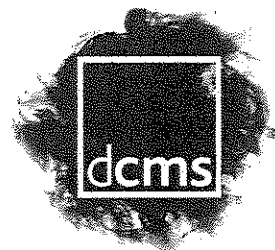


CMS 218249/DC

Dame Liz Forgan  
Chair  
Arts Council England  
14 Great Peter Street  
LONDON  
SW1P 3NQ



department for  
culture, media  
and sport

29 October 2012

*Dear Dame Liz,*

## **ARTS COUNCIL ENGLAND - MANAGEMENT AGREEMENT 2012-2015**

I am writing to set out the way in which I would like our two organisations to work together over the rest of this spending review period. This letter sets out my priorities, the indicators which will be used to measure performance and the way I would like us to work together.

Firstly, I would like to thank Arts Council England for its contribution to delivering Departmental priorities over the first year of the spending review. Despite the challenges of the current financial constraints, Arts Council England has continued to play a critical part in the cultural life of this country, helping us to deliver a cultural offer that is dynamic, innovative and world-class. It has also taken on additional responsibilities which present challenges along with great opportunities for strengthening

My priorities for Arts Council England remain similar to those set out in my spending review allocation letter of 20 October 2010, namely that:

- Spending on administration to be cut by 50% in real terms
- Contributing to the Government's Growth Agenda
- Music and Cultural Education
- Strengthening the financial resilience of the sector
- Move to partnership organisations with an explicit responsibility for the sector
- Supporting international cultural exchange



improving  
the quality  
of life for all

I am keen to minimise bureaucracy by ensuring that any targets and performance indicators are limited, focussed and useful. We have therefore agreed that there will be three key performance indicators for Arts Council England during this spending review period.

- An increase in contributed income in National Portfolio Organisations (NPOs) and Major Partner Museums (MPMs) between 2012-2015
- An increase in the amount of activity made available to audiences digitally through NPOs and MPMs
- Sustained attendance / visitor numbers in NPOs/MPMs over the period 2012-15

Alongside these key performance indicators, I know that there are a number of other pieces of performance data that Arts Council England has agreed it will collect.

For those ALBs where it has been agreed to hold an annual review meeting: As you know, I am keen to refocus the relationships between my Department and its arm's length bodies, with a greater emphasis on effective partnerships at Board level and less focus on day-to-day sponsorship. As one of our key partnership ALBs, I would like us to meet annually to discuss Arts Council England's performance. I hope that we will both find this meeting a useful opportunity to consider performance, risk and future opportunities.

I am sending with this letter a copy of the key data sheet summarising the spending review allocation, delegated limits, performance indicators, management information requirements and spend controls for Arts Council England over the rest of the spending review period. My officials will revise this key data as necessary over the Spending Review period. I am also enclosing a signed copy of the new Arts Council England Governance Framework for signature by you and Alan Davey.

May I take this opportunity to thank you and your Council for continuing to give your time and skills and for your commitment to ensuring that Arts Council England remains one of our most important public bodies. I look forward to continuing our partnership in this exciting year and beyond.



**Ed Vaizey MP**  
**Minister for Culture, Communications and Creative Industries**

# Arts Council England governance framework

## 1. Introduction

- 1.1. This agreement has been drawn up by the Department for Culture, Media and Sport ("DCMS") in consultation with Arts Council England. This document sets out the broad framework within which Arts Council England will operate. The document does not convey any legal powers or responsibilities. It is signed and dated by DCMS and Arts Council England. Copies of the document will be placed in the Libraries of both Houses of Parliament and made available to members of the public on Arts Council England's website, with a link to it on the DCMS site.
- 1.2. Legislative changes will take precedence over any part of this document. Significant variations will be cleared with the Treasury or the Cabinet Office as appropriate.
- 1.3. Nothing under this agreement shall prevent Arts Council England from carrying out its legal duties under its founding legislation or under any other legislation and in accordance with the principles of administrative law, which impacts on its functions, activities or powers.
- 1.4. This agreement complements Arts Council England Financial Directions and Statement of Financial Requirements (SFR) and its provisions, unless otherwise stated in the SFR, apply to the administration of National Lottery proceeds. It should also be read alongside Arts Council England's Policy and Accounts Directions issued under the National Lottery etc. Act 1993. Arts Council England receives a share of the proceeds of the National Lottery Distribution Fund. At 1 April 2012 this share will be 13.956%.

## 2. Governance and accountability

- 2.1. The statutory and other duties of Arts Council England derive from Royal Charter. Arts Council England is also a registered charity and must comply with its objects and powers and with trust law and charity law.
- 2.2. The Secretary of State and other members of the DCMS ministerial team will account for Arts Council England's business in Parliament.
- 2.3. The respective responsibilities of the Departmental Accounting Officer and Accounting Officers for NDPBs and other arm's length bodies are set out in Chapter 3 of Managing Public Money which is sent separately to the NDPB Accounting Officer on appointment and summarised below.
- 2.4. The terms of appointment of the Chair and Council members are as set out in Arts Council England's founding legislation or other founding documents. Where such appointments are made by Ministers, they will comply with the Code of Practice of the Commissioner for Public Appointments.
- 2.5. In line with the founding legislation or documents, and, where applicable, the Government's Code of Practice on Corporate Governance, Council will consist of a Chair, together with up to 16 members that have a balance of skills and experience appropriate to directing Arts Council England's business.

- 2.6. The Chief Executive is appointed by the Council of Arts Council England, with the approval of the Secretary of State for Culture, Media and Sport. He or she will report to the Council on the day-to-day running of the organisation and its performance against objectives. In addition to this, he or she will normally be the Accounting Officer for Arts Council England and will have specific duties in this regard, which are set out in section 4 below.

### **3. Departmental Accounting Officer's responsibilities**

- 3.1. The Permanent Secretary, as Accounting Officer for DCMS, is accountable to Parliament for the issue of any grant-in-aid to Arts Council England, and the Lottery funds held in the National Lottery Distribution Fund on behalf of Arts Council England, and is also responsible for ensuring arrangements are in place to:

- monitor Arts Council England's activities on a continuous basis;
- address significant problems in Arts Council England, making such interventions as are judged necessary;
- periodically carry out an assessment of the risks both to the department and Arts Council England objectives and activities;
- inform Arts Council England of relevant government policy in a timely manner; and,
- bring concerns about the activities of the body to the full Arts Council England Council; requiring explanations and assurances that appropriate action has been taken.

- 3.2. The Head of Arts in DCMS is the primary contact for Arts Council England within the Department.

### **4. Arts Council England Accounting Officer's responsibilities**

- 4.1. The Departmental Accounting Officer will normally appoint the permanent head of Arts Council England, i.e. the Chief Executive, to be the Accounting Officer for the body. The duties of Arts Council England's Accounting Officer are set out in full in the Permanent Secretary's appointment letter to him/her. The Accounting Officer is responsible for accounting to Parliament, DCMS, Arts Council England's Council and other stakeholders.

- 4.2. Arts Council England's Accounting Officer is personally responsible for safeguarding the public funds for which he or she has charge; for ensuring propriety and regularity in the handling of those public funds; and, reporting to the Council of Arts Council England, for the day-to-day operations and management of Arts Council England and the achievement of its strategic aims. In addition, he or she should ensure that Arts Council England as a whole is run on the basis of the standards, in terms of governance, decision-making and financial management that are set out in Box 3.1 to Managing Public Money (at the time of writing).

- 4.3. The key accountabilities are:

- signing the accounts and ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with charity law, Treasury guidance and with any directions issued by the Secretary of State;
- signing a Statement of Accounting Officer's responsibilities, for inclusion in the annual report and accounts;

- signing a Governance Statement concerning the organisation's management and control of resources during the year and setting out how risk has been managed, for inclusion in the annual report and accounts;
- ensuring that effective procedures for handling complaints about Arts Council England are established and made widely known within the body;
- acting in accordance with the terms of this document, Managing Public Money and other instructions and guidance issued from time to time by the Department, the Treasury and the Cabinet Office; and
- giving evidence, normally with the Accounting Officer of the sponsor Department, when summoned before the PAC on Arts Council England's stewardship of public funds.

4.4. Particular responsibilities to DCMS are:

- informing the Department of progress in helping to achieve DCMS's policy objectives and in demonstrating how resources are being used to achieve those objectives;
- ensuring that timely forecasts and monitoring information on performance and finance are provided to the Department; that the Department is notified promptly if over or under spends are likely and that corrective action is taken; and that any significant problems whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the Department in a timely fashion; and
- to work collectively with the Department and other members of the DCMS 'family' of arm's length bodies in support of each other and the group as a whole.

4.5. The duties of the Accounting Officer with respect to the Council of Arts Council England are:

- advising the Council on the discharge of its responsibilities as set out under the founding legislation, in this document, and in any other relevant instructions and guidance that may be issued from time to time;
- advising the Council on Arts Council England's performance compared with its aims and objectives;
- ensuring that financial considerations are taken fully into account by the Council at all stages in reaching and executing its decisions, and that financial appraisal techniques are followed; and
- taking action as set out in paragraphs 3.7.5 of Managing Public Money if the Council, or its Chair, is contemplating a course of action involving a transaction which the Chief Executive considers would infringe the requirements of propriety or regularity or does not represent prudent or economical administration, efficiency or effectiveness, questionable feasibility, or is unethical.

## 5. Arts Council England National Council

- 5.1. The Council should ensure that effective arrangements are in place to provide assurance on risk management, governance and internal control. The Council is expected to assure itself of the effectiveness of the internal control and risk management systems.
- 5.2. The Council must set up an Audit Committee chaired by a Member or, where applicable, an independent non-executive member. The Audit Committee should support the Council and Accounting Officer by providing advice and assurance on risk management, governance and internal control.

5.3. Where the Council does not consider issues relating to staff remuneration itself, it shall ensure that an effective mechanism for such consideration exists, e.g. a remuneration committee or similar body performing the same purpose.

5.4. The Council is specifically responsible for:

- ensuring that Arts Council England fulfills the aims and objectives and discharges the responsibilities set out in its Royal Charter and within the policy and resources framework determined by the Secretary of State;
- determining the steps necessary to deal with any developments which are likely to affect Arts Council England's ability to fulfil its aims and objectives and keeping the responsible DCMS Minister informed if any such developments arise;
- ensuring that any statutory or administrative requirements for the use of public funds are complied with; that the Council operates within the limits of its statutory authority, within the resources framework determined by the Secretary of State and any delegated authority agreed with the sponsor department, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Council takes into account guidance issued by the sponsor department;
- ensuring that Arts Council England complies with the requirements of administrative law, trust law and charity law;
- ensuring that the Council receives and reviews regular financial information concerning the management of Arts Council England; is informed in a timely manner about any concerns about the activities of Arts Council England; and provides positive assurance to the Department that appropriate action has been taken on such concerns;
- demonstrating high standards of corporate governance at all times, including using its Audit Committee to help the Council to address key financial and other risks;
- appointing a chief executive and, in consultation with the Department, set remuneration terms linked to performance against objectives for the chief executive; and
- Ensuring that any public functions of Arts Council England are carried out in compliance with statutory duties.

## **6. The Chair's personal responsibilities**

6.1. The Chair is responsible to the Secretary of State for ensuring that Arts Council England fulfills its statutory purpose as set out in its founding legislation, that it complies with administrative law, trust law and charity law, that where appropriate Arts Council England's policies are consistent with those of the Secretary of State, and that Arts Council England's affairs are conducted with probity.

6.2. In addition, the Chair has the following leadership responsibilities:

- formulating the Council's strategy for discharging its statutory duties;
- ensuring that the Council, in reaching decisions, takes proper account of guidance provided by the responsible minister or the Department;
- ensuring that the Council, in reaching decisions, takes proper account of the requirements of administrative law, trust law and charity law;
- supporting the Accounting Officer in promoting the efficient and effective use of staff and other resources;

- supporting the Accounting Officer in delivering high standards of regularity and propriety; and
- representing the views of the Council to the general public.

The Chair also has an obligation to ensure that:

- the Council and its members are reviewed and are working effectively;
- the Council has a balance of skills appropriate to directing Arts Council England business, as set out in the Government Code of Good Practice on Corporate Governance;
- Council members are fully briefed on terms of appointment, duties, rights and responsibilities;
- when required, he or she, together with the other Council members, receives appropriate training on financial management and reporting requirements and on any differences that may exist between private and public sector practice;
- the responsible minister is advised of Arts Council England needs when Council vacancies arise;
- he or she assesses the performance of individual Council members when being considered for re-appointment;
- there is a code of practice for Council members in place consistent with the Cabinet Office Code of Conduct for Board Members of Public Bodies.

## **7. Individual Council members' responsibilities**

7.1. Individual Council Members should:

- comply at all times with the Council Members' Code of Practice and with the rules relating to the use of public funds and to conflicts of interest;
- not misuse information gained in the course of their public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations;
- comply with the Council's rules on conflicts of interest and the acceptance of gifts and hospitality;
- act in good faith and in the best interests of Arts Council England.

## **8. Publications and information strategy**

8.1. Arts Council England will have responsibility for contributing to the Government's system of democratic accountability by making information available to the public on the quality and productivity of its services, value for money, performance and progress on delivery. Arts Council England will:

- provide timely and accurate information required for Parliamentary Questions, responses by Chief Executives to Parliamentary Questions and contributions to Ministerial and public correspondence. Arts Council England will be responsible for responding to requests under the Freedom of Information Act within the statutory time limit;
- publish, or cause to be published, an annual report of its activities together with its audited resource accounts after the end of each financial year. Arts Council England shall provide the Department with its finalised (audited) accounts in accordance with the annual guidance produced by DCMS;

- publish other information as required by the Department in the interests of transparency and as communicated from time to time.

#### 8.2. The annual report must:

- cover any corporate, subsidiary or joint ventures under its control;
- comply with the Treasury's Financial Reporting Manual (FReM) where this does not conflict with charitable accounting requirements in the Statement of Recommended Practice (SORP);
- contain a governance statement, setting out the ways in which the Accounting Officer has managed and controlled the resources used in the organisation during the course of the year, demonstrating how well the organisation is managing risks to the achievement of its aims and objectives;
- outline main activities and performance during the previous financial year and set out in summary form forward plans.

8.1. The report and accounts shall be laid in Parliament and made available on Arts Council England's website, in accordance with the guidance in the FReM and Statement of Recommended Practice (SORP). Arts Council England should aim to submit a draft of the report to the Department in May/early June. The final version should be submitted for Ministerial approval at least three weeks before the proposed publication date. The accounts should be prepared in accordance with the relevant statutes and specific accounts direction issued by the Department as well as the FReM and SORP.

8.2. Additionally Arts Council England will be expected to publish information relating to the delivery of its services and policies. In particular this should include information that will help the public to: (i) see progress against activity which Arts Council England has made a public commitment to deliver; (ii) judge if the services and/or outputs offer value for money; and (iii) consider whether the way in which the body operates gives rise to any issues around fairness.

8.3. Arts Council England is named as a producer of Official Statistics under The Statistics and Registration Services Act 2007. As such, Arts Council England is required to adhere to the Code of Practice for Official Statistics, to have in place a lead official for statistics, and is encouraged to publish a statement of compliance on its website. The DCMS Head of Profession is available to provide further advice and guidance on statistical issues, and is responsible for ensuring the quality and professional integrity of the statistics. (Please see Annex B for links to guidance.)

8.4. Where Arts Council England conducts or commissions social or economic research, relevant professional standards should be applied to ensure that research is impartial, of sufficient quality, legal and ethical. Arts Council England should nominate a lead contact for research of this type and share their programme of planned and published research with the Head of the DCMS Evidence and Analysis Unit for information purposes. Further guidance on conducting research can also be obtained from the DCMS Evidence and Analysis Unit.

## 9. Internal Audit

#### 9.1. Arts Council England shall:

- establish and maintain arrangements for internal audit in accordance with the Treasury's Government Internal Audit Standards (GIAS);



- ensure DCMS is satisfied with the competence and qualifications of the Head of Internal Audit and the requirements for approving appointments in accordance with GIAS 5.2;
- set up an Audit Committee of its Council in accordance with the Cabinet Office's Guidance on Code of Practice for Public Bodies and the Audit Committee Handbook;
- forward the audit strategy, periodic audit plans and annual audit report, including Arts Council England Head of Internal Audit's opinion on risk management, control and governance to the sponsor department on request;
- have effective controls to prevent fraud and theft; and
- report all cases of attempted, suspected or proven fraud, irrespective of the amount involved, and notify the Department of any unusual, novel or major incidents as soon as they are discovered, irrespective of the amount involved.

9.2. DCMS's internal audit service has a right of access to all documents prepared by Arts Council England internal auditor, including where the service is contracted out, for the purpose of obtaining assurance as to Arts Council England's handling of public funds and effectiveness of financial controls.

## 10. External Audit

10.1. The Comptroller & Auditor General (C&AG) audits Arts Council England annual accounts and lays them before Parliament, together with his report.

10.2. In the event that Arts Council England has set up and controls subsidiary companies:

- Arts Council England will ask (or will have asked) HM Treasury to designate the company as either profit making or non-profit making;
- where HM Treasury determines that the company is non-profit making, it will be (or will have been) included in a GRAA Order, which will make (or will have made) the C&AG its statutory auditor. the company should appoint the C&AG as auditor by agreement until such time as the GRAA Order is issued;
- where HM Treasury determines that the company is profit making, it should either appoint the C&AG when its audit contract next comes up for renewal or, where they are required to go out to tender for audit services, the C&AG should be invited to compete. Where the C&AG is not appointed, the company must clearly explain the reasons for selecting a different auditor to DCMS.

10.3. The C&AG:

- will consult the Department and Arts Council England on whom – the NAO or a commercial auditor – shall undertake the audit(s) on his behalf, though the final decision rests with the C&AG;
- has a statutory right of access to relevant documents, including by virtue of section 25(8) of the Government Resources and Accounts Act 2000, held by another party in receipt of payments or grants from Arts Council England;
- will share with DCMS information identified during the audit process and the audit report (together with any other outputs) at the end of the audit, in particular on issues impacting on the Department's responsibilities in relation to financial systems within Arts Council England; and
- will, where asked, provide departments and other relevant bodies with Regulatory Compliance Reports and other similar reports which departments may request at the

commencement of the audit and which are compatible with the independent auditor's role.

10.4. The C&AG may carry out examinations into the economy, efficiency and effectiveness with which Arts Council England has used its resources in discharging its functions. For the purpose of these examinations the C&AG has statutory access to documents as provided for under section 8 of the National Audit Act 1983. In addition, Arts Council England shall provide, in conditions to grants and contracts, for the C&AG to exercise such access to documents held by grant recipients and contractors and sub-contractors as may be required for these examinations; and shall use its best endeavours to secure access for the C&AG to any other documents required by the C&AG which are held by other bodies.

## **11. Right of access**

11.1. Subject to any over-riding legal rights or obligations, Arts Council England will provide access to the Department to all Arts Council England records and personnel for all purposes including, for example operational investigations.

## **12. Managing Public Money and other government-wide corporate guidance and instructions**

12.1. Unless agreed by the Department and (as necessary) HM Treasury, Arts Council England shall follow the principles, rules, guidance and advice in Managing Public Money, referring any difficulties or potential bids for exceptions to DCMS in the first instance. A list of guidance and instructions with which Arts Council England should comply is in **Annex B**.

12.2. Once the overall budget has been allocated by DCMS, Arts Council England shall have authority to incur expenditure approved in the budget without further reference to the Department, on the following conditions:

- Arts Council England shall comply with the delegated financial limits agreed with the Department. These delegations shall not be altered without the prior agreement of DCMS;
- Arts Council England shall comply with Managing Public Money regarding novel, contentious or repercussive proposals;
- inclusion of any planned and approved expenditure in the budget shall not remove the need to seek formal departmental approval where any proposed expenditure is outside the delegated limits;
- Arts Council England shall provide DCMS with such information about its operations, performance individual projects or other expenditure as the sponsor department may reasonably require; and
- Arts Council England shall comply with any additional requirements notified to them by the Department, for instance on spending controls or delegated authorities, subject to the Council Members' obligation to fulfil their primary charitable duties.

## **13. Risk management**

13.1. Arts Council England shall ensure that the risks that it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and develop a risk management strategy, in accordance with Treasury guidance. It should adopt and implement policies and practices to safeguard itself against fraud and theft, in line with the Treasury's guide: Managing the Risk of Fraud. It

should also take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter into a contract or to give grant or grant-in-aid.

## **14. Business Planning**

- 14.1. To operate its business effectively, Arts Council England should produce management planning and information documents covering at least three financial years ahead. These may take the form of strategic or corporate plans (for three years ahead), and should include a business plan (one year ahead). The first year of the planning document can include the business plan incorporated as a single document.
- 14.2. The Department should be sent copies of each of the completed planning documents. These plans should be made available to the public, via the internet if possible.
- 14.3. The business plan should include a forecast of income and expenditure suitably classified by activity and key objectives, taking account of guidance on resource assumptions and policies provided by the Department at the beginning of the planning round. These forecasts should represent Arts Council England's best estimate of its available income, including any grant or grant in aid, Lottery and any other funding within Arts Council England.

## **15. Arts Council England staff**

- 15.1. Within the arrangements approved by the responsible minister Arts Council England will have responsibility for the recruitment, retention and motivation of its staff. The broad responsibilities toward its staff are to ensure that:
  - the rules for recruitment and management of staff create an inclusive culture in which diversity is fully valued; appointment and advancement is based on merit; there is no discrimination on grounds of gender, marital status, sexual orientation, race, colour, ethnic or national origin, religion, disability, community background or age;
  - the level and structure of its staffing, including grading and staff numbers, are appropriate to its functions and the requirements of economy, efficiency and effectiveness;
- 15.2. Any proposal by Arts Council England to move from the existing pension arrangements, or to pay any redundancy or compensation for loss of office under the Civil Service Compensation Scheme or an analogous scheme, requires the prior approval of the Cabinet Office. Proposals on severance must comply with the rules in chapter 4 of Managing Public Money and will require Treasury approval.
- 15.3. Arts Council England staff are subject to levels of remuneration and terms and conditions of service (including pensions) within the general pay structure approved by DCMS. These terms and conditions will be subject to an agreed annual pay negotiating remit and should be in line with the current Public Sector pay policy guidelines issued by the Treasury. The remit will be subject to the agreement of the DCMS. Arts Council England has no delegated power to amend these terms and conditions.
- 15.4. Arts Council England shall not remunerate employees via special purpose companies or by means of any other tax avoidance devices.

## **16. Review**

- 16.1. Arts Council England may be reviewed periodically, by DCMS in accordance with the business needs of DCMS and of Arts Council England, and Cabinet Office guidance.

## **17. Arrangements in the event that an Arm's Length Body (ALB) is wound up**

- 17.1. In the event of the decision being made to wind up Arts Council England, Arts Council England will be required to wind-up its affairs [in accordance with the timetable agreed with the Department] and to put in place a plan for its closure. This will include arrangements for the handover of its residual business and assets and liabilities.
- 17.2. The draft wind-up plan should be forwarded to DCMS in accordance with the agreed timetable.
- 17.3. DCMS shall put in place arrangements to ensure that, when an ALB is wound up, this shall be done in an orderly manner. In particular DCMS should ensure that where an ALB is wound up, the assets and liabilities of the body are passed to any successor organisation and accounted for properly. (In the event that there is no successor organisation, the assets and liabilities should revert to the sponsor department.) To this end, the Department shall:
- ensure that procedures are in place in the ALB to gain independent assurance on key transactions, financial commitments, cash flows and other information needed to handle the wind-up effectively and to maintain the momentum of work inherited by any residuary body;
  - specify the basis for the valuation and accounting treatment of the ALB's assets and liabilities;
  - ensure that arrangements are in place to prepare closing accounts and pass to the C&AG for external audit and that funds are in place to pay for such audits. It shall be for the C&AG to lay the final accounts in Parliament, together with his report on the accounts; and
  - arrange for the most appropriate person to sign the closing accounts. In the event that another ALB takes on the role, responsibilities, assets and liabilities, the succeeding ALB AO should sign the closing accounts. In the event that the Department inherits the role, responsibilities, assets and liabilities, the Permanent Secretary should sign.
- 17.4. Arts Council England shall provide the Department with full details of all agreements where it or its successors have a right to share in the financial gains of developers. It should also pass to the department details of any other forms of claw-back due to it.

## **18. Budgets and Grant-in-Aid**

- 18.1. Expenditure against resource and capital budgets must be recorded and monitored by Arts Council England in accordance with the Treasury's Consolidated Budgeting Guidance (or its successor). These are the net expenditure limits for Arts Council England in each year - excluding any use of reserves for which budgetary cover has been given - and must be adhered to. Net expenditure above these limits may not be committed until or unless a revised budget has been agreed in writing by the Department.
- 18.2. Arts Council England may not breach the component parts of the capital and resource budgets (e.g. core capital). Approval must be sought in advance and in writing if Arts Council England wishes to spend more in one category and less in another. In all these

matters, the Department may be required to refer a decision to the Treasury before granting approval.

- 18.3. Grant in Aid is the amount payable by the Department to Arts Council England in each year and is independent of the budget figures, although derived from them. It does not include depreciation or any budgetary cover allocated by the Department for Arts Council England's use of its own reserves.

## **19. Grant-in-aid and any ring-fenced grants**

- 19.1. Both the grant-in-aid provided by the Department and the overall budgets set by it for the year in question will be voted in the Department's Supply Estimate and be subject to Parliamentary control.
- 19.2. The grant-in-aid will normally be paid in monthly instalments on the basis of written applications showing evidence of need. Arts Council England will comply with the general principle, that there is no payment in advance of need. Cash balances accumulated during the course of the year from grant-in-aid or other Exchequer funds shall be kept to a minimum level consistent with the efficient operation of Arts Council England. Grant-in-aid not drawn down by the end of the financial year shall lapse. Subject to approval by Parliament of the relevant Estimates provision, where grant-in-aid is delayed to avoid excess cash balances at the year-end, the Department will make available in the next financial year any such grant-in-aid that is required to meet any liabilities at the year end, such as creditors.
- 19.3. As a minimum, Arts Council England shall continue to provide the Department with monthly information via its grant in aid claims that will enable the Department satisfactorily to monitor:
- Arts Council England's cash management;
  - its draw-down of grant-in-aid;
  - forecast outturn by resource headings; and
  - other data required for the Treasury's Combined On-line Information System (COINS) or its successor.

## **20. Reporting performance to the Department**

- 20.1. Arts Council England shall operate management information and accounting systems that enable it to review in a timely and effective manner its financial and non-financial performance against the budgets and targets set out in the corporate and business plans. Arts Council England's performance shall be reviewed by the Department periodically in accordance with the engagement strategy.

## **21. Delegated authorities**

- 21.1. Arts Council England shall obtain the Department's prior written approval before:
- entering into any undertaking to incur any expenditure that falls outside the delegations or which is not provided for in Arts Council England's annual budget as approved by the Department;

- incurring expenditure for any purpose that is or might be considered novel or contentious, or which has or could have significant future cost implications;
- making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the Department;
- redirecting funding provided by the Department for one purpose to other purposes;
- making any change of policy or practice which has wider financial implications that might prove repercussive or which might significantly affect the future level of resources required; or
- carrying out policies that go against the principles, rules, guidance and advice in Managing Public Money.

## **22. Capital projects**

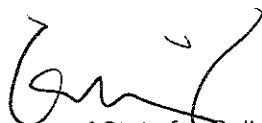
- 22.1. All capital projects, whether already underway or beginning during this period, are subject to the Department's investment appraisal processes. Any capital expenditure that exceeds Arts Council England's delegated capital limit must be referred to the DCMS Investment Committee for approval at three stages of development, as set out in guidance issued by the Department. The figure used in calculating whether the costs exceed the delegated limit is the lifetime cost of the capital project, including non-exchequer funding and any increased running costs ensuing from it.
- 22.2. Where projects are reliant on donations or sponsorship that have yet to be confirmed, demonstration of a staggered approach to completion (i.e. that takes account of the funds secured to date before proceeding with each stage) will be more likely to receive approval to proceed.
- 22.3. When considering the case for capital projects, Arts Council England is expected to use the Treasury's Green Book methodology (or its successor), as modified or enhanced by guidance from DCMS. This is the case for evaluating a capital project regardless of whether the project requires DCMS Investment Committee approval. The Department reserves the right to receive copies of business cases for projects below Arts Council England's delegated limit or elements of it, such as the Net Present Value calculation.

## **23. Procurement**

23.1. Arts Council England shall:

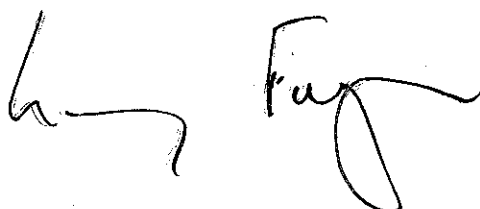
- Comply with current requirements on additional spend controls, delegated authorities and authorisations on procurement and leases as notified to them by the Department.

Signed by:



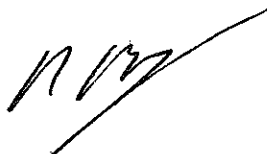
On behalf of the Secretary of State for Culture, Media and Sport

Signed by:



Chair of Arts Council England

Signed by:



Accounting Officer of Arts Council England

Date

1 November 2012

## Annex A: ARTS COUNCIL ENGLAND's DELEGATED FINANCIAL LIMITS

ALL DELEGATIONS ARE SUBJECT TO THE REQUIREMENT THAT SPENDING PROPOSALS FALLING WITHIN MANAGING PUBLIC MONEY Para. A.2.3.10 (expenditure and resource commitments which the Treasury cannot delegate) SHOULD BE REFERRED TO THE DEPARTMENT. These are:

- Items which are novel, contentious or repercussive, even if within delegated limits
- Items which could exceed the agreed budget and Estimate limits
- Contractual commitments to significant spending in future years for which plans have not been set
- Items requiring primary legislation (e.g. to write off NLF debt or PDC)
- Any item which could set a potentially expensive precedent

*Unlimited (unless otherwise specified)*

### 1. CAPITAL EXPENDITURE

Expenditure on new construction, land, extensions of, and alterations to, existing buildings and the purchase of any other fixed assets (e.g. machinery, plant, and vehicles) with an expected working life of more than one year. Also includes exchanges of fixed assets.	£2m
Expenditure on the signing of new leases, renewals of existing leases, the non-exercise of lease break options, any new property acquisitions (including those made through a Public Finance Initiative provider), new build developments, sale and leaseback, and any freehold sales as part of national property controls.	£100,000  Approval for leases over £100,000 can only be given by the Chief Secretary to the Treasury and must provide value for money for Government as a whole or demonstrate exceptional circumstances.

### 2. GIFTS



1. gifts received by Arts Council England	Unlimited
2. in a financial year, any one gift or total of gifts to one person/organisation	£1000
Gifts to staff are subject to DAO (Gen) 13/01.	

### 3. NON-STATUTORY CONTINGENT LIABILITIES

Up to £100,000

### 4. LOSSES AND SPECIAL PAYMENTS

The write-off of losses or approval of special payments should only be carried out by staff authorised to do so by and on behalf of ACE's Accounting Officer.

Classification of losses and special payments

Type	Description	Delegation
<i>A. Losses</i>		
(i)	Cash losses. Physical losses of cash and equivalents (e.g. banknotes, postal orders; stamps) by any cause.	£100,000
(ii)	Bookkeeping losses: because of unvouched or incompletely vouched payments, including cases where vouchers are missing; because of changes to estimates or other accounts to clear inexplicable or erroneous balances.	£100,000 £100,000
(iii)	Exchange rate fluctuations. Losses due to fluctuations in exchange rates or revaluations of currencies.	£100,000
(iv)	Losses of pay allowances and superannuation benefits:	£100,000
(v)	overpayments due to miscalculation, misinterpretation of acts, regulations or scheme rules or the full facts not being known;	£100,000
(vi)	unauthorised issues, e.g. payments not admissible under the acts, regulations or scheme rules;	£100,000
(vii)	losses arising from other causes, e.g. non-disclosure of full facts by the beneficiary, short of proven fraud.	£100,000
(viii)	Losses arising from overpayments of grants, etc. arising from miscalculation, misinterpretation of acts regulations or scheme rules, or the full facts not being known.	£100,000

(ix)	Losses arising from failure to make adequate charges for the use of public property or services.	£100,000
B	Losses of accountable stores:	
(i)	because of fraud, whether or not it has been possible to charge anyone with an offence, or proven or suspected theft, arson or sabotage, or any other deliberate act (including repairable damage caused maliciously to buildings, stores; etc. which is not the subject of an identifiable legal claim against some person); wherever possible recovery must be effected and prosecution mounted;	Unlimited
(ii)	losses arising from other causes.	£100,000
C	Fruitless payments and constructive losses	£100,000
D	Claims waived or abandoned	£100,000
E	Special payments:	
(i)	extra-contractual and ex gratia payments to contractors;	£100,000
(ii)	other ex gratia payments;	£100,000
(iii)	compensation payments;	£100,000
(iv)	extra-statutory and extra-regulatory payments.	£100,000

## 5. CONTRACTS

For contracts generally, or specific types, e.g. Single Tender Action, consultancy, information technology, land & buildings etc. **Unlimited, subject to the following exceptions:**

**ICT contracts over £5m and specifically ICT contracts over £1m on systems that support administration, including HR, finance or procurement activities or upgrades and hosting contracts for such systems will require approval from the Efficiency and Reform Group in the Cabinet Office.**

**All advertising and marketing spend that is considered essential will require approval from DCMS and if over £100,000 by the Efficiency and Reform Group in the Cabinet Office.**

All contracts for advisory consultancy services (see definition below).

**Advisory Consultancy:** The provision to management of objective advice relating to strategy, structure, management or operations of an organisation in pursuit of its purposes and objectives. Such advice will be provided outside the 'business-as-usual' environment when in-house skills are not available and will be time-limited. Consultancy may include the identification of options with recommendations, or assistance with (but not the delivery of) the implementation of solutions. The sub-categories of consultancy are:

- Strategy
- Organisation and change management
- Property and construction
- Marketing and communication
- Programme and project management
- Finance
- IT/IS
- Procurement
- HR, training and education
- Technical

6. GRANTS

Unlimited

7. DISPOSAL OF ASSETS

Land and Buildings purchased wholly or mainly with Exchequer money or National Lottery funds.

£1,000,000

The Arts Council England is also required to comply with Efficiency and Reform Group spending controls as notified to them by DCMS.

## Annex B: Compliance with guidance and instructions

Arts Council England shall be aware of where necessary comply with the following general guidance documents and instructions:

- Appropriate adaptations of sections of the Corporate Governance Code for Central Government Departments;  
[http://www.hm-treasury.gov.uk/psr\\_governance\\_corporate.htm](http://www.hm-treasury.gov.uk/psr_governance_corporate.htm)
- Managing Public Money (MPM);  
[http://www.hm-treasury.gov.uk/psr\\_mpm\\_index.htm](http://www.hm-treasury.gov.uk/psr_mpm_index.htm)
- Consolidated Budgeting Guidance;  
[http://www.hm-treasury.gov.uk/psr\\_bc\\_consolidated\\_budgeting.htm](http://www.hm-treasury.gov.uk/psr_bc_consolidated_budgeting.htm)
- Government Internal Audit Standards;  
[http://www.hm-treasury.gov.uk/psr\\_governance\\_gia\\_guidance.htm](http://www.hm-treasury.gov.uk/psr_governance_gia_guidance.htm)
- Appropriate adaptations of the Audit Committee Handbook;  
[http://www.hm-treasury.gov.uk/audit\\_committee\\_handbook.htm](http://www.hm-treasury.gov.uk/audit_committee_handbook.htm)
- Management of Risk: Principles and Concepts;  
[http://www.hm-treasury.gov.uk/d/orange\\_book.pdf](http://www.hm-treasury.gov.uk/d/orange_book.pdf)
- Treasury guidance on Managing the Risk of Fraud;  
<http://www.hm-treasury.gov.uk/fraud>
- Government Financial Reporting Manual (FRoM);  
[http://www.hm-treasury.gov.uk/frem\\_index.htm](http://www.hm-treasury.gov.uk/frem_index.htm)
- If applicable, the Charities SORP;  
[http://www.charitycommission.gov.uk/Charity\\_requirements\\_guidance/Accounting\\_and\\_reporting/Preparing\\_charity\\_accounts/sorpfront.aspx](http://www.charitycommission.gov.uk/Charity_requirements_guidance/Accounting_and_reporting/Preparing_charity_accounts/sorpfront.aspx)
- Fees and Charges Guide, Chapter 6 of MPM;  
[http://www.hm-treasury.gov.uk/d/mpm\\_ch6.pdf](http://www.hm-treasury.gov.uk/d/mpm_ch6.pdf)
- Banking guidance, annex 5.7 of MPM;  
[http://www.hm-treasury.gov.uk/d/mpm\\_annex5.7.pdf](http://www.hm-treasury.gov.uk/d/mpm_annex5.7.pdf)
- Relevant Dear Accounting Officer letters;  
[http://www.hm-treasury.gov.uk/psr\\_governance\\_dao\\_letters.htm](http://www.hm-treasury.gov.uk/psr_governance_dao_letters.htm)
- Regularity, Propriety and Value for Money;  
[http://www.hm-treasury.gov.uk/psr\\_governance\\_valueformoney.htm](http://www.hm-treasury.gov.uk/psr_governance_valueformoney.htm)
- The Parliamentary Ombudsman's Principles of Good Administration;  
<http://www.ombudsman.org.uk/improving-public-service/ombudsmansprinciples/principles-of-good-administration>
- Consolidation Officer Memorandum, and relevant DCO letters;
- Relevant Freedom of Information Act guidance and instructions (Ministry of Justice);  
<http://www.justice.gov.uk/guidance/freedom-and-rights/freedom-of-information/>
- Model Code for Staff of Executive Non-departmental Public Bodies: Annex A of Public Bodies: A Guide for Departments (Cabinet Office);  
[http://www.civilservice.gov.uk/Assets/5\\_public\\_body\\_staffv2\\_tcm6-2484.pdf](http://www.civilservice.gov.uk/Assets/5_public_body_staffv2_tcm6-2484.pdf)
- Other relevant guidance and instructions issued by the Treasury in respect of Whole of Government Accounts;  
[http://www.hm-treasury.gov.uk/wga\\_guidance\\_index.htm](http://www.hm-treasury.gov.uk/wga_guidance_index.htm)
- Guidance on major projects issues by the Major Projects Authority;  
<http://www.cabinetoffice.gov.uk/content/major-projects-authority>
- The Statistics and Registration Services Act 2007;  
<http://www.legislation.gov.uk/ukpga/2007/18/contents>
- The Code of Practice for Official Statistics;

<http://www.statisticsauthority.gov.uk/assessment/code-of-practice/code-of-practice-for-official-statistics.pdf>

- Recommendations made by the Public Accounts Committee, or by other Parliamentary authority, that have been accepted by the Government and relevant to the ALB.