organisations merged in 1999 to form the Northampton Theatres Trust. The redevelopment provides an extended and renovated foyer, improved disabled access, improved air circulation, a new creativity centre (a home for the theatres' education and outreach activities) and a new rehearsal space bringing in-house produced shows into the heart of the building. It reopened in October 2006.

£4,481,735 paid (57.8% of the total award)

Rich Mix Cultural Foundation

Award: £7,040,000

Rich Mix opened for a limited programme of activity in March 2006. In its first 12 months of operation it operated the three single screens in the cinema, ran a programme of community events and commercial hires in the café and fourth floor conference rooms

Progress report on major lottery awards over £5 million continued

and co-promoted a number of arts installation projects and exhibitions. Its first year of trading has been more challenging than expected and the fit-out has yet to be completed. Work is in hand to create a more suitable business model for a building of this size and capacity.

£6,780,000 paid (96.3% of the total award)

Young Vic Company Limited

Award: £6,321,908

The project comprises the rebuilding of the original theatre to provide an upgraded auditorium, new foyer and catering spaces, two studios and improved backstage and office spaces. There will be full access for disabled people. The new design will extend the area of the original building and use the increased space to improve all facilities. It reopened in October 2006.

£5,937,284 paid (93.9% of the total award)

C Projects completed and opened in previous years but with final payments still outstanding at 1 April 2006

After a project has been completed and opened, the Arts Council retains a percentage of the award for payment until a full account for the project has been received and/or final certificates have been issued.

De La Warr Charitable Trust Limited

Award: £5,915,172

The De La Warr Pavilion in Bexhill-on-Sea, built in 1935, is recognised as one of the finest examples of a modern movement

building in Britain and includes an auditorium, gallery space, bars, restaurant and multi-purpose rooms. The Grade One listed building has been restored to create a centre for the visual arts and architecture. It opened in October 2005.

£5,515,172 paid (93.2% of the total award)

Lowry Centre (Salford City Council)

Award: £51,749,719

This project developed a major performing and visual arts centre as part of the regeneration scheme for Salford Quays. It was a joint award with the Millennium Commission (£15.65 million) and the Heritage Lottery Fund (£7.65 million). Significant partnership funding came from the European Regional Development Fund, Salford City Council and English Partnerships. The centre opened in May 2000.

£51,676,938 paid (99.9% of the total award)

Unicorn Theatre

Award: £5,865,000

This project created a theatre for children in Southwark and formed an administrative base for the Unicorn. The building will also receive touring shows. Accommodation includes a 500-seat performance space, a second 100-seat space, an education studio, a workshop studio, a rehearsal studio, open and accessible front-of-house spaces, back-of-house accommodation and a meeting room. The Unicorn Theatre opened in December 2005.

£5,445,000 paid (92.8% of the total award)

Council and regional council members

April 2006 to March 2007

Council

Sir Christopher Frayling (Chair)	Professor Alan Livingston	Professor Stuart Timperley
Diran Adebayo	Sir Brian McMaster CBE	Dorothy Wilson
Janet Barnes	François Matarasso	Lady Sue Woodford Hollick
Tom Bloxham MBE	Elsie Owusu OBE	* Appointed May 2006
Kentaké Chinyelu-Hope	Alice Rawsthorn**	** Appointed February 2007
Keith Khan*	Dr Tom Shakespeare	*** Retired May 2006
	William Sieghart***	

East Regional Arts Council

Professor Stuart Timperley (Chair)	Cllr Barbara Hacker	Yasmin Sharrif*
Dame Gillian Beer DBE	Cllr Paul Kirkman	Cllr Susan Wigglesworth
Graham Creelman	Anne Lavery	Jason Yarde***
Nicholas Daniel*	David Morrall	* Retired July 2006
Cllr Tony Dodd	Kari O’Nions**	** Retired January 2007
Susan Gunn	Cllr Penny Otton	*** Appointed November 2006
	Rachel Parslew	

East Midlands Regional Arts Council

François Matarasso (Chair)	Cllr John Knight	Cllr Alan Wells
Abby Johnson Brennan	Carol Leeming**	Cllr Paul West***
Cllr Pat Fawcett	Donna Munday**	Cllr Nick Worth
Tina Glover MBE*	Corey Mwamba**	Cllr Mick Young
Nikki-Kate Heyes**	Annette Schafer**	* Retired June 2006
David Johnston*	Cllr Dr Jill Vincent	** Appointed July 2006
Mir Juma	Morcea Walker*	*** Retired May 2007

London Regional Arts Council

Lady Sue Woodford Hollick (Chair)	Elizabeth Howlett*	Graham Sheffield
Tony Arbour*	Ian Jentle	Cllr Peter Truesdale*****
Jeanette Arnold*	Cllr Denise Jones****	Judith Woodward***
Cllr Barbara Campbell**	Nicholas Kent*****	* Retired July 2006
Cllr John Coombs**	Indra Khanna*****	** Appointed January 2007
Emmanuel Cooper	Joanne McCartney*****	*** Appointed November 2006
Anupam Ganguli	Kate O’Rourke*****	**** Retired January 2007
Sally Hamwee***	Cllr Anjana Patel**	***** Retired June 2006
Jenny Harris	Cllr Joyce Ryan****	***** Appointed July 2006
	Dr Maggie Semple*****	***** Appointed May 2006

Council and regional council members continued

North East Regional Arts Council

Dr Tom Shakespeare (Chair)	Sarah Kemp	Cllr Robert Symonds
Victoria Andrew MBE	Farah Khan	Lucy Winskell****
Cllr David Budd*	Helen Pickering***	* Appointed November 2006
Cllr Alex Cunningham	William Pym	** Retired October 2006
Cllr Fiona Davison**	Cllr John Rutherford*	*** Retired June 2006
Cllr Brian Ebbatson*	Mark Scrimshaw***	**** Appointed June 2006
Tina Gharavi	Sajjad Shah	
Cllr Mick Henry CBE	Peter Standfield****	

North West Regional Arts Council

Tom Bloxham MBE (Chair)	Cllr Hazel Harding CBE*	Cllr Edmund Sheehy
Conrad Atkinson	Professor Lubaina Himid	Cllr Andy Shine
Deborah Barnard MBE	Cheryl Martin	Cllr Jean Yates**
Cllr Warren Bradley	Peter Mearns	* Appointed December 2006
Cllr Ann Farrell	Cllr Paula Pearson	** Retired May 2006
Ruth Gould	Howard Raynor	

South East Regional Arts Council

Kentaké Chinyelu-Hope (Chair)	Schweta Kapadia	Eckhard Thiemann***
Jeremy Birch	Penelope Marcus	Elaine Thomas
Morel D'Souza	Andrew Nairne	Stephen Turner
Mike Fairclough	Mike Rogers*	Adrian Vinson
Simon Fanshawe	Don Seale**	Michael Woodhall
Judy Panesar Harrison	Gavin Stride	* Retired November 2006
Euan Henderson	Mary Stuart*	** Appointed March 2007
Sarah Hohler	Katie Tearle	*** Appointed October 2006

Council and regional council members continued

South West Regional Arts Council

Professor Alan Livingston (Chair)	Cllr Jean Cope*	Jill Low
Cllr Doris Ansari OBE	Ruth Eastwood**	Cllr Klara Sudbury
Olalekan Babalola	Michele Farmer*	Pippa Warin
Tim Brinkman	Emma Flatley	* Appointed December 2006
Cllr Robert Chapman	Cllr Stephen Friar	** Retired July 2006
Sir Chris Clarke	Thrisha Haldar	
	Mary La Trobe-Bateman*	

West Midlands Regional Arts Council

Dorothy Wilson (Chair)	Tyrone Huggins	Amajit Talwar
Cllr Colin Ablitt	Cllr Terry James	Cllr Ian Ward
Professor Susan Bassnett	Alan McLean*	* Retired June 2006
Cllr Martin Bennett	Dr Noha Nasser**	** Appointed July 2006
Cllr Richard Chattaway	Cllr Sheila Pittaway*	*** Appointed September 2006
Clare Edwards	Cllr Chris Saint***	
Deirdre Figueiredo	Paul Sutton	

Yorkshire Regional Arts Council

Janet Barnes (Chair)	Lynne Green	Dharambir Singh
Cllr Peter Box*	Elaine Hirst	William Weston
Cllr Georgina Boyes*	Cllr Alan Holgate***	* Retired November 2006
Margaret Coleman	Leila Jancovich****	** Retired September 2006
Geraldine Connor**	Sohail Khan	*** Appointed March 2007
Cllr Jane Evison	Cllr Susan Latter*	**** Appointed January 2007
Cllr John Fort***	David Nixon	
Cllr David Gemmell	Cllr James Preston*	

Right: A puppetry workshop held in Immingham, North East Lincolnshire as part of the Arts Forum Festival. Photo: Pori Medlock



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