

**THE ARTS COUNCIL OF NORTHERN IRELAND**  
**Annual Report and Accounts**  
**FOR THE YEAR ENDED 31 March 2017**

*Laid before the Northern Ireland Assembly  
Under Article 8 (2) (c) and Article 9 of the  
Arts Council (Northern Ireland) Order 1995  
by the Department for Communities  
on*

14 December 2017

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Any enquiries related to this publication should be sent to us at:

Arts Council of Northern Ireland,  
1 The Sidings  
Antrim Road,  
Lisburn, BT28 3AJ

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## Performance Report

This Performance Report focuses on matters relevant to all users of Financial Statements. Although it is designed to be a self-standing document, much of the information contained in it is simply a summary of information provided in other documents and is therefore cross-referenced as appropriate. The Performance Report has two sections: an 'Overview' and a 'Performance Analysis'.

### Overview

The purpose of the 'Overview' section of the Performance Report is to give the user a brief summary that provides the lay user with sufficient information to understand the organisation, its purposes, the key risks to the achievement of its objectives and how it has performed during the year. It consists of the Chair's Foreword, Chief Executive's Introduction and the Purpose of Activities of the Arts Council of Northern Ireland.

### Chairman's Foreword

In the year under review, Mr Bob Collins CBE completed his term as Chair of the Arts Council (December 2011 – October 2016). I took up the Chair, with effect from 1<sup>st</sup> January 2017. It is important to pay tribute to Mr Collins, for his resolute steering of the Arts Council through challenging financial times. Bob Collins was a robust defender of the principle that artists, writers, musicians and performers, must be supported in their ambition to achieve their full potential. That is clearly reflected in *Ambitions for the Arts, 2013-18*, the Arts Council's five-year strategic plan, the development of which Bob led. *Ambitions for the Arts* is predicated on the dual principles that it is a fundamental role of public investment to support artists in the pursuit of excellence, and that, as everyone in society contributes to public funding, so everyone should have the opportunity to benefit from that investment. Access to excellence, he maintained, cannot be the preserve of the few; it is the entitlement of all. Consequently, artists and arts organisations that benefit from Arts Council investment have a public responsibility to ensure that the arts contribute to a better society, socially, economically and in its contribution to community cohesion.

Many of the notable successes under Bob Collins's tenure have resulted from emphases placed on strengthening the social development function of the arts and on partnering with other agencies.

Our partnership with the British Council reached new heights this year, enabling the Arts Council to address another priority area of the current plan, increasing the range of international opportunities available to artists from Northern Ireland. The Artists International Development Fund, now in its fifth year, provided fourteen artists and arts organisations with the opportunity to bring their work to international audiences and bursaries were provided for the third year to enable the Centre Culturel Irlandais in Paris to host twelve showcase events featuring visual artists, musicians and poets. We were also delighted to announce new residency and performance opportunities

in India, where the Arts Council and British Council have forged links with the Shruti Foundation, Sanskriti Kendra, Art Ichol, the Jaipur Literature Festival and others.

The Arts Council's other major international showcase initiative, the Brussels Platform, which is run in collaboration with the Northern Ireland Executive in Brussels, marked its sixth successful year promoting the culture and creativity of Northern Ireland with a strong programme of music, comedy and drama.

During 2016/17, continuing pressure on Government finances brought further pressure on the arts budget. The Council continued to press the case for the arts, arguing for increased investment as a prerequisite to long-term sustainability and highlighting the sector's contribution to economic and social development, health and well-being.

New opportunities to reposition the arts at the heart of government thinking presented themselves through the reconfiguration of central government and the new departments that were introduced during 2016-17. However, due to the unexpected dissolution of the Assembly in January 2017, the Northern Ireland Executive found itself unable to complete its draft Programme for Government or to agree departmental budgets. This uncertainty will have far-reaching implications for everyone in the year ahead, including the arts.

It is a testament to both the commitment and the tenacity of Northern Ireland's arts sector that it continues unfailingly to deliver extraordinary work. This year, amongst many highlights that demonstrate the tremendous breadth and reach of the arts, we were treated to the first significant exhibition in Northern Ireland by David Hockney, 'I draw, I do' at the MAC; Streetwise Community Circus celebrated 20 years of bringing street circus skills to communities across Northern Ireland; The Bounce! Disability and Deaf Arts Festival celebrated its fifth birthday; the Ulster Orchestra celebrated its 50th year; New York performer Taylor Mac headlined the Belfast International Arts Festival; Sticky Fingers International Children's Festival provided two weeks' of inspirational creative activities for children; Northern Ireland Opera continued its astonishing run of success with the Northern Ireland première of 'Powder Her Face'; Sole Purpose Productions toured its powerful new play, 'Blinkered', highlighting issues surrounding depression and loneliness; and Greater Shantallow Community Arts opened its new Studio 2 Community Arts Centre in Derry-Londonderry, encouraging people from the hardest-to-reach communities to the centre of the city's creative, cultural and civic life.

The challenge of the coming years will be to work to reverse the downward trend of public funding, to introduce a new, enlightened, era of appreciation of our creative assets, to build new audiences and with philanthropic and commercial investment to create a stable arts sector, with the capacity for development, renewal and change.

Artists and performers, with the support of the investment of Exchequer funds through the Arts Council, continue to create work of exceptionally high quality. They continue to increase the opportunities for people to experience the benefits of engaging with great arts. Such achievements should be encouraged, applauded, and rewarded.

Finally, as local and central government undergo a significant period of transition, the arts too will need to adjust and evolve. The Council looks forward in the coming year to the challenge of completing a new development strategy for the arts that will both build on the success of *Ambitions for the Arts* and respond to the changing shape of Northern Ireland. In challenging times, vision remains at a premium.

A handwritten signature in blue ink, appearing to read 'J Edmund', with a stylized flourish at the end.

**John Edmund**  
**Chair, Arts Council of Northern Ireland**

**Date: 01 November 2017**

## Chief Executive's Introduction

The year-on-year decline in government investment in the arts continued to present serious challenges to artists and arts organisations in 2016-17. Of our 107 annually-funded client organisations, 102 remained on standstill funding, with five receiving very modest uplifts. I reflected at the time how disappointing it is that the Arts Council has received a reduction of over 25 percent to our Exchequer grant-in-aid over the last three years, leaving us, in 2016-17, with a significantly smaller publicly-funded arts sector than we enjoyed ten years ago. A reduced arts sector inevitably delivers fewer opportunities for people to engage with the arts, despite the fact that access and participation are amongst our and the government's stated strategic priorities for the arts.

The formation of the new departments presents a fresh opportunity for Ministers to reverse the trend towards disinvestment and to reassess and acknowledge the value of the arts to all sections of society. The transition from the Department of Culture, Arts and Leisure to the new Department for Communities, places the arts within a new dynamic.

In October, the Northern Ireland Executive published its draft Programme for Government (PfG), setting out the priorities that it proposes to pursue in the current Assembly mandate; the Arts Council and many arts organisations duly responded to the consultation. We welcomed the new way of thinking adopted by the draft PfG, with its emphases on outcome-based accountability, placing wellbeing at its heart and embracing the principles of partnership working and co-design. However, in the opinion of the Arts Council and many in the sector, the draft PfG seriously underestimated the societal contribution of the arts, failing to appreciate the significant impact on at least 10 of the total 14 strategic outcomes specified by the PfG, as opposed to the five outcomes that are acknowledged in the report.

With the unexpected dissolution of the Northern Ireland Assembly in January 2017, consultation on the draft PfG stalled. The absence of a functioning Executive has also impeded the ability to set departmental budgets, which as we approach the new financial year presents real difficulties for funding bodies such as the Arts Council in the releasement of Exchequer funds to the sector.

Amidst increasing political and economic uncertainty, artists and arts organisations across Northern Ireland continued with customary tenacity to deliver a comprehensive range of excellent arts and cultural programmes.

The Ulster Orchestra reached a landmark year, celebrating its Golden Anniversary with a series of special concerts. Established in 1966 by the Arts Council, the Ulster Orchestra has maintained professional orchestral music at the forefront of Northern Ireland's creative and cultural offering. Mr Stephen Peover succeeded Sir George Bain, who retired after five years of dedicated service as Chair of the orchestra.

Northern Ireland Opera also welcomed a new appointment, with Walter Sutcliffe taking the company on the next stage of its journey, continuing the remarkable work that was accomplished by the previous Artistic Director, Oliver Mears. On the back of his success establishing Northern Ireland Opera in the international flight, Mr Mears accepted the offer of the prestigious post of Director of Opera at the Royal Opera House, Covent Garden.

Whilst we welcomed new appointments to key posts at several of our cultural institutions, not least the Arts Council itself, and the fresh impetus that such appointments can introduce to the sector, we also reflected on the loss in 2016-17 of several distinguished artists, who died this year: the poets John Montague and Ann Zell; actor Gordon Fulton, singer-songwriter Bap Kennedy, guitarist Henry McCullough; and the painter, Basil Blackshaw. Their passing offered an acute reminder of the value that artists bring to Northern Ireland's creative life and reputation, and of the need to ensure that the right conditions are in place to encourage our present crop of artists to stay in Northern Ireland, producing work of excellence.



**Roisín McDonough**  
**Chief Executive**

**Date: 01 November 2017**



## **Purpose of Activities of the Arts Council of Northern Ireland**

### **Background Information**

The Arts Council of Northern Ireland is the statutory body through which public funding for the arts in Northern Ireland is channelled. It was established by the Arts Council (Northern Ireland) Order 1995 and came into existence on 1 September 1995. The Council took over the assets and liabilities of the Arts Council of Northern Ireland Limited which was a company limited by guarantee established in 1994 as an interim body between the previous Arts Council (established in 1943) and the new statutory body.

The origins of the Arts Council date from 1943 when the Council for the Encouragement of Music and the Arts in Northern Ireland was set up. Initially funds were provided by the Pilgrim Trust and matched by the Ministry of Education for Northern Ireland. At the present time the Arts Council is funded via grant-in-aid by the Department for Communities. The affairs of the Arts Council are managed by a Board consisting of the members listed above in the Directors Report. The Chief Executive, Roisin McDonough is the Principal Executive Officer of the Arts Council and is supported by a professional staff responsible for subject and functional areas of the Arts Council's programme.

### **Nature of Business**

The Arts Council of Northern Ireland is the statutory body through which public funding for the arts in Northern Ireland is channelled.

### **Principal Functions Related to Grant-in-Aid Activities**

The Arts Council is charged with four statutory functions under the Arts Council (Northern Ireland) Order 1995. These objectives are:

- (a) to develop and improve the knowledge, appreciation and practice of the arts;
- (b) to increase public access to, and participation in, the arts;
- (c) to advise the Department for Communities and other government departments, district councils and other bodies on matters relating to the arts; and,
- (d) such other functions as are conferred on the Arts Council by any other statutory provision.

### **Review of Grant-in-aid Activities**

During the year 2016-17, the Arts Council's Expenditure on the Arts totalled £9,979,359 (2015-16: £9,930,626). This represents an increase of £0.049m on the previous year (2015-16: decrease of £3.4m). Excluding in-year capital grants to arts organisations of £0.322m there is a decrease of £0.229m (2015-16: decrease of £2.8m) on the prior year. Regularly funded organisations were awarded £8.8m

(2015-16: £8.8m) – a commendable achievement given the difficult funding environment.

### **Future Grant-in-aid Activities**

The Northern Ireland Assembly was dissolved in January 2017, without having agreed a budget. In the absence of a working Assembly, the Permanent Secretary for the Department of Finance has the authority to release in 2017-18 up to 95 percent of the funding allocated in 2016-17. With the future of the Assembly uncertain, the Arts Council wrote in late February to its annually funded clients to inform them that it would be basing its 2017-18 spending plans on the assumption of standstill funding in relation to its grant-in-aid from the Exchequer. This may, however, be subject to change, depending on the outcome of the political situation. Clients were advised to be aware that the Arts Council cannot guarantee the remaining 5 percent of its allocation to the sector, and to plan accordingly.

### **Our Strategic Aim**

**The Arts Council's vision is to 'place the arts at the heart of our social, economic and creative life'.**

In 2014 the Arts Council published its new five-year development plan, 2013-18, *Ambitions for the Arts*, following approval and endorsement of the document by the Minister for Culture, Arts and Leisure. The main themes of the plan and the themes which inform the Arts Council's Business Plan for 2016-17, are:

Champion the Arts;  
Promote Access; and  
Create a Resilient Sector.

### **A Performance Summary**

#### **1 Champion the Arts**

In summary, this theme describes the Arts Council's objectives to place the arts at the heart of society.

Strengthening international opportunities for artists from Northern Ireland continued to be a priority area for artist development.

Now in its sixth year, the Arts Council in collaboration with the Northern Ireland Executive in Brussels ran the 'Brussels Platform', promoting the Culture and Creativity of Northern Ireland and providing opportunities for artists representing all art forms to showcase their work at a series of monthly events at the capital of the European Union. Highlights of this year's Brussels Platform were a double-bill of Ulster-Scots folk music and musical comedy with Stonewall Folk Group & Teresa Livingstone; and Green Shoot Productions' Belfast-based comedy play, 'Two Sore Legs'.

The Artists International Development Fund, a joint initiative between the British Council and the Arts Council offering grants of up to £5,000, now in its fifth year, continued to provide artists and arts organisations with opportunities to bring their work to international audiences. In 2016-17, fourteen artists/organisations benefitted, with projects ranging from singer-songwriter Brigid O'Neill who travelled to Nashville to perform and to establish contacts with publishers; Cahoots NI was able to perform their production of 'Shh! We Have a Plan' at the IPAY Showcase in Wisconsin and build links with bookers and venue managers across the USA; and R-Space Gallery travelled to Montreal and Quebec to network with arts practitioners relevant to establishing their proposed Linen Biennial in Northern Ireland.

Also in partnership with the British Council, the Arts Council supported bursaries for a third year of residencies and showcase opportunities at the Centre Culturel Irlandais in Paris. The CCI hosted more than 12 events, including: an exhibition by artist Rita Duffy; a three-month residency for photographer Hannah Starkey; a concert by Saint Sister; and a display of the poetry of Seamus Heaney, John Montague and Derek Mahon, accompanied by the launch of a new book, *Irlande des Poètes*.

The Arts Council announced new residency opportunities in India, where it has been forging links with the British Council, Shruti Foundation, Sanskriti, the Jaipur Literature Festival and others. Author David Park took the opportunity to speak at the prestigious Jaipur Literature Festival, while sculptor Lauren Scott undertook a month-long Vedaaranya artists' residency at the Ramgarh Shekhawati Rajasthan.

Vertical dancer Sarah Mac Kever travelled to Sanskriti Kendra, a cultural retreat on the outskirts of New Delhi for a six-week residency where she explored the literature, architecture and local culture and produced a new site specific performance, using ropes and climbing apparatus.

Artist Ellie Niblock became the first artist from Northern Ireland to be selected to participate in the Arts Ichol month-long artist residency programme in India, offered by the Arts Council and British Council. Art Ichol is a platform for creating, sharing and promoting the creative arts. A commune where resident artists, craft enthusiasts and talented artisans can collaborate.

The Arts Council responded in July to the government's consultation on its draft Programme for Government (PfG) and in December to the revised draft. The Arts Council's detailed submissions provided tangible examples of how engagement with the arts impacts on our health and wellbeing, and highlighted the need to reinvest in the development of artists and the arts sector. Disappointingly in both iterations of the draft PfG, references to the role of arts and creativity were, with few exceptions, confined to a single outcome (Outcome 5) of a possible 14. Furthermore, as argued in our submissions, the draft PfG impoverishes the impact of the arts to the extent that change is measured using an indicator (Indicator 27) which the Arts Council considers relegates the arts to a leisure pursuit. With the unexpected dissolution of the Northern Ireland Assembly in January 2017, the PfG had not been agreed during the period under review in the current Annual Report.

In addition to raising the case for the arts through advocacy, over the course of the year the Arts Council's Corporate Communications contributed to 1,104 pieces of newspaper coverage and 702 minutes of broadcast coverage. Social Media was again a priority development area for Arts Council communications and audience engagement across social media continued to increase. Audience growth was up by 14% on Facebook and by 16.5% on Twitter. Visits to the Arts Council website increased by 22%. With an emphasis this year on producing short films to promote the work of the Arts Council and the sector, 41 short films were produced and total views increased by 584%.

In January, Mr John Edmund was appointed by the Minister for Communities as the new Chair of the Arts Council of Northern Ireland, for a period of up to four years.

## **2 Promote Access**

In summary, this theme describes the Arts Council's objectives, through its annual funding to arts organisations, to encourage more people and communities to become engaged in the arts, tackling barriers such as poverty and social exclusion.

Working with the Belfast International Arts Festival, the Arts Council continued its city-wide programme of participatory and learning activities. The 'Embrace' programme of free family and schools workshops, talks and opportunities to engage with festival artists is designed to enhance audience appreciation of the productions and encourage active participation in the arts.

The Arts Council of Northern Ireland maintained its funding partnership with the Arts Council/An Chomhairle Ealaíon through the Touring and Dissemination of Work Scheme. The scheme is designed to support touring of work by Northern Ireland companies to the Republic of Ireland, and vice versa, across a range of artforms and arts practices. Northern Ireland beneficiaries in 2016-17 included Sole Purpose Productions, with their production, 'Blinkered', and the North West Play Resource Centre with their production of 'Bag for Life'.

Applications for the Musical Instruments for Bands programme reopened in July following an announcement of £200,000 in the programme by Minister for Communities, Mr Paul Givan MLA. Grants of between £500 and £5,000 are made available as part of the programme to increase the quality of music making in the community by helping bands to replace worn-out instruments and purchase new instruments.

## **3 Create a Resilient Sector**

In summary, this theme describes the Arts Council's objectives for supporting artists, arts organisations and the physical infrastructure.

The Arts Council awarded £8.773 million to 107 key arts organisations through its Annual Funding Programme. 102 organisations received standstill funding, whilst 5 received modest uplifts. These were: An Gaelaras, Community Arts Partnership, Ulster Youth Choir, Irish Traditional Music Archive and the NI Piping & Drumming School.

The Arts Council commissioned the Strategic Investment Board to carry out an independent survey of stakeholders involved in the Annual Funding Programme. The survey, published in October 2016, provides information that helps the Arts Council to be aware of its reputation, understand its perceived performance, and gather insight and feedback about challenges within the sector.

### **Key Issues and Risks**

The Board manages risk by ensuring that the procedures which are in place to verify risk management are regularly reviewed and reported. The Audit and Risk Committee receive and review quarterly risk reports prepared by senior management. These reports are in turn considered at the subsequent Board meeting. Risk management is fully incorporated into organisational and business planning.

The principal risks considered in the risk register are:

- Inability to deliver the Business Plan in 2016/17 due to budget and staff cuts;
- Impact of economic downturn on arts organisations resulting in a loss of frontline services;
- Reduction in DfC / National Lottery funding of the arts resulting in a loss of frontline services;
- An industrial dispute lodged by the trade union over the implementation of the Council's compulsory redundancy policy;
- Requirement to relocate premises again; and
- Applying pension reform and subsequent delays in August 16 pay settlement.

The Board considers how these risks are managed, the residual risk and action plans as appropriate.

### **Social and community issues**

The Arts Council supports generous charitable giving by staff through payroll giving.

### **Going Concern Basis**

The financial statements of the Arts Council are produced on the Going Concern Basis. This was formally considered by the Board at its meeting on Wednesday 4<sup>th</sup> October 2017. The Arts Council is not aware of any reason to adopt a different basis.

DfC are currently undertaking a review of all arms-length bodies. The review will not be complete till financial year 2018-2019 at the earliest.

### **Non-Current Assets**

The movement on non-current assets is reported upon in Notes 4 and 5 of the accounts. Assets to the value of £40,509 (2015-16: £69,765) were purchased during the year.

## **Research and Development**

The Arts Council has no activities in the defined field of research and development.

## **Interest rate and currency risk**

The Arts Council has no borrowing, relying primarily on Departmental grants for its cash requirements and is therefore not exposed to liquidity risks. It has also no material deposits. As all significant assets and liabilities are determined in sterling, it is not exposed to material interest rate or currency risk.

## **Political and Charitable Donations**

The Arts Council made no political or charitable donations during the year.

## **Payment of Suppliers**

The Arts Council is committed to the prompt payment of bills for goods and services in accordance with the Confederation of British Industry's Prompt Payment Code. The target for payment of bills is 10 days from receipt of goods or services, or presentation of a valid invoice or similar demand, whichever is later. A review conducted at the end of the year to measure how promptly the Arts Council paid its bills found that 97% of the bills were paid within this standard. The comparative figure for 2015-16 was 95%. A review of payment of bills in 30 days from receipt of goods or services found that 100% of the bills were paid within 30 days (2015-16: 99.7%).

Overall, for the year, the average number of days taken to pay invoices was 4 days (2015-16: 4 days).

## **Pension Fund (Audited Information)**

All assets, liabilities and operating costs of the Arts Council's pension scheme are recorded in the accounts of the Arts Council Exchequer entity. The salary charges to Lottery in-year include a recharge of employer pension costs of £142,983 (2015-16: £151,865).

The market value of the Arts Council's share of the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) pension scheme's assets (excluding Additional Voluntary Contributions) at 31 March 2017 was £14.847m (31 March 2016: £13.057m) and the present value of the Arts Council's share of the scheme liabilities was £18.799m (31 March 2016: £16.049m). The Arts Council's share of the Scheme recorded net pension liabilities at 31 March 2016 was £3.952m (31 March 2016: £2.992m).

The accounting policy for pensions is disclosed in Note 1.16 in the accounts.

## **Accounts and Appointment of Auditors**

The Accounts of the Arts Council are prepared in a form directed by the Department for Communities with the consent of the Department of Finance in accordance with Article 8 of the Arts Council (Northern Ireland) Order 1995.

The financial statements are audited by the Comptroller and Auditor General (C&AG) in accordance with the Arts Council (Northern Ireland) Order 1995. He is Head of the Northern Ireland Audit Office and he and his staff are wholly independent of the Arts Council. He reports his findings to the Northern Ireland Assembly.

The fee for the audit of these financial statements is £19,000 (2015-16: £13,000). This cost is included in other operating expenditure Note 2(b) in the financial statements. The Arts Council did not purchase any non-audit services from its auditor, the Northern Ireland Audit Office or its subcontractors during the year.

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

## **Complaints Handling**

The Arts Council has a Service Charter which outlines the standard of service the public should expect. The Council operates a Service Complaints Procedure to handle general complaints about our service.

Complaints can be made informally by telephone or formally in writing to the Complaints Administrator. There are different procedures depending on whether the complaint is:

- about a direct Arts Council service;
- about a third party organisation or individual funded by the Arts Council; or
- an anonymous complaint.

Further information on complaints can be found on the Arts Council website at <http://www.artscouncil-ni.org/about-us/customer-service/complaints>

Two reports were provided to the Board on the number of complaints received and the outcome within the period.

There were 5 direct complaints received in the 2016-17 financial year (0 in the 2015-2016 financial year).

## Performance Analysis

### Key Performance Indicators (Audited Information)

The Arts Council has two main financial Key Performance Indicators (KPIs) and both were met. They were:

Governance and Accountability	
Target	Outcome
98% of resource programme spend by year end	Resource out-turn 100%
97% of capital programme spend by year end	Capital out-turn 100%

### Financial Results

The Arts Council's key financial target is to operate within the allocated Budget for the year. At the end of the year the Arts Council realised total net expenditure of £11,230,854 (2015-16: £11,352,874). The taxpayer equity at the year-end is in deficit of £2,933,419 (2015-16: -£2,213,810) which includes a pension reserve liability of £3,952,000 (2015-16: £2,992,000).

### Sustainability Report

The Arts Council is committed to ensuring that sustainable development becomes an integral part of our business. We are committed to ensuring that future generations enjoy the opportunity to visit arts venues in well-designed buildings.

Our sustainable actions include:

- Sustainable development: Sustainable development is a guiding principle of the Architecture and Build policy published by DCAL in 2006. Consistent with this policy our Capital programmes complied with the Government's Achieving Excellence in Construction Initiative which promoted design quality and sustainability in construction, while achieving best value for money.
- Reducing our waste and increasing recycling levels.
- Reducing our contribution to climate change in terms of energy consumption and related CO<sub>2</sub> emissions.
- Reducing paper by use of tablet pcs and encouraging duplex printing and printing two pages on A4 paper.
- Participating in the Governments "Cycle to work" scheme.



- Reducing business travel, where possible, through greater use of video/teleconferencing.
- Encouraging all tendered Arts Council suppliers to devise and implement Social Clauses/Corporate Social Responsibility (CSR) policies.

A handwritten signature in black ink, reading 'Roisín McDonough'. The signature is written in a cursive style with a large, looped 'M'.

**Roisín McDonough**  
**Accounting Officer**

**Date: 01 November 2017**

# Accountability Report

## Corporate Governance Report

### Directors Report

#### **Board Members of the Arts Council and members of its Audit and Risk, Grants and Finance and Capital Committees**

The Arts Council performed its functions during the year ending on 31 March 2017 by making grants to organisations engaged in the arts either on an annual or a project basis; by granting awards and bursaries to individuals engaged in the arts; by organising tours of performing and creative artists; by organising and participating in the Forum for Local Government and the Arts; and by advising the former Department of Culture, Arts and Leisure and various other public and private bodies on a range of issues relating to the arts. The Arts Council is also one of the distributing bodies of National Lottery funding. Lottery distributing activities are reported upon separately under the National Lottery Etc. Act 1993. Appointments to the Board are made by the Minister for Communities. The Chair and members of the Board have individual and collective responsibility to the Minister as Head of Department:

The Chief Executive of the Arts Council of Northern Ireland is Roisin McDonough.

The Board of the Arts Council for the year ended 31 March 2017 is shown below.

#### **Board: 1 April 2016 to 31 March 2017**

Mr Bob Collins (Chairman, until 31<sup>st</sup> October 2016)  
Mr John Edmund (Chairman, from 1st January 2017)  
Dr Katy Radford (Vice-Chair)  
Mr David Alderdice  
Ms Anna Carragher  
Ms Noelle McAlinden  
Ms Katherine McCloskey  
Mr Paul Mullan  
Ms Nisha Tandon  
Mr Conor Shields  
Ms Eibhlín Ní Dhochartaigh (until 16<sup>th</sup> December 2016)  
Dr Leon Litvack  
Ms Siún Hanrahan  
Ms Roisin Erskine  
Mr Jarlath Kearney  
Mr Cian Smith

**The members of the Audit and Risk Committee for the year ended 31 March 2017 were:**

Ms Anna Carragher (Chair)  
Ms Katherine McCloskey (until 31<sup>st</sup> May 2016)  
Mr Paul Mullan  
Mr Gerry Crossan (co-opted member from 24 June 2015)  
Mr Jarlath Kearney (from 1<sup>st</sup> June 2016)  
Ms Roisin Erskine (from 1<sup>st</sup> June 2016)

**The members of the Grants Committee for the year ended 31 March 2017 were:**

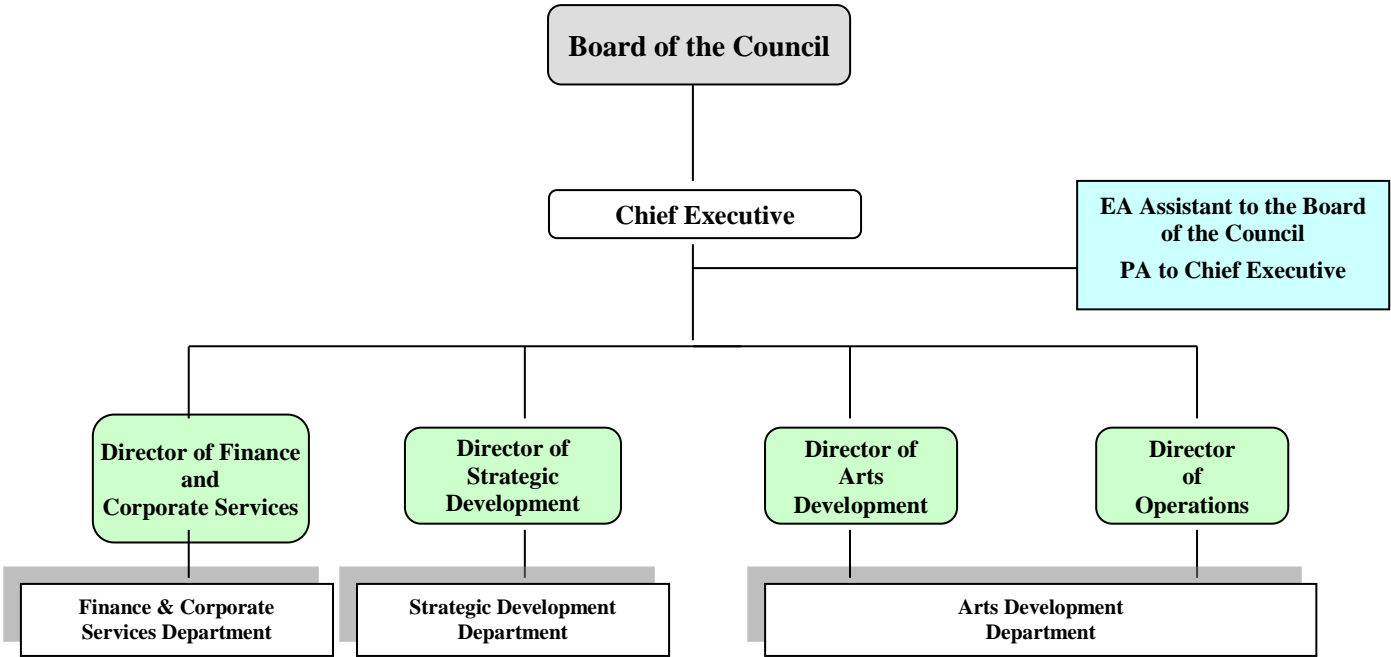
Dr Katy Radford (Chair)  
Mr David Alderdice  
Ms Nisha Tandon

**The members of the Finance and Capital Committee for the year ended 31 March 2017 were:**

Dr Leon Litvack (Chairman)  
Mr Gerry Crossan (co-opted member from 24 June 2015)  
Ms Siun Hanrahan  
Mr Cian Smyth (until 30<sup>th</sup> September 2016)  
Ms Katherine McCloskey (from 1<sup>st</sup> November 2016)

Several members of the Board of the Arts Council and members of key management staff are also involved with other arts organisations in Northern Ireland either directly or indirectly as a result of a family relationship, a close friendship or business relationship. All individuals make an annual declaration of their interests and do not take part in discussions and decisions to make grant awards to those organisations with which they have a declared interest. A list of awards made to the organisations concerned and details of who made the declaration of interest is detailed in Note 14. The Register of Interests is also online on the Arts Council website. All of the transactions relating to the organisations were conducted at arm's length by the Arts Council.

Organisational Structure



Personal Data

There were no reported personal data related incidents during the year.

## **Statement of the Council's and Accounting Officer's Responsibilities**

Under Section 8 of The Arts Council (Northern Ireland) Order 1995 the Arts Council is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Department for Communities with the approval of the Department of Finance. The accounts are prepared on an accruals basis and must show a true and fair view of the Arts Council's state of affairs at the year end and of its income and expenditure, total changes in taxpayers' equity and cash flows for the financial year.

In preparing accounts the Arts Council is required to:

- observe the accounts direction issued by the Department for Communities including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- observe the current version of the Government Financial Reporting Manual (FReM);
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the body will continue in operation.

The Accounting Officer for the Department for Communities has designated the Chief Executive of the Arts Council as the Accounting Officer for the Arts Council. Her relevant responsibilities as Accounting Officer, including her responsibility for the propriety and regularity of the public finances for which she is answerable and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum, which is issued by the Department of Finance and published in Managing Public Money Northern Ireland.

## **Governance Statement**

### **Scope of Responsibility**

As Accounting Officer, I have responsibility for ensuring the Arts Council's business is conducted in accordance with the law and proper standards, and that public money is properly accounted for, and used economically, efficiently and effectively. In discharging this overall responsibility, I am responsible for ensuring the existence of a robust framework of governance and accountability designed to instil a sound system of internal control, manage risk and support the achievements of the Arts Council's objectives whilst safeguarding public funds and Departmental assets in accordance with the responsibilities assigned to me in Managing Public Money Northern Ireland. I am also personally responsible for ensuring compliance with the requirement of the Arts Council's Management Statement, Financial Memorandum and Statement of Financial Requirements.

This responsibility is supported by the functions of the Arts Council; Board; Committees (particularly the Audit and Risk Committee); internal and external audit; the Arts Council's risk register as well as accountability meetings with the Department for Communities.

I also combine my Accounting Officer role with my responsibilities to the Department including any Ministerial directions. There were no Ministerial directions in the 2016-17 financial year.

### **Corporate Governance Code**

The Arts Council complies with the principles of good practice detailed in Corporate Governance in Central Government Departments: Code of Good Practice (NI) 2013 issued by DFP under cover of their letter DAO (DFP) 06/13.

The Board reviewed and discussed the six principles of the code at a Board effectiveness day on Wednesday 29 March 2017. The Board was content that the Arts Council has adopted the practices set out in the code wherever they were relevant, practical and consistent with business needs.

Two principles were less relevant to the Arts Council:

- (a) Board composition as the DfC Minister makes appointments to the Board. However, the Board has the authority to co-opt to its committees where it deems a skill or experience is required.
- (b) Arm's Length Bodies (ALBs). This principle has negligible relevance as it was directed towards Departments and their governance arrangements with ALB Boards.

There were no departures in the 2016-17 financial year from the application of relevant principles

## **Conflicts of Interest**

The Corporate Governance in Central Government Departments: Code of Good Practice (NI) 2013 also requires the Board to publish how it identified any conflicts of interest and potential conflicts and how these have been managed.

Several members of the Board of the Arts Council and members of key management staff are also involved with other arts organisations in Northern Ireland either directly or indirectly as a result of a family relationship, a close friendship or business relationship. All individuals make an annual declaration of their interests and do not take part in discussions and decisions to make grant awards to those organisations with which they have a declared interest.

A list of awards made to the organisations concerned and details of who made the declaration of interest is detailed in Note 14. All of the transactions relating to the organisations were conducted at arm's length by the Arts Council.

## **The Purpose of the Governance Framework**

The governance framework comprises the systems and processes, and culture and values, by which the Arts Council is directed and controlled and the activities through which it accounts to and engages with all stakeholders. It enables the Arts Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and value for money services and facilities.

The system of internal control is a significant part of that framework and designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place in the Arts Council for the year ended 31 March 2017 and up to the date of approval of the annual report and accounts, and accords with DoF guidance.

## **Governance Framework**

The key elements of the systems and processes that comprise the Arts Council's governance arrangements are:

1. Identifying and communicating the Arts Council's vision of its purpose and intended outcomes;
2. Reviewing the Arts Council's vision and its implications for the Arts Council's governance arrangements;

3. Measuring the quality of service, ensuring delivery in accordance with the Arts Council's objectives and for ensuring that they represent the best use of resources;
4. Defining and documenting the roles and responsibilities of the Executive, Non-Executive, scrutiny and Officer functions, with clear delegation arrangements and protocols for effective communication;
5. Developing, communicating and embedding Codes of Conduct, defining the standards of behaviour for members and staff;
6. Reviewing and updating the Management Statement and Financial Memorandum, Financial Instructions, Scheme of Delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks;
7. Undertaking the core functions of an Audit and Risk Management Committee;
8. Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful;
9. Implementing procedures for whistle-blowing and for receiving and investigating complaints from internal and external sources;
10. Identifying the development needs of members and senior officers in relation to their strategic roles, supported by training; and
11. Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

## **Board Membership**

The Arts Council is vested in and administered by a body corporate known as the Board of the Arts Council, consisting of a Chair, Vice-Chair and 12 members (as at 31 March 2017) appointed by the DfC Minister, as set out in the Arts Council (Northern Ireland) Order 1995. During the year the Board Chair retired and was replaced by a new Chairman John Edmund. No other Board members were appointed or reappointed during the year.

I am supported by the Board of the Arts Council. The Chair and members of the Board have individual and collective responsibility to the Minister as Head of Department:

- to provide effective leadership for the Arts Council, in particular in defining and developing its strategic direction and in setting challenging objectives;
- to act in a way that promotes high standards of public finance, including the promotion of regularity, propriety and value for money;
- to ensure that the Arts Council's activities are conducted in an efficient and effective manner;
- to ensure that strategies are developed for meeting the Arts Council's overall objectives in accordance with the policies and priorities established by the Minister;
- to monitor the Arts Council's performance to ensure that it fully meets its aims, objectives and performance targets;
- to ensure that the Arts Council's control, regulation and monitoring of its activities as well as those of any other bodies which it may sponsor or



support, ensure value for money within a framework of best practice, regularity and propriety;

- to participate in the corporate planning process; and
- to appoint a Chief Executive.

The Board held 13 meetings during the year to determine policy for the Arts Council and make decisions in line with that policy. 12 meetings were Board meetings and one meeting was for Board effectiveness training. I attended 11 out of 12 Board meetings. My Directors attended nearly all the 12 Board meetings and produced papers and information to assist Board decision making. On 29th March 2017 the Board of the Arts Council of Northern Ireland met to review its effectiveness and consider governance and operational management according to the requirements of the NIAO Board Effectiveness Good Practice Guide. The Board considered all of those matters prescribed by the Guide and where necessary approved the operational response. The Board considered Committee performance and the relevance of current structures and committee memberships, mindful that the Council is moving into a new planning phase as it enters the final year of the current corporate plan. The Board reviewed and approved its current work-plan and determined to establish a working group to deliver the next corporate plan. The Board considered positively its operational relationship with the Executive and noted the importance of having time to review the functioning of Arts Council Northern Ireland in light of the current environment within which the arts operates.

The Board has a rolling work-plan and achieved its objectives, which were set out during the year. The overall average attendance rate of members was 65%.

**2016/17 Board/Committee Attendance**

	Board Meetings			Committee Meetings			Total Meetings		
	Act	Poss	%	Act	Poss	%	Act	Poss	%
Bob Collins #	7	7	100	N/A	N/A	N/A	7	7	100
John Edmund	4	4	100	N/A	N/A	N/A	4	4	100
Katy Radford	12	13	92	2	2	100	14	15	93
David Alderdice	9	13	69	2	2	100	11	15	73
Anna Carragher	8	13	62	5	5	100	13	18	72
Siún Hanrahan	6	13	46	0	4	0	6	17	35
Jarlath Kearney	8	13	62	2	3	67	10	16	63
Leon Litvack	8	13	62	4	4	100	12	17	71
Noelle McAlinden	8	13	62	N/A	N/A	N/A	8	13	62
Katherine McCloskey	6	13	46	2	4	50	8	17	47
Roisin Erskine	11	13	85	3	3	100	14	16	88
Paul Mullan	7	13	54	2	5	40	9	18	50
Eibhlín Ní Dhochartaigh ~	0	9	0	N/A	N/A	N/A	0	9	0
Conor Shields *	10	13	77	N/A	N/A	N/A	10	13	77
Cian Smyth	10	13	77	1	2	50	11	15	73
Nisha Tandon *	7	13	54	2	2	100	9	15	60

# Bob Collins retired from the Board on 31<sup>st</sup> October 2016. He was replaced as Chairman by John Edmund on 1<sup>st</sup> January 2017.

~ Eibhlín Ní Dhochartaigh retired on 16<sup>th</sup> December 2016.

\* Conor Shields and Nisha Tandon retired from the Board on 30<sup>th</sup> April 2017.

Members of the Board have delegated some of their tasks to four sub-committees which oversee the activities of management and provide support:

- Audit and Risk;
- Finance and Capital;
- Remuneration; and
- Grants.

**Audit and Risk Committee**

The Audit and Risk Committee comprises four members and one co-opted member, and is chaired by a member. It met five times during the year. I attended each meeting along with the Director of Finance and Corporate Services and the Operations Director. The Audit and Risk Committee has a rolling work-plan and measures its performance by the achievement of its objectives.

Its terms of reference include supporting the Board and Accounting Officer by reviewing the comprehensiveness of assurances in meeting the Board and

Accounting Officer's assurance needs, and by reviewing the reliability and integrity of these assurances; the activities of the internal and external auditors and overseeing the risk culture of the Arts Council; and also reviewing its own effectiveness, constitution and terms of references and reporting the results of that review to the Board.

The Audit and Risk Assurance Committee Handbook (NI), issued under cover of DAO (DFP) 05/14, sets out five principles to be followed. These principles are:

Principle 1: Membership, independence, objectivity and understanding;

Principle 2: Skills;

Principle 3: The role of the Audit and Risk Assurance Committee;

Principle 4: Scope of work; and

Principle 5: Communication and reporting.

The Audit and Risk Committee formally considered these principles at the Board effectiveness meeting 29 March 2017 and confirmed it complied with the principles.

The Committee makes regular reports to the Board. Board Members are satisfied that the Committee is providing them with assurance.

### **Other Committees**

The Finance and Capital Committee comprises three members and one co-opted member, and is chaired by a member. This committee met four times during the year. The Director of Finance and Corporate Services and the Director of Operations attended each meeting and I attended one meeting.

Its terms of reference cover the proposal to the Board of the annual budget of the Arts Council; ensuring comprehensive financial advice is provided to the Board; reviewing the detailed information relating to the financial resources including the Statement of Comprehensive Net Expenditure, Statement of Financial Position and cash flow statements; monitoring financial expenditure against targets set throughout the year making recommendations as necessary; reviewing the programmes, policies and procedures relating to the payment of capital grants and where appropriate, to propose changes to the above for Board approval; and to advise on policy and the strategic deployment of capital resources.

The Remuneration Committee comprises four members and is chaired by the Vice Chair. Its terms of reference include assessing and agreeing targets, standards of performance, goals and objectives in respect of the Chief Executive. In consultation with the Department it sets the remuneration terms related to the performance of the Chief Executive, giving due weight to the proper management and use of public monies. It monitors the performance of the Chief Executive within the terms and conditions of the contract of employment. It reviews its own terms of reference annually to ensure it is operating to maximum effect and recommends any changes considered necessary to the Board for approval. The Committee carried out this review at the Boards effectiveness meeting on the 29 March 2017.

The Grants Committee comprises three members and is chaired by a member. It met twice during the year. I attended these meeting along with the Director of Operations.

Its terms of reference include reviewing the programmes, policies and procedures relating to the payment of Exchequer grants, and where appropriate, proposing changes to the above for approval by the Board and taking decisions on grant aid within delegated financial limits set by the Board.

The Board has delegated its grant-decision-making for grants under £25,000 to staff. All decisions made by staff and committees are reported to the Board.

## **Business Planning**

Each year of the five year strategic plan, amplified as necessary, forms the basis of the business plan for the forthcoming year. The business plan includes key performance indicators, milestones and targets linked to the Programme for Government and Public Service Agreements for the forthcoming year. It also links to budgeting information so that resources allocated to achieve specific objectives can readily be identified by the Department. The five-year strategy and annual business plan takes into account the Minister's priorities and is framed in that context.

The draft business plan is submitted to the Department as early as possible, but no later than 31 January each year. The Arts Council's plans are submitted to the Department for approval and include measures of performance and annual targets in respect of each of those measures and the proposed annual efficiency. Progress against targets is reported quarterly to the Board and bi-annually to DfC's governance and accountability meetings.

A five year strategic plan for the arts in Northern Ireland 2013 – 2018, entitled "Ambitions for the Arts" has been developed by the Board and it elaborates on three key themes as follows:

- Champion the Arts;
- Promote Access; and
- Create a more Resilient Sector.

These key themes are discharged by a number of business areas with two key financial performance indicators. The results for the year are:

Milestones achieved	100% (2) <sup>1</sup>
Milestones still progressing	- -
Milestones not achieved	- -

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<sup>1</sup> Financial Key Performance Indicators on Page 16.

## **Risk Management**

The identification and impact of risk is incorporated into the corporate planning and decision making processes of the Arts Council. Consequently the Arts Council ensures that there are procedures in place for verifying that internal control and aspects of risk management are regularly reviewed and reported on and are supplemented by detailed best practice guidelines on Public Interest Disclosure (whistle-blowing) and Fraud Management policies among others. The Board receives periodic reports concerning internal control and steps are taken to manage risks in significant areas of responsibility and monitor progress on key projects. A system of risk management is maintained to inform the Board's decisions and all reputational risks to the Arts Council are drawn to the attention of the Board and are properly managed. The Risk Register is presented to the Audit and Risk Committee and to the Board on a quarterly basis. Responsibility for risk management has been assigned to appropriate members of the executive team and officers and is reported on routinely to the Chief Executive and Director of Finance and Corporate Services.

On an annual basis, risks are categorised by considering the likelihood of occurrence should no risk-mitigation activity occur and the impact should the risk happen. The risks where the potential impact is deemed high are detailed in the Arts Council risk register. The risk register forms part of the annual business plan of the Board, having been previously endorsed by the Audit and Risk Committee. The Senior Management Team assigns to managers (the 'risk owners') the task of putting procedures in place to monitor and, where possible, mitigate the risk.

The Audit and Risk Committee has lead responsibility for the periodic review of the risk register. The Arts Council consider the following to be the most significant areas of risk:

- Inability to deliver the Business Plan in 2016/17 due to budget and staff cuts;
- Impact of economic downturn on arts organisations resulting in a loss of frontline services;
- Reduction in DfC / National Lottery funding of the arts resulting in a loss of frontline services;
- An industrial dispute lodged by the trade union over the implementation of the Council's compulsory redundancy policy;
- Pension reform and possible delay implementing 2016 pay settlement; and
- Uncertainty around tenure of premises.

In 2011 the sponsoring Department DCAL completed an ALB sponsorship risk assessment for the Arts Council. The overall rating assigned to the Arts Council by that process was Medium/Low and remains unchanged.

## **Fraud Risk and Information Risk**

The Arts Council has a fraud policy that is reviewed on an annual basis. It is given to all new staff at their induction, and staff receive training appropriate to their grade and duties. During the year fraud awareness training was conducted on the 6<sup>th</sup> of September 2016. The Arts Council also has an information risk policy to be followed

by all staff, which new staff read as part of their induction. The policy requires all data to be held securely. The Arts Council is compliant with the Security Policy Framework and with the mandatory measures of the Data Handling Review.

The Arts Council maintains a register of related party transactions in order to ensure that opportunities for conflict of interest are avoided. The register is maintained centrally and is updated regularly. It features as a supplementary report in the decision making process on relevant grants, to ensure the exclusion of parties with a perceived conflict of interest. The NIAO publication “Conflicts of Interest – A Good Practice Guide” March 2015 has been circulated to the Board to assist members recognise actual and perceived conflicts of interest.

All staff have been provided with a copy of the Arts Council Information and IT Security Policy to ensure that they are aware of best practice on how to protect the data and assets held by the organisation. The Councils computer system is hosted on an ITAssist platform. Additionally, to gain access to the Arts Council’s computer network, staff are required to acknowledge acceptance of IT policies when they log into their workstations.

### **Governance & Accountability within the Arts Council**

The annual internal audit plan is created on a risk basis. KPMG our internal auditors prepared their plan based on information provided from the following sources:

- Discussions with the Council’s senior management;
- Discussions with the Audit and Risk Committees Chairman;
- The Corporate risk register;
- Annual report and financial statements;
- Specific areas requested by the Department for inclusion;
- Prior internal audit recommendations; and
- Inclusion of core financial areas which form the basis of the system of internal control.

The Audit and Risk Committee reviewed and approved the internal audit plan. I ensured that there was sufficient flexibility in the plan to allow for changes to be made during the year to reflect any significant changes in the risk environment and the emergence of new risks. However, there were none.

All reports of the internal auditors were discussed by the Audit and Risk Committee with senior members of staff in attendance, including those whose departments were reported upon by the auditors. This gave me and members of the committee the opportunity to discuss, in detail, the findings, recommendations and proposed management actions. Directors that had failings identified by the internal auditors were required to devise corrective action and set a completion date for that action in consultation with the internal auditors. I receive regular reports from the auditors notifying me of the progress my Department Directors have achieved in clearing up points raised by both internal and external auditors in previous years.

## **Sources of Independent Assurance**

KPMG is the Internal Auditor for the Arts Council. KPMG issued an internal audit assurance statement to the Audit and Risk committee of the Arts Council in respect of the year ended 31 March 2017. The internal audit assurance statement stated that on the basis of work performed during the year, KPMG can conclude that the Arts Council has established procedures that are adequate to meet management's control objectives in the systems audited and consequently KPMG provided a satisfactory level of assurance over the control environment at the organisation.

The Comptroller and Auditor General to the Northern Ireland Assembly certifies the accounts and provides an opinion whether, in all material respects, the expenditure and income have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern the Arts Council.

## **Review of Effectiveness**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors and senior management within the Arts Council who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. As a result of their work during the year, the internal auditors have produced an annual certificate of assurance with regard to the adequacy of the systems and the operation of internal controls within the Arts Council. In addition, I have considered the Report To Those Charged with Governance (RTTCWG) prepared by the external auditors following their audit of the accounts for the year ended 31 March 2017. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit and Risk Committee, and a plan to address weaknesses and ensure continuous improvement of the internal control system is in place.

The Audit and Risk Committee reviews its effectiveness and questions the activities of risk owners. Furthermore, our internal audit function reviews the risk-management processes as part of its work and can provide the benefit of its experience of other organisations' risk-management activities.

Policy papers put to the Board for decision all contain a discussion of the risks associated with taking the possible courses of actions. The Board also regularly discusses the risks on the risk register with the risk owners. The Board has considered the quality of data used by the Board across all business areas and finds the information provided by management suitable for the purposes of making effective decisions.

## **Quality of Information**

The Board of the Arts Council Northern Ireland has reviewed the quality of the information made available by the executive for the purpose of effective decision making. The Board considers that the accuracy, timing and availability of the financial information and the support given to ensure that the Audit and Risk

committee functions effectively is highly satisfactory. The Board values the reports on art forms, organisational performance and the Council's development programmes for their insights into the challenges and opportunities facing the arts in Northern Ireland. The Board notes the challenge with regard to information, analysis and assessment facing the executive in determining the most beneficial distribution of arts funding in the current financial environment. Looking to the future and the requirement to prepare a new five-year corporate plan commencing April 2018, the Board recognises that the pattern and the nature and extent of information provision on the functioning of the arts in Northern Ireland will change during the planning process and to support the delivery of the future plan. The Board looks forward to participating with the executive in the definition of this new information regime.

### **Internal Governance Divergences – Current and New for 2016-17**

#### **Update on prior year control issues which have been resolved and are no longer considered to be control issues.**

Three prior year issues highlighted in internal audit reports have been resolved and are no longer control issues in 2016/17.

#### **Update on prior year control issues, which are still considered to be control issues**

One prior year issue was identified by KPMG during the year end follow up review. This issue related to an update of the Art Management Handbook. Following the year-end review the handbook was finalised and presented to the Board for noting at its meeting on the 24<sup>th</sup> May 2017.

### **Identification of new issues in the current year and anticipated future issues**

Internal auditors KPMG awarded the Arts Council a satisfactory level of assurance over its control environment in its assurance statement for 2016-17.

Internal Audit identified a number of areas where the Arts Council should put procedures in place to strengthen the existing processes and controls in order to fully meet management's control objectives. Internal Audit's observations and recommendations are graded in line with DAO (DoF) 07/16 which was implemented with immediate effect on sight of the guidance:

Priority 1: Failure to implement the recommendation is likely to result in a major failure of a key organisational objective, significant damage to the reputation of the organisation or the misuse of public funds.

Priority 2: Failure to implement the recommendation could result in the failure of an important organisational objective or could have some impact on a key organisational objective.

Priority 3: Failure to implement the recommendation could lead to an increased risk exposure.

Internal audit also assign an assurance rating to reviews. Three evaluations are used. One evaluation, Satisfactory, is considered to be "above the line" in terms of



governance, risk management and control. The remaining two audit opinions are considered “below the line”.

The three assurance ratings are defined, in line with DAO (DoF) 07/16, as:

**Satisfactory:** Overall there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified, this should not significantly impact on the achievement of system objectives.

**Limited:** There are significant weaknesses within the governance, risk management and control framework which, if not addressed, could lead to the system objectives not being achieved.

**Unacceptable:** The system of governance, risk management and control has failed or there is a real and substantial risk that the system will fail to meet its objectives.

Ten reviews were issued during the year with assurance ratings; two reviews were limited and the balance, eight reviews, were satisfactory. Internal Audit undertake a follow up review at year end and a revised assurance rating may be assigned post this follow up review. After the end year report one review, Health and Safety, remained limited. The report contained three outstanding recommendations in relation to:

- Oversight of Health and Safety contractors (priority 2);
- Policy documentation (priority 3); and
- Training (priority 2).

Management have agreed a timescale for implementation of these recommendations and progress was noted in the follow up report.

Overall, nineteen new recommendations have been identified in the current year, five priority two and fourteen priority three. Three of these recommendations have already been addressed and management have agreed a timescale for implementation of the remaining sixteen recommendations and one prior year issues. These seventeen recommendations consist of four Priority 2 recommendations and thirteen Priority 3 recommendations.

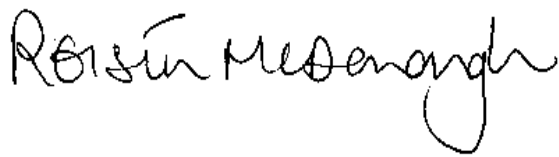
I am pleased to report that recommendations were satisfactorily progressed to allow internal audit to award a satisfactory level of assurance in its assurance statement.

### **Events after the Reporting Period**

Since the balance sheet date there has been recorded Board conflict. The Board is considering mechanisms to deal with this dispute including a facilitated dialogue to avoid a negative impact on the Board’s performance and operation.

## **Conclusion**

As a result of the above, I believe that the Arts Council's internal control and governance framework provides me with the level of assurance that I require. There is nothing of which I am aware that leads me to believe that our systems for detecting and responding to inefficiency, for preventing conflicts of interest, for preventing and detecting fraud and for minimising losses of grant-in-aid are not adequate. I believe that the Arts Council's governance structure has operated successfully in 2016-17.

A handwritten signature in black ink, reading 'Roisín McDonough'. The signature is written in a cursive, flowing style.

**Roisín McDonough**  
**Accounting Officer**

**Date: 1 November 2017**

## **Remuneration and Staff Report**

### **Remuneration Report**

#### **Remuneration Policy**

The Arts Council Remuneration Committee is a Committee of the Board of the Arts Council. The Committee is authorised by the Board to undertake any activity within its terms of reference. Its membership is made up of four Board members as follows:

Dr Katy Radford (Chair);  
Mr Bob Collins (until 31<sup>st</sup> October 2016);  
Mr John Edmund (from 01<sup>st</sup> January 2017);  
Ms Katherine McCloskey (from 29<sup>th</sup> March 2017); and  
Mr David Alderdice (from 29<sup>th</sup> March 2017).

Within the Arts Council, the Chief Executive is employed at a Senior Civil Service (SCS) grade. The remuneration of senior civil servants is set by the Minister of Finance and Personnel.

The Minister approved a restructured SCS pay settlement broadly in line with the Senior Salaries Review Board report which he commissioned in 2010. The Commitment to a Pay and Grading Review for SCS was the second phase of an equal pay settlement approved by the Executive.

The Remuneration Committee is responsible for assessing the Chief Executive's performance and making recommendations on achievement to DfC. The Chief Executive has a staff appraisal meeting with the Chairman on the basis of objectives set the previous year in consultation with DfC. The appraisal meeting also includes discussion of objectives for the incoming year. These are further discussed by the Chairman with DfC. Subsequent proposed objectives approved by the Remuneration Committee are discussed and agreed with the Chief Executive as appropriate for the year.

All other executive directors within the Arts Council are employed at Grade 7. The Arts Council's Management Statement directs that approval of the Department is required to re-grade/create posts at DP level and above, unless otherwise advised by the Department. Staff are appointed on Northern Ireland Civil Service pay scales.

All staff costs are incurred by the Arts Council and an appropriate amount is recharged to the Lottery Distribution Account. The apportionment is made at full economic cost and calculated on the basis of the proportion of activity funded by Lottery.

## Service Contracts

Appointments in the Arts Council are made with reference to the Equality Commission's Advice and Guidance. Policy relating to notice periods and termination payments are contained in individual terms and conditions of employment. Unless otherwise stated below, the employees covered by this report hold appointments, which are open-ended until they reach retirement age. The Chief Executive (Roisin McDonough) was appointed on 16<sup>th</sup> October 2000. This position is permanent within the definition above as are the executive director positions.

## Salary

'Salary' includes gross salary and performance pay or bonuses, to the extent that they are subject to UK taxation. This report is based on payments made by the Arts Council before any recharge of costs is made to the Lottery fund.

## Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. No benefits in kind were paid to any employee noted below.

## Board Members' Honoraria (Audited Information)

No emoluments were paid to members of the Board of the Arts Council except for Honoraria to the Chairman and Vice Chairman.

The rate of honorarium for the Chairman is £10,000 per annum with effect from 1 July 2007 and the Vice Chairman is £3,500 per annum with effect from 1 December 2007. The previous Chairman's annual honorarium for 2016-17 is £5,180. He retired on 31<sup>st</sup> October 2016. The current Chairman's annual honorarium is £10,000. He was appointed from the first of January 2017. The total cost of honoraria paid in 2016-17 was therefore £11,494 (2015-16: £12,514) as shown in staff costs. This includes £314 (2015-16: £134) of employer's National Insurance Contributions. The amounts received by the Chairman and Vice-Chairman are detailed below:

	<b>Chairman</b>	<b>Vice-Chairman</b>
	<b>£</b>	<b>£</b>
B Collins	5,180	
J Edmund (from 1 <sup>st</sup> January 2017)	2,500	
K Radford		3,500

Of the total cost of honoraria £6,092 (2015-16: £6,632) was apportioned to the Lottery Distribution Account. No emoluments were paid to other Board members in respect of Lottery activities. The Arts Council does not pay any pension contributions on behalf of the Chairman and Vice-Chairman. These individuals are not included, therefore, in the following pension note.

All Board members are recompensed for their vouched expenses incurred in carrying out their duties.

### Bonuses

The Special Bonus Scheme allows the Arts Council to reward exceptional performance in particularly demanding tasks or situations at any time in the year. In 2016-17 four staff received a performance bonus.

### Salary, Bonus, Benefit-in-kind and Pension Entitlements - Senior Staff (Audited Information)

	2016-17					2015-16				
	Salary	Bonus	Benefit in kind	Pension Benefits*	Total	Salary	Bonus	Benefit in kind	Pension Benefits*	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Officials</b>										
R McDonough (Chief Executive)	85-90	-	-	40	125-130	80-85	-	-	22	105-110
N McKinney (Director of Arts Development)	55-60	-	-	12	60-65	55-60	-	-	21	75-80
G Troughton (Director of Finance and Corporate Services)	50-55	-	-	16	65-70	45-50	-	-	22	70-75
N Livingston (Director of Strategic Development)	55-60	-	-	12	70-75	40-45	-	-	18	55-60
L McDowell** (Director of Operations)	40-45	-	-	14	55-60	50-55	-	-	27	75-80
<b>Band of Highest Paid Director's Total</b>		80-85					80-85			
<b>Median Total Remuneration</b>		£29,554					£29,554			
<b>Ratio</b>		2.8					2.8			

\* The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increase excludes increases due to inflation and does not include any increase or decreases due to a transfer of pension rights.

\*\* This employee took flexible retirement on 31 December 2015. The pension lump sum received from the flexible retirement is in the band range £55-60k. The annual pension received in year is in the band range £20-25k (2015-2016: £5 -10k).

## Median Remuneration

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The median remuneration of the staff is the total remuneration of the staff member(s) lying in the middle of the linear distribution of the total staff, excluding the highest paid director. This is based on annualised, full-time equivalent (FTE) remuneration as at the reporting period date.

Total remuneration includes salary, performance pay and bonuses. It does not include employer pension contributions and the cash equivalent transfer value of pensions. Total remuneration is calculated on an annualised basis to remove any fluctuations caused by employee turnover, which do not reflect changes in pay policy.

The FTE measurement of staff is specified to ensure a level of comparability that would otherwise be distorted, if a member of staff represented a whole unit, irrespective of the hours worked.

The ratio is calculated as follows:

$$\frac{\text{Midpoint in highest paid director's pay band}}{\text{Median remuneration of the Arts Council's staff}}$$

## Arts Council Pensions (Audited Information)

The pension benefits of all staff are provided through the Northern Ireland Local Government Officers' Superannuation Committee. This is a funded scheme which provides benefits on a "final salary" basis at a normal retirement age of 65. Benefits accrue at the rate of 1/60<sup>th</sup> of pensionable salary for each year of service (1/80<sup>th</sup> before 1 April 2009). For membership of the Scheme from April 2015 your pension will be based on your average earnings while a member of the Scheme. Each year, if you are in the main section of the Scheme 1/49<sup>th</sup> of your pensionable pay is added to your pension account PLUS a revaluation amount so that your pension keeps up with the cost of living. In addition, a tax free lump sum may be payable on retirement. Members pay contributions of between 5.5% and 10.5% of pensionable earnings. Pensions increase in payment in line with the Retail Prices Index. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of three times pensionable pay and also provides a service enhancement on computing the spouse's pension. Medical retirement is possible in the event of serious ill- health. In this case pensions are brought into payment early.

During the year the Arts Council made contributions for 53 (2016-17: 57) employees (not all 53 were employed throughout the year). The NILGOSC scheme is a "multi-employer", defined benefit scheme, which provides members of participating employers with the benefits related to pay and services at rates which are defined under statutory regulations. To finance these benefits, assets are accumulated in the scheme and are held separately from the assets of the employers. The scheme is funded by employers participating in the NILGOSC scheme who pay contributions

at rates determined by an independent professionally qualified actuary on the basis of regular valuations using the projected unit method. During the year ended 31 March 2017 the Arts Council contributed 20% (2015-16: 20%) of gross salary.

	<b>2016-17</b>	<b>2015-16</b>
	<b>£</b>	<b>£</b>
Employer's Contribution	423,367	486,532

**Pension Entitlements (Audited Information)**

	ACCRUED PENSION AT PENSION AGE AT 31/03/17 AND RELATED LUMP SUM	REAL INCREASE IN PENSION AT RETIREMENT AGE AND RELATED LUMP SUM	CETV AT 31/03/2017	CETV AT 31/03/2016 (Restated)	EMPLOYEE CONTRIBUTION 2016-2017	REAL INCREASE IN CETV
	£'000	£'000	£'000	£'000	£'000	£'000
R McDonough	35-40 plus lump sum of 75-80	0-2.5 plus lump sum of (0-2.5)	732	707	13	12
N McKinney	20-25 plus lump sum of 40-45	0-2.5 plus lump sum of (0-2.5)	408	384	8	16
G Troughton	10-15 plus lump sum of 0-5	0-2.5 plus lump sum of (0-2.5)	145	128	6	11
N Livingston	20-25 plus lump sum of 50-55	0-2.5 plus lump sum of (0-2.5)	517	511	9	(3)
L McDowell*	0-5 plus lump sum of 0-5	0-2.5 plus lump sum of 0-2.5	16	3	10	3

\* As stated on page 37, this employee took flexible retirement on 31 December 2015. The CETV value at 31 March 2016 is restated to account for this and the figure before restatement was £539k.

## **Cash Equivalent Transfer Values**

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

## **Real increase in CETV**

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

## **Exit Packages**

No executive directors of the Arts Council received any compensation for loss of office during the year.



## Staff Report

### 1) Number of Directors (Audited Information)

Director's Salary	2016-17	2015-16
£45,000 - £50,000	-	1
£50,000 - £55,000	1	3
£55,000 - £60,000	3	-
£60,000 - £65,000	-	-
£65,000 - £70,000	-	-
£70,000 - £75,000	-	-
£75,000 - £80,000	-	-
£80,000 - £85,000	1	1
<b>Total Number of Directors</b>	<b>5</b>	<b>5</b>

The Directors' salaries shown above are on a full-time equivalent basis: Whereas the salary information on page 37 is what the Directors actually earned.

### 2) Staff Numbers and Costs (Audited Information)

#### 2a) Staff Costs

	2016-17	2016-17	2016-17	2015-16
	<b>Permanently employed staff £</b>	<b>Others £</b>	<b>Total £</b>	<b>Total £</b>
Wages and salaries	1,283,895	86,226	1,370,121	1,622,996
Social security costs	131,163	8,180	139,343	127,427
Agency costs	-	184,131	184,131	113,014
Other pension costs	400,034	23,333	423,367	486,532
Voluntary exit scheme	28,034	-	28,034	252,289
<b>Sub Total</b>	<b>1,843,126</b>	<b>301,870</b>	<b>2,144,996</b>	<b>2,602,258</b>
<b>Recharge:</b>				
Expenditure on the Arts	(21)	(52,628)	(52,649)	(96,473)
CIIF Secondment Recovery	-	(40,923)	(40,923)	(40,289)
<b>Total Net Costs</b>	<b>1,843,105</b>	<b>208,319</b>	<b>2,051,424</b>	<b>2,465,496</b>

Staff remuneration in 2016-2017 on an FTE basis, ranges from £22,291 to £78,275, which is the same as 2015-2016.

## **2b) Pension Costs and Commitments**

The Arts Council makes employer contributions to the NILGOSC Scheme which is a funded scheme of the defined benefit type. Benefits earned up to 31 March 2015 are linked to Final Salary and benefits from 01 April 2015 onwards are based on a Career Average Revalued Earnings Scheme. Past and present employees are covered by the provisions of the NILGOSC Scheme. The funded nature of the Local Government Pension Scheme (Northern Ireland) (the LGPS) requires the Arts Council and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets.

The defined benefit obligation is linked to yields on the AA-rated corporate bonds, while a significant proportion of the assets of the scheme are invested in equities. Changing markets in conjunction with discount rate volatility will lead to volatility in the funded status of the pension plan and thus to volatility in the net pension asset on the Arts Council's Statement of Financial Position and Other Comprehensive Expenditure. It will also lead to volatility in the IAS 19 pension expense in the Arts Council Statement of Comprehensive Net Expenditure.

Pension scheme assets are measured using market value. Pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term to the liability.

The increase in the present value of the liabilities of the Arts Council's defined benefit pension scheme arising from employee service in the period is charged to the Statement of Comprehensive Net Expenditure so as to recognise the cost of pensions over the employees' working lives.

A revised version of IAS 19 came into effect for accounting periods commencing on or after 1 January 2013. The figures in the accounts have been calculated under the revised IAS 19. The Arts Council is no longer required to recognise an expected return on assets item in the Statement of Comprehensive Net Expenditure (SoCNE). This is now replaced with a net financing charge which is based on the discount rate assumption.

Actuarial gains and losses are recognised in Other Comprehensive Net Expenditure.

The fund is invested in suitable investments, managed by the Committee. For 2016-17 the contribution rates were 20% employers and ranging between 5.5% and 10.5% employees (2015-16: 20% employers and between 5.5% and 10.5% employees).

The total employer pension cost under the Scheme was a debit of £423,367 (2015-16 debit of £486,532). It is now possible to define the Arts Council's share of the funds, assets/liabilities and as a result the following disclosures are provided in line with IAS 19.

The latest actuarial valuation of the Arts Council's liabilities took place as at 31 March 2016. The calculation of the defined benefit obligation involves projecting future cash-flows from the Fund many years into the future. This means that the assumptions used can have a material impact on the Statement of Financial Position and the charge to the Statement of Changes in Net Expenditure. Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method. The principal assumptions used by the actuary in updating the latest valuation of the Fund for IAS 19 purposes were:

**(i) Principal Financial Assumptions**

	<b>31 March 2017</b>	<b>31 March 2016</b>
	<b>Years</b>	<b>Years</b>
Duration of liabilities (years) <sup>(1)</sup>	18.2	17.5
	<b>% PA</b>	<b>% PA</b>
Discount Rate	2.6	3.4
RPI Price Inflation	3.1	2.9
CPI Price Inflation (Pension increases) <sup>(2) (3)</sup>	2	1.8
General Salary increase rate <sup>(4)</sup>	3.5	3.3

- (1) The duration of the liabilities is the average period between the calculation date and the date at which benefit payments fall due. Durations will be calculated to the nearest 0.1 years based on the output of the most recent valuation exercise of the Employers liabilities. The assumptions are rounded to the nearest 0.1% p.a.
- (2) Pension increases on pension in excess of Guaranteed Minimum Pension in payment where appropriate.
- (3) We recommend the assumption for the revaluation rate of pension accounts is set equal to the assumption for pension increases.
- (4) The assumed rate of general salary increases has been set as 1.5% above the CPI inflation assumption which is consistent with the assumption used at the 2016 Valuation.

**(ii) Mortality Assumptions**

Our proposed mortality table and allowances for future improvements in longevity at the accounting date are set out below.

**Post retirement mortality (retirement in normal health)**

**31 March 2017**

**Males**

Year of Birth base table	Standard SAPS S2P Tables
Rating to above base table* (years)	0
Scaling to above base table rates	95%
Improvements to base table rates	CMA 2014 core projections with a long term rate of improvement of 1.5% p.a.
Future lifetime from age 65 (aged 65 at accounting date)	23.2
Future lifetime from age 65 (aged 45 at accounting date)	25.4

**31 March 2017**

**Females**

Year of Birth base table	Standard SAPS S2P Tables
Rating to above base table* (years)	0
Scaling to above base table rates	90%
Improvements to base table rates	CMA 2014 core projections with a long term rate of improvement of 1.5% p.a.
Future lifetime from age 65 (aged 65 at accounting date)	25.8
Future lifetime from age 65 (aged 45 at accounting date)	28.1

- \* A rating of x years means that members of the Fund are assumed to follow the mortality pattern of the base table for an individual x years older than them. The mortality tables shown apply to normal health retirements. Different rates may apply to retirements in ill health.

Each member is assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2009 service) is 75% of the permitted maximum.

**(iii) Asset Allocation**

The approximate split of assets for the Fund as a whole (based on data supplied by the Fund Administering Authority) is shown in the table below. The assets allocated to the Arts Council in the Fund are notional and the assets are assumed to be invested in line with the investments of the Fund set out below for the purposes of calculating the return to be applied to those notional assets. The Fund is large and largely liquid and as a consequence there will be no significant restriction on realising assets if a large payment is required to be paid (e.g. bulk transfer value payment).

The Administering Authority may invest a small proportion of the Fund's investments in the assets of some of the employers participating in the Fund if it forms part of their balanced investment strategy.

			<b>Asset Split at 31 March 2017</b>	<b>Asset Split at 31 March 2016</b>
	<b>% Quoted</b>	<b>% Unquoted</b>	<b>% Total</b>	<b>%</b>
Equities	74.3	0.2	74.5	71.9
Property	10.5	0.0	10.5	13.2
Government Bonds	5.4	0.0	5.4	5.7
Corporate Bonds	6.1	0.0	6.1	6.4
Cash	2.6	0.0	2.6	2.3
Other	0.0	0.9	0.9	0.5
<b>Total</b>	<b>98.9</b>	<b>1.1</b>	<b>100.0</b>	<b>100.0</b>

**(iv) Reconciliation of Funded status to Statement of Financial Position**

	<b>Value as at 31 March 2017 £'000</b>	<b>Value as at 31 March 2016 £'000</b>
Fair Value of assets	14,847	13,057
Present value of funded defined benefit obligation	(18,799)	(16,049)
Funded status	(3,952)	(2,992)
Impact of minimum funding requirement/asset ceiling	-	-
Asset/(Liability) recognised on the SoFP	(3,952)	(2,992)

The split of the liabilities at the last valuation between the various categories of members is as follows:

Active members	41%
Deferred Pensioners	14%
Pensioners	45%

**(v) Breakdown of amounts recognised in the Statement of Comprehensive Net Expenditure (SoCNE) and Other Comprehensive Expenditure (OCE)**

	Year Ending 31 March 2017	Year Ending 31 March 2016
	£'000	£'000
<b>Operating Cost</b>		
Current service cost*	327	391
Past service cost (including curtailments)	35	-
Settlement cost	-	-
<b>Financing Cost</b>		
Interest on net defined benefit liability/(asset)	96	107
Pension expense recognised in SoCNE	458	498
<b>Re-measurements in OCE</b>		
Return on plan assets in excess of recognised in net interest	(1,436)	46
Actuarial losses/(gains) due to change in financial assumptions	3,286	(604)
Actuarial losses/(gains) due to changes in demographic assumptions	55	-
Actuarial (gains)/losses due to liability experience	(1,100)	(135)
Total amount recognised in OCE	805	(693)
<b>Total Amount recognised</b>	<b>1,263</b>	<b>(195)</b>

\* The current service cost includes an allowance for the administration expenses of £0.005m.

**(vi) Movement in Deficit during the year**

	2016-17	2015-16
	£'000	£'000
Deficit in scheme at beginning of year	(2,992)	(3,506)
<b>Movement in the year</b>		
Current service costs	(327)	(391)
Past service costs (including curtailments)	(35)	-
Contributions	303	319
Net charge on Assets	(96)	(107)
Actuarial (loss)/gain	(805)	693
<b>Deficit in Scheme at End of Year</b>	<b>(3,952)</b>	<b>(2,992)</b>

**(vii) Changes to the present value of defined benefit obligation during the accounting period**

	Year Ending 31 March 2017	Year Ending 31 March 2016
	£'000	£'000
Opening defined benefit obligation	16,049	16,182
Current Service cost	327	391
Interest expense on defined benefit obligation	539	513
Contribution by participants	88	106
Actuarial losses/(gains) on liabilities -due to change in financial assumptions	3,286	(604)
Actuarial gains on liabilities - due to changes in demographic assumptions	55	-
Actuarial (gains)/losses on liabilities due to liability experience	(1,100)	(135)
Net benefits paid out	(480)	(404)
Past service costs (including curtailments)	35	-
Net increase in liabilities from disposals/acquisitions	-	-
Settlements	-	-
Closing defined benefit obligation	<u>18,799</u>	<u>16,049</u>

**(viii) Changes to the fair value of assets during the accounting period**

	Year ending 31 March 2017	Year ending 31 March 2016
	£'000	£'000
Opening fair value	13,057	12,676
Interest income on assets	443	406
Re-measurement gains on assets	1,436	(46)
Contributions by the employer	303	319
Contributions by the participants	88	106
Net benefits paid out	(480)	(404)
Net increase in assets from disposals/acquisitions	-	-
Settlements	-	-
<b>Closing fair value of assets</b>	<u>14,847</u>	<u>13,057</u>

**(ix) Actual return on assets**

	Year ending 31 March 2017	Year ending 31 March 2016
	£'000	£'000
Interest income on assets	443	406
Re-measurement gain on assets	1,436	(46)
<b>Actual return on assets</b>	<b>1879</b>	<b>360</b>

**(x) Sensitivity analysis**

The results shown above are sensitive to the assumptions used. The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2017 and the projected service cost for the year ending 31 March 2018 are set out below.

In each case, only the assumption mentioned is altered; all other assumptions remain the same and are summarised in the notes above. Sensitivity of unfunded benefits is not included on materiality grounds.

**Funded LGPS benefits****Discount Rate Assumption**

	<b>+0.1% p.a.</b>	<b>-0.1% p.a.</b>
Adjustment to discount rate		
Present value of total obligation (£M's)	18.460	19.144
% change in present value of total obligation	-1.8%	1.8%
Projected service cost (£M's)	0.418	0.442
Approximate % change in projected service cost	-2.7%	2.8%

**Rate of general increase in salaries**

	<b>+0.1% p.a.</b>	<b>-0.1% p.a.</b>
Adjustment to salary increase rate		
Present value of total obligation (£M's)	18.874	18.725
% change in present value of total obligation	0.4%	-0.4%
Projected service cost (£M's)	0.430	0.430
Approximate % change in projected service cost	0.0%	0.0%

**Rate of increase to pensions in payment and deferred pensions assumption and rate of revaluation of pension accounts assumption**

	<b>+0.1% p.a.</b>	<b>-0.1% p.a.</b>
Adjustment to pension increase rate		
Present value of total obligation (£M's)	19.069	18.534
% change in present value of total obligation	1.4%	-1.4%
Projected service cost (£M's)	0.442	0.418
Approximate % change in projected service cost	2.8%	-2.7%



**Post retirement mortality assumption\***

	<b>-1 year</b>	<b>+1 year</b>
Adjustment to mortality age rate assumption		
Present value of total obligation (£M's)	19.349	18.252
% change in present value of total obligation	2.9%	-2.9%
Projected service cost (£M's)	0.445	0.415
Approximate % change in projected service cost	3.6%	-3.5%

\* A rating of +1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them.

**(xi) Estimated Profit and Loss/Surplus or Deficit in future periods**

The figures below are provided based on the assumption as at 31 March 2017 outlined above. The Arts Council's regular contributions to the Fund for the accounting period ended 31 March 2018 are estimated to be £0.275M

**Funded LGPS benefits – Expected amounts charged to SoCNE**

	<b>Year ending 31 March 2018 £'000</b>
Current service cost*	430
Interest on the net defined benefit liability/(asset)	99
<b>Total</b>	<b>529</b>

\* The Projected Service Cost includes an allowance for the administration expenses of £0.006m in the period ending 31 March 2018.

The pension cost shown in next year's accounts might be different to that shown above. Reasons why the pension cost may change include:

- A) Actual increase in payroll being different to that used in the calculations. The difference in payroll will particularly affect the current service cost;
- B) Past service costs may not be zero (this cost is that resulting from benefit augmentations or early retirement of individual members before age 60 or on the grounds of efficiency);
- C) Curtailment/settlement events may occur;
- D) Actual cash-flows over the next year may differ from those assumed.

**(xii) Funded benefits**

The following data has been used in evaluating the figures noted above.

**Active Members as at 31 March 2016**

	<b>Number</b>	<b>£'000</b>
Total	49	1,418

**Pensioner & deferred pensioner members as at 31 March 2016**

<b>Type</b>	<b>Number</b>	<b>Total Pension £'000</b>
Deferred members	55	116
Pensioners and dependants	50	396

**Funded Cash-flows (Regular)**

	<b>Months Provided</b>	<b>Amount Provided £'000</b>	<b>Amount Used £'000</b>
Employer – Normal contributions	10	223	
Employer – Additional capital contributions	-		
Employer – Early retirement strain on fund payments	10	35	
<b>Total Contributions by the Employer</b>			<b>303</b>
Employee – Normal contributions	10	74	
Employee – Additional years contributions		-	
<b>Total Contributions by participants</b>			<b>88</b>
Death in service lump sums*		-	
Benefits paid (i.e. pension paid)		-	
<b>Net benefits paid out**</b>			<b>480</b>

\*Calculated over the year to be £0.003M

\*\* Figure includes an allowance for expenses of £0.005M

**Annualised pensionable payroll over the accounting period £(000's)\***

	<b>Amount £'000*</b>
Period ending 31 March 2017	1,338
Period ending 31 March 2016	1,593

\* These figures have been derived from the contributions paid over the relevant accounting period.

The Capital Cost of early retirement occurring in the accounting period is £0.035M

**(xiii) Fund Return**

The investment return used to roll forward the notional share of assets from the last formal valuation of the fund to the accounting date has been calculated using returns provided by the Fund Administering Authority, where known. Where necessary, index returns appropriate to the mix of assets have been used for any remaining period to obtain an estimate of the total return over the period to the accounting date.

To that return, a deduction of 0.3% p.a. has been made to allow for investment management expenses based on the Fund's experience.

The overall Fund return over the accounting period has been calculated as 17.7%. This includes an adjustment to reflect the difference between Fund returns and estimated index returns used over the last accounting period, where appropriate. The overall annualised Fund return from the 2016 Valuation date without such an adjustment is 20.6% and this return has been used to roll forward the assets notionally allocated to the Employer at the 2016 Valuation.

### 2c) Chief Executive's Remuneration (Audited Information)

The remuneration received by the Chief Executive, including back dated pay awards, during the year was £85,042 (2015-16: £84,912). The Chief Executive is an ordinary member of the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) pension scheme. A total of £58,995 (2015-16: £59,001) of the Chief Executive's employment costs (including employers national insurance contributions and employers pension) have been apportioned to the Lottery Distribution fund to cover time spent on Lottery activities.

### 3) Average number of persons employed: (Audited Information)

The average number of whole-time equivalent persons employed during the year was as follows:

	<b>2016-17 Permanently Employed Staff No.</b>	<b>2016-17 Others No.</b>	<b>2016-17 Total No.</b>	<b>2015-16 Total No.</b>
Directly employed	39	2	41	49
Other	-	4	4	3
Staff engaged on capital projects	-	-	-	-
<b>Total</b>	<b>39</b>	<b>6</b>	<b>45</b>	<b>52</b>

All of the staff were employed by the Arts Council and the proportion in relation to the Lottery Distribution Account is on the basis of average Lottery caseload from the Arts Development Department and on other appropriate bases from the rest of the Arts Council.

#### 4) Staff Composition (Audited Information)

The actual composition of staff employed by the Arts Council is as follows:

	<b>Male Directors</b>	<b>Male Employees</b>	<b>Female Directors</b>	<b>Female Employees</b>
<b>2016-17</b>				
Payroll	2	16	3	33
Board	-	2	-	1
Agency	-	2	-	5
<b>Total</b>	<b>2</b>	<b>20</b>	<b>3</b>	<b>39</b>
<b>2015-16</b>				
Payroll	2	18	3	36
Board	-	2	-	1
Agency	-	3	-	2
<b>Total</b>	<b>2</b>	<b>23</b>	<b>3</b>	<b>39</b>

#### 5) Sickness Absence Data (Audited Information)

The number of sick days reported in 2016-17 was 480 (2015-16: 494). This equates to an average lost working days per employee of 11.90 days (2015-16: 10.07 days).

#### 6) Staff Policies applied during the financial year

##### Employee Consultation

On matters of policy and procedure which affect the employees of the Arts Council, the Arts Council normally consults with the recognised trade union of which many staff are members. This trade union is also a member of the Whitley Council which negotiates on the terms and conditions of members with the Northern Ireland Department of Finance.

##### Policy on Disabled Persons and Equality of Opportunity

The Arts Council is committed to equality of opportunity between persons of different religious belief, political opinion, gender, marital status, disability, ethnic origin, age, dependants, sexual orientation or trade union membership. The Arts Council has implemented equality legislation and codes of practice to ensure that procedures and policies are fair and lawful. The Arts Council actively encourages this within its client/partner network.

## Health and Safety

The Arts Council is committed to providing staff with an environment that is as far as possible, safe and free from risk to health. In accordance with this commitment, the Arts Council has complied with the relevant legislation.

## 7) Expenditure on Consultancy

	2016-17 £	2015-16 £
Creative Industries Innovation Fund Programme Evaluation	9,000	11,354
Intercultural Arts Programme Evaluation	-	3,938
Arts and Older People Evaluation	-	17,755
Arts and Older People Impact Research	-	4,698
Traditional Arts Audit	-	-
Development of Literature Strategy	-	-
Shared Ticketing Research	-	-
Building Peace through the Arts Evaluation	-	-
<b>Total Expenditure on Consultancy</b>	<b>9,000</b>	<b>37,745</b>


## 8) Off Payroll Engagements (Audited Information)

Off-payroll engagements are those where individuals, either self-employed or acting through a personal service company, are paid gross by the employer. In line with HM Treasury requirements, the Department of Finance requires disclosure of such engagements that were in place during 2016-17 costing over £58,200. The Arts Council had no off-payroll engagements commencing, ending or operating during 2015-16 or 2016-17.

**9) Exit Packages (Audited Information)**

<b>Exit package cost band</b>	<b>Number of compulsory redundancies</b>	<b>Number of other departures agreed</b>	<b>Total number of exit packages by cost band (prior year comparatives)</b>
< £10,000	-	-	- (-)
£10,000 - £25,000	-	-	- (3)
£25,000 - £50,000	-	1	<b>1</b> (2)
£50,000 - £100,000	-	-	- (2)
£100,000 - £150,000	-	-	- (-)
£150,000 - £200,000	-	-	- (-)
<b>Total number of exit packages</b>	-	<b>1</b>	<b>1 (7)</b>
<b>Total resource cost</b>	-	<b>£28,034</b>	<b>£28,034 (£252,289)</b>

Redundancy and other departure costs have been paid in accordance with the provisions of the Arts Council's Voluntary Exit Scheme. Exit costs are accounted for in full in the year of departure, including recognising liabilities as accruals at the point at which offers were accepted.



**Roisín McDonough**  
Accounting Officer

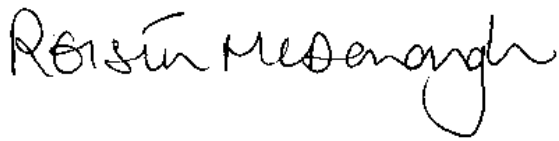
**Date: 01 November 2017**

## **Assembly Accountability and Audit Report**

### **Assembly Accountability Disclosure Notes (Audited Information)**

#### **Losses and special payments**

A specific bad debt provision was created in 2013-14 to provide for the full amount of a loan (which was converted to a charge in 2013-14 year) to a client where there is a high risk of non-repayment. Further details are outlined in Note 12 within the Notes to the Accounts.



**Roisín McDonough**  
**Accounting Officer**

**Date: 01 November 2017**

## **THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY**

I certify that I have audited the financial statements of the Arts Council of Northern Ireland for the year ended 31 March 2017 under the Arts Council (Northern Ireland) Order 1995. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report and the Assembly Accountability Disclosures that are described as having been audited.

### **Respective responsibilities of the Accounting Officer and auditor**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Arts Council (Northern Ireland) Order 1995. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Arts Council of Northern Ireland's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Arts Council of Northern Ireland; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

### **Opinion on regularity**

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



### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the Arts Council of Northern Ireland's affairs as at 31 March 2017 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Arts Council (Northern Ireland) Order 1995 and Department of Communities directions issued thereunder.

### **Opinion on other matters**

In my opinion:

- the parts of the Remuneration and Staff Report and the Accountability Report to be audited have been properly prepared in accordance with the Department for the Communities directions made under the Arts Council (Northern Ireland) Order 1995; and
- the information given in the Performance and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with the Department of Finance guidance.

### **Report**

I have no observations to make on these financial statements.



**KJ Donnelly**

Comptroller and Auditor General  
Northern Ireland Audit Office  
106 University Street  
Belfast  
BT7 1EU  
5 December 2017

## Statement of Comprehensive Net Expenditure for the year ended 31 March 2017

	Note	2016-17 £	2015-16 £
Operating income	3(a)	1,439,339	1,713,792
<b>Total Operating Income</b>		<b>1,439,339</b>	<b>1,713,792</b>
Staff Costs	2(b)	(2,051,424)	(2,465,496)
Expenditure on the Arts	2(a)	(9,979,359)	(9,930,626)
Depreciation	2(b)	(42,641)	(89,701)
Other Operating Expenditure	2(b)	(596,769)	(580,843)
<b>Total Operating Expenditure</b>		<b>(12,670,193)</b>	<b>(13,066,666)</b>
<b>Net Expenditure for the year</b>		<b>(11,230,854)</b>	<b>(11,352,874)</b>
<b>OTHER COMPREHENSIVE NET EXPENDITURE</b>			
Items that will not be reclassified to net operating costs:			
Net (loss)/gain on revaluation of Property Plant and Equipment	4	46,694	2,049
Net gain/(loss) on revaluation of Intangible Assets	5	550	576
Actuarial (loss) /gain on pension scheme		(805,000)	693,000
Items that may be reclassified to net operating costs:			
Net gain/(loss) on revaluation of investments		-	-
<b>Comprehensive net expenditure for the year</b>		<b>(11,988,610)</b>	<b>(10,657,249)</b>

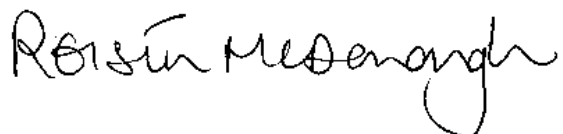
The notes on pages 63 to 85 form part of these accounts.

**Statement of Financial Position as at 31 March 2017**

	<b>Note</b>	<b>31 March 2017</b>	<b>31 March 2016</b>
		<b>£</b>	<b>£</b>
<b>Non-current assets:</b>			
Property, plant and equipment	4	71,951	87,996
Operational heritage assets	4	130,000	110,000
Non- operational heritage assets	4	810,994	745,185
Intangible Assets	5	8,800	33,599
<b>Total non-current assets</b>		<b>1,021,745</b>	<b>976,780</b>
<b>Current assets:</b>			
Trade and other receivables	8	173,582	233,576
Cash and cash equivalents	7	668,430	764,980
<b>Total current assets</b>		<b>842,012</b>	<b>998,556</b>
<b>Total assets</b>		<b>1,863,757</b>	<b>1,975,336</b>
<b>Current liabilities</b>			
Trade and other payables	9	(845,176)	(1,197,146)
<b>Total current liabilities</b>		<b>(845,176)</b>	<b>(1,197,146)</b>
<b>Total assets less current liabilities</b>		<b>1,018,581</b>	<b>778,190</b>
<b>Non-current liabilities</b>			
Pension liabilities	9	(3,952,000)	(2,992,000)
<b>Total non-current liabilities</b>		<b>(3,952,000)</b>	<b>(2,992,000)</b>
<b>Total assets less total liabilities</b>		<b>(2,933,419)</b>	<b>(2,213,810)</b>
<b>Taxpayer's equity and other reserves</b>			
Revaluation reserve		135,509	88,265
General Reserve		883,072	689,925
Pension reserve		(3,952,000)	(2,992,000)
<b>Total equity</b>		<b>(2,933,419)</b>	<b>(2,213,810)</b>

The Head of Governance Support Unit at the sponsoring Department confirmed in 2010 that in the event of closure of the Arts Council the funding for pension liabilities would be guaranteed by the Department.

The financial statements on pages 58 to 85 were approved by the Board on the 1<sup>st</sup> November 2017 and were signed on its behalf by:

A handwritten signature in black ink, reading 'Roisin McDonough'. The signature is written in a cursive, flowing style.

**Roisin McDonough**  
**Chief Executive**

**Date: 01 November 2017**

The notes on pages 63 to 85 form part of these accounts.

**Statement of Cash Flows**  
**for the year ended 31 March 2017**

	Note	2016-17	2015-16
		£	£
<b>Cash flows from operating activities</b>			
Net Expenditure		(11,230,854)	(11,352,874)
Adjustment for non-cash transactions			
Depreciation	2(b)	42,641	89,701
Impairment		-	-
Loss on gifting of asset	2(b)	-	1,000
Loss on disposal of asset	2(b)	148	5,432
Decrease in trade and other receivables	8	59,993	1,075,682
Increase/(Decrease) in trade payables	9	(351,970)	(1,179,551)
Less movements in payables relating to items not passing through the Net Expenditure Account		20,007	(17,789)
Use of pension liability		155,000	179,000
<b>Net cash outflow from operating activities</b>		<b>(11,305,035)</b>	<b>(11,199,399)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(21,672)	-
Purchase of non-operational Heritage Assets		(38,843)	(46,445)
Intangible Assets		-	(5,530)
<b>Net cash outflow from investing activities</b>		<b>(60,515)</b>	<b>(51,975)</b>
<b>Cash flows from financing activities</b>			
Grants from DfC		11,269,000	10,952,000
<b>Net financing</b>		<b>11,269,000</b>	<b>10,952,000</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period</b>		<b>(96,550)</b>	<b>(299,374)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	7	<b>764,980</b>	<b>1,064,354</b>
<b>Cash and cash equivalents at the end of the period</b>	7	<b>668,430</b>	<b>764,980</b>

The notes on pages 63 to 85 form part of these accounts.

## Statement of Changes in Taxpayers' Equity for the year ended 31 March 2017

Note	Pension Reserve £	General Reserve £	Revaluation Reserve £	Taxpayers' Equity £
<b>Balance at 31 March 2015</b>	<b>(3,506,000)</b>	<b>911,799</b>	<b>85,640</b>	<b>(2,508,561)</b>
Grants from DfC	-	10,952,000	-	10,952,000
Comprehensive net expenditure for the Year	(179,000)	(11,173,874)	2,625	(11,350,249)
Actuarial gains and losses	693,000	-	-	693,000
<b>Balance at 31 March 2016</b>	<b>(2,992,000)</b>	<b>689,925</b>	<b>88,265</b>	<b>(2,213,810)</b>
Grants from DfC	-	11,269,000	-	11,269,000
Comprehensive net expenditure for the Year	(155,000)	(11,075,853)	47,244	(11,183,609)
Actuarial gains and losses	(805,000)	-	-	(805,000)
<b>Balance at 31 March 2017</b>	<b>(3,952,000)</b>	<b>883,072</b>	<b>135,509</b>	<b>(2,933,419)</b>

The notes on pages 63 to 85 form part of these accounts.

## **Notes to the Accounts**

### **1. Statement of Accounting Policies**

The financial statements have been prepared in accordance with the 2016-17 Government Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Arts Council for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Arts Council for the distribution of public funding for the arts in Northern Ireland are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

#### **1.1 Accounting Convention**

These accounts have been prepared in accordance with the historical cost convention, modified for the revaluation of property, plant and equipment, intangible assets and heritage assets.

The accounting policies for all material items are outlined below:

#### **1.2 Property, Plant and Equipment**

The minimum level for capitalisation as an individual or grouped non-current asset or bulk purchase of small similar assets is £1,000 with the exception of IT equipment which is £500. Items below the threshold of £1,000 or £500 for IT equipment are written off to the Statement of Comprehensive Net Expenditure.

Plant & Machinery comprises one musical instrument, which was valued by the Head of Music in the 2016-17 financial year. Other property, plant and equipment have been re-valued at 31 March 2017 using the latest available indices published in 'Price Index Numbers for Current Cost Accounting' prepared by the Office for National Statistics.

#### **1.3 Heritage Assets**

The Arts Council's Art Collection is regarded as a non-operational heritage asset and is capitalised in the Statement of Financial Position.

All non-operational heritage assets are shown at valuation. The Arts Council believes that its staff are qualified to perform the valuation and to test and analyse valuations. The Arts Council staff involved in the on-going revaluation are the Arts Development Director and the Head of Visual Arts.

The operational heritage asset relates to a violin the Arts Council possesses which was manufactured by Joseph Gagliano between 1780 and 1782. The violin was donated to the Arts Council in 1980. This is classed as an operational heritage asset

as it is on loan as an award to an outstanding young violinist from Northern Ireland, through the Ulster Youth Orchestra and is therefore shown in the non-current asset note. The violin was re-valued to £130,000 on 25 January 2017, by J & A Beare Ltd.

Operational and non-operational heritage assets are included with property plant and equipment and are shown at fair value. Operational and non-operational heritage assets are not depreciated as they are considered to have an infinite useful life.

#### **1.4 Intangible Assets**

Purchased and internally generated websites and purchased software are capitalised as intangible assets where expenditure of £1,000 or more is incurred. Websites and software have been re-valued at 31 March 2017 using the latest available indices published in 'Price Index Numbers for Current Cost Accounting' prepared by the Office for National Statistics.

#### **1.5 Depreciation**

Property, plant and equipment and intangible assets are depreciated at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives. Depreciation is calculated on a monthly basis from month of acquisition. No depreciation is charged in the month of disposal.

The rates of depreciation in use are as follows:

Furniture & Fittings	5-25 years
Plant & Machinery	25-30 years
Information Technology	3-5 years
Websites	3-5 years
Software	3-5 years
Heritage Assets	N/A

Impairment reviews are performed for all non-current assets if and when indications of impairment are identified.

#### **1.6 Operating Income**

##### *Government Grants*

Grant-in-Aid received used to finance activities and expenditure which support the statutory and other objectives of the entity are treated as financing, and credited to the General Reserve, because they are regarded as contributions from a controlling party which gives rise to a financial interest in the residual interest of NDPBs.

##### *Lottery Recharges*

Administrative overheads and salaries are apportioned to the Lottery Distribution fund and comprise administrative costs and salaries incurred by the Arts Council from which the Lottery benefited indirectly. The apportionment is made at full economic cost and calculated on appropriate bases. Recharges of expenses and salaries are shown in other income.



#### *Other Operating Income*

All other operating income received is credited to income in the year to which it is receivable.

### **1.7 Foreign Exchange**

Transactions which are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the date the transaction occurs in the Arts Council bank account. If rates fluctuated significantly average rate for the period would be used.

### **1.8 Leases**

#### **Finance Leases:**

Leases of property, plant and equipment where the Arts Council holds substantially all the risks and rewards of ownership would be classified as finance leases. The Arts Council did not hold any finance leases during 2016-17. If finance leases were to exist, the assets would be capitalised at the commencement of the lease term at the fair value of the leased asset. The corresponding lease commitments would be shown as finance leases obligations within liabilities. Depreciation on capitalised leased assets would be charged in line with the depreciation policy for similar assets.

#### **Operating Leases:**

Leases where substantially all of the risks and rewards are held by the lessor are classified as operating leases. Rentals paid under operating leases are charged to the Statement of Comprehensive Net Expenditure on a straight line basis over the period of the lease. Operating leases have been split between Land, Buildings and Other with all future commitments reported in Note 11.

### **1.9 Financial Instruments**

#### **Risk Management**

The Arts Council is not exposed to the same degree of financial risk faced by business entities. This is due to the organisation being essentially a non-trading entity and financed as a Non-Departmental Public Body. It has no powers to borrow or invest in surplus funds and has limited year-end flexibility. It is therefore exposed to little liquidity, currency or market risks. The Arts Council does not hold any complex financial instruments and there is no impact on the financial risk of the organisation.

#### **1.9.1 Financial Assets**

##### **Trade and other receivables**

Financial Assets within trade and other receivables are recognised and retained at invoiced cost which is considered to equate to fair value as the contractual obligations are short term. Provisions are made specifically where there is objective evidence of a dispute or inability to pay.

### **Cash and Cash Equivalents**

Cash and cash equivalents comprise cash in hand and current balance with banks which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less.

### **1.9.2 Financial Liabilities**

#### **Trade and Other Payables**

Financial liabilities within trade and other payables are recognised and retained at invoiced cost which is considered to equate to fair value as all such liabilities are short term in nature.

The Arts Council pays grants in accordance with the terms and conditions inherent in the respective funding agreement, letter of offer or grant scheme. Grants payable are recorded as expenditure in the period that the underlying event or activity giving entitlement to the grant occurs.

### **1.10 Payment of Grants**

Grants awarded to arts organisations and individuals are charged to the Statement of Comprehensive Net Expenditure in the year to which they relate. Any amounts of unpaid grant at 31<sup>st</sup> March each year are included as liabilities in the Statement of Financial Position.

### **1.11 Provisions**

The Arts Council provides for legal or constructive obligations as a result of a past event which are of uncertain timing or amount at the Statement of Financial Position date on the basis of the best estimate of the expenditure required to settle the obligation.

### **1.12 Contingent Liabilities**

Contingent Liabilities are disclosed in accordance with IAS 37. In addition to the contingent liabilities disclosed in accordance with IAS 37, the Arts Council discloses for Assembly reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefits is remote, but which have been reported to the Assembly in accordance with the requirements of Managing Public Money Northern Ireland.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to the Assembly separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to the Assembly.

### **1.13 Critical Accounting Estimates and Key Judgements**

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Arts Council's accounting policies. We continually evaluate our estimates, assumptions and judgements based on available information and experience. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates. The estimates and assumptions which have the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below:

- **Depreciation of Property, Plant and Equipment**

Depreciation is provided in the accounts so as to write down the respective assets to their residual values over their expected residual lives and as such the selection of the estimated useful lives and the expected residual values of the assets require the use of estimates and judgements. Details of the estimated useful lives are shown in Note 1.5.

- **Impairment of Property, Plant and Equipment**

Where there is an indication that the carrying values of items of property, plant and equipment may have been impaired through events or changes in circumstances, a review will be undertaken of the recoverable amount of that asset.

- **Pension and Other Post Retirement Benefits**

The Arts Council accounts for Pensions and other post-retirement benefits in line with IAS 19. In determining the pension cost and the defined benefit obligation of the pension scheme, a number of assumptions are used by the Actuary. These include the discount rate, salary growth, price inflation, the expected return on the schemes investments and mortality rates. Further details are contained in Note 2(b) of the Staff Report.

- **Bad debt provision**

The Arts Council created a bad debt provision for an outstanding loan which was converted to a charge during the 2013-14 year. The Arts Council assess there is a high risk of not receiving this money. Therefore the Arts Council has created a provision for the full amount of the charge. Further details are contained in Note 12.

### **1.14 Value Added Tax**

The Arts Council is not registered for Value Added Tax (VAT). All transactions are therefore stated gross of VAT.

### **1.15 Employee Benefits**

Under IAS 19 an employing entity should recognise the undiscounted amount of short term employee benefits expected to be paid in exchange for the Service. The

Arts Council has recognised annual leave entitlements that have been earned by year end but not yet taken. These are included in current liabilities.

### **1.16 Pension Costs**

Past and present employees are covered by the provisions of the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) Scheme.

In accordance with IAS 19 the Scheme Managers / trustees are required to undertake a sensitivity analysis for each significant actuarial assumption as at the end of the reporting period, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date. This analysis, including details of the methods and assumptions used in preparing the sensitivity analysis, the limitation of these methods, and the reasons for any changes in methods and assumptions used in preparing the sensitivity analysis.

The pension costs are assessed in accordance with the advice of independent qualified actuaries using the market led approach. The latest actuarial valuations of the scheme were at 31 March 2016.

Pension scheme assets are measured using market value. Pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term to the liability.

The increase in the present value of the liabilities of the Arts Council's defined benefit pension scheme arising from employee service in the period is charged to the Statement of Comprehensive Net Expenditure so as to recognise the cost of pensions over the employees' working lives.

A revised version of IAS 19 came into effect for accounting periods commencing on or after 1 January 2013. The figures in the accounts have been calculated under the revised IAS 19. The Arts Council is no longer required to recognise an expected return on assets item in the Statement of Comprehensive Net Expenditure. This is now replaced with a net financing charge which is based on the discount rate assumption.

Actuarial gains and losses are recognised in Other Comprehensive Net Expenditure.

### **1.17 Early Departure Costs**

The Arts Council is required to recognise the actuarial liability for the cost of paying pensions of employees who retire early from the date of their retirement until the pension is no longer due to the individuals or their spouses. Given projected life spans, this liability will be payable over a number of years. The Arts Council makes a provision each year based on the projected liability.

Each year the provision is recalculated and restated if necessary with any under or over provision charged or credited to the Statement of Comprehensive Net

Expenditure. This is part of the IAS 19 Actuarial valuation and it is shown in Pensions Costs and Commitments within the Staff Report.

### **1.18 Operating Segments**

In line with the provisions of IFRS 8: Operating Segments, the Arts Council does not analyse its net expenditure by operating segment as it has concluded that it has no separately identifiable operating segments. This conclusion is based on the Arts Council's current system/format of internal management reporting to the Chief Executive, Directors and Board who consider financial performance at Board level. It is therefore considered that no further analysis is required to meet the requirements of IFRS 8.

### **1.19 Reserves**

#### **General Reserve**

This is the balance arising from recurrent grants provided by sponsor department DfC through grant-in-aid and the net expenditure as reported in the Statement of Comprehensive Net Expenditure for the year.

#### **Revaluation Reserve**

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments to assets.

#### **Pension Reserve**

This is the balance required by the Arts Council to meet the current pension deficit on its share of the NILGOSC pension scheme.

### **1.20 Accounting standards, interpretations and amendments to published standards adopted in the year ended 31 March 2017**

Additional or revised accounting standards and new (or amendments to) interpretations contained within FReM 2016-17 have been considered. The adoption of these standards has not had a significant impact on the Arts Council's financial position or results.

### **1.21 Accounting standards, interpretations and amendments to published standards not yet effective**

The Arts Council has reviewed new accounting standards that have been issued but are not yet effective, nor adopted early for these accounts. The Arts Council considers that these are unlikely to have a significant impact on the accounts in the period of initial application.

**2 (a) Expenditure on the Arts**

	<b>2016-17</b>	<b>2015-16</b>
	<b>£</b>	<b>£</b>
Annual Funding Programme	8,772,845	8,822,583
Arts Development Fund	44,278	207,372
Visual Arts Development	-	-
Support for Individual Artists		
Programme	363,832	638,567
Re-Imaging Communities	5	41,428
Arts and Older People Programme	52,644	84,459
Capital Programme	322,491	44,400
In year funding	401,625	55,496
Central Advisors	2,207	5,751
Creative Europe	48	15,210
Strategy	19,384	15,360
<b>Total</b>	<b>9,979,359</b>	<b>9,930,626</b>

**2 (b) Other Operating Costs**

	<b>2016-17</b>	<b>2015-16</b>
	<b>£</b>	<b>£</b>
Staff Costs:		
Wages and Salaries	1,298,251	1,514,869
Social Security Costs	131,795	119,037
Other Pension Costs	409,214	466,287
Agency Costs	184,130	113,014
Voluntary Exit Scheme	28,034	252,289
Rentals Under Operating Leases	156,262	182,539
IT costs and equipment	134,362	99,052
Other Premises Costs	79,653	73,066
Marketing and Communications	48,523	47,100
Non-cash items:		
Depreciation	42,641	89,702
Loss on disposal of property plant and equipment	148	6,432
Legal and Consultancy Fees	34,621	31,790
Telephone and Postage	29,572	23,761
Expenses and Hospitality	29,197	31,846
Other Core Expenses	20,401	13,229
Audit Fee	19,000	13,000
Insurances	13,851	16,544
Training	9,353	10,522
Advertising	7,785	3,196
Premises Move Costs	7,590	30,631
Stationery	6,451	6,112
Recharge to Expenditure on the Arts	-	(7,977)
<b>Total</b>	<b>2,690,834</b>	<b>3,136,041</b>

A breakdown of the above costs into permanent staff and others can be found in the Staff Report within the Accountability Report.

The Arts Council did not purchase any non-audit services from its auditor, the Northern Ireland Audit Office during the year.

Recharge to Expenditure on the Arts is the Other Expenditure reappropriated and included within the costs declared in Note 2(a) Expenditure on the Arts for specifically funded projects. £0 (2015-16: £7,977) of operating costs have been recharged to Expenditure on the Arts and are included in Note 2(a) above.

The above costs are gross costs to the Exchequer account and £310,692 (2015-16: £346,039) of these operating cost and salaries costs have been recharged to the Lottery Distribution account and are shown as Other Operating Income in Note 3(a) below.

Other Expenditure includes travel, subsistence and hospitality costs for staff, Council and Committee members. The total spent in the year on travel, subsistence and hospitality is as follows:

			2016-17	2015-16
	T&S	Hospitality	Total	Total
	£	£	£	£
<b>Expenses &amp; Hospitality</b>				
Artform Officers	17,706	160	17,866	18,941
Council & Committee Members	3,501	2,107	5,608	5,486
Administrative Staff	4,894	829	5,723	7,419
	<b>26,101</b>	<b>3,096</b>	<b>29,197</b>	<b>31,846</b>

### 3 (a) Income

	2016-17	2015-16
	£	£
National Lottery Recharge – administration	310,692	346,039
National Lottery Recharge – salaries	1,042,082	1,172,794
Building Peace through the Arts - Re-Imaging Communities	-	(7,937)
Grant refunded	4,296	7,560
Grant refunded – Building Peace through the Arts - Reimaging Communities	-	5,315
Administrative & miscellaneous	36,470	88,425
Creative & Cultural Skills	-	3,000
Arts and Older People Programme	-	32,036
Creative Europe	3,765	25,703
Recharge to DfC	42,034	40,857
<b>Total</b>	<b>1,439,339</b>	<b>1,713,792</b>

### **3 (b) Grant-in-Aid Carry-Over**

In line with the Management Statement and Financial Memorandum (MSFM), cash balances accumulated during the course of the year were kept at the minimum level consistent with the efficient operation of the Arts Council.

In line with the MSFM, the Department will make available in the next financial year (subject to approval by the Assembly of the relevant Estimates provision) any such grant-in-aid required to meet any liabilities at year end, such as accruals.

The balance of cash at 31 March 2017 was £668,430 (2015-16: £764,980).



#### 4 (a) Property, plant, equipment and heritage assets

<b>2016-17</b>	<b><u>Furniture &amp; Fittings</u></b> £	<b><u>Plant &amp; Machinery</u></b> £	<b><u>Information Technology</u></b> £	<b><u>Operational Heritage Assets</u></b> £	<b><u>Non Operational Heritage Assets</u></b> £	<b><u>Total</u></b> £
<b><u>Cost or Valuation</u></b>						
At 1 April 2016	28,931	48,000	188,069	110,000	745,185	1,120,185
Additions	-	-	-	-	40,509	40,509
Donations	-	-	-	-	-	-
Revaluations	868	-	2,157	20,000	25,300	48,325
Gifted	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
De-recognition	(3,367)	-	(17,207)	-	-	(20,574)
At 31 March 2017	26,432	48,000	173,019	130,000	810,994	1,188,445
<b><u>Depreciation</u></b>						
At 1 April 2016	15,751	2,400	158,853	-	-	177,004
Charge in year	1,020	2,400	13,871	-	-	17,291
Revaluation	452	-	1,179	-	-	1,631
Transfers	-	-	-	-	-	-
De-recognition	(3,219)	-	(17,207)	-	-	(20,426)
At 31 March 2017	14,004	4,800	156,696	-	-	175,500
<b><u>Carrying amount</u></b>						
At 31 March 2017	12,428	43,200	16,323	130,000	810,994	1,012,945
<b><u>Carrying amount</u></b>						
At 31 March 2016	13,180	45,600	29,216	110,000	745,185	943,181
<b><u>Asset Financing</u></b>						
Owned	12,428	43,200	16,323	130,000	810,994	1,012,945
<b><u>Carrying amount</u></b>						
At 31 March 2017	12,428	43,200	16,323	130,000	810,994	1,012,945

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<b>2015-16</b>	<b><u>Furniture &amp; Fittings</u></b>	<b><u>Plant &amp; Machinery</u></b>	<b><u>Information Technology</u></b>	<b><u>Operational Heritage Assets</u></b>	<b><u>Non Operational Heritage Assets</u></b>	<b><u>Total</u></b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b><u>Cost or Valuation</u></b>						
At 1 April 2015	52,981	49,000	235,638	110,000	695,328	1,142,947
Additions	-	-	21,673	-	48,092	69,765
Donations	-	-	-	-	-	-
Revaluations	255	-	1,018	-	1,765	3,038
Gifted	-	(1,000)	-	-	-	(1,000)
Transfers	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
De-recognition	(24,305)	-	(70,260)	-	-	(94,565)
At 31 March 2016	28,931	48,000	188,069	110,000	745,185	1,120,185
<b><u>Depreciation</u></b>						
At 1 April 2015	37,040	-	194,411	-	-	231,451
Charge in year	1,630	2,400	29,667	-	-	33,697
Revaluation	123	-	866	-	-	989
Transfers	-	-	-	-	-	-
De-recognition	(23,042)	-	(66,091)	-	-	(89,133)
At 31 March 2016	15,751	2,400	158,853	-	-	177,004
<b><u>Carrying amount</u></b>						
At 31 March 2016	13,180	45,600	29,216	110,000	745,185	943,181
<b><u>Carrying amount</u></b>						
At 31 March 2015	15,941	49,000	41,227	110,000	695,328	911,496
<b><u>Asset Financing</u></b>						
Owned	13,180	45,600	29,216	110,000	745,185	943,181
<b><u>Carrying amount</u></b>						
At 31 March 2016	13,180	45,600	29,216	110,000	745,185	943,181

Plant & Machinery is made up of one musical instrument, a Steinway Model D Grand Piano which was externally valued on 25 January 2013, by Steinway & Sons Ltd. It has subsequently been revalued by the Head of Music.

Furniture & Fittings, and Information Technology have been re-valued at 31 March 2017 using the latest available indices published in 'Price Index Numbers for Current Cost Accounting' prepared by the Office for National Statistics.

#### **4 (b) Heritage Assets**

The Arts Council's Art Collection is considered to be a non-operational heritage asset. The Arts Council's historic collection, following Departmental approval, was gifted to registered museums in Northern Ireland in 2013, resulting in over 1,100 works of art totalling £3m now in museum ownership.

The Arts Council's contemporary collection dates from 2003 and in 2016 it comprises more than 500 works in all media. The Arts Council's Acquisitions Policy states that:

The Arts Council recognises the importance of purchasing contemporary work as a means of supporting artists, stimulating the art market and developing a culture in which visual art is appreciated.

Priority is given to artists whose work is challenging and innovative. We look for the work of emerging as well as established artists.

Works in all media are considered, including painting, sculpture, crafts, print, photography and newer art forms such as digital and video work.

Works are considered against the criteria of:

- Quality, innovation and the challenging nature of the piece;
- Evidence of the artist's achievements;
- The artist's contribution to the arts in Northern Ireland;
- The relevance of the purchase to the furtherance of the artist's career;
- and
- The relevance of the purchase to the Arts Council's funding objectives.

The Arts Council will consider accepting gifts to the collection although such work is assessed against the same criteria as works considered for purchase.

With capital funding from DfC the Arts Council allocated £40,509 for the acquisition of art work for 2016/17 (2015-16: £48,092).

There is only one operational heritage asset, a Gagliano violin, which is on loan as an award to an outstanding young violinist from Northern Ireland, who is the leader of the Ulster Youth Orchestra.

**Summary of transactions relating to non-operational heritage assets, for the current accounting period and each of the previous four accounting periods.**

	<b>2016- 2017</b>	<b>2015- 2016</b>	<b>2014-2015</b>	<b>2013-2014</b>	<b>2012-2013</b>
B'fwd non-operational heritage assets	745,185	695,328	597,600	498,589	3,323,793
Revaluation	25,300	1,765	40,142	2,996	44
Gifted	-	-	-	-	(2,843,204)
Impairment	-	-	-	-	(50,514)
Donation	-	-	-	3,000	-
Cost of additional assets	40,509	48,092	57,586	93,015	68,470
C'fwd non-operational heritage assets	810,994	745,185	695,328	597,600	498,589

**Summary of transactions relating to operational heritage assets, for the current accounting period and each of the previous four accounting periods.**

	<b>2016- 2017</b>	<b>2015- 2016</b>	<b>2014- 2015</b>	<b>2013- 2014</b>	<b>2012- 2013</b>
B'fwd operational heritage assets	110,000	110,000	110,000	110,000	100,000
Revaluation	20,000	-	-	-	10,000
Gifted	-	-	-	-	-
Impairment	-	-	-	-	-
Donation	-	-	-	-	-
Cost of additional assets	-	-	-	-	-
C'fwd operational heritage assets	130,000	110,000	110,000	110,000	110,000

**5. Intangible assets**

<b><u>2016-17</u></b>	<b><u>Websites</u></b>	<b><u>Software</u></b>	<b><u>Total</u></b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b><u>Cost or Valuation</u></b>			
At 1 April 2016	117,263	126,660	243,923
Transfers	-	-	-
Additions	-	-	-
Revaluations	671	1,310	1,981
At 31 March 2017	117,934	127,970	245,904
<b><u>Amortisation</u></b>			
At 1 April 2016	97,764	112,560	210,324
Transfers	-	-	-
Charge in year	17,438	7,912	25,350
Revaluation	528	902	1,430
At 31 March 2017	115,730	121,374	237,104
<b><u>Carrying amount</u></b>			
At 31 March 2017	2,204	6,596	8,800
<b><u>Carrying amount</u></b>			
At 31 March 2016	19,499	14,100	33,599
<b><u>Asset Financing</u></b>			
Owned	2,204	6,596	8,800
<b><u>Carrying amount</u></b>			
At 31 March 2017	2,204	6,596	8,800

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<b><u>2015-16</u></b>	<b><u>Websites</u></b>	<b><u>Software</u></b>	<b><u>Total</u></b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b><u>Cost or Valuation</u></b>			
At 1 April 2015	115,925	125,603	241,528
Transfers	-	-	-
Additions	-	-	-
Revaluations	1,338	1,057	2,395
At 31 March 2016	117,263	126,660	243,923
<b><u>Amortisation</u></b>			
At 1 April 2015	64,894	87,606	152,500
Transfers	-	-	-
Charge in year	31,864	24,140	56,004
Revaluation	1,006	814	1,820
At 31 March 2016	97,764	112,560	210,324
<b><u>Carrying amount</u></b>			
At 31 March 2016	19,499	14,100	33,599
<b><u>Carrying amount</u></b>			
At 31 March 2015	51,031	37,997	89,028
<b><u>Asset Financing</u></b>			
Owned	19,499	14,100	33,599
<b><u>Carrying amount</u></b>			
At 31 March 2016	19,499	14,100	33,599

Intangible Assets have been re-valued at 31 March 2017 using the latest available indices published in 'Price Index Numbers for Current Cost Accounting' prepared by the Office for National Statistics.

## 6. Financial Instruments

As the cash requirements of the Arts Council are met through Grant-in-Aid provided by DfC financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the Arts Council's expected purchase and usage requirements and the Arts Council is, therefore, exposed to minimal credit, liquidity or market risk.

The Arts Council does not hold any complex financial instruments and there is no impact on the financial risk of the organisation.

## 7. Cash and cash equivalents

	31 March 17 £	31 March 16 £
Balance at 1 April	764,980	1,064,354
Net change in cash and cash equivalent balances	(96,550)	(299,374)
Balance at 31 March	<u>668,430</u>	<u>764,980</u>

The following balances at 31 March were held at:

Commercial banks and cash in hand	668,430	764,980
Short term investments	-	-
Balance at 31 March	<u>668,430</u>	<u>764,980</u>

## 8. Trade receivables, financial and other assets

	31 March 17 £	31 March 16 £
<b>Amounts falling due within one year:</b>		
Trade receivables	87,151	91,600
Other receivables	-	333
Prepayments and accrued income	86,431	141,643
	<u>173,582</u>	<u>233,576</u>

## 9. Trade payables and other current liabilities

	31 March 17 £	31 March 16 £
<b>Amounts falling due within one year:</b>		
Other payables	513,973	710,637
Accruals and deferred income	331,203	291,509
Voluntary Exit Scheme	-	195,000
	<u>845,176</u>	<u>1,197,146</u>

**Amounts falling due after more than one year:**

Pension deficit	3,952,000	2,992,000
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Details of the pension scheme are outlined in the Staff Report.

**10. Capital commitments**

There were no contracted capital commitments as at 31 March not otherwise included in these financial statements (2015-16: £Nil)

**11. Commitments under leases***Operating Leases*

Total future minimum lease payments under operating leases are given in the table below for each of the following periods:

	<b>31 March 17</b>	<b>31 March 16</b>
	<b>£</b>	<b>£</b>
Obligations under operating leases for the following periods comprise:		
<i>Buildings:</i>		
Not later than one year	-	83,125
Later than one year and not later than five years	-	-
Later than five years	-	-
	<u>-</u>	<u>83,125</u>
<i>Other:</i>		
Not later than one year	584	2,917
Later than one year and not later than five years	2,337	4,844
Later than five years	-	-
	<u>2,921</u>	<u>7,761</u>

The building lease for the Arts Council at the Sidings, Lisburn expired on 12 February 2017. The Arts Council is currently in temporary accommodation at the Sidings, Lisburn until further notice.

**12. Other financial commitments**

The Arts Council gave a loan to a client, An Gaelaras in 2008-09, the repayment of which was dependent on the sale of a building belonging to the client. The loan amount of £75,000 has been carried and included in Other Receivables at Note 9 above. In 2013-14 the loan was converted to a charge to secure the financial assistance advanced to An Gaelaras by the Arts Council. The charge is to subsist for a term of 10 years. Due to the uncertainty in the property market and the fact that the Arts Council will have only second priority, the Arts Council assessed that there was a high risk of non-repayment, therefore, the full value of the loan has been provided for in 2013-14 and is netted off the loan amount in Note 9 above. The



amount of this provision will be reassessed annually and adjustment made as necessary.

The payments to which the Arts Council are committed during 2016-17 analysed by the period during which the commitment expires are as follows:

	31 March 17 £	31 March 16 £
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	-	-
	<hr/>	<hr/>
	-	-

### 13. Contingent liability disclosed under IAS 37

The Arts Council has no contingent liabilities to disclose under IAS 37.

### 14. Related-party transactions

The Arts Council is a Non-Departmental Public Body sponsored by the Department for Communities. DfC is regarded as a related party and during the year the Arts Council had various material transactions with DfC as referred to in Note 3(b) above and as shown in the Statement of Changes in Taxpayers Equity.

The Arts Council's National Lottery Distribution Account is also regarded as a related party to the Arts Council Exchequer Account. At 31 March 2017 a net amount of £113,250 (2015-16: £93,689) was owed by the National Lottery Distribution Account to this account in respect of salary and other administrative costs incurred. These amounts are included in the Trade Receivables and other Current Assets figure of £173,583 (2015-16: 233,576) shown in Note 8 above and the Trade Payables and other Current Liabilities balance of £845,176 (2015-16: £1,197,146) in Note 9 above.

Several members of the Board of the Arts Council and members of key management staff are also involved with other arts organisations in Northern Ireland either directly or indirectly as a result of a family relationship, a close friendship or business relationship. These individuals make an annual declaration of their interests and do not take part in discussions and decisions to make grant awards to those organisations with which they have a declared interest. A list of awards made to the organisations concerned and details of who made the declaration of interest is detailed hereafter. All of the transactions relating to the organisations were conducted at arm's length by the Arts Council.

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Name	Nature of relationship	Organisation Name	Awarded in 2016-17	Paid in 2016-17 *	Balance Outstanding as at 31 March 2017 **
<b>Board Members</b>					
John Edmund	Chair of Grand Opera House	Grand Opera House	274,610	285,609	13,731
David Alderdice	Chair of Eastside Arts	Eastside Arts	62,667	59,533	3,134
Siun Hanrahan	Board Member of Belfast Exposed	Belfast Exposed	107,457	109,569	5,373
	Board Member of The Void	The Void	132,768	149,753	6,638
Noelle McAlinden	Board of CCA	Centre for Contemporary Art Derry - Londonderry	79,264	81,351	3,963
Roisin Mohan	Treasurer of Beyond Skin	Beyond Skin	-	2,429	-
	Site Manager with Belfast Community Circus School	Belfast Community Circus School	102,040	104,773	5,102
Paul Mullan	Wife is Chair of All Set Traditional Music Group	All Set Cross Cultural Project	19,505	18,530	975
Katy Radford	Work colleague (Institute for Conflict Research) received a SIAP award	Shelley Tracey	150	150	-
Eibhlin Ni Dhochartaigh	An Gaelaras Employee	An Gaelaras Ltd	87,035	89,660	4,352
Conor Shields	Employed by Community Arts Partnership	Community Arts Partnership	115,552	109,774	5,778
Nisha Tandon	Director ArtsEkta; Family member is Events and Marketing Manager on a freelance basis	ArtsEkta	33,844	32,152	1,692

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Name	Nature of relationship	Organisation Name	Awarded in 2016-17	Paid in 2016-17 *	Balance Outstanding as at 31 March 2017 **
<b>Staff Members</b>					
Ken Bartley	Brother was a member of Queen Street Studios (Employment ceased April 2016)	Queen Street Studios	31,606	30,026	1,580
Vincent Crossey	Treasurer of Wheelworks.	Wheelworks	66,950	63,953	3,348
Jane Cassidy	Works for Camerata on a part-time basis	Camerata	60,000	61,000	3,000
	Husband works on freelance basis for BelfastTrad	BelfastTrad	22,025	20,924	1,101
Lizzie Devlin	Friends work for Community Arts Partnership	Community Arts Partnership	115,552	109,774	5,778
	Friend is board member of Kabosh	Kabosh Ltd	42,000	40,832	2,100
	Friend is co-ordinator of the Spectrum centre	Spectrum Centre			
Nick Livingston	Daughter employed by Arts & Business NI	Arts & Business NI	160,459	153,936	8,023
Noirin McKinney	Husband is Editor of Irish Pages	Irish Pages Ltd	14,000	13,300	700
	Friends with Directors of Panarts	Panarts	23,000	21,850	1,150
	Husband and Son reading at the John O'Connor Writing School	John O'Connor Writing School	5,000	4,500	500
Gavin O'Connor	Tutor for BelfastTrad Music Society	Belfast Trad	22,025	20,924	1,101
Deirdre Robb	Studio member of Creative Exchange Studios	Creative Exchange	13,300	12,635	665

<b>Name</b>	<b>Nature of relationship</b>	<b>Organisation Name</b>	<b>Awarded in 2016-17</b>	<b>Paid in 2016-17 *</b>	<b>Balance Outstanding as at 31 March 2017 **</b>
Ciaran Scullion	Wife is the Membership and Development Officer at the Ulster Youth Choir	Ulster Youth Choir	19,591	18,611	980
Anne Shipton	Brother is a member of the Armagh Rhymers	The Armagh Rhymers Society	37,200	35,340	1,860
Fionnuala Walsh	Husband is Chair of PLACE	PLACE	59,288	56,324	2,964
	Husband is Board Member of Digital Arts Studios	Digital Arts Studios	42,846	40,704	2,142
Roisin McDonough	Director of the Chief Executives Forum NI	Chief Executive's Forum NI	1,154	1,154	-
Debbie Young	Artist in residence at Arts For All	Arts for All	38,758	36,820	1,938

\*Paid in 2016-17 includes payments relating to awards made in previous years.

\*\*Balance as at 31 March 2017 includes all awards made in 2016-17 and previous years where an outstanding balance remains.

## 15. Third Party Assets

In 2010 the Arts Council received a bequest of £579,000 upon Trust to administer "The Rosy James Bursary" on behalf of the Rosemary James Trust. The Rosemary James Trust is managed by an independent financial advisor. The objective of the Trust is to provide funding assistance to individual artists/designers and makers to pursue their careers by developing a new body of work. The annual value of the award is up to £15,000. The closing balance at the financial year end 31 March 2017 was £ 640,238.81 made up of listed securities £637,586.25 and cash at bank £2,652.56.

## 16. Events after the Reporting Period

Events after the balance sheet date are those material events, both favourable and adverse, that occur between the end of the reporting period and the date when the accounts are authorised for issue.

Since the balance sheet date there has been recorded Board conflict. The Board is considering mechanisms to deal with this dispute including a facilitated dialogue to avoid a negative impact on the Board's performance and operation.

**Date of authorisation for issue**

The Accounting Officer authorised the issue of these financial statements on the date of certification by the Comptroller and Auditor General.