



The relationship between the Arts Council and funded organisations

How the Arts Council works with
National portfolio organisations
and Major partner museums



Contents

 Introduction	3
 Aims of our relationship	4
 Expectations	5
 Components of the funding relationship	6
 Ongoing monitoring	9
 Risk	12
 Annual reporting and feedback	14
 Where we have concerns	16
 Future funding	19
 Other support for organisations	20
 Appendix 1 – Expectations of National portfolio organisations	21
 Appendix 2 – Expectations of Major partner museums	22

Introduction

2012 sees the Arts Council's National portfolio and our Renaissance Major partner museums representing a renewed approach to how we invest in organisations. With these new funding programmes comes a new relationship.

This document has been developed following our conversations about that new relationship with our funded organisations, and is about setting out how we'll work with them over the coming years.

Rather than trying to accurately represent the depth and the nuance of all our work with organisations, this framework is intended to set out the details of our funding process and how our commitment to transparency and rigour in investing public funds influences that process.

For the first time we are setting out the minimum level of contact an organisation can expect with the Arts Council, something we will seek to maintain when implementing the significant administrative savings we've been asked to make. Instead of annual meetings, we'll be focusing on ongoing dialogue, enabling us to provide timely feedback and to prioritise organisations that most need our support.

We are also being clearer about our expectations of the organisations we fund. The organisations in our portfolios represent the backbone of the arts and culture in this country, and we want them to lead the way in terms of achievement, accountability and performance. Though we will encourage and challenge organisations to be the best they can, we believe the most effective way to do this is through organisations challenging themselves through strong governance and a culture of self evaluation.

The relationship we have with our funded organisations is one of mutual benefit, with our funding enabling organisations to help deliver our mission of [Achieving great art for everyone](#). I'm confident that alongside the outstanding organisations we fund we can take significant steps to achieving this.

We look forward to working with you.

Alan Davey

Chief Executive, Arts Council England

Aims of our relationship

- to set out the funding of each organisation against our goals and priorities
- to have the same approach for both arts organisations and museums
- ongoing dialogue and monitoring, with a commitment to quarterly contact with every organisation
- clear responsibility for organisations and their Board (or equivalent) to manage performance and undertake self evaluation
- a relationship that varies according to the risks of each investment
- annual feedback to organisations on their risks, progress, achievements and best practice

We have a broader relationship, where we work across the sector to broker partnerships, encourage leadership and develop opportunities. This framework focuses on the requirements of the National portfolio and Major partner museum funding.

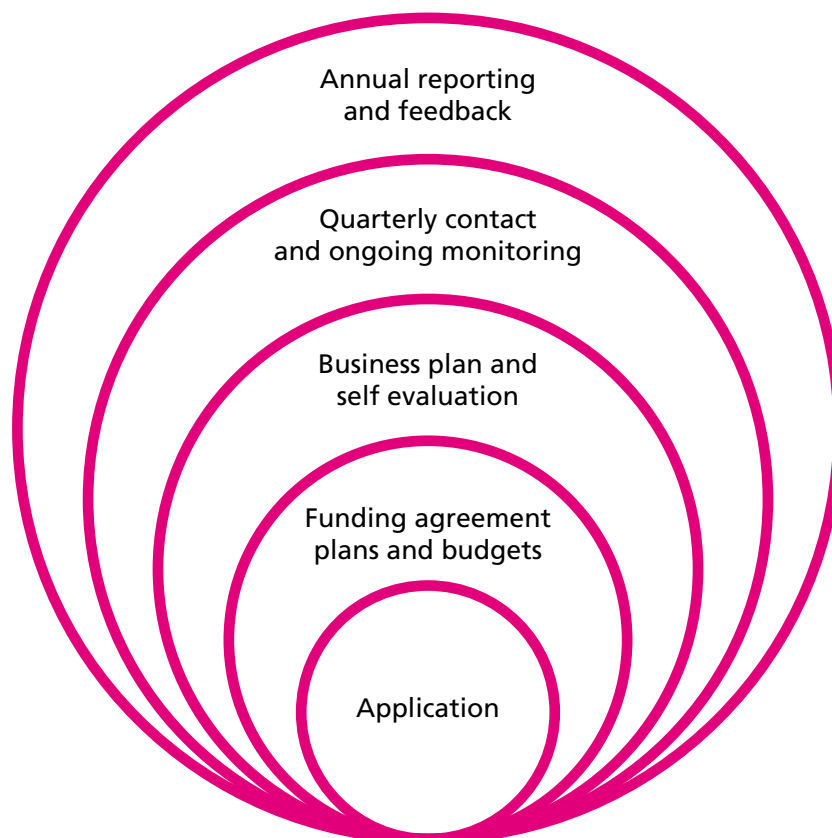
Expectations

We have expectations of National portfolio and Major partner museums as leading cultural organisations that collectively are a powerful force for developing the arts and culture. The certainty of public funding brings the responsibility of acting as leaders and role models, and our expectations reflect this.

Please see appendix 1 for the expectations of National portfolio organisations, and appendix 2 for the expectations of Major partner museums.

● Components of the funding relationship

There are a series of components that taken together form the funding relationship:



The application

Our funding decisions are based on these applications. Here organisations set out what they intend to achieve with the investment, demonstrate their ability to successfully manage themselves and their activity, and their financial viability.

The funding agreement

After the application, the funding agreement is at the heart of the funding relationship between each organisation and the Arts Council. It is a high-level agreement that sets out the activity an organisation is undertaking and how this meets our goals and priorities.

Each funding agreement includes five key performance indicators for the entire portfolio, which encompass important themes of excellence, engagement and resilience.

The funding agreement sets out requirements for all organisations and many of these are also explained in this document.

Our ongoing relationship with organisations will be based on the funding agreement and programme set out within it. This is the activity featured in the organisation's application for funding. We will seek to understand the context and environment the organisation is operating within through business plans and self evaluation.

We will occasionally place additional requirements or conditions in funding agreements as part of our monitoring responsibilities, either at the start or during the funding period. Such changes will always be made in writing with sufficient notice. We may also agree to change funding agreements where circumstances require it. We endeavour never to change the standard terms and conditions of funding agreements without providing at least six months' notice.

Plans of activity and budgets

On an annual basis every organisation provides a detailed plan of activity for the financial year and the accompanying budget and cash flow.

Equality and sustainability action plans

We ask, as a condition of the funding agreement, for each organisation to have a clear plan for addressing equality and environmental sustainability. These can form part of the business plan or be stand-alone documents. They are owned by the organisation – the Arts Council's interest is that the plans exist and are being acted upon.

Business plans

We require all organisations to have a business plan (or equivalent document that sets out how it will deliver and develop its business in the coming years). We ask for a copy of the business plan to accompany every funding agreement so that we can understand and monitor how the programme will be delivered and see how effectively the organisation is managing its affairs.

Business plans are owned by each individual organisation and should be endorsed and monitored at Board (or equivalent) level. We do not approve the business plan but we may provide feedback to organisations if we believe necessary, and we expect to receive any updates.

Self evaluation

Self evaluation is the opportunity to find ways to improve performance and so to achieve more. It enables an organisation to decide what it has learnt from the process and what it wants to do differently in the future to become even more successful.

We place increasing emphasis on organisations undertaking self evaluation and suggest that organisations use the [self evaluation toolkit](#) we have published. Organisations are not obliged to use this toolkit but it is considered good practice to demonstrate at least one form of regular self evaluation. The outcomes of self evaluation should inform business planning.

Ongoing monitoring

Contact with Arts Council

Relationship Managers are the primary point of contact between the organisation and the Arts Council. As well as contact and communication, their role is to lead our monitoring of organisations and to make judgements that contribute to our funding decisions.

Relationship Managers can be a valuable ‘critical friend’ by providing feedback on the performance of the organisation and suggesting other sources of advice and support. They do not provide legal, financial or other professional advice though, and they will not tell an organisation how to manage itself.

Organisations can expect to have direct contact with their Relationship Manager on at least a quarterly basis. The level of contact with each organisation may be less than some organisations experienced in previous years. The Relationship Manager will determine the requirement for contact and monitoring based upon the risks. This contact may include:

- a scheduled telephone conversation
- observing a Board (or equivalent) meeting
- a meeting for a specific purpose
- experiencing an organisation’s work
- attending a joint meeting with other stakeholders

As part of the ongoing monitoring we also receive the Board papers (or equivalent) and financial reports of the organisation on a regular basis.

Relationship with staff and Board (or equivalent)

We conduct most of our relationships through the Chief Executive (or equivalent). Where there is a separate Chief Executive and Artistic Director we would expect to have an ongoing relationship with the Artistic Director or Curator about the organisation’s programme and quality of work. We may also communicate directly with Finance Directors in larger organisations.

The Board is ultimately accountable for the performance of the organisation and we may use our attendance at Board meetings to provide our feedback. We will occasionally meet and discuss issues with the Chair of the Board (or equivalent). We assume that the Board will be proactively interested in the organisation’s relationship and funding agreement with

the Arts Council and that conversations about the performance of organisations may be discussed here.

As part of our monitoring role we will occasionally attend meetings of Board as an observer. This enables us to gain a deeper insight into the issues and development of an organisation, and to see how decision making works and the way in which business is conducted. We will not interfere in the Board's decision making.

Appointments

The Arts Council may also be involved in making senior appointments within funded organisations. We will contribute information and comments for organisations to consider in decision making, but not take part in the decision itself. Organisations should inform us of their proposed process for appointing the Chair of the Board (or equivalent), Chief Executive (or equivalent), Artistic Director or other such similar posts, and our role will vary from commenting on job descriptions through to taking part in interview panels.

The reason we ask to have a role in appointment is to help provide transparency to appointments, and by helping to ensure strong recruitment processes for senior leaders we fulfil our obligation to safeguard public funds.

Artistic assessments

Artistic assessors review individual pieces of work and write a report assessing the work's artistic quality. Assessors are recruited by open application and serve fixed terms. Their assessments feed into our ongoing artistic evaluation of the portfolio and in doing so, inform our funding decisions.

We ask that organisations provide free tickets, programmes and catalogues where necessary and we will liaise with organisations over when we are planning to send an artistic assessor. We will always share the assessment with organisations afterwards.

The assessment report is intended to support organisations in their own evaluation of their work. We will discuss the reports with organisations on an ongoing basis.

Relationship Managers will also review artistic work and discuss with organisations their impressions of artistic quality. Using this information, other public evidence of quality and the ongoing monitoring, the role of the Relationship Manager is to come to a balanced overall view of an organisation's work.

The integration of museums into the Arts Council and the funding of Major partner museums through the Renaissance programme, offers the opportunity to consider the place of artistic assessment for museums and their public programmes. In further developing the Renaissance programme, the Arts Council will consider whether it is suitable to put a form of peer assessment in place and what form this should take.

● Risk

Risk

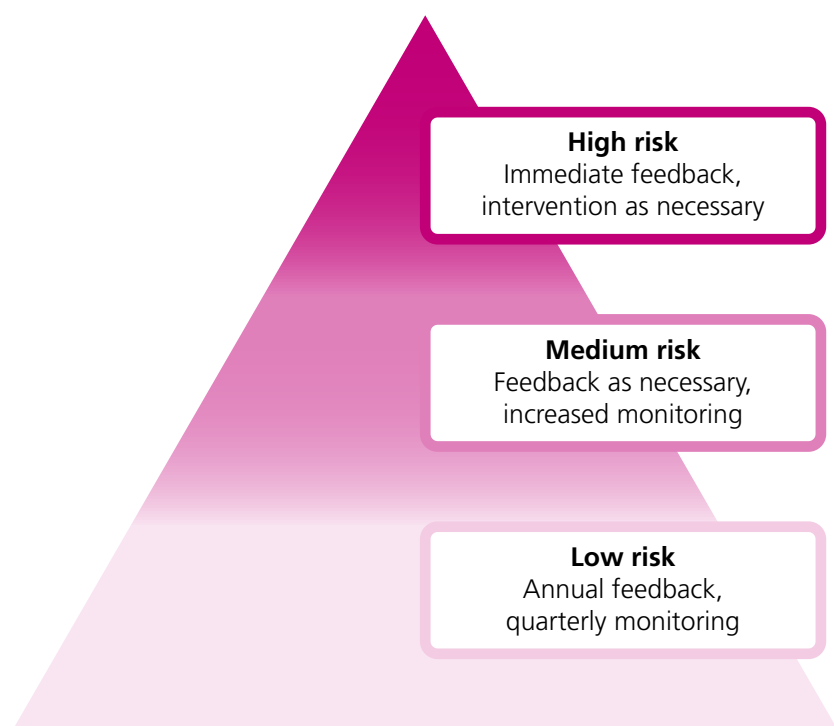
We use our monitoring to determine the degree of risk to the delivery of a funding agreement and therefore to our investment. Specifically we look at:

- **Goals and priorities**, including are our goals and priorities being delivered effectively and is the quality of the organisation's work consistent if not improving?
- **Governance and management**, including is there a suitable business plan that is being delivered, is self evaluation well used, is there effective leadership held to account by strong governance?
- **Financial resilience**, including does the organisation assess risk, is expected income realistic, and does the organisation produce accurate financial information?

We reach a conclusion about the level of risk for each organisation based on various factors:



We record these risks on a quarterly basis and prioritise our Relationship Manager time in monitoring organisations we consider to be higher risk. We expect the majority of organisations to be low risk and we use the risk level to determine whether any change in our relationship or further intervention is required (please see below).



Annual reporting and feedback

Annual reporting

On an annual basis every organisation will be asked to provide an annual report. This will take place in the first quarter of the financial year and will include a written report on the previous year's activity and achievements, as well as progress on key performance indicators. An updated business plan should be provided where relevant. We will review this information to help us determine the success of our investment and provide each organisation with feedback accordingly.

The annual report, which is a narrative document, will be followed by the annual survey of statistical data (please see data and the annual survey).

In between the annual reporting, it is the responsibility of organisations to inform us of any changes to their activity or business.

Key performance indicators

Our funding agreement sets out five key performance indicators. These should be deliberately ambitious but achievable. They are a means of measuring how successfully an organisation is progressing in three key areas: excellence, engagement and resilience. These indicators are written by each organisation and agreed with the Relationship Manager.

We will not use key performance indicators as a simple pass/fail test of success. They are a diagnostic. Every organisation will be asked to write in its annual report where it has been successful and where it is focusing its efforts for improvement.

Using this information, we will record a simple rating (red-amber-green) on how the organisation is progressing against its key performance indicators and feed this back. We will also make judgements about how the portfolio collectively is progressing on excellence, engagement and resilience and use this to inform our planning and reporting on our funds.

Annual feedback

We will provide written feedback to organisations on at least an annual basis. This will take place in the first quarter of every financial year and will be based upon the annual report provided to us and our ongoing monitoring and contact as well as other evidence. The letter will set out:

- How well we consider the organisation to be ensuring excellence in its work and give a score against our criteria
- The progress the organisation is making against its own key performance indicators
- Where we have identified risks to the delivery of the funded programme

We will provide feedback more immediately if we consider an organisation to be higher risk.

Our feedback letter is not only to identify concerns. We will also use the opportunity to give feedback where we believe there is good practice and encourage organisations to share such practice with peers and the sector. Feedback is intended to be constructive and a tool for continuous improvement.

The feedback letter will contain the following elements:

Excellence	A statement from the Relationship Manager on the Arts Council's judgement of the organisation's excellence and a score word (from Not Met through to Outstanding)
Key performance indicators	A red-amber-green rating for how the organisation is progressing on the Engagement and Resilience indicators
Areas of risk	Low-medium-high scores in three areas of risk: goals and priorities, governance and management, financial resilience
Monitoring plan	The highlighting of any concerns and the monitoring and intervention proposed by the Relationship Manager to address these in the coming year
Achievements and best practice	A statement from the Relationship Manager highlighting recognised achievements and best practice by the organisation

Data and the annual survey

We ask all organisations to complete an annual survey. While the survey gives us information about specific organisations that we may want to discuss, its primary purpose is to gather information that allows us to report on the activity of the National portfolio and Major partner museums overall. We check the accuracy of the data before it is published by the Office of National Statistics. The data from the annual survey will also allow you to compare your activity and information with that of other organisations, and therefore can also be used as a tool for your own self evaluation.

Where we have concerns

In our role of monitoring public investment we record on an ongoing basis the risks facing our investment and whether we believe an organisation is delivering sufficiently what it set out to do in its agreement. Our ongoing contact with organisations will inform our judgement.

Where we have cause for concern our first step will be to give feedback and then discuss this with the organisation so we can both understand where issues may lie. We expect the Board (or equivalent) to be aware of our concerns. If we consider it appropriate, we will ask organisations to produce and agree with us an action plan in response to our concerns. We will monitor how effectively this action plan is put into place. We may choose to make one of the interventions set out below.

In extreme cases we may decide that continued investment is not in the best interest of public funds, and will discontinue funding. We would not take such a decision lightly and would base it upon the evidence available, interventions we have made and the progress against an organisation's action plan.

Intervention

We have a responsibility as a public funder to be accountable for the investment we make, and similarly we believe organisations share that responsibility as a recipient of public funding. Sometimes organisations raise concerns with us and invite us to support them. Other times we will intervene where we believe there is increased risk to our investment and an organisation's ability to deliver the outcomes of the funding agreement. This intervention may take many forms and will be relevant to individual circumstances. Indicatively, however, it may include:

Action plans

We may ask for and agree an action plan for improvement in response to concerns. Organisations will be responsible for this plan and we will monitor its effect.

Increased reporting

We may ask for reports in writing more frequently on certain issues or confirm that areas of concern that we identified are being addressed.

Right to audit

We will reserve the right to audit an organisation if we have significant concerns about information presented to us, including financial information.

Funding conditions

We may place additional conditions on our grant payments to ensure compliance when existing conditions or standard requirements have not been met.

Consultants

We may ask individual consultants to provide us with detailed information about the work or an organisation itself. This may be because we have concerns and need more information, or because we require specialist input, or because we wish to support an organisation in its development and improvement. Consultants may be used to support any action plan we agree with an organisation. We may commission the consultant jointly with the organisation or ask for them to report exclusively to us depending on the circumstances.

Stakeholder review

We may seek to hold a joint review meeting with other funding partners and discuss areas of mutual interest for improvement or development.

Withholding payment

If the conditions of our funding have not been met we may decide to withhold payment of a grant until conditions are fulfilled.

Withdrawing funding

In extreme circumstances we may decide to cease funding and in cases where there has been a breach of the terms and conditions we may ask for repayment.

When organisations are in difficulty

We know that some organisations will experience significant difficulty over the funding period due to financial pressures, changes in leadership or other factors. Such situations can always occur and in each case we will look at the individual circumstances and the risk to Arts Council investment.

If either an organisation enters a crisis, or we assess that an organisation is not delivering what we expected in our funding agreement, we will look to the organisation to take responsibility for the situation. Accountability for the success or failure of the organisation

rests solely with the Board (or equivalent). We will expect to see strong leadership and a plan from the organisation as to how to manage the situation.

The Arts Council will be as understanding of the situation as possible, and in doing so we may alter our expectations while organisations restructure, temporarily advance grant payments or agree to vary the key performance indicators or other aspects of the funding agreement.

In very few cases we may choose to proactively support an organisation's action plan by offering advice or involving consultants to work on it. We may in exceptional circumstances offer additional financial support. This will be based on our available resources, the level of risk and the extent of the organisation's potential to deliver our goals and priorities. In circumstances where we do offer support we will be demanding in expecting improvement. We should be clear though that Arts Council resources are decreasing over 2012-15 and we are less likely to offer such support than we have in previous years. Our efforts will instead be focused on building the capacity and resilience of arts organisations rather than addressing individual organisational problems.

Future funding

All organisations are made aware in their funding agreement that they cannot assume ongoing funding beyond the period of the current funding agreement. We expect future funding to involve an application process. The timing of our funding periods and when we receive applications is dependent on Government budget announcements. We will provide as much notice as possible as to when applications will be received and the material organisations will need to supply.

Organisations should be aware that future funding decisions will be taken on a variety of factors:

- First and foremost, the merits of each individual application
- Our judgement as to how well a funded organisation has delivered its existing funding agreement, including the feedback it has received
- Our desire to achieve a balanced portfolio

Other support for organisations

Local government

Arts Council works closely with local government in a shared aim of driving up public engagement in the arts and culture, and providing quality and excellence in local arts and cultural provision. We often reach investment decisions jointly based on these principles, we share our thinking and assessments and we advocate strongly for investment in the arts and culture.

We recognise that local government faces significant cuts in 2012-15, however we will not enter a position where the Arts Council becomes the sole public funder of a range of major cultural institutions in a local authority area. This could force us to review our funding of National portfolio organisations and Major partner museums in extreme circumstances.

Arts Council strategic funding

Strategic funding is used to target key areas and seize opportunities in the delivery of our goals. We use strategic funds flexibly – through grant programmes and commissions – to work alongside the more fixed investment we have made in the National portfolio.

National portfolio organisations and museums may apply for strategic funds if they meet the relevant eligibility requirements. In every case this must be for additional activity and outcomes, and for this reason we will monitor National portfolio and major partner museum funding and any strategic grants through separate reporting.

Appendix 1 – Expectations of National portfolio organisations

Organisations in the National portfolio should demonstrate an absolute commitment to artistic excellence and ambition in their work. They should nurture talent and promote an artistically led approach to diversity.

We want all organisations in the National portfolio to provide collective leadership of the arts sector and to be role models, at a local, regional or national level, in their artistic and organisational practices. We will have greater leadership expectations of those organisations with the largest turnovers, or those in receipt of the largest amounts of public funding.

We want National portfolio organisations to be inspirational, forward thinking and make use of digital technology across their whole organisation in pursuit of their mission. Alongside this, they should collect, interpret and share audience intelligence as the whole portfolio contributes to increasing levels of engagement with the arts.

The arts need to be resilient and therefore we want all organisations constantly to diversify and further their income from a range of sources, including charitable and private giving. They should also be willing to act as powerful advocates for the arts in a way that goes beyond their own organisations.

Organisations should be working to reduce their carbon footprint across all their activities.

Organisations should be encouraging children and young people to engage in high-quality arts experiences.

Finally, it is the responsibility of all National portfolio organisations to work with the Arts Council and other organisations to share skills and expertise, as together we deliver great art for everyone.

Appendix 2 – Expectations of Major partner museums

We want Major partner museums to demonstrate an absolute commitment to excellence and ambition in their work. They should invest time, effort and resources into managing and researching dynamic and high-quality collections and ensure these are used to maximum public benefit. They should seek to reach more and more people, including children and young people, through quality engaging experiences.

We want Major partner museums to contribute to the collective leadership of the museum sector and to be role models, at a local, regional, national and international level, in their museological and organisational practices. They should also be willing to act as powerful advocates for the sector in a way that goes beyond their own organisations.

We want Major partner museums to be inspirational, forward thinking and make use of digital technology across their whole organisation in pursuit of their mission. Alongside this, they should collect, interpret and share audience intelligence as the whole portfolio contributes to increasing levels of engagement. They should nurture talent and promote a positive approach to diversity.

The arts and cultural sectors need to be resilient and therefore we want all organisations constantly to diversify and further their income from a range of sources, including commercial activity, charitable and private giving. Organisations should be working to reduce their carbon footprint across all their activities.

We expect Major partner museums to work with and support other strands of the Renaissance programme and other Arts Council national initiatives. This will include the active support of Accreditation, recognised Subject Specialist Networks and participation, where relevant, in campaigns such as Museums at Night and Kids in Museums. Organisations should also engage with Bridge organisations, Artsmark and Arts Award where appropriate.

Finally, it is the responsibility of all Major partner museums to work with the Arts Council and other organisations to build partnerships and share skills and expertise, as together we deliver great museums for everyone, as set out in [Culture, knowledge and understanding: great museums and libraries for everyone](#).

Arts Council England

14 Great Peter Street
London SW1P 3NQ

www.artscouncil.org.uk

Email: enquiries@artscouncil.org.uk

Phone: 0845 300 6200

Textphone: 020 7973 6564

Charity registration no 1036733

You can get this publication in Braille, in large print, on audio CD and in electronic formats. Please contact us if you need any of these formats.

To download this publication, or for the full list of Arts Council England publications, see www.artscouncil.org.uk

ISBN: 978-0-7287-1518-9

© Arts Council England, April 2012

We are committed to being open and accessible. We welcome all comments on our work. Please send these to Alison Cole, Executive Director, Advocacy & Communications, at the Arts Council England address above.