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The National Portfolio  
Investment Programme

–  
2018-22 and 2022-23



# Relationship Framework

**How Arts Council England works with  
National Portfolio Organisations**

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# Welcome to the National Portfolio Organisation's Relationship Framework

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This framework was published to set out the parameters of our relationship with National Portfolio Organisations over the 2018-22 investment period. It describes what we expect from the organisations in which we invest and what they can expect from us.

As part of our response measures to Covid-19, we postponed the planned 2022-26 National Portfolio process and opened applications for a 2022-23 extension year to National Portfolio Organisations currently in receipt of 2018-22 funding.

This Relationship Framework was updated in July 2021 to confirm our ongoing expectations over the 2022-23 extension period and any changes in light of the transition from the Goals of our 2010-20 strategy, *Great Art and Culture for Everyone*, to the Outcomes and Investment Principles of our new strategy **Let's Create**.

# Why we invest in National Portfolio Organisations

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For the 2018-22 investment period we invested over £1.6 billion in our National Portfolio Organisations. In addition, we invested over £75 million a year from the Department for Education in Music Education Hubs.

For 2022-23, National Portfolio Organisations are being invited to apply for up to their 2020/21 yearly investment figure. At this standstill level, 2022/23 National Portfolio Investment will total approximately £412 million. Additional investment in Music Education Hubs for 2022/23 is expected to be confirmed following the 2021 Autumn spending review.

The portfolio is key in helping us to achieve our 2020-30 Strategy, **Let's Create**, and we expect all organisations within it to support us in delivering its Outcomes and Investment Principles.

National Portfolio Organisations are leaders in their areas, with a collective responsibility to develop our national arts and cultural ecology. Public investment brings public accountability, for us and for the organisations we invest in, and this is reflected in our expectations.

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# How we invest in National Portfolio Organisations

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The National Portfolio is organised into three bands, with a separate category for Sector Support Organisations<sup>1</sup>.

Band 1 organisations receive a minimum (average) of £40,000 per year and a maximum (average) of £249,999 per year.

Band 2 organisations receive a minimum (average) of £250,000 per year and a maximum (average) of £999,999 per year.

Band 3 organisations receive a minimum (average) of £1,000,000 per year. These organisations are required to contribute to all five of our goals and play a key role in supporting the wider sector.

Bands were introduced to reduce the administrative burden on organisations receiving lower levels of public investment, while making clear what we expect from those receiving the highest levels of public investment. The introduction of bands does not mean there is a hierarchy or progression route from one band to the next.

We expect that each organisation we invest in should contribute to the delivery of our Strategy. In January 2020 we published **Let's Create**, our Strategy for 2020-30, setting out our Vision for the next ten years alongside three Outcomes and four Investment Principles. We have published [further resources](#) to date in order to support organisations to use the Investment Principles and to refocus business plans against the Outcomes.

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<sup>1</sup> Including Bridge Organisations, Museum Development Providers, umbrella and networking organisations, strategic library and museum partnership bodies, and other organisations that support the arts, museums and libraries sectors.

# How the Arts Council will approach the relationship with National Portfolio Organisations

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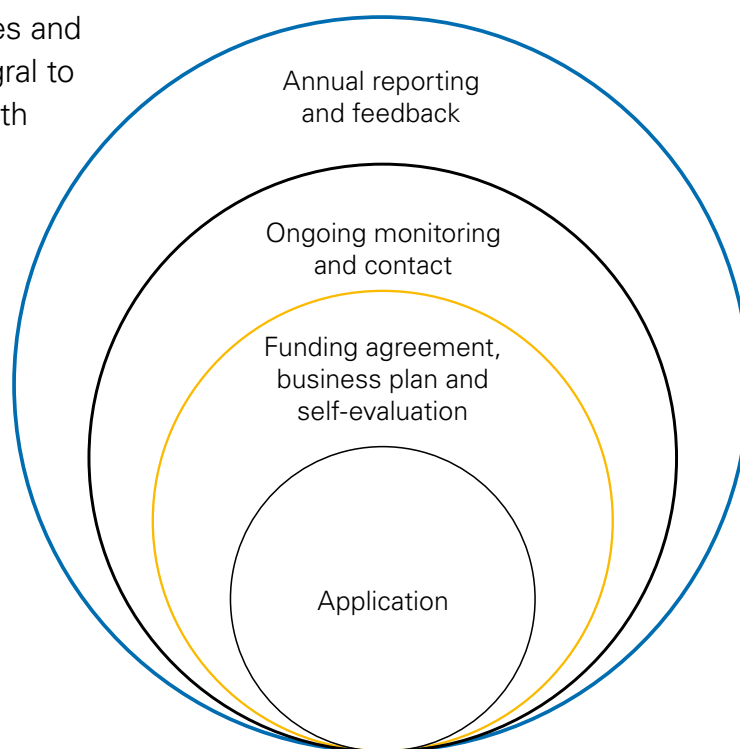
We will have similar approaches to relationships with all organisations, with ongoing dialogue and monitoring subject to the differences set out for each of the bands and the category of Sector Support Organisations, please refer to the section in this guidance on [Contact with the Arts Council](#) for further information.

We will look to organisations and their boards to take responsibility for managing performance and undertaking self-evaluation.

We will shape our relationships according to the risk to our investment in each organisation, giving ongoing feedback on risk, progress, achievements and best practice. This will take place through 'development' contact and via annual feedback on Grantium.

# The elements of the relationship

A number of stages and elements are integral to our relationship with National Portfolio Organisations.



## The application

As part of our response measures to Covid-19, we postponed the planned 2022-26 National Portfolio process and opened applications for a 2022-23 extension year to National Portfolio Organisations, including Sector Support Organisations and Music Education Hub lead organisations, currently in receipt of 2018-22 funding.

The basis of the application for 2022/23 will be an outline business plan and budget. Confirmation of funding will be dependent on these being acceptable to the Arts Council<sup>2</sup>. For information on business plan requirements and on the 2022-23 extension year application process and timeline please visit our [website](#).

<sup>2</sup> National Portfolio Organisations rated 'not met' for the Creative Case for Diversity for 2019/20 and band 2 and 3 NPOs that didn't achieve a rating of at least 'strong' are required to have made sufficient progress against their plans for Inclusivity & Relevance by October 2021. These organisations will not be notified of our decision until we have reviewed the evidence that is supplied.



## The funding agreement

For successful applicants, the final funding agreement will be at the heart of your relationship with us. It sets out the investment you will receive for the period 1 April 2022 – 31 March 2023 (the ‘investment period’). In addition, because your business plan is embedded into the funding agreement, it includes your own objectives showing how you will contribute to the Outcomes and Investment Principles of

### **Let’s Create.**

The funding agreement also contains our standard terms and conditions.<sup>3</sup>

Many of our standard terms and conditions are explained in this document. It is possible that these may need to be changed during the course of the investment period. We would aim to give at least six months’ notice of any change.

We will occasionally place additional requirements or conditions in funding agreements at the start of, or during, the investment period. Such alterations will always be made in writing with sufficient notice. We may also agree to adjust funding agreements where circumstances require it.

## Business plans

We expect your business plan for 2022/23 to describe how you will deliver, and develop your business and realise the activity on which the offer of investment will be based.

We will use the aims and objectives set out in your business plan, and reflected in your funding agreement, to monitor and provide feedback on your performance over the course of the investment period.

Business plans are owned by organisations and should be approved and monitored at board level or equivalent. While we do not approve business plans, we will provide feedback to you if we believe it to be necessary to make sure that the plan is realistic and achievable and aligns with the activity and aspirations as set out in our funding agreement with you. We also expect to receive any relevant monitoring reports or updates.

We recognise that, because of the unpredictable context created by Covid-19, your plans may change over the course of this investment period.

We will not penalise organisations if plans and objectives are very different to what was agreed in your original funding agreement, but we need to understand how they differ and what the impact of that is. We still expect you to achieve value for money on behalf of the public.

We have published our expectations for 2022/23 business plans on our website [here](#).

We have commissioned [guidance](#) to help organisations use good practice in business planning so that they can develop robust business plans. We would strongly encourage all organisations to read this guidance.

<sup>3</sup> Standard terms and conditions for the 2022-23 investment period will be published December 2021.

# Current and future investment

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Our funding agreement with National Portfolio Organisations will state that the amounts offered for 2022/23 are indicative and subject to the Spending Review for the period.

**We can only guarantee future instalments of National Portfolio Organisation investment as long as sufficient funds from the Government and/or the National Lottery are available to us. It is possible that any indicative amounts may be reduced.**

In the funding agreement, we make it clear that National Portfolio Organisations should not assume investment beyond their current agreement.

National Portfolio investment beyond 2022/23 will involve an investment and application process.

The timing of our next investment process is dependent on Government budget announcements. We will provide as much notice as possible about when applications will be welcomed, along with details of other information we will need.

Our future investment decisions may be influenced by factors that are additional to the specific merits of individual applications. For example, we will look at how organisations have delivered on previous funding agreements, taking into account feedback they have received.

We will ensure investment through our National Portfolio makes the best possible contribution to our strategy, **Let's Create**.

# Other funding: factors to consider

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## Local government

We work closely with local authorities with the shared aim of increasing public engagement in creativity and culture and providing quality and excellence in local provision. We often reach joint decisions on investment, share our thinking and assessments of work, and advocate together for investment.

We recognise that local authorities face significant challenges and understand the problems this may bring for many organisations. We will work with local authorities that demonstrate a commitment to creativity and culture to see how we can sustain cultural institutions. However, we cannot replace local authority funding and would be unwilling to become the sole public funder or strategic partner for a range of major cultural institutions in a local authority area.

Where there is total withdrawal of local authority funding and support, we would need to review our investment in the affected National Portfolio Organisations.

## Arts Council Development funds

Development funding is used to target key areas and to take advantage of opportunities that will help us deliver our Strategy. We use Development funds flexibly, through grant programmes and commissions, to complement the fixed investment we have made in the National Portfolio.

National Portfolio Organisations may apply for Development funds if they meet the relevant eligibility requirements. Development funding must be for additional activity and outcomes – for this reason we will monitor it separately.

When we assess applications for Development funds from National Portfolio Organisations, we will consider whether there is sufficient capacity to deliver this additional activity. This may result in an application being rejected. We will make a National Portfolio Organisation ineligible for Development funds if it has broken the terms and conditions of its National Portfolio funding agreement.

## Arts Council National Lottery Project Grants (Project Grants)

Arts Council National Lottery Project Grants is our open-access programme for arts, museums and libraries projects that engage people in England.

Individual organisations in receipt of National Portfolio funding (including Sector Support Organisations) are eligible to apply to [Project Grants](#) for the over £100k National Activities strand only. This strand supports national touring and nationally significant activities and is accessed via an Expression of Interest process.

National Portfolio Organisations can be part of a consortium, artist-led, or partnership-led application (though not as a lead applicant) to Project Grants for an activity that is clearly additional to what they are expected to deliver as part of their National Portfolio funding agreement.

Applications where National Portfolio Organisations are involved as project partners in this way can be National or non-National, and there are no restrictions on the value of the request.

Local authority and university National Portfolio Organisations are eligible to apply to Project Grants for over £100k National Activities and may be able to apply for under £100k and/or non-National activities, e.g. where a specific venue/department is the Funded Organisation and another venue or department wishes to apply to Project Grants for support for activity that is completely unrelated to the Funded Organisation's funding agreement.

### Can National Portfolio Organisation funding be used as match funding in a Project Grants application?

It depends on whether the National Portfolio Organisation's funding is restricted or unrestricted. If it is restricted, National Portfolio Organisation funding can only be used to deliver the work described in the funding agreement. If funding is unrestricted, it could potentially be appropriate for a National Portfolio Organisation to allocate funds to projects that are funded through Project Grants (led by a different lead applicant).

Even where funds are unrestricted, any allocation of National Portfolio Organisation funds to a Project Grants budget cannot be used to contribute to the minimum 10% funding required from sources other than the Arts Council. Budgets that include an allocation from any National Portfolio Organisation funding will need to show that at least 10% of the overall project budget is sourced from elsewhere.

See the 'National Activities' information sheet [here](#) and the 'Funded Organisations and Project Grants' information sheet [here](#) for further detail.

# Self-evaluation and monitoring

## The significance of self-evaluation

We expect all organisations to carry out regular self-evaluation. This provides the opportunity to identify ways to improve performance. It is a valuable process, enabling your organisation to decide where it has succeeded and how it wants to do things differently. The outcomes of self-evaluation should help your business planning.

We suggest that you use the **self-evaluation toolkit** we have published. You are not obliged to use our toolkit, but it is considered good practice to demonstrate at least one form of regular self-evaluation. We will also be publishing a range of guides and resources as we transition into the adoption of the new [Investment Principles](#).

## Contact with the Arts Council

Our Relationship Managers are the main point of contact between us and National Portfolio Organisations. As well as maintaining communication, they lead our monitoring of organisations and make judgments that inform our funding decisions.

Relationship Managers are critical friends, providing feedback on an organisation's performance and suggesting other sources of advice and support. However, they cannot provide legal, financial or other professional advice, nor should they be expected to provide feedback on draft applications.

It is the responsibility of the directors, other officers, or those directing an organisation's affairs to ensure that it properly fulfils its legal duties under the laws of England at all times.

Your organisation can expect to have formal contact with your Relationship Manager in line with the guidelines for bands and Sector Support Organisations as set out below<sup>4</sup>. Frequency would increase in proportion to the risk rating.

Band 1 organisations will have a minimum of one formal direct contact with one of our Relationship Managers each year.

Band 2 organisations will have a minimum of two formal direct contacts with one of our Relationship Managers each year. One of these meetings will include a formal review of progress against the objectives set out in business plans.

<sup>4</sup> These arrangements may be subject to revision by April 2022.

Band 3 organisations will have direct contact with us at least four times a year. One of these meetings will include a formal review of your progress against the objectives set out in business plans.

Sector Support Organisations will have a minimum of two formal direct contacts with one of our Relationship Managers each year. One of these meetings will include a formal review of your progress against objectives set out in business plans.

In addition, we expect organisations will still have ongoing informal 'development' contact with Relationship Managers. This will take many forms and will be based on proposed artistic, cultural and business developments, as well as challenges, as we move through the investment period.

All organisations, regardless of their band, must be willing to accept constructive feedback as a way of helping them to improve. We may increase the level of formal contact if an organisation is assessed as being at major risk.

The Relationship Manager will determine the nature of the contact and monitoring.

Contact may include:

- a scheduled telephone conversation or virtual meeting
- observing a board meeting
- a meeting for a specific purpose
- experiencing an organisation's work

- attending a joint meeting with other stakeholders
- email correspondence

We expect that organisations will still have ongoing informal 'development' contact with Relationship Managers. This may take various forms and will be based on proposed artistic, cultural and business developments, as well as challenges, as we move through the investment period.

As part of the monitoring process, we also expect to receive your board papers and financial reports on a regular basis, as set out in the payment calendars on our website here and in the Payment and Monitoring schedule attached to your funding agreement.

### **Our relationship with your staff and board**

Our main contact with your organisation will be through the Chief Executive (or equivalent). Where there is a separate Chief Executive and Artistic or Programmes Director, we would expect to have a dialogue with both about the programme and quality of work. We would also expect to communicate directly with Finance Directors, particularly if you have a major risk rating.

We have the right to attend board meetings as observers. This helps us to gain a clearer picture of the way your organisation runs, what issues are important to you, how you monitor your business plan, how business is conducted and the manner in which decisions are reached. We may also attend board meetings to provide our feedback.

We expect that your board will be interested in your organisation's relationship and funding agreement with us. We therefore expect boards to receive, as a minimum, copies of this Relationship Framework, the funding agreement and the annual feedback statement. We may also hold discussions directly with the Chair and/or the board and sub-committees, for example, about your organisation's performance. We will also arrange an induction session for new Chairs, with the organisation's Relationship Manager, with a view to making sure that the Chair fully understands our expectations of your organisation and the role that it plays in contributing to the achievement of our strategy, **Let's Create**.

We recognise that the board is ultimately accountable for the performance of the organisation and we will not interfere in the board's decision-making process.

## Appointments

We require organisations to inform us of their proposed process for appointing the Chair of the board, Chief Executive (or equivalent), Artistic or Programmes Director and other similar posts. For band 2 and 3 organisations and Sector Support Organisations, we expect to be involved in any recruitment process, so that we can reassure the wider public of its fairness and transparency. We also see this as a way of monitoring and protecting our investment and promoting public accountability. Strong and transparent recruitment processes for senior cultural leaders are crucial to this.

We expect all organisations to have appropriate processes in place for the regular review of officers appointed by the board, for example, Chief Executive or Artistic Director. For those organisations receiving the highest levels of investment (band 3), we would expect our views to be sought.

The role we play in recruitment may vary, from commenting on job descriptions and being involved in shortlisting to observing on interview panels and being involved in succession planning. We may contribute information and comments for boards to consider in reaching their decisions, but we will not vote on such decisions.

## Data requirements

### Impact and Insight Toolkit

During 2018/19–2021/22, we will support all organisations to sign up to The Impact and Insight Toolkit. This is a quality evaluation framework that uses a set of metrics developed by the sector. This is a requirement for organisations in bands 2 and 3 of the portfolio, although we encourage band 1 and Sector Support Organisations to adopt it as well. It is not, however, a mandatory funding requirement for these National Portfolio Organisations.

The Impact and Insight Toolkit aligns quality metrics with artistic and quality assessment programmes in order to support you to improve your understanding of how well your intentions for your work aligns with the perceptions of your public and peers. We believe this data



and intelligence will help you to improve your performance as well as provide you with valuable additional evidence in making your case to current and potential funders.

The programme supports you to access and broker relationships with peers who will assess individual pieces of your work and complete quality metrics surveys and/or written reports to help evaluate quality.

Peers will be a combination of artistic and quality assessors and individuals nominated by National Portfolio Organisations. We recruit assessors through an open application process and serve fixed terms. We aim to ensure peers and assessors are drawn from across the arts and cultural sector, and have knowledge of, and expertise in, a wide range of artforms and cultural disciplines.

Band 2 and 3 organisations are required to complete an agreed number of evaluations each year and support each other by providing peer reviews. Peers can also be nominated by band 1 organisations, although there is no requirement for these organisations to act as peers themselves.

These assessments feed into our continuous evaluation of the quality of work produced and promoted by organisations and help inform our investment decisions. Relationship Managers may also assess work and discuss with you their impressions of its quality.

By using this information, along with other public evidence of quality and our ongoing monitoring, we can come to a balanced view of an organisation's work.

## Sharing audience data

All our evidence suggests that the really successful businesses in the creative industries are those that know most about their customers, which is why we are committed to making sure that publicly funded arts and cultural organisations work together and share data (information) about audiences.

We will expect all National Portfolio Organisations to look for opportunities to share their insights about their audience and to work together to reach more people. You will show a commitment to developing a bigger and more informed audience for arts and culture as a whole. To help achieve this, you must commit to combining with others (across arts, museums and libraries) to collect, share and report audience data.

We require National Portfolio Organisations to sign up and regularly contribute to an audience data insight and support platform (currently [Audience Finder](#)) and, if you are already signed up, to continue to do so.

Also, if a National Portfolio Organisation works in partnership with other organisations we invest in to create, present or distribute art or cultural activities, it will need to enter into data-sharing agreements with these organisations and introduce or maintain an 'opt-in' option to allow customers' data to be shared with touring companies. This is to encourage a collaborative approach between visiting or touring companies and presenting venues, which aims to increase audiences for the arts and culture.



So that we can monitor progress, in July each year we'll require an update from National Portfolio Organisations on data sharing – this takes the form of a short questionnaire. Further information and guidance on data sharing is available on our website [here](#).

# Organisational risk ratings

When monitoring your organisation, we consider various factors to determine the degree of risk to the delivery of the funding agreement, our investment and our Outcomes. In doing so, we also consider the overall resilience of your organisation. Specifically, we look at:

- activity/programme
  - is the activity/programme being delivered as agreed and is the quality of your work in line with your own (relevant) objectives?
- governance and management
  - is there a robust business plan?
  - is it being delivered?
  - is self-evaluation well used?
  - is there effective leadership and is this being held to account by strong governance?

- are policies and procedures in place in compliance with legal/regulatory requirements and the terms and conditions and is the organisation complying with those policies and procedures, for example in respect of equality and diversity, safeguarding and child protection?<sup>5</sup>

- financial viability
  - does your organisation assess risk?
  - is the projected income realistic, and does your organisation produce accurate financial information?
- reputational risk e.g. fraud, damaging press coverage, failure to comply with policies and procedures, for example in respect of equality and diversity, safeguarding and child protection

We reach a conclusion about the level of risk for each organisation based upon a number of factors, including, for example:

- contact with Relationship Managers
- self-evaluation
- board papers
- financial accounts, for example, management accounts and cash flow forecasts

<sup>5</sup> While the Arts Council might raise concerns with an organisation regarding its policies and procedures, it cannot give legal advice to the organisation about the lawfulness of such policies and procedures and would expect the organisation to form its own view on seeking suitable independent expert and legal advice where any concerns have been raised. The absence of any expression of concern on the part of the Arts Council as to the appropriateness or adequacy of any policies or procedures cannot be taken to indicate such appropriateness or adequacy.

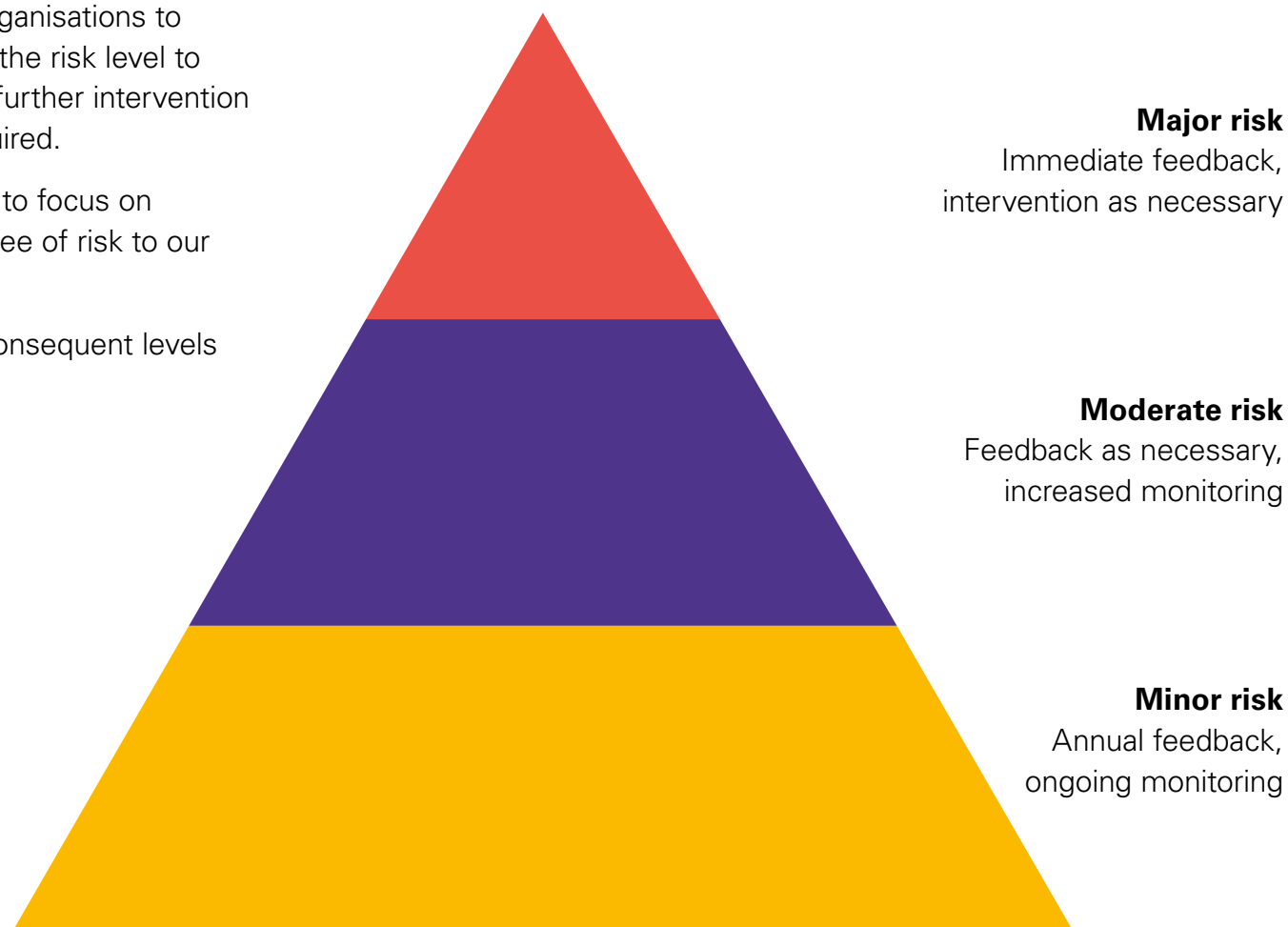
- evidence of excellence, including, for example, press coverage, stakeholder feedback, feedback through the Insight Impact Toolkit

We record risks at least every three months or as they arise.

We expect the majority of our National Portfolio Organisations to present minor risks to our investment. We will use the risk level to determine whether any change in our relationship, further intervention or additional funding agreement conditions are required.

Our Relationship Managers will prioritise their time to focus on those organisations we consider carry a major degree of risk to our investment.

This diagram illustrates categories of risk and our consequent levels of engagement.



# Annual reporting and feedback

## Annual survey

Because we need to provide our stakeholders (including Government) with an increasingly accurate picture of the benefits of our investment, all National Portfolio Organisations must complete an annual survey that provides comprehensive details about audiences, staffing statistics, activities (including touring, income and expenditure), and digital content. and It will also include the number of children and young people that you reach each year (if this applies).

This annual survey will take place in the second quarter of the financial year. For the annual survey to be effective, it is important that it is completed accurately and fairly, and that it is understood to be a vital means of monitoring the realities of the sector. It is not an advocacy tool for individual organisations.

We will check the accuracy of the data before it is published as an official statistic under Office for National Statistics guidelines. All organisations should be committed to ensuring their data reporting is

accurate and verifiable, that it meets our standards for data capture and analysis, and that it is acknowledged by the board.

We have committed to improving our monitoring and reporting on equality and diversity, and, as part of this, we will be publishing the annual survey data on a company-by-company basis. This data will be protected so that individual staff members cannot be identified<sup>6</sup>.

We hope that data from the annual survey will be used by your organisation to compare your activity with that of your peers, and that it will be useful as a tool for self-evaluation.

## Annual feedback

We will provide written feedback to all organisations at least annually. This will take place in the second quarter of every financial year and will be based upon our ongoing monitoring. It will comprise of a risk rating and risk summary together with a monitoring plan based on current risk. We may provide more urgent and frequent feedback, dependent on the level of your organisation's risk.

The annual feedback process for National Portfolio Organisations is recorded on Grantium and is completed by the Relationship Manager.

<sup>6</sup> For confidentially purposes diversity data for the preceding year is published at company level for National Portfolio Organisations that employ over 50 permanent staff. Data for smaller organisations is aggregated and no company information is provided.

<b>Areas of risk</b>	<p>An overall risk rating of 'minor', 'moderate' or 'major', based on four areas of risk:</p> <ul style="list-style-type: none"><li>• activity/programme</li><li>• governance and management</li><li>• financial viability</li><li>• reputational risk</li></ul>
<b>Monitoring plan</b>	<p>The proposed monitoring plan for the coming year based on the level of risk. Where relevant, this will highlight any concerns and the monitoring and intervention proposed.</p>

# Keeping to the terms and conditions of the funding agreement

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The funding agreement between us and your organisation sets out the investment you will receive for the duration of the agreement.

The funding agreement contains your business plan setting out your aims and objectives and how you will support achieving the Outcomes and Investment Principles of **Let's Create**.

The funding agreement also contains our standard terms and conditions,<sup>7</sup> including the requirement that you meet the expectations for bands and Sector Support Organisations.

If your organisation is not meeting the requirements set out in the funding agreement, our first step will be to give you appropriate feedback (usually through your Relationship Manager) and discuss this with you, so we can all understand and agree what the problems may be.

We expect your organisation's board to be informed about any concerns we express, either in discussion at a meeting or in writing. We also expect that the board, working with your organisation's

executive officers, will deal with the relevant issues and provide prompt and constructive advice on how you can meet the requirements set out in the funding agreement.

There are two specific conditions within the funding agreement where we will take prescribed action:

- Creative Case for Diversity: if your organisation has a Creative Case for Diversity rating of 'not met' for 2019/20 or your organisation is a band 2 or 3 NPO that didn't achieve a rating of at least 'strong', you will be required to have made sufficient progress against your plans for Inclusivity & Relevance by October 2021, and you will be notified of our decision regarding 2022/23 funding when we have reviewed the evidence that is supplied
- collecting and reporting on audience data, and data-sharing agreements (unless your organisation is exempt from these conditions): if you fail to submit audience data to the prescribed data-reporting service or enter into data-sharing agreements with other organisations we invest in, we will withhold payments until you do so

<sup>7</sup> Standard terms and conditions for the 2022-23 investment period will be published December 2021.

## We will take action if you break any of the terms and conditions of the funding agreement

If your organisation breaks either of the terms mentioned above, or any other terms of the funding agreement, we may take further action. In addition to the feedback and discussion outlined above (which would always be a first-stage measure), we can initiate one or more of the following measures:

- action plans: we may ask for and agree an action plan for improvement in response to concerns. Within this plan, you might want to consider changing your key officers, both executive and non-executive. You will be responsible for this plan and we will monitor its effect
- increased monitoring and reporting: we may ask that your executive officers or chair (or both) meet with our senior officers to confirm that areas of concern we identified are being dealt with, for instance if requirements relating to outcomes are not being met. We can also ask for reports in writing more frequently on certain issues
- Development funds and Project Grants: if we have not received and agreed clear and credible plans to deal with issues, we will make your organisation ineligible for any new application to Development funds (including capital) or Project Grants
- payment conditions: we may place extra conditions on our grant payments if you have not met the terms and conditions set out in the funding agreement
- consultants: we may appoint consultants to provide us with detailed information on areas of concern. This may be because we need

more information, because we need specialist input, or because we want to support you to develop and improve

- stakeholder review: we may hold a joint review meeting with other investment partners and discuss areas that can be improved or developed
- withholding payment: if your organisation has not met the conditions of our funding agreement within an appropriate period, we may decide to withhold payment of a grant instalment (or part of a payment) until you have met the conditions
- withdrawing investment: in extreme cases, where you have broken the terms and conditions of the funding agreement over a significant period, we may decide that continued investment is not a proper use of public funds, and will discontinue it. We would take into account the evidence available, interventions we have made and the progress you have made against your action plan
- repayment: in cases where you have clearly continued not to keep to the terms and conditions, we may ask you to repay our investment

If we decide to do any of the above, we will tell you beforehand. **We will take appropriate action if your organisation breaks the terms and conditions of the funding agreement (which includes your business plan and objectives).** We will take one or more of the measures outlined above in all cases.

# 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. In each case, our risk assessment process is a key part of identifying organisations in difficulty as early as possible, reviewing the individual circumstances, and weighing up the risk to our investment.

We will be as understanding of the situation as possible.

If you alert us to difficulties, or we assess that your organisation is not delivering on its funding agreement, we will always look to your board and senior officers to take responsibility for the situation. Accountability rests ultimately with the board. We will emphasise the need for strong leadership and look for a plan from you to show how you can manage the situation.

In exceptional circumstances, we may agree to alter our expectations while your organisation restructures. We may temporarily advance payments or agree to accept a variation to your SMART objectives or other aspects of the funding agreement. We may also ask consultants to undertake a preliminary 'health check' or a more

detailed investigation into aspects of your organisation's management, governance, or activity.

National Portfolio Organisations<sup>8</sup> may very occasionally apply for additional support (Financial Intervention funding) from us to improve financial resilience – this would only be approved in exceptional circumstances.

Financial Intervention funding is for those organisations facing acute financial difficulties, such that without additional financial support they will likely cease trading or will need to curtail their activities substantially. To be eligible to apply, organisations must, in our view, have strategic significance and must first have explored all other means of stabilising their financial position. Organisations in receipt of Financial Intervention funding would be viewed as having failed to deliver on the agreed funding agreement. Organisations would be required to meet additional conditions and would normally be expected to withdraw from the portfolio for the duration of the investment period. Further information can be found on our [website](#).

<sup>8</sup> It is unlikely that Financial Intervention funding would be agreed for Sector Support Organisations.



Financial Intervention funding is not awarded automatically. It is possible that, depending on the circumstances, we may decide to withdraw funding from an organisation and so terminate our funding agreement.

From time to time, we recognise that organisations could be affected by exceptional circumstances, or force majeure<sup>9</sup> events, which might include flooding or riots. Depending on the nature and scale of the event, there could be a range of impacts on an organisation's ability to function at the anticipated level. These could include:

- damage to buildings
- damage to fixtures, fittings, or contents
- reduction in earned income
- additional staffing costs

Consideration can be given to supporting organisations in such circumstances. We would always be a funder of last resort and would not consider providing additional financial support unless it was clear that all other options had been exhausted. Please see our published [guidance on support in exceptional circumstances](#) for further information.

<sup>9</sup> "Force majeure" is defined as an unexpected event that crucially affects an organisation's ability to do something and can be used in law as an excuse for not having carried out the terms of an agreement.

# Novation process

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Organisations may find themselves in the position where it is felt necessary or desirable to transfer their funding agreement to another organisation ('novation process').

In these cases, the existing grant can be transferred from the funded organisation to another organisation if all parties, including Arts Council England, are in agreement.

We will ask for the submission of mandatory core documents in order to satisfy us (in our absolute discretion) that the novation is necessary and suitable for the funding project/activity. Such documents may include, for example, business and associated plans with acceptable SMART objectives for the remaining investment period, subject to band (or Sector Support Organisation) requirements.

The new National Portfolio Organisation must accept the terms and conditions of the original funding agreement (and any existing liabilities).

Your Relationship Manager will guide you through the process, if you feel this would be appropriate for your organisation.

While we aim to work quickly in these circumstances (the usual turnaround time from start to finish is approximately 10 weeks), we cannot guarantee a set timeline for completion.

There are a number of factors that will affect how long the process takes – including the varying complexity of each situation, the speed with which organisations and any legal advisors provide relevant information and the scheduled dates of the appropriate Arts Council England decision-making body.

We therefore encourage organisations to inform us as soon as issues or difficulties within the current funding agreement and/or the wider situation are known.

# Appendix 1: Expectations of National Portfolio Organisations in relation to Let's Create

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Public funding entails public accountability, both for Arts Council England and for the organisations in which it invests public money. It follows that we have certain expectations of organisations in which we invest.

All our investment is made to help us achieve our strategy, **Let's Create**.

*Let's Create* focusses on three Outcomes:

- **Creative People:** Everyone can develop and express their creativity throughout their life
- **Cultural Communities:** Villages, towns and cities thrive through a collaborative approach to culture
- **A Creative and Cultural Country:** England's cultural sector is innovative, collaborative and international.

Each Outcome is important and will work together with the four Investment

Principles:

- **Ambition and Quality:** Cultural organisations are ambitious and committed to improving the quality of their work
- **Dynamism:** Cultural organisations are dynamic and able to respond to the challenges of the next decade
- **Environmental Responsibility:** Cultural organisations lead the way in their approach to environmental responsibility
- **Inclusivity and Relevance:** England's diversity is fully reflected in the organisations and individuals that we support and in the culture they Produce

National Portfolio Organisations should start to embed the Investment Principles and refocus delivery against the Outcomes in outline 22/23 business plans submitted in July 2021 and be ready to submit a set of developed actions for each Investment Principle by the end of February 2022.

The following resources are available to support organisations in delivering against the Strategy:

- A presentation – ‘[Helping you use our Investment Principles](#)’
- [Investment Principles Resource hub](#)

Further materials will be published during 2021.

## **Expectations in relation to children and young people (CYP)**

Supporting the creative lives of children and young people is a priority for the Arts Council, and this commitment is woven throughout

### **Let’s Create.**

We expect organisations to consider how they can best meet the needs of children and young people’s creative lives: where they live, where they go to school, and where they spend their free time. We expect organisations to support children and young people to access the highest-quality cultural experiences and to work with them in order that they can reach their creative potential. CYP activity should respond to the Investment Principles and specifically address issues of equity and inclusion in children and young people’s participation and progression.

Where organisations’ existing funded activity includes work for, by, and with children and young people, we expect this activity to continue to feature in their business plan. We do not expect to see de-prioritisation or any disproportionate cuts to resources, teams, and activities in business plans.

## **Quality Principles for children and young people**

All organisations that deliver CYP activity as part of their funding agreement will be expected to work within the [Quality Principles](#) for children and young people. These principles are:

- striving for excellence and innovation
- being authentic
- being exciting, inspiring and engaging
- providing a positive and inclusive experience
- actively involving children and young people
- helping personal progression
- developing belonging and ownership

The Quality Principles aim to raise the standard of work being produced by, with, and for CYP. They provide a focus on the perspectives of CYP, encourage greater engagement with CYP, and prompt organisations to develop their evaluation frameworks to include youth voice. Delivering against the Quality Principles enable organisations to contribute towards the Arts Council’s investment principles of Ambition & Quality and Inclusion & Relevance. They can support day-to-day practice to develop evaluation methods, tools, or frameworks; review an existing

project, programme, or area of work; plan new work; and take part in self-reflection, staff development, and peer learning.

### **Local Cultural Education Partnerships**

Local provision of cultural education should be well coordinated and coherent to ensure that CYP, families, and teachers can influence the offer, easily see what is available, and understand progression pathways. Local Cultural Education Partnerships (LCEPs) bring together partners from across sectors and respond to local needs and interests, in order to drive a more joined-up cultural education offer, share resources, and improve the visibility of cultural education in their local area. Our Bridge Organisations are working to support the development of LCEPs in areas across the country. We encourage all organisations that deliver CYP activity as part of their funding agreement to connect with their area's local LCEP and contribute to its strategic priorities.

### **Arts Award**

Arts Award supports young people who want to deepen their engagement with arts and culture, build creative and leadership skills, and achieve a national qualification. Arts Award is delivered by Trinity College London in partnership with Arts Council England.

Through Arts Award's five levels, children and young people aged up to 25 can explore any artform, including performing arts, visual arts, literature, media and multimedia. The Award is run in schools and colleges across the country, as well as art centres, community

projects, libraries, museums and galleries, local authorities, theatres, youth clubs and youth justice settings. The Award is sufficiently flexible to be delivered through all arts and cultural organisations.

### **Artsmark**

Artsmark is our award scheme that encourages schools to celebrate, evaluate, strengthen, and fully integrate cultural education. Artsmark provides a framework for schools to deliver high-quality opportunities for their pupils to create, compose, perform, visit, experience, know, understand, and review in the classroom, across arts and culture.

Arts Award and Artsmark are tools to help create opportunities for children and young people to reach their creative potential and participate in high quality cultural experiences. We encourage organisations to determine their appropriate level of engagement with the programmes, but they are not requirements of our funding agreement. Where organisations decide to engage with these offers, there should be evidence to support the use of these tools, clearly linked to the Investment Principles.



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## QUESTIONS? GET IN TOUCH – WE'RE HAPPY TO HELP

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