



Arts Council of Northern Ireland

**ANNUAL REPORT
AND ACCOUNTS
2009-2010**



INVESTOR IN PEOPLE

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**NDPB ARTS COUNCIL OF NORTHERN IRELAND
ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2010**

**The Accounting Officer authorised these
financial statements for issue on**

1 July 2010

**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 of Culture, Arts and Leisure**

2 July 2010

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CHAIRMAN'S FOREWORD

Building for the future

In 2009/10 we were able to announce that every person living in Northern Ireland now has access to a dedicated arts facility in their region, thanks to an investment of £33 million made by the Arts Council over the last fifteen years. This funding, channelled into local arts venues, leveraged partner funding that has provided Northern Ireland with modern facilities which will continue to boost and revitalise our towns and cities well into the future; and in this last year the Arts Council has invested some £2.4 million towards the further building and refurbishment of arts venues.

This investment forms part of a wider government strategy to enhance the local arts infrastructure, bringing venues here up to an international standard.

Better arts facilities, of course, go further than just supporting the local arts, important as that is, they also enable educational programmes and outreach projects to expand, encouraging wider community involvement and increased opportunities for participation. They also provide the facilities required for the best international companies to bring their performances to local audiences.

Currently there is an emphasis on strengthening the infrastructure in Belfast and Londonderry.

Thanks to the Arts Council, DCAL, and our other funding partners, in Belfast, the Ulster Hall and the Grand Opera House have already received extensive facelifts. The Crescent Arts Centre has been restored at a cost of £7.2 million and opened its doors to the public in April 2010; and construction work has begun on the new £18 million Lyric Theatre and on the £17.56 million MAC Centre, both due to open in 2011.

The City of Derry now also boasts striking new buildings such as the £4 million Irish language centre, Cultúrlann Uí Chanáin, which opened in September 2009; and the newly refurbished £1.2 million Waterside theatre, and the £4.6 million Playhouse theatre, which opened in September 2009 and November 2009 respectively.

Much of the building programme in Belfast and Londonderry has been developed in response to the lessons learned from Belfast's highly illuminating, if ultimately unsuccessful, bid for European Capital of Culture 2008; and the enhanced facilities in Londonderry may well have a decisive role to play in the outcome of its bid to become City of Culture in 2013.

The joint investment by DCAL and the Arts Council in the arts infrastructure has been funded through Exchequer and Lottery funds and, although this phase of

major building projects is drawing to a close, it is important to remember that we still have commitments through our Exchequer funds to support a series of small refurbishments around the region in the coming financial year.

The state of the economy has, of course, been preoccupying everyone's mind throughout the year, and it would have been naïve to think that the arts budget could be exempt from the mounting pressure on the Northern Ireland budget. Nevertheless, the consequences of any substantial reduction to the Arts Council's budget for the coming year, will be felt deep across the arts sector. Compounded by the additional costs associated with maintaining our new and refurbished venues, a reduced budget for the coming year will leave us having to spread already overstretched resources ever more thinly.

In the international context there is now a sophisticated understanding of how the development of arts and cultural activity can transform the fortunes of a modern society; and the potential rewards there are for economic, social and cultural life where creative and entrepreneurial people are valued and nurtured; not least in the provision of an artistic offering that will attract cultural tourists and boost the creative industries. It is essential that we continue to promote understanding of this to Government and opinion formers.

One of our main tasks in the coming year must be to reinforce the message that a cut to the already relatively tiny arts budget will have a disproportionately damaging impact. It is vital in the difficult times ahead that we strive to maintain the balance of the fragile creative ecosystem, based on interdependence and overlapping of art forms, where even a moderate change to one part may have dramatic consequences for the rest.



A handwritten signature in dark ink that reads "Rosemary Kelly". The script is cursive and elegant.

Rosemary Kelly, OBE
Chairman

CHIEF EXECUTIVE'S INTRODUCTION

Creating Industry

One of the most enterprising developments in 2009/10 has been the large-scale investment by the Arts Council and our parent body, DCAL, in our creative industries. In October 2008, DCAL announced an investment over three years, of £5 million in Northern Ireland's creative industries, to be disbursed by the Arts Council. To manage the disbursement of the Creative Industries Innovation Fund, we formed a consortium of partners, comprising DCAL, the Arts Council, Invest NI, DEL and DETI.

Notwithstanding the excellent work that has been undertaken by Invest NI, the District Councils and umbrella organisations like Arts & Business, there is no dedicated creative industries development agency for Northern Ireland. We do, however, have very strong sectoral support organisations, such as Craft Northern Ireland, Digital Circle and Northern Ireland Screen. These organisations, alongside local enterprise agencies and our own team at the Arts Council, have been on hand to offer expert support and guidance to creative businesses applying to the fund.

Since its introduction, the response of the creative industries sector to the new fund has been overwhelming. The initial aim of the fund was to deliver support to 140 creative businesses in Northern Ireland - providing seed funding to encourage innovation and entrepreneurship, plugging gaps in the skills and knowledge base, helping to develop new markets, and supporting existing and emerging creative enterprises to establish a secure footing in the international marketplace. To date we have received approximately 550 applications and, at the close of this financial year have successfully funded 156 projects to the tune of £3.6 million, with our funds now fully committed until 31st March 2011.

Investment in our creative industries and in the export of the wide range of cultural products – film, video, TV, radio, advertising, publishing, music, design, crafts, art markets, software, fashion, and the many spin-offs in other sectors – holds the potential for high economic returns. This marketplace is now hugely important to us, as our competitive strength and the source of our wealth and job creation is shifting from our declining traditional industries to our burgeoning creative sector.

The high-profile growth of the creative industries is also instilling a greater appreciation amongst private sector companies that strengthening their links with the creative sector will help them to build stronger foundations and position themselves in competitive readiness for more promising economic times ahead. The creative industries clearly demonstrate the mutual benefits of the increasing convergence between the worlds of art and commerce: their success relies on the acumen of the business world, but it is our artists and artisans who provide its inspiration and lifeblood. Their ideas and skills are the raw materials of the creative

industries. There is a growing recognition that art, design and creativity, far from being peripheral to commerce, can make a decisive contribution to economic growth and regeneration.

The ingredients are all here in Northern Ireland to enable us to capitalise on the considerable potential for growth in this sector. With the help of the seed funding available through the Creative Industries Innovation Fund, our talented and enterprising creative companies are now in a stronger position to compete successfully in the creative industries world market.



A handwritten signature in purple ink that reads "Roisín McDonough".

Roisín McDonough
Chief Executive

BACKGROUND INFORMATION

Statutory Background

The Council, presently known as the Arts Council of Northern Ireland (ACNI), 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 Arts Council dates from 1943 when it was set up as the Council for the Encouragement of Music and the Arts in Northern Ireland. 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 of Culture, Arts and Leisure. The affairs of the Council are managed by a Board consisting of fifteen members. The current Board members are listed below. The Chief Executive (Roisin Mc Donough) is the principal executive officer of the Council and is supported by a professional staff responsible for subject and functional areas of the Council's programme.

Principal Functions Related to Grant-in-aid Activities

The Arts Council of Northern Ireland is charged with four statutory functions under the Arts Council (Northern Ireland) Order 1995. These 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 of Culture, Arts and Leisure 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 Council by any other statutory provision.

Board Members of the Arts Council of Northern Ireland and members of its Lottery Grants and Capital Committee

The Council performed its functions during the year ending on 31 March 2010 by making grants to organisations engaged in the arts either on a revenue or on 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 Department of Culture, Arts and Leisure and various other public and private bodies on a range of issues relating to the arts. The Council is also one of the distributing bodies of the National Lottery. Lottery distributing activities are reported upon separately under the National Lottery Etc. Act 1993.

The appointment of Board members is approved by the Minister of Culture, Arts and Leisure. 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 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 Council's activities are conducted in an efficient and effective manner;
- to ensure that strategies are developed for meeting the Council's overall objectives in accordance with the policies and priorities established by the Minister;
- to monitor the Council's performance to ensure that it fully meets its aims, objectives and performance targets;
- to ensure that the 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 of the Arts Council of Northern Ireland for the year ended 31 March 2010 is shown below.

Board:

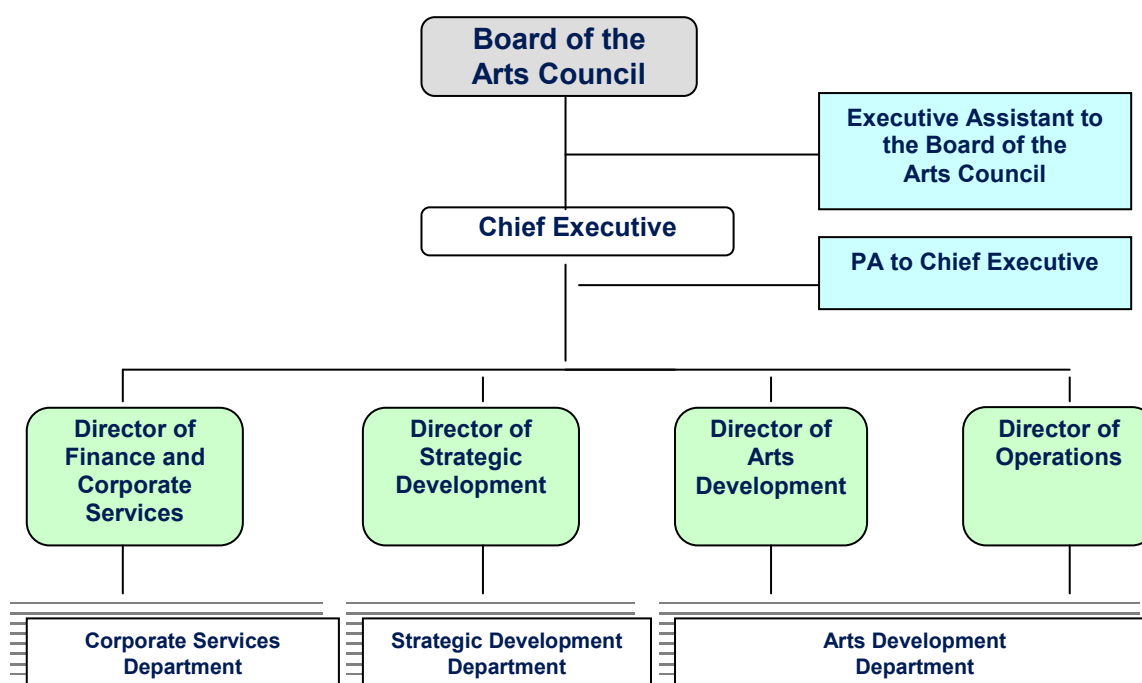
Ms Rosemary Kelly (Chairman)	Prof Ian Montgomery
Mr Damien Coyle (Vice Chairman)	Ms Sharon O'Connor
Ms Eithne Benson	Mr Joe Rice
Ms Kate Bond (returned from maternity leave 1 Dec 2009)	Prof Paul Seawright
Mr Raymond Fullerton	Mr Brian Sore
Mr David Irvine	Mr Peter Spratt
Mr Tony Kennedy	Ms Janine Walker
Mr Bill Montgomery	

The members of the Audit & Risk Committee for the year ended 31 March 2010 were: Mr Tony Kennedy (Chairman), Mr Raymond Fullerton, Mr David Irvine, and Mr Ivor Johnston (Co-opted Member).

The members of the Lottery and Grants Committee for the year ended 31 March 2010 were Ms Kate Bond (Chairman –returned from maternity leave on 1 Dec 2009), Ms Eithne Benson (Acting Chairman until 1 Dec 2009), Prof Paul Seawright, Mr Damien Coyle, Mr Tony Kennedy (left committee 20 Sept 2009).

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 in Note 17. All of the transactions relating to the organisations were conducted at arms length by the Council.

Organisational Structure



Accounts and Appointment of Auditors

The accounts of the Arts Council of Northern Ireland are prepared in a form directed by the Department of Culture, Arts and Leisure with the consent of the Department of Finance and Personnel 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 of Northern Ireland. He reports his findings to the Northern Ireland Assembly.

The audit of the financial statements 2009-10 resulted in an audit fee of £11,500. This cost is included in other operating costs in the financial statements. So far as the Accounting Officer is aware, there is no relevant audit information of which the 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 Council's auditors are aware of that information.

Policy on Disabled Persons

The Arts Council of Northern Ireland is committed to equality of opportunity between persons of different religious belief, political opinion, gender, marital status, disability, ethnic origin or sexual orientation. The Council has implemented equality legislation and codes of practice to ensure that procedures and policies are fair and lawful. The Council actively encourages this within its client/partner network. The Council particularly supports equality of opportunity in training and employment for disabled people.

Pension Fund

All assets, liabilities and operating costs of the Council's pension scheme are recorded in the accounts of the Exchequer entity. The salary charges to Lottery in-year include a recharge of employer pension costs of £184,975 (2008-09: £116,306).

The market value of the Council's share of the NILGOSC pension scheme's assets (excl. AVCs) at 31 March 2010 was £7.722m (2008-09: £5.372m) and the present value of the Council's share of the scheme liabilities was £12.426m (2008-09: £7.432m). The Council's share of the scheme recorded net pension liabilities at 31 March 2010 was £4.704m (31 March 2009: £2.060m).

Employee Consultation

On matters of policy and procedure which affect the employees of the Arts Council, the Council normally consults with the recognised trade union of which the 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 and Personnel.

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. Until January 2010 the Arts Council were following a 30 day payment target i.e. where payment is due within 30 days of receipt of the 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 93% of the bills were paid within this standard. The comparative figure for 2008-09 was 90%. The target for this is 95%.

From February 2010 onwards the Arts Council proactively started to achieve the 10 day target (as outlined in DAO 12/08) and from the introduction of new measures for the 2 month period from February to March 2010, 100% of supplier invoices were paid on time. Overall for the year under the two different targets the average number of days taken to pay invoices was 16 days.

Political and Charitable Donations

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

Board Members Attendance 2009/10

	Board Meetings				Committee Meetings		Total Meetings		
	Full	Part	Actual	Possible	Actual	Possible	Actual	Possible	%
Eithne Benson	10	2	12	15	4	4	16	19	84 *
Kate Bond #	3	0	3	7	1	2	4	9	44 *
Damien Coyle	7	2	9	15	14	20	23	35	66 *
Raymond Fullerton	7	1	8	15	4	5	12	20	60 *
David Irvine	12	0	12	15	5	5	17	20	85 *
Rosemary Kelly	15	0	15	15	9	10	24	25	96 *
Tony Kennedy	12	1	13	15	13	13	26	28	93 *
Bill Montgomery	8	1	9	15	4	7	13	22	59 *
Ian Montgomery	6	2	8	15	9	10	17	25	68 *
Sharon O'Connor	7	0	7	15	0	0	7	15	47
Joe Rice	6	1	7	15	2	6	9	21	43
Paul Seawright	10	2	12	15	3	7	15	22	68 *
Brian Sore	15	0	15	15	6	8	21	23	91 *
Peter Spratt	9	1	10	15	2	3	12	18	67
Janine Walker	10	0	10	15	5	6	15	21	71

* Adhoc meetings not included

adjusted for maternity leave

MANAGEMENT COMMENTARY

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.

The objectives of the Council 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 of Culture, Arts and Leisure and other government departments, district councils and other bodies on matters relating to the arts.

Financial Results

At the end of the year the Council realised total net operating costs of £28,204,240 (restated 2008-09: £18,995,153). The reserve at the year end is in deficit of £1,267,081 (restated 2008-09: Reserves of £1,972,611)

Review of Grant-in-aid Activities

During the year 2009-2010, the Arts Council made awards totalling £27,040,756 (2008-09: £18,491,202) to artists and art organisations. This represents an increase of £8.5m on the previous year. Excluding in-year capital grants to arts organisations, the increase rises to £0.5m on the prior year. Regularly funded organisations, including the cultural traditions, received £10.11m (2008-09: £9.56m) – a commendable achievement given the difficult funding environment.

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

In *Creative Connections*, its five-year development plan for the arts, 2007-2012, the Arts Council identifies four main themes covering what it believes needs to be done to achieve this vision - promoting the value of the arts; strengthening the arts; increasing audiences and improving organisational performance.

Promoting the value of the arts: In summary, this theme describes our objectives to place the arts at the heart of society. To achieve this aim we will:

- improve recognition of the contribution artists and arts organisations make to society;

- influence government regarding the contribution the arts make to the achievement of a range of policy objectives;
- gain broad acceptance of the need for increased funding for the arts in Northern Ireland;
- achieve international recognition.

In furtherance of these objectives the Arts Council held its biennale conference on the theme of Art and Conflict in June 2009. The conference in the Grand Opera House attracted 170 delegates who rallied to hear the inspirational story of the development of the first constitutional court in South Africa, as told by its champion the visionary Justice Albie Sachs. Michael Longley spoke compellingly about the influence of the Northern Ireland Troubles on his poetry and workshops focussed on the development of archives and memorialisation.

The highly successful Re-Imaging Communities programme continues to attract high level public and political acclaim, with 148 awards totalling £3.1 million since 2006. The Council's application to Peace III is undergoing economic appraisal, with a request for £4.2 million against a programme total of £5.6 million to continue this highly successful community arts programme.

The Arts Council has been proactive in executing its communications, media and advocacy strategies, and has maintained year on year increases of 10% in press coverage, a key performance indicator. In addition, hits on the Arts Council website were up by 5% in the year under review, and broadcast media rose considerably on the previous year. The level and quality of political engagement between the Assembly and the Council has been steadily developing especially during the Culture, Arts and Leisure (CAL) Committee enquiry into the arts. The Council continues to produce Artery, a newsletter for MLAs and MPs, updating them on key facts and figures and developments in the arts, especially in relation to their constituency.

Strengthening the arts: In summary, this theme describes our objectives for supporting artists, arts organisations and the physical infrastructure. To achieve this aim we will:

- improve the well-being of individual artists;
- strengthen and develop arts organisations;
- strengthen and develop the arts infrastructure.

Key to the Council's policy for individual artists is its Support for the Individual Artist Programme (SIAP). Under this scheme, besides making the general arts awards listed in these accounts, the Arts Council honoured singer Len Graham and writer Declan Carville with £15,000 each through its 'Major Individual Artist Awards'. The annual awards recognise the contribution made by artists, writers and musicians to the arts in Northern Ireland and make it possible for artists to develop

new and ambitious work which will make a significant contribution to the development of their careers.

In addition, the Council exceeded by 5% its target of allocating 20% of its SIAP funds to new or emerging artists.

With the additional £2.15 million secured from Government for 2009/10, the Arts Council was able to stabilise core arts organisations, with 111 organisations benefitting from the increase through this year's round of annual Arts Council grants, totalling £10,165 million.

The Arts Council's lottery funded Small Grants programme continued to meet demand in a competitive arena. It offers grants of £500 to £10,000 to voluntary and small professional groups in Northern Ireland for a wide range of community-based arts activities that will further increase participation and creativity in the arts at community level. In its first year of operation April 2009 to March 2010, 99 awards were made totalling £477,252, with 341 applications being made to the programme in this year.

The Creative Industries Innovation Fund (CIIF) designed to help meet the Government priority of growing the creative industries in Northern Ireland by 15% by 2011 has supported 23 sectoral bodies to date (£982,158) and 133 individual businesses (£2,641,503). 156 awards were made with a total spend of £3,623,661.

Fifteen participants completed the Creative & Cultural Skills Leadership Programme, which is supported by the Arts Council, the Department of Education & Learning and Arts & Business. This industry-led, year long programme was designed to develop Northern Ireland's existing creative and cultural leaders and prepare emerging leaders for the future.

Three significant capital projects were completed in the Derry City Council area with Arts Council's support: The Playhouse; An Gaelaras and the Waterside Theatre.

The Arts Council undertook root and branch reviews of visual arts and opera during 2009/10 as part of a rolling programme of strategy review. As a consequence work has focussed on the establishment of a new opera company for Northern Ireland, constituted in December 2009 to take forward the provision of high quality opera and training and educational developments.

Increasing Audiences: This theme describes our objectives for encouraging people to engage with the arts. To grow audiences and increase participation we will:

- expand the range of opportunities for people to enjoy the arts;
- expand the range of opportunities for people to take part in the arts;
- encourage more young people to experience the arts.

Audiences Northern Ireland annual conference took as its theme, looking at the potential of digital marketing tools to cut costs and generate income.

The Arts Council was successful in securing partnership funding through Atlantic Philanthropies for a ground breaking new older people programme, aimed at providing access to participation in the arts, and highlighting social justice issues.

PSA 9 sets out DCAL's aim of contributing to Northern Ireland's economic, health and educational goals by increasing participation and access to Culture, Arts and Leisure activities. Within that aim, it defines two targets that relate to arts attendance and participation:

- by 2011 to increase by 2 percentage points the proportion of the NI population who attend arts events in Northern Ireland;
- by 2011 to increase by 2 percentage points the proportion of the NI population who participate in the arts in Northern Ireland.

The Arts Council of Northern Ireland's Corporate Plan 2007-10, describes specific objectives for encouraging people to engage with the arts and through its funding programmes it enables arts organisations, venues and providers to offer diverse programmes aimed at growing audiences for the arts.

Over the three-year period 2008/09 – 2010/11 the Department of Culture, Arts and Leisure will continue to financially support the Arts Council of Northern Ireland with a view to increasing attendance and participation in the arts. This has been measured at general population level using information from Northern Ireland Statistics and Research Agency (NISRA) surveys: the Continuous Household Survey and the General Population Survey. In addition, the Arts Council has embedded similar targets in its funding agreements with its clients and these are reported and monitored at organisation level, through the survey of Regularly Funded Organisations.

The Arts Council appointed a Cultural Olympiad creative programmer to plan and deliver Northern Ireland's participation in the 2012 Cultural Olympiad as well as a Legacy Trust coordinator to deliver the Legacy Trust programme Connections, in Northern Ireland. The Artists Taking the Lead commission, Brian Irvine's *Nest* was announced during the year and is one of the key Cultural Olympiad projects. Maurice Orr has been commissioned under Unlimited to create four large canvasses entitled *The Screaming Silence of the Wind*.

Improving organisational performance: To achieve this aim we will:

- become a more client focused organisation;
- develop our structures and processes to achieve our business objectives;

- develop our people in line with our business strategy;
- strengthen governance and accountability within the Arts Council of Northern Ireland

Under this objective the Arts Council ran its staff survey, established an “Investors in People” (IIP) accreditation retention team, completed its restructuring to focus on client development and conducted its bi-annual client satisfaction survey, which gave a satisfaction rating of 79.4%.

In addition, it reviewed its scheme of delegation, and implemented a new managing absenteeism policy, with the objective of achieving less than 50% of the Northern Ireland Civil Service (NICS) average.

Non-Current Assets

The movement on non-current assets is reported upon in note 6. Assets to the value of £68,130 (2008-09: £47,320) were purchased during the year and there were disposals £7,168 of assets during the year. IFRS implementation required the capitalisation of Heritage Assets in 2009/10 and the previous year’s figures were restated as a result.

Future Grant-in-aid Activities

In 2010/11 the Arts Council will strategically deploy the additional resources of £400k made available for the arts through the last year of the Comprehensive Spending Review. The Council had been allocated £1.5m additional resources for 2010/11, primarily to meet the increased needs of the new capital build projects in Derry and Belfast. The loss of £1.1m has come as a blow to the arts sector, and difficult decisions for the Arts Council under its Annual Support for Organisations Programme; decisions resulting from the cut were made in March 2010. The Arts Council supported 97 organisations to a total grant-in-aid of £9.9m. This was against 118 applications requesting £13.2 million.

Sickness Absence

The number of sick days reported in 2009/10 was 531 (2008/09: 561). This equates to an average per employee of 7.81 days (2008/09: 9.6 days).

Personal Data

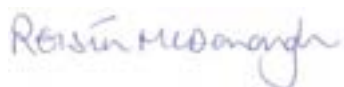
There were no reported personal data related incidents during the year.

Going Concern Basis

The Accounts of the Arts Council are produced on the Going Concern Basis. The Council is not aware of any reason to adopt a different basis.

Post Balance Sheet Events

There have been no post balance sheet events which would affect the reader's understanding of the financial statements on pages 35 to 65.



Roisín McDonough
Accounting Officer

1 July 2010

REMUNERATION REPORT

Staffing and Remuneration Policy

The Arts Council Staffing and 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 4 Board members as follows:

R Kelly D Coyle B Montgomery I Montgomery

When acting as a Remuneration Committee the membership will include two additional board members to comprise:

R Kelly D Coyle B Montgomery I Montgomery B Sore T Kennedy

Within the Arts Council, the Chief Executive is employed at a Senior Civil Service grade. The remuneration of senior civil servants is set by the Minister of Finance and Personnel following independent advice from the Review Body on Senior Salaries. Further information about the work of the review body can be found at [http:// www.ome.uk.com](http://www.ome.uk.com).

The pay award for staff in the Northern Ireland Senior Civil Service (SCS) is normally comprised of two elements; a base pay uplift and a non-consolidated bonus. Both elements are based on performance. The senior civil service pay award in 2009/10 comprised a base pay uplift only, with individual's awards differentiated on the basis of performance and position on the relevant pay band. There were no non-consolidated bonus payments to any senior civil servants as part of the pay award. The Remuneration Committee is responsible for approving the Chief Executive's salary and assessing her performance.

All other executive directors within the Arts Council are employed at Grade 7. The Arts Council's Management Statement directs that all senior staff positions above Deputy Principal are approved by DCAL. The majority of staff are appointed on Northern Ireland Civil Service pay scales.

All of the staff costs were incurred by the Arts Council of Northern Ireland and an appropriate amount was 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 the normal retiring age of 65. In relation to the position of Roisin McDonough, Chief Executive, she was appointed on the 16th 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 of Northern Ireland 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

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 honoraria 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 total cost of honoraria paid in 2009-10 was £14,050 (2008-09: £15,582) as shown in wages and salaries. This includes £550 of employer's National Insurance Contributions. The amounts received by the Chairman and Vice Chairman are detailed below:

	Chairman	Vice Chairman
	£	£
R Kelly	10,000	
D Coyle		£3,500

Salary and Pension Entitlements - Senior Staff (Audited Information)

	2009-10	2008-09
	SALARY £'000	SALARY £'000
R McDonough	75-80	75-80
P Hammond (retired 31 March 2009)	N/A	50-55
N McKinney	45-50	45-50
P Burns (retired 30 November 2009)	25-30	45-50
K Brown (Part-time Acting Director 20 April 2009 to 31 March 2010)	20-25	N/A
G Troughton (Appointed 1 March 2010)	0-5	N/A
N Livingston	45-50	45-50
L McDowell	40-45	40-45

Arts Council Pensions

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 1/60th of pensionable salary for each year of service (1/80th before 1 April 2009). In addition, a tax free lump sum may be payable on retirement. Members pay contributions of between 5.5% and 7.5% of pensionable earnings. Pensions increase in payment in line with the Retail Prices Index. In 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 71 (2008-09: 63) employees (not all 71 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 2010 the Arts Council contributed 16% (2008/09: 16%) of gross salary.

	2009-10 £	2008-09 £
Employer's	421,463	Restated 253,339

Pension Entitlements (Audited Information)

	PENSIONABLE EARNINGS £'000	ACCRUED PENSION AT 65 £'000	REAL INCREASE £'000	ACCRUED LUMP SUM AT 65 £000	REAL INCREASE £'000	CETV 31MAR09 £'000	CETV 31MAR10 £'000	REAL INCREASE £'000
R McDonough	70-75	25.8	1.67	73.8	1.32	551.3	616.3	55.7
N McKinney	45-50	13.9	0.79	39.4	0.05	227.4	251.8	17.7
K Brown (Part time Acting Director from 20 April 2009 to 31 March 2010)	20-25	0.6	0.62	-	-	-	9.2	9.2
G Troughton (Appointed 1 March 2010)	0-5	0.06	0.06	-	-	-	0.7	0.7
N Livingston	45-50	16.1	1.00	46.0	0.72	310.6	349.5	30.7
L McDowell	40-45	15.7	0.91	45.0	0.67	303.1	339.8	28.6

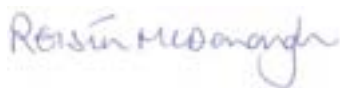
P Burns retired early with an enhancement of 8 years 176 days and was earning £45-50k a year when he left. The total additional accrued pension liabilities in the year amounted to £6.7k.

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 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.



Roisín McDonough
Accounting Officer for the Council

1st July 2010

STATEMENT OF THE COUNCIL'S AND ACCOUNTING OFFICER'S RESPONSIBILITIES

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

In preparing accounts the Arts Council of Northern Ireland is required to:

- observe the accounts direction issued by the Department of Culture, Arts and Leisure 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;
- 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 of Culture, Arts and Leisure has designated the Chief Executive of the Arts Council of Northern Ireland as the Accounting Officer for the Arts Council of Northern Ireland. 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 Personnel.

STATEMENT ON INTERNAL CONTROL

Scope of Responsibility

As Accounting Officer, I have in accordance with the responsibilities assigned in Managing Public Money NI, responsibility for maintaining a sound system of internal control that supports the achievement of the Council's policies, aims and objectives, whilst safeguarding the public funds and assets. This responsibility is supported by the functions of the 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 of Culture, Arts and Leisure.

The Purpose of the System on Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore provide only reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of the Arts Council's policies, aims and objectives;
- evaluate the likelihood of those risks being realised and the impact should they be realised;
- manage risks efficiently, effectively and economically.

The system of internal control has been in place for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance. The organisation will at all times ensure that:

- it meets its statutory reporting and regulatory obligations;
- it is accountable to both its sponsoring department and, ultimately, the public; and
- it will maintain systems to protect and ensure value-for-money in the use of its resources in the meeting of its aims and objectives.

Capacity to Handle Risk

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 Council are drawn to the attention of the Chairman and are properly managed. The Risk Register is presented to the Audit and Risk Committee at each meeting 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. An in-house tailored training programme on risk management facilitated by CIPFA was undertaken by 15 members of staff in November 2009. A Risk Management Strategy was developed and approved by the Board in March 2009.

The Audit and Risk Committee has lead responsibility for the periodic review of the risk framework/register and other records of risk. Any revision to the framework discussed within the Audit and Risk Committee is recommended to the Board. The Audit and Risk Committee also reviews and agrees annually, the internal audit work schedule; considers and comments on all internal audit reports and reports to full Board on key risks and audit matters. In accordance with these functions, the Chairman and members of the Audit and Risk Committee have received appropriate training in accordance with Best Practice guidelines and Corporate Governance principles. The Chairman also attends DCAL meetings and workshops for NDPB Audit Committee Chairmen.

The Board Chairman and Audit and Risk Committee Chairman review and sign off the final reports and accounts. The ensuing Report to those charged with Governance issued by the Northern Ireland Audit Office is considered by both the Audit and Risk Committee and the Board.

Other committees, including the Finance and Capital and the Lottery and Grants take lead responsibility for periodically monitoring and reporting on, expenditure activities of the Arts Council. This encompasses both grants and core costs with detailed reviews of grant programme type and need, forming part of future grant decisions. The Committee report and make recommendations to the Board.

Finally, the Arts Council maintains a register of related party transactions in order to ensure opportunities for conflicts of interest are avoided. This register is maintained centrally and 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 Risk and Control Framework

The Arts Council appointed independent Internal Auditors (ASM Horwath) from a tender exercise in open competition during 2008/09. The internal auditors have submitted regular reports which included an opinion on the adequacy and

effectiveness of the Council's system of internal control together with recommendations for improvement.

With DCAL's approval the Board's Review of Grant Distribution was undertaken during 2009/10 and has reached the implementation stage.

Grant monitoring procedures continued to be monitored and further improvements and adaptations were ongoing, utilising both finance and internal audit expertise. I have been assured by my senior managers that the procedures continue to incorporate more sophisticated aspects such as multiple application fraud detection in line with policy and financial directions.

The new Information and IT Security Policy introduced to ensure staff awareness of best practice in how to protect the data and assets of the Arts Council was recommended by the Audit and Risk Committee and approved by the Board in June 2009.

Grants Verification procedures were approved by the Board in January 2010 on the recommendation of the Audit and Risk Committee and a Verification Officer was appointed.

DCAL's framework for Risk Registers was adopted and put in place in December 2009.

Following an announcement by the Information Commissioner that the approval of all current publication schemes would expire on 31 December 2008, the Council adopted a new model scheme which is suitable for every public authority and is publishing more information than was previously the case.

The Arts Council operates a Document Disposal Schedule, which reflects the Northern Ireland Civil Service File Plan.

The Framework is also guided by Best Practice in the areas of Public Interest Disclosure (whistleblowing) and Fraud Risk Management.

In accordance with central government guidelines and best practice the Arts Council has in place an Anti-Fraud Policy and a Public Interest Disclosure (Whistleblowing) Policy which has recently been reviewed and approved by the Board.

Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control which is informed by the work of the internal auditor and the senior managers within the Council who have responsibility for the

development and maintenance of the internal control framework, and by comments made by the external auditors in their Report to those charged with Governance and other reports. In addition, as noted above, the Committees of the Board of the Arts Council report at Board meetings on the functional areas falling within each Committee's terms of reference. The Board makes appropriate recommendations where necessary.

A three year Strategic Internal Audit Plan for 2008-11 is in place and has been reviewed and updated on an annual basis. The 2010/11 plan was recently updated to reflect recommendations from DCAL Governance Support Unit (GSU) and was accepted by the Audit and Risk Committee in March 2010. The Annual Statement of Assurance concludes that relevant satisfactory controls are in place and that these continue to be reviewed and amended where appropriate in accordance with best practice guidelines. A limited assurance was given in relation to aspects of the Council's Works of Art and a substantial assurance was given to Financial and Management Information. Outstanding internal and external recommendations are reviewed regularly and are incorporated into work plans for the incoming financial year.

In so far as the outcome of grant monitoring indicates, as supplemented by internal audit activity and internal financial controls, the Arts Council is not aware of any attempted incidents of grant or other fraud being perpetrated on the organisation during the financial year under review.

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. A plan to address any weaknesses, implement internal audit and external audit recommendations, and ensure continuous improvement of the system is in place.

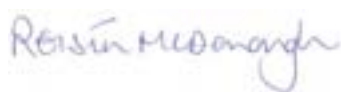
Significant Internal Control Issues

Issues which have arisen during the year include:

1. the payment by the Arts Council of an element of employees' superannuation contributions to the Northern Ireland Local Government Officers Superannuation Committee (NILGOSC). In January 2009, the Arts Council were advised by NILGOSC that The Local Government Pension Scheme (Northern Ireland) is a contributory scheme and the current regulations (Regulation 11(1)) stated 'that each member shall make contributions to the Scheme at the standard contribution rate on his pay in each employment in which he is an active member'. Furthermore, Regulation 11(4) states that 'a person who is an active member in more than one employment must make contributions for each of those employments'. NILGOSC advised that there was no regulation which permits an employer to pay their employees' contributions on their behalf

and this practice may have HMRC implications for the entire pension scheme and audit implications for the employers concerned. The Arts Council sought professional advice from ASM Horwath to review the options available to the Arts Council for amending its pension arrangements and whether this would have National Insurance Contributions (NIC) obligations for the employer and benefit-in-kind implications for the employee. ASM Horwath are continuing discussions with HMRC in relation to this. DCAL approval will be sought before any payments can be made;

2. a capital payment of £1,736,000 to the Grand Opera House. During the 2009/10 financial year DCAL approved a payment of £1,736,000 to the Grand Opera House (GOH) Trust to meet cost increases for the GOH capital project in 2006, which it asked the Arts Council to administer. DCAL advised the Arts Council that DFP had not granted retrospective approval but the Departmental Accounting Officer had judged there were a number of compelling reasons to support a departmental contribution to the GOH. The Arts Council administered the payment which has been deemed irregular in accordance with Managing Public Money Northern Ireland, leading to a regularity qualification in 2009/10 accounts. Since the Grand Opera House project, the Arts Council, through DCAL have ensured that all capital projects are managed under the structures recommended in the Achieving Excellence guidance. The Department also engages the services of a Centre of Procurement Excellence which provides procurement advice to the investment decision makers from the beginning of the project and ongoing technical and project management advice throughout the life of the project through to Post Project Evaluation;
3. outstanding issues arising from an internal audit report on the Council's Works of Art provided only limited assurance. The areas of limited assurance related to Storage of the Art Collection and the revision of the Art Management Handbook to reflect operational procedures. These areas have been addressed and in a follow up assessment the internal auditors have advised the Arts Council that overall assurance regarding the effective and efficient achievement of the Arts Council's objectives was satisfactory;
4. the implementation and the lack of testing of various elements of the Business Continuity Planning (BCP). A steering group has been formed to consider BCP and are working to a plan. Initial testing has commenced in relation to the area of system back-up documentation. Other areas will be tested in due course.



Roisín McDonough
Accounting Officer for the Council

1st July 2010

THE CERTIFICATE OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY

I certify that I have audited the financial statements of Arts Council for Northern Ireland for the year ended 31 March 2010 under the Arts Council (Northern Ireland) Act 1995. These comprise the Net Expenditure Account, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Reserves and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Council, Accounting Officer and auditor

As explained more fully in the Statement of Council's and Accounting Officer's Responsibilities, the Council and Chief Executive as Accounting Officer are 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 the financial statements in accordance with applicable law and 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 for Northern Ireland's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Arts Council for Northern Ireland; and the overall presentation of the financial statements.

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

Qualified Opinion on Regularity arising from a failure to achieve necessary approvals

The Arts Council for Northern Ireland, through the Department of Culture Arts and Leisure, was granted approval by the Department of Finance and Personnel (DFP) for an extension/refurbishment project at the Grand Opera House, on the basis of project costs of £8,428,000. The project costs escalated due to two significant events: higher than anticipated tender costs of £1,183,000; and client changes were made to the project further increasing the costs by £1,035,000. The Department, through the Arts Council funded £1,736,000 of these costs but it failed to obtain retrospective approval from the Department of Finance and Personnel in accordance with the requirements of Managing Public Money Northern Ireland.

In my opinion, except for the expenditure of £1,736,000 incurred on the Grand Opera House where proper approval was not obtained, in all material respects the expenditure and income has been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities that govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view, of the state of Arts Council for Northern Ireland affairs as at 31 March 2010 and of its net expenditure, cash flows and changes in taxpayers' equity for the year then ended; and
- the financial statements have been properly prepared in accordance the Arts Council (Northern Ireland) Act 1995 and Department of Culture Arts and Leisure directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Department of Culture Arts and Leisure directions issued under Arts Council (Northern Ireland) Act 1995; and
- the information given in Background Information and Management Commentary 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 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 Statement on Internal Control does not reflect compliance with Department of Finance and Personnel's guidance.

Report

See also my report added to these financial statements.



KJ Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU

1 July 2010

NET EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

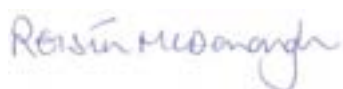
EXPENDITURE	Note	2010 £	2009 £ Restated
Staff Costs	3	2,093,738	1,764,642
Depreciation	4(c)	75,082	98,776
Expenditure on the Arts	4(a)	27,040,756	18,491,202
Other Operating Costs	4(b)	760,473	787,992
		<u>29,970,049</u>	<u>21,142,612</u>
INCOME			
Other Income	5(a)	1,765,809	2,147,459
		<u>1,765,809</u>	<u>2,147,459</u>
Net Expenditure		(28,204,240)	(18,995,153)
Cost of Capital	4(d)	(94,612)	(63,403)
		<u>(28,298,852)</u>	<u>(19,058,556)</u>
Net Expenditure after cost of capital charge and interest			
<u>Other Comprehensive Income</u>			
Actuarial Loss	3(b)	(2,512,000)	(1,463,000)
		<u>(30,810,852)</u>	<u>(20,521,556)</u>
Net Comprehensive Expenditure for the year			

The notes on pages 39 to 65 form part of these accounts.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2010

	Note	31 March 2010 £	31 March 2009 £ Restated	1 April 2008 £ Restated
Non-Current Assets				
Property, plant and equipment	6	3,612,577	3,625,071	3,676,527
Total non-current assets		<u>3,612,577</u>	<u>3,625,071</u>	<u>3,676,527</u>
Current assets				
Trade and other receivables	8	472,838	1,066,378	210,427
Cash and cash equivalents	9	540,438	1,522,644	3,164,764
Total current assets		<u>1,013,276</u>	<u>2,589,022</u>	<u>3,375,191</u>
Total Assets		<u>4,625,853</u>	<u>6,214,093</u>	<u>7,051,718</u>
Current liabilities				
Trade and other payables	10	919,907	1,909,261	1,687,520
Other Liabilities	10	269,027	272,221	642,953
Total current liabilities		<u>1,188,934</u>	<u>2,181,482</u>	<u>2,330,473</u>
Non-current assets plus net current assets		<u>3,436,919</u>	<u>4,032,611</u>	<u>4,721,245</u>
Non-current liabilities				
Provisions				
Pension Liabilities	11	(4,704,000)	(2,060,000)	(635,000)
Total non-current liabilities		<u>(4,704,000)</u>	<u>(2,060,000)</u>	<u>(635,000)</u>
Assets less Liabilities		<u>(1,267,081)</u>	<u>1,972,611</u>	<u>4,086,245</u>
Reserves				
Capital reserve		92,610	90,028	92,000
General reserve		(27,823)	603,299	1,316,112
Art Collection Reserve		638,328	601,028	574,877
Revaluation Reserve		2,653,804	2,658,256	2,658,256
Donated Asset Reserve		80,000	80,000	80,000
Pension reserve		(4,704,000)	(2,060,000)	(635,000)
		<u>(1,267,081)</u>	<u>1,972,611</u>	<u>4,086,245</u>

The financial statements on pages 35 to 65 were approved by the Board on 29 June 2010 and were signed on its behalf by:



Roisin McDonough
Chief Executive

1st July 2010

The notes on pages 39 to 65 form part of these accounts.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2010

	Note	2010 £	2009 £ Restated
Cash flow from Operating Activities			
Net Deficit after cost of capital and interest		(28,298,852)	(19,058,556)
Adjustment for cost of capital charge	4(d)	94,612	63,403
Depreciation		75,082	98,776
Decrease/(Increase) in trade and other receivables		593,540	(855,950)
Increase/(Decrease) in trade payables		(992,548)	(148,991)
Less movements in payables relating to items not passing through the Net Expenditure Account		(37,428)	(60,178)
Use of provisions	3(b)	132,000	(38,000)
Net cash outflow from operating activities		<u>(28,433,594)</u>	<u>(19,999,496)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		<u>(58,030)</u>	<u>(30,115)</u>
Net cash outflow from Investing activities		<u>(58,030)</u>	<u>(30,115)</u>
Cash flows from financing activities			
Grants from DCAL		<u>27,509,418</u>	<u>18,387,491</u>
Net financing		<u>27,509,418</u>	<u>18,387,491</u>
Net increase/(decrease) in cash and cash equivalents in the year		(982,206)	(1,642,120)
Cash and cash equivalents at the beginning of the year	9	<u>1,522,644</u>	<u>3,164,764</u>
Cash and cash equivalents at the end of the Year	9	<u>540,438</u>	<u>1,522,644</u>

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2010

	Note	Capital Reserve	Pension Reserve	General Reserve	Collection Grant Reserve	Revaluation Reserve	Donated Asset Reserve	Total Reserves
Balance at 31 March 2008		92,000	(635,000)	1,344,873				801,873
IAS 16 Capitalisation of Heritage Assets					574,877	2,658,256	80,000	3,313,133
IAS 19 Employee Benefits				(28,761)				(28,761)
Re-stated Balance at 1 April 2008		92,000	(635,000)	1,316,112	574,877	2,658,256	80,000	4,086,245
Changes in Reserves 2008/09								
Release of reserves to the net expenditure account		(42,972)						(42,972)
Non-cash charges - notional cost of capital	4(d)			(63,403)				(63,403)
Net expenditure			38,000	(18,969,750)	26,151			(18,905,599)
Actuarial Loss			(1,463,000)					(1,463,000)
Total recognised income and expense for 2008/09		(42,972)	(1,425,000)	(19,033,153)	26,151			(20,474,974)
Grant from DCAL		41,000		18,320,340				18,361,340
Balance at 31 March 2009		90,028	(2,060,000)	603,299	601,028	2,658,256	80,000	1,972,611
Balance at 1 April 2009		90,028	(2,060,000)	603,299	601,028	2,658,256	80,000	1,972,611
Changes in Reserves 2009/10								
Release of reserves to the net expenditure account		(28,418)						(28,418)
Non-cash charges - notional cost of capital	4(d)			(94,612)				(94,612)
Net expenditure			(132,000)	(27,977,628)	37,300			(28,072,328)
Write Offs						(4,452)		(4,452)
Actuarial Loss			(2,512,000)					(2,512,000)
Total recognised income and expense for 2009/10		(28,418)	(2,644,000)	(28,072,240)	37,300	(4,452)		(30,711,810)
Grant from DCAL		31,000		27,441,118				27,472,118
Balance at 31 March 2010		92,610	(4,704,000)	(27,823)	638,328	2,653,804	80,000	(1,267,081)

NOTES TO THE ACCOUNTS

1. Statement of accounting policies

The financial statements have been prepared in accordance with the 2009/10 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 Council for the purpose of giving a true and fair view has been selected. The particular policies adopted by the 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 certain items of property, plant and equipment.

The accounting policies for all material items are outlined below:

Property, plant and equipment

The Council has adopted a depreciated historical cost basis as a proxy for fair value for all non-current assets as all currently held assets have low values. One asset is valued at valuation. The minimum level for capitalisation as an individual or grouped fixed asset is £1,000. Items below the threshold of £1,000 are written off to the Net Expenditure account.

Operational Heritage Assets are included with property plant and equipment and are shown at fair value. Operational Heritage Assets are not depreciated as their value may increase over time.

Heritage Assets - Works of Art and Partnership Purchase of Pictures

The Arts Council's Art Collection is regarded as a non-operational heritage asset and in 2009/10 is capitalised in the Statement of Financial Position at cost or value as outlined below. From 1996/97 until 2008/09 the Works of Art were not capitalised and were not recorded in Statement of Financial Position. In 2009/10 the Heritage Assets were capitalised in the Statement of Financial Position and a prior period adjustment performed to restate the comparative figures. There is no minimum level for capitalisation of Heritage Assets.

Purchases of Works of Art are charged against DCAL recurrent grant in the Statement of Reserves in the year of expenditure and the amount is recorded on a separate Art Asset Account and Capital Grant Account at cost, until 2009/10 both of these were maintained outside of the accounting system.

Write-offs, once approved, are written back to DCAL recurrent grant income in the Statement of Financial position and the amount is charged against a separate Art Register and Capital Grant account at cost or value as appropriate.

During 1999-2000 the Council carried out a valuation of the Art Collection. The valuation was conducted by Council staff with advice from Sotheby's. The valuation established at 31st March 2005 has been amended in light of known market changes. Heritage Assets purchased from 1 April 2005 are shown on the balance sheet at cost. Any Heritage Assets owned before 31 March 2005 are shown at valuation. The Council believes that it's staff are qualified to perform the valuation and to test and analyse valuations as advised by Sotheby's. The staff involved in the on-going revaluation are Ms. Noírin McKinney, Arts Development Director and Dr. Suzanne Lyle, Collection Curator.

Heritage Assets are not depreciated.

The Arts Council would like to transfer ownership of the major part of the Art Collection to registered museums and other recognised public bodies and during 2009/10 received the approval of the Department of Culture, Arts and Leisure to do this. The gifting process will be implemented in 2010/11.

Depreciation

Depreciation has been provided using the straight line method so as to write each asset off over its estimated useful life. Depreciation is charged in the year in which the asset is acquired; no depreciation is charged in the year in which the asset is disposed.

The rates of depreciation in use are as follows:

Furniture, Fixtures & Fittings	10-25 years
MacNeice House - Tenant's Works	5-10 years
Theatrical, film, art & music equipment	30 years
Computer equipment	3-7 years
Other Equipment	5 years
Non-operational heritage asset	N/A

Operating leases

Rentals payable under operating leases are written off in the Net Expenditure Account in the year. The amount charged in the year and the amount of the payments to which the entity is committed at the year end is disclosed in the note 14 to the accounts.

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.

Grant relating to capital expenditure, used to acquire specific capital items, is credited to a Capital Grant Reserve. It is released to expenditure over the expected useful life of the asset it has been used to acquire and an equal amount transferred from the Capital Grant Reserve is released to income.

Lottery Recharges

Administrative overheads and salaries are apportioned to the Lottery Distribution fund and comprise administrative costs and salaries incurred by the 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.

Payment of Grants

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

VAT

The Arts Council of Northern Ireland is registered for VAT. Input VAT on trading activities is partially recoverable. Grant distribution falls outside the scope of VAT. Any irrecoverable input VAT suffered on the acquisition of goods and services forms part of the cost, charged to the Net Expenditure Account, or is attributed to assets in the statement of financial position.

1(a) Capital Charge

A charge, reflecting the cost of capital utilised by the NDPB, is included in the Net Expenditure Account. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities, except for:

- A Property, plant and equipment where the cost of capital charge is based on opening values, adjusted pro rata for:
- additions at cost
 - disposals as valued in the opening statement of financial position (plus any subsequent capital expenditure prior to disposal)
 - impairments at the amount of the reduction of the opening statement of financial position value (plus any subsequent capital expenditure)
 - depreciation of property, plant and equipment
- B donated assets, and cash balance with the Office of the Paymaster General, where the charge is nil.

Due to the change of accounting policy in relation to Heritage Assets in 2009/10 the prior year figures for cost of capital charge have been restated.

1(b) Pension Costs

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

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 2010.

Pension scheme assets are measured using the 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 Council's defined benefit pension scheme arising from employee service in the period is charged to the Net Expenditure Account so as to recognise the cost of pensions over the employees' working lives. The expected return on the scheme's assets and the increase during the year in the present value of the scheme's liabilities arising from the passage of time are included in other finance costs. Actuarial gains and losses are recognised in the Net Expenditure account.

2. First time adoption of IFRS

2(a) Reconciliation of UK GAAP reported taxpayers' equity to IFRS at the date of transition 1 April 2008

	General Fund
Taxpayers' equity at 31 March 2008 under UK GAAP	801,873
Adjustment for	
IAS 16 Capitalisation of Heritage Assets	3,313,133
IAS 19 Employee Benefits	(28,761)
Taxpayer's equity at 1 April 2008 under IFRS	<u>4,086,245</u>

2(b) Reconciliation of UK GAAP reported taxpayers' equity to IFRS at the end of final UK GAAP reporting period 31 March 2009

	General Fund
Taxpayers' equity at 31 March 2009 under UK GAAP	(1,366,673)
Cumulative Adjustments	
Capitalisation of Heritage Assets	3,339,284
Taxpayer's equity at 1 April 2009 under IFRS	<u>1,972,611</u>

2(c) Reconciliation of UK GAAP reported net operating cost to IFRS for the year ended 31 March 2009

Net Expenditure for 2008/09 under UK GAAP	19,023,914
Adjustment for	
Cost of Capital on Capitalisation of Heritage Assets	63,403
IAS 19 Employee Benefits	(28,761)
Net Expenditure for 2008/09 under IFRS	<u>19,058,556</u>

The Arts Council of Northern Ireland had a cash balance of £1,522,644 reported under UK GAAP at 31 March 2009. The Arts Council of Northern Ireland did not have any cash equivalents reported under UK GAAP as investments.

3(a) Staff Costs

	Total £	Permanently employed staff £	Others £	2008/09 £ Restated
Wages and salaries	1,526,741	1,307,066	219,675	1,429,909
Social security costs	102,481	86,965	15,516	81,394
Agency costs	43,053		43,053	
Other pension costs	421,463	370,745	50,718	253,339
	<u>2,093,738</u>	<u>1,764,776</u>	<u>328,962</u>	<u>1,764,642</u>

3(b) Pension Costs

The Council makes employer contributions to the Northern Ireland Local Government Officers Superannuation Scheme (NILGOSC) which is a funded scheme of the defined benefit type. The fund is invested in suitable investments, managed by the Committee. For 2009-2010 the contribution rates were 16% employers and ranging between 5.5% and 7.5% employees (2008-2009 16% employers and 6% employees).

The total employer pension cost under the Scheme was £421k (restated 2008-2009: £253k). 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 scheme was carried out at 31 March 2010, results of which are shown below. The financial assumptions used by the actuary were:

	2010	2009
Inflation/Pension Increase Rate	3.8%	3.1%
Salary Increase Rate	5.3%	4.6%
Expected Return on Assets	7.2%	6.5%
Discount Rate	5.5%	6.9%

The average future life expectancies at age 65 are:

	Males	Females
Current Pensioners	20.8 years	24.1 years
Future Pensioners	22.3 years	25.7 years

The expected return is based on the long-term future expected investment return for each asset class at 31 March 2010 as determined by Hyman Robertson LLP.

The fair value of assets in the scheme and the expected rate of return were:

	Long term return at 31.03.10 %p.a.	Value at 31.3.10 £'000	Long term return at 31.03.09 %p.a.	Value at 31.3.09 £'000	Long term return at 31.03.08 %p.a.	Value at 31.3.08 £'000
Equity	7.8%	5,946	7.0%	3,922	7.7%	5,500
Bonds	5.0%	1,081	5.4%	752	5.7%	808
Property	5.8%	463	4.9%	376	5.7%	566
Cash	4.8%	232	4.0%	322	4.8%	108
	7.2%	7,722	6.5%	5,372	7.3%	6,982

(i) Analysis of Amount shown in the Statement of Financial Position

	31 March 2010	31 March 2009	31 March 2008	31 March 2007	31 March 2006
	£'000	£'000	£'000	£'000	£'000
Total Market Value of Assets	7,722	5,372	6,982	7,223	6,800
Present Value of Defined Benefit Obligation	(12,426)	(7,432)	(7,617)	(8,447)	(7,030)
Surplus/(Deficit)	(4,704)	(2,060)	(635)	(1,224)	(230)
Experience Gains/(Losses) on Assets	1,904	(2,157)	(771)	(8)	1029
Experience Gains/(Losses) on liabilities	-	-	60	(2)	(9)

	31 March 2010	31 March 2009	31 March 2008	31 March 2007	31 March 2006
	£'000	£'000	£'000	£'000	£'000
Actuarial Gains/(Losses) on Employer Assets	1,904	(2,157)	(771)	(8)	1029
Actuarial Gains/(Losses) on Obligation	(4,416)	694	1,370	(980)	(745)
Actuarial Gains/(Losses) recognised in Statement in Changes in Reserves	(2,512)	(1,463)	599	(988)	284

(ii) Analysis of amounts charged to Net Expenditure Account in respect of Defined Benefit Scheme

	2010 £'000	2009 £'000
Net Expenditure Account		
Current Service Cost	146	157
Losses on curtailment	6	-
Past Service Cost	70	-
Total Operating Charge	<u>222</u>	<u>157</u>

(iii) Analysis of Amount Charged to Other Finance Costs

	2010 £'000	2009 £'000
Expected Return on Pension Scheme Assets	352	511
Interest on Pension Scheme Liabilities	(515)	(525)
Net (Charge)/Return	<u>(163)</u>	<u>(14)</u>

(iv) Analysis of Amount recognised in comprehensive expenditure in Net Expenditure account

	2010 £'000	2009 £'000
Actuarial Gain/(Loss) on Plan Assets	1,904	(2,157)
Actuarial (Loss)/Gains on Obligation	(4,416)	694
Actuarial Loss recognised in Net Expenditure account	<u>(2,512)</u>	<u>(1,463)</u>

(v) Movement in Deficit during the Year

	2010	2009
	£'000	£'000
Deficit in Scheme at Beginning of Year	(2,060)	(635)
Movement in the year		
Current Service Costs	(146)	(157)
Past Service Costs	(70)	-
Losses on Curtailments	(6)	-
Contributions	253	209
Net Return on Assets	(163)	(14)
Actuarial Gain/ (Loss)	(2,512)	(1,463)
Deficit in Scheme at End of Year	(4,704)	(2,060)

(vi) Analysis of the movement in the present value of the benefit obligation

	2010	2009
	£'000	£'000
Benefit Obligation at beginning of year	7,432	7,617
Current Service Cost	146	157
Interest on obligation	515	525
Contribution by members	100	83
Actuarial Losses/(Gains)	4,416	(694)
Past Service Costs	70	-
Losses on Curtailments	6	-
Benefits Paid	(259)	(256)
Benefit Obligation at end of year	<u>12,426</u>	<u>7,432</u>

(vii) Analysis of the movement in the fair value of the benefit scheme

	2010	2009
	£'000	£'000
Value of Assets at beginning of year	5,372	6,982
Expected return on Assets	352	511
Contributions by Members	100	83
Contributions by Employers	253	209
Actuarial Gains/(Losses)	1,904	(2,157)
Benefits paid	(259)	(256)
Value of Assets at end of year	<u>7,722</u>	<u>5,372</u>

(viii) History of Experience, Gains and Losses

	2010 £'000	2009 £'000	2008 £'000
Difference Between Expected and Actual Return on Scheme Assets	1,904	(2,157)	(771)
Value of Assets	7,722	5,372	6,982
Percentage of Scheme Assets	24.7%	(40.2%)	(11.0%)
Experience Gains and Losses on Scheme Liabilities	-	-	60
Total Present Value of Liabilities	(12,426)	(7,432)	(7,617)
Percentage of Present Value of Scheme Liabilities	N/A	N/A	7.9%
Actuarial Losses on Plan Assets	1,904	(2,157)	(771)
Actuarial(Losses)/ Gains on Obligation	<u>(4,416)</u>	<u>694</u>	<u>1,370</u>
Total Amount Recognised in Net Expenditure account	(2,512)	(1,463)	599
Total Present Value of Liabilities	(12,426)	(7,432)	(7,617)
Percentage of Present Value of Scheme Assets	(20.2%)	(19.7%)	7.9%

The contributions expected to be paid in 2009/10 are £246,000.

3(c) Average number of persons employed:

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

	Total No.	Permanently Employed Staff No.	Others No.	2008-09 No.
Directly employed	60	45	15	53
Other	1	-	1	2
Staff engaged on capital projects	1	1	-	1
Total	62	46	16	56

3(d) Board Members' Emoluments

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 honoraria 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 total cost of honoraria paid in 2009-10 was £14,050 (2008-09: £15,582) as shown in wages and salaries. This includes £550 of employer's National Insurance Contributions.

The amounts received by the Chairman and Vice Chairman are detailed below:

	Chairman	Vice Chairman
	£	£
R Kelly	10,000	
D Coyle		£3,500

3(e) Chief Executive's Remuneration

The Chief Executive's remuneration, including back dated pay awards and bonus, during the year was £84,556 (2008-09: £76,733). The Chief Executive is an ordinary member of the Northern Ireland Local Government Officers Superannuation Committee (NILGOSC) pension scheme. A total of £48,363 (2008/09: £24,956) of the Chief Executive's employment costs have been apportioned to the Lottery Distribution fund to cover time spent on Lottery activities.

4. Other Expenditure

	Note	2010 £	2009 £
4(a) Expenditure on the Arts			
Annual Support for Organisations			
Community Arts		873,897	781,664
Venues and Festivals		1,710,402	1,567,703
Drama		1,293,620	1,165,342
Dance		187,563	99,250
Health, Disability & Voluntary Arts		381,720	403,644
Literary Arts		471,957	464,557
Music		2,785,174	2,716,174
Visual Arts		1,172,654	1,144,483
Youth		612,772	574,772
Other		296,200	296,200
Traditional Arts (1)		323,510	346,510
Arts Development		534,821	356,135
Creativity in Education		(6,062)	299,870
Ticketing Software		-	(40,000)
SIAP		589,206	654,567
Re-imaging Communities		37,197	1,421,131
Other Artform		782,694	966,677
Legacy Trust		233,565	-
Strategy		127,729	179,375
Creative Industries		1,850,000	341,001
Capital		12,782,137	4,752,147
Expenditure on the Arts		27,040,756	18,491,202

(1) Includes £200,000 of Cultural Traditions funding from Department of Education

	Note	2010 £	2009 £
4(b) Other Operating Costs			
Premises		288,953	334,998
Artslink & public affairs		10,842	15,088
Expenses and hospitality			
Artform officers		21,362	31,083
Council and panel members		17,569	21,752
Administrative staff		12,669	12,896
Other core expenses		30,911	13,501
Insurances		30,014	30,906
Telephone and postage		31,164	30,804
Equipment		111,620	94,145
Legal and consultancy fees		97,841	72,861
Stationery		12,848	13,478
Training		27,151	39,562
Publications and advertising		61,224	55,031
Central advisers		6,305	7,805
Honoraria		-	14,082
Other Operating costs		760,473	787,992

Previously Honoraria were included in Operating Expenses. From 2009/10 Honoraria is shown in Wages and Salaries.

	Note	2010 £	2009 £
4(c) Depreciation			
Charge for the year	6	75,082	98,776
	Note	2010 £	2009 £ Restated
4(d) Cost of Capital charges			
Charge for the year		94,612	63,403
Total Other Expenditure		27,970,923	19,441,373

Other Operating costs include travel, subsistence and hospitality costs for staff, Council and Panel members. The total spent in the year on travel, subsistence and hospitality is as follows:

	T&S £	Hospitality £	2010 Total £	2009 Total £
Expenses & Hospitality				
Artform Officers	21,132	230	21,362	31,083
Council & Panel Members	14,460	3,109	17,569	21,752
Administrative Staff	11,507	1,162	12,669	12,896
	<u>47,099</u>	<u>4,501</u>	<u>51,600</u>	<u>65,731</u>

The Legal & Consultancy total of £97,841 (2008/09: £72,861) includes an external audit fee of £11,500 in respect of the Northern Ireland Audit Office. The above costs are gross costs to the Exchequer account and £1,184,738 of these operating cost and salaries costs have been recharged to the Lottery Distribution account and are shown as other income in note 5(a) below. £48,521 of operating costs have been recharged to ring fenced projects and are shown as other income in note 5(a) below.

	2010 £	2009 £ Restated
5(a) Other Income		
Department of Education (Cultural Traditions grant)	200,000	200,000
Belfast City Council Education grant	-	11,500
National Lottery Recharge – administration	219,973	325,564
National Lottery Recharge – salaries	964,765	668,732
Income from admin charges to ring fenced projects	48,521	-
Grant refunded	34,862	8,897
Conference Income	8,648	180
Administrative & miscellaneous	11,037	24,004
Interest	184	629
Other including Re-imaging Communities	79,000	850,750
Pension fund investment returns	-	-
Legacy Trust Income	233,565	-
Creative & Cultural Skills Income	6,600	-
ELB income	(41,346)	57,203
Other Income	<u>1,765,809</u>	<u>2,147,459</u>

5(b) Grant-in-aid

The Department of Culture, Arts and Leisure (DCAL) provided the following grant-in-aid during the year which was drawn down by the Arts Council:

	2010 £	2009 £
Basic Revenue Grant	14,166,000	13,430,477
In Year capital	13,284,000	4,873,042
In House Capital	31,000	41,000
Total Drawdown	27,481,000	18,344,519
Not Drawdown	784,000	-
Total Grant-in-Aid Allocation	28,265,000	18,344,519

The Arts Council drewdown a total of £27,481,000 cash in year from DCAL. An amount of £37,300 was allocated from grant income, deferred to the Art Collection Reserves and used for additions to the art collection. An amount of £31,000 was a capital contribution towards capital requirements at the Arts Council. An amount of £28,418 was released from deferred capital grants to cover depreciation and capital items expensed as they were less than the £1,000 capitalisation threshold. The remaining balance of £27,441,118 was used to fund the revenue activities of the Council during the period. A further £784,000 was allocated as grant-in-aid to the Arts Council but in order to manage year-end cash balances, this amount was not drawdown before year end.

5(c) 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.

The drawdown of £784k of grant-in-aid was delayed to avoid excess cash balances at year-end. In line with the MSFM, the Department will make available in the next financial year any such grant-in-aid required to meet any liabilities at year end, such as accruals.

As a result the year-end cash management the balance of cash at 31 March 2010 was £540,438 which is reasonable.

6. Property, plant and equipment

	Buildings	Furniture & Fittings	Plant & Machinery	Information Technology	Operational Heritage Assets	Non Operational Heritage Assets	Total
	£	£	£	£	£	£	£
Cost or Valuation							
At 1 April 2009 (restated)	264,926	59,431	260,965	350,046	80,000	3,259,284	4,274,652
Additions at cost	7,359	-	13,958	9,513	-	37,300	68,130
Disposals/Write-off	(1,089)	-	(1,626)	-	-	(4,453)	(7,168)
At 31 March 2010	271,196	59,431	273,297	359,559	80,000	3,292,131	4,335,614
Depreciation							
At 1 April 2009	168,586	30,065	130,800	320,130	-	-	649,581
Charge for period	31,991	3,622	11,096	28,373	-	-	75,082
Disposals	-	-	(1,626)	-	-	-	(1,626)
At 31 March 2010	200,577	33,687	140,270	348,503			723,037
Net book value							
At 31 March 2010	70,619	25,744	133,027	11,056	80,000	3,292,131	3,612,577
Net book value							
At 31 March 2009	96,340	29,366	130,165	29,916	80,000	3,259,284	3,625,071
Asset Financing							
Owned	70,619	25,744	133,027	11,056	80,000	3,292,131	3,612,577
NBV at 31 March 2010	70,619	25,744	133,027	11,056	80,000	3,292,131	3,612,577

	Buildings	Furniture & Fittings	Plant & Machinery	Information Technology	Operational Heritage Assets	Non Operational Heritage Assets	Total
	£	£	£	£	£	£	£
Cost or Valuation							
At 1 April 2008	247,560	59,431	260,965	346,243	-	-	914,199
Opening Revaluation	-	-	-	-	80,000	3,233,133	3,313,133
Additions at cost	17,366	-	-	3,803	-	26,151	47,320
Disposals	-	-	-	-	-	-	-
At 31 March 2009	264,926	59,431	260,965	350,046	80,000	3,259,284	4,274,652
Depreciation							
At 1 April 2008	135,087	26,470	120,169	269,079	-	-	550,805
Charge for period	33,499	3,595	10,631	51,051	-	-	98,776
Disposals	-	-	-	-	-	-	-
At 31 March 2009	168,586	30,065	130,800	320,130	-	-	649,581
Net book value							
At 31 March 2009 (Restated)	96,340	29,366	130,165	29,916	80,000	3,259,284	3,625,071
Net book value							
At 1 April 2008	112,473	32,961	140,796	77,164	80,000	3,233,133	3,676,527
Asset Financing							
Owned	96,340	29,366	130,165	29,916	80,000	3,259,284	3,625,071
NBV at 31 March 2009	96,340	29,366	130,165	29,916	80,000	3,259,284	3,625,071

6 (b) Operational Heritage Assets

The operational Heritage Asset relates to a violin the Council possesses manufactured by Joseph Gagliano between 1780 and 1782. The violin was donated to the 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 and is therefore shown in the Fixed Asset note. The violin was valued on 27 June 2003 and is shown in the accounts at fair value. Prior to 2009/10, this was not included within fixed assets but disclosed in a note to the accounts. However, in 2009/10 the operational heritage asset was capitalised in the Statement of

Financial Position and a prior period adjustment performed to restate the comparative figures. The violin is not depreciated as its value may increase over time.

6 (c) Non-Operational Heritage Assets

The Arts Council's Art Collection is considered a heritage asset. The Collection tells a story of the visual arts in Northern Ireland; the Collection growing organically, through long periods of turbulence which it often reflects, responded to the preoccupations of the art community and to the changing cultural environment. Starting a collection was deemed by the Council for the Encouragement of Music and the Arts (CEMA) the Arts Council's predecessor, to be one of its highest priorities. At its formation in February 1943, one of CEMA's first actions was to purchase paintings as its 1944/45 annual report explained 'with a view to encouraging local artists and for the purpose of forming a permanent collection of its own, the Council decided to allocate a small sum of money for the purchase of pictures by local artists', the intention being to circulate pictures within the public domain. The Collection had developed in this way over the years. There is currently some 1200 pieces in the works of art collection. In recent years the collection has been exhibited in schools, hospitals and public buildings as well as museums and galleries throughout Northern Ireland, in circulating exhibitions at home and abroad, at the offices of the Council, and also held in secure storage. The collection is also partly accessible on the internet with circa 10% of the old collection being represented there. New works also have a dedicated section on the website. Upon request works have been brought from the store for researchers, the public or curators to view.

The Arts Council still recognises the importance of purchasing contemporary work as a means of supporting artists. Accordingly, the Council allocates an acquisitions fund of circa £40k per annum. In order to qualify Artists must have been living in Northern Ireland for 12 months before date of purchase of work and have made a contribution to artistic activities in Northern Ireland. Artists from Northern Ireland who are living elsewhere will also be considered. Artists not from Northern Ireland whose work is of particular relevance to Northern Ireland will be considered in exceptional circumstances. Priority is given to artists whose work is both challenging and innovative. Emerging as well as established artists are eligible. Works in all media are considered, including painting, sculpture, crafts, prints photography, video and emergent art forms. The Council considers accepting gifts to the collection. Such works are assessed against the same criteria as for purchase.

Works of art are selected by the Acquisitions Committee. Works are considered against the following criteria – quality innovation and challenging nature of the work, evidence of the artistic achievement the artist's contribution to visual arts in

Northern Ireland, relevance of purchase to furtherance both of the artist's career and to the Council's Funding objectives.

Works are brought to the attention of Council in two ways. Committee members may make recommendations against the stated criteria following studio visits, review of slides and catalogues of work and gallery exhibitions. Artists themselves may apply once every two years to the acquisition scheme for their work to be purchased. DCAL approval was received in 2009/10 to allow the Council to gift works over a five year period to institutions throughout Northern Ireland, through an open application procedure.

7. Financial Instruments

As the cash requirements of the Arts Council are met through Grant-in-Aid provided by DCAL, 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 Arts Council is therefore, exposed to minimal credit, liquidity or market risk.

8(a) Trade receivables and other current assets

	31 March 10 £	31 March 09 £	1 April 08 £ Restated
Amounts falling due within one year:			
Trade receivables	107,537	75,420	95,889
Other receivables	76,701	1,200	-
Prepayments and accrued Income	288,600	989,758	114,538
	<u>472,838</u>	<u>1,066,378</u>	<u>210,427</u>

8(b) Trade receivables and other current assets – Intra Government Balances

	31 March 10 £	31 March 09 £	1 April 08 £ Restated
Amounts falling due within one year:			
Central Government	252,339	181,173	154,967
Local Authorities	-	48,933	-
Intra Government Debtors	252,339	230,106	54,967
Bodies external to Government	220,499	836,272	55,460
	<u>472,838</u>	<u>1,066,378</u>	<u>210,427</u>

9. Cash and cash equivalents

	31 March 10 £	31 March 09 £	1 April 08 £
Balance at 1 April	1,522,644	3,164,764	1,383,059
Net change in cash and cash equivalent balances	(982,206)	(1,642,120)	1,781,705
Balance at 31 March	<u>540,438</u>	<u>1,522,644</u>	<u>3,164,764</u>

The following balances at 31 March were held at:

	31 March 10 £	31 March 09 £	1 April 08 £
Commercial banks and cash in hand	540,438	1,522,644	3,164,764
Short term investments	-	-	-
Balance at 31 March	<u>540,438</u>	<u>1,522,644</u>	<u>3,164,764</u>

10 (a) Trade payables and other current liabilities

	31 March 10 £	31 March 09 £	1 April 08 £ Restated
Amounts falling due within one year:			
VAT	5,203	2,669	19,718
Other payables	919,907	1,909,261	1,687,520
Accruals and deferred Income	263,824	269,552	623,235
	<u>1,188,934</u>	<u>2,181,482</u>	<u>2,330,473</u>

10(b) Trade payables and other current liabilities – Intra Government Balances

	31 March 10 £	31 March 09 £	1 April 08 £ Restated
Central Government	49,594	36,151	274,663
Local authorities	56	223,778	23,163
Other public bodies	11,500	189,896	139,750
Intra Government Debtors	61,150	449,825	437,576
Bodies external to Government	1,127,784	1,731,657	1,892,897
	<u>1,188,934</u>	<u>2,181,482</u>	<u>2,330,473</u>

11. Non- current liabilities

	31 March 10 £	31 March 09 £	1 April 08 £
Pension deficit	(4,704,000)	(2,060,000)	(635,000)
	<u>(4,704,000)</u>	<u>(2,060,000)</u>	<u>(635,000)</u>

Details of the pension scheme are outlined in Note 3b above.

12. Explanation of Reserve Accounts

Capital Reserve

This is the capital grant ring fenced by DCAL for in-house capital expenditure at the Arts Council. Any items of capital that are capitalised in year have an equivalent deferral to the Capital Reserve in year. This balance is amortised in line with depreciation on the assets to which the balance relates.

General Reserve

This is the balance of recurrent grants provided by sponsor department DCAL through grant in aid, net of expenditure in year funded by DCAL. An amount is allocated from this income and used for additions to the art collection. This is excluded from the General Reserve balances above and deferred to the Art Collection Reserve.

Art Collection Reserve

This is the balance of recurrent grant provided by DCAL and used for purchases of art works for the Arts Council Collection.

Revaluation Reserve

This is the balance arising on the revaluation upwards of Heritage Assets from Cost to Value. The balance represents the difference between the cost of works of art purchased prior to 31 March 2005 and their valuation at 31 March 2005.

Donated asset reserve

This is the balance that reflects the fair value of donated assets that have been capitalised in the balance sheet.

Pension Reserve

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

13. Capital commitments

	31 March 10 £	31 March 09 £	1 April 08 £
Contracted capital commitments as at 31 March not otherwise included in these financial statements			
Property plant and equipment	-	£9,316	-

14. 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:

	31 March 10 £	31 March 09 £ Restated	1 April 08 £ Restated
Obligations under operating leases comprise:			
<i>Buildings</i>			
Not later than one year	205,625	205,625	205,625
Later than one year and not later than five years	822,500	205,625	411,250
Later than five years	205,625	-	-
	<u>1,233,750</u>	<u>411,250</u>	<u>616,875</u>

-

	31 March 10 £	31 March 09 £ Restated	1 April 08 £ Restated
<i>Other</i>			
Not later than one year	143,831	141,266	108,864
Later than one year and not later than five years	9,546	97,035	80,825
Later than five years	-	-	-
	<u>153,377</u>	<u>238,301</u>	<u>189,689</u>

15. Other financial commitments

The Arts Council have entered into an agreement (which is not a lease or PFI contract) to provide a loan to An Gaelaras towards the finishing costs of the capital development of their building. An Gaelaras agree to sell an existing property and on realising the sale, An Gaelaras will repay the Arts Council an amount equivalent to the original loan.

If the property is not sold within 2 years from date of acceptance of the award, An Gaelaras will agree a further extension of the loan and/or sale of the property at a reduced rate.

In 2009/10 the loan amount of £75k was paid to An Gaelaras and is included in Other Receivables at Note 8(a) above.

The payments to which the Arts Council are committed during 2009/110 analysed by the period during which the commitment expires are as follows:

	31 March 10 £	31 March 09 £	1 April 08 £
Not later than one year	-	-	-
Later than one year and not later than five years	-	75,000	-
Later than five years	-	-	-
	<u>-</u>	<u>75,000</u>	<u>-</u>

16. Contingent Liability disclosed under IAS 37

The Arts Council of Northern Ireland has the following contingent liabilities. The Council has for some time been directly meeting the cost of some employees' contributions to the Northern Ireland Local Government Officers' Pension Scheme, effectively treating the pension scheme as a non-contributory pension scheme for those members. This had been a clause in the relevant contracts of employment. During 2010/11 all staff will have to make the appropriate employee contribution directly from pay.

In 2008-09 the Arts Council commissioned ASM Horwath to review the options available to the Arts Council for amending its pension arrangements. This report assessed 10 options of compensating employees to ensure they make an appropriate employee contribution but provide them with a similar net pay. The impact on the employer's contribution ranged from -£53k to +£64k per annum. This creates a contingent liability as at 31 March 2010.

In January 2010, the Department of Finance and Personnel (DFP) issued a bulletin for settlement of equal pay claims in the Northern Ireland Civil Service. This settlement applied to Administration Assistants (AA), Administration Officers (AO) and Executive Officers (EOII) and analogous grades. The Arts Council of Northern Ireland has commissioned legal opinion to consider if the terms of the settlement applied to similar grades of Arts Council staff. The exact amount to be paid depends on a number of factors including taxation obligations which also require clarification. Estimated costs range from £47k to £76k (the latter including a taxation charge). This creates a contingent liability as at 31st March 2010.

17. Related-party transactions

The Arts Council of Northern Ireland is a Non Departmental Public Body sponsored by the Department of Culture, Arts and Leisure (DCAL). DCAL is regarded as a related party and during the year the Council had various material transactions with DCAL as reconciled in Note 5(b) above.

The Arts Council received funding of £200k from the Department of Education ring-fenced for a Cultural Traditions programme.

The Arts Council's National Lottery Distribution Account is also regarded as a related party to this account. At 31 March 2010 a net amount of £252,339 (2008/09: £174,534) was owed by the National Lottery Distribution Account to this account in respect of salary and other administrative costs incurred. This amount is included in the Trade and Other Receivables figure of £472,838 (2008/09: £1,066,378) shown in note 8 above.

Several members 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 below. All of the transactions relating to the organisations were conducted at arm's length by the Council.

Grant Ref	Organisation Name	Grant Amount	Nature of relationship
ACNI/5514	Andersonstown Traditional & Contemporary Music School	50,000	ACNI staff member is a friend of the organisation's Director.
ACNI/5259	Armagh City and District Council, Market Place Theatre	45,010	ACNI board member is a member of the MPT's Advisory Committee
ACNI/5541	Arts Care	45,292	ACNI board member is member of Arts Care committee.
ACNI/5581	Belfast and District Set Dancing and Traditional Music Society	20,000	ACNI staff member is a tutor for the organisation.
ACNI/5569	Camerata Ireland	40,000	ACNI board member is Camerata benefactor.
ACNI/5885	Camerata Ireland	1,000	ACNI board member is Camerata benefactor.
ACNI/5852	Camerata Ireland	26,500	ACNI board member is Camerata benefactor.
ACNI/5904	Circa Art Magazine	8,315	ACNI board member is former Chair of Circa.
ACNI/5523	Creative Exchange	13,100	ACNI staff member is a member of the Creative Exchange Studio Group.
ACNI/5505	Down Community Arts	30,000	ACNI board member is also board member of Down Community Arts.
ACNI/4625	Down District Council Arts Service	600,510	ACNI board member is a Director of Down District Council
ACNI/5554	Flaxart Studios	38,680	ACNI board member's spouse is Chair of Flaxart Studios.
ACNI/5906	Flaxart Studios	8,310	ACNI board member's spouse is Chair of Flaxart Studios.
ACNI/5463	Irish Pages Ltd	30,000	Spouse of ACNI staff member is editor of Irish Pages.

Grant Ref	Organisation Name	Grant Amount	Nature of relationship
ACNI/5490	John Hewitt Society	18,000	ACNI board member is the Director of the John Hewitt Society.
ACNI/5567	Kabosh Theatre Ltd	81,890	ACNI board member is former Chair of Kabosh Theatre Ltd
ACNI/5733	Kabosh Theatre Ltd	15,424	ACNI board member is former Chair of Kabosh Theatre Ltd
ACNI/5525	Lagan Press Ltd	49,600	ACNI staff member was published by Lagan Press in 09/10.
ACNI/5537	Linenhall Library	8,750	ACNI board member is a member of Linen Hall Library.
ACNI/4496	Moving on Music	4,950	ACNI board member is Chair of Board of Moving on music.
ACNI/5402	Moving on Music	5,690	ACNI board member is Chair of Board of Moving on music.
ACNI/5508	Moving on Music	114,150	ACNI board member is Chairman of Board of Moving on music.
ACNI/5568	Old Museum Arts Centre	242,650	ACNI board member is former Acting Director of OMAC.
ACNI/5909	Royal Society of Ulster Architects	5,000	ACNI board member is regional representative of Royal Town Planning Institute which is a user of RSUA.
ACNI/5447	Royal Society of Ulster Architects	35,000	ACNI board member is regional representative of Royal Town Planning Institute which is a user of RSUA.
ACNI/5566	Spanner in the Works	22,000	ACNI board member is co-founder of the organisation.

Grant Ref	Organisation Name	Grant Amount	Nature of relationship
ACNI/5550	Ulster Orchestra Society Ltd	2,196,720	ACNI board member is committee member of Friends of the Ulster Orchestra. ACNI board member has a sister on the board of UO.
ACNI/3339	Ulster Orchestra Society Ltd	125,000	ACNI board member is committee member of Friends of the Ulster Orchestra. ACNI board member has a sister on the board of UO.
ACNI/5474	Ulster Youth Choir	20,100	ACNI board member is also board member of Ulster Youth Choir.
ACNI/5902	Ulster Youth Choir	11,536	ACNI board member is also board member of Ulster Youth Choir.

18. IAS 10 - Events after the reporting period

There have been no events after the reporting period outside the ordinary course of business that would materially affect the Arts Council since 31 March 2010.

APPENDIX 1

Report of the Comptroller and Auditor General

Arts Council for Northern Ireland 2009-10

Irregular Payments to the Grand Opera House Trust

Introduction

1. In accordance with the requirements of Managing Public Money Northern Ireland (MPMNI), the Department of Finance and Personnel (DFP) has delegated to Departments authority to enter into commitments and to spend within defined limits, subject to certain restrictions. In turn, Departments agree delegated authorities with their arm's length bodies.
2. DFP cannot delegate authority for expenditure which exceeds the general threshold for major capital expenditure projects; this is currently £1,000,000. Therefore, any expenditure in an arm's length body in excess of £1,000,000 requires approval from both the Department of Culture Arts and Leisure (DCAL) and DFP.
3. It is a general condition of DFP approval that it must be notified if at any time costs or any other key assumptions vary by more than 10 per cent from the estimates given in the business case upon which the approval was based, or if implementation is delayed by more than 24 months.
4. If a department and/or arms length body wishes to make any significant change to a project or to its proposal for procurement, after approval has been granted, DFP agreement must be obtained before any expenditure is committed and before procurement is commenced.

Grand Opera House Extension/Refurbishment Project

5. In 2002 the Grand Opera House wanted to extend their building to sites adjacent to and behind the existing theatre building. The Arts Council of Northern Ireland had earmarked, in principle £2,000,000 towards the cost of this building project.
6. In order to secure this funding from the Arts Council, the Grand Opera House commissioned, in May 2002, an economic appraisal and business plan in support of a building development application for funding from both the National Lottery and public monies. This appraisal was subject to challenge by both the Arts Council and Department before a revised

appraisal for project costs of £8,428,000 was submitted, by the Department, to DFP for approval in September 2002. DFP advised the Department in December 2002 that approval for the extension/refurbishment project had been granted. The project was managed by the Arts Council who appointed a consultancy firm to oversee the project itself.

7. In 2005, when tender costs were higher than anticipated by £1,183,000 (14% including start up and closure costs) the Department should have submitted to DFP an addendum to the business case. This would have been in line with the NI Practical Guide to the Green Book which states that a standard condition of DFP approval is that, if it becomes apparent that capital costs indicated in the business case will be exceeded by more than 10% DFP should be notified as soon as possible.
8. In 2006, client changes were made to the project further increasing the costs by £1,035,000 (12%). These client changes consisted of:
 - Claim for loss/expense by the contractor;
 - Additional Architect's Instructions;
 - Additional start-up/closure costs for the Grand Opera House;
 - Overspend on the original contract; and
 - Post completion works at the Grand Opera House.

Again the NI Practical Guide to the Green Book states that, if the cumulative cost of client changes exceeds 5% of the approved budget DFP will require an addendum business case to be submitted. The Department did not submit an addendum business case to DFP.

9. The total cost of the Grand Opera House Extension/Refurbishment Project was identified in 2009 as £10,646,000 – an overrun of £2,218,000. Of this amount, £1,183,000 was attributable to the higher tender cost and £1,035,000 was attributable to the client changes.
10. The Department was advised by the Grand Opera House that it would require additional funding of £1,736,000. The balance, of £482,000 was to be met through funding already received and expected from the Grand Opera House Development Donations.

Retrospective Approval

11. If expenditure has been committed or procurement commenced without DFP approval then DFP may be prepared to consider granting retrospective approval in exceptional circumstances and only under specific conditions as defined in MPMNI namely:

- a) it would have granted approval had it been approached properly in the first place; and
 - b) the Department is taking steps to ensure there is no recurrence.
12. In June 2009 the Department wrote to DFP seeking retrospective approval for a payment of £1,736,000 to the Grand Opera House. In doing so, the Department advised DFP that *'there is no evidence that an options assessment was undertaken either at the time of the original post tender cost over-run or the subsequent client changes'* and *'it has not been possible to ascertain that all costs were unavoidable in delivering the project as specified in the original business case'*.
13. In September 2009, following a request from DFP, the Department provided clarification on a number of points in its June 2009 submission. The Department noted it *'has assessed the cost overruns and has concluded that while a significant proportion of the additional costs incurred were inescapable, it has not been possible to ascertain that all costs were unavoidable in delivering the project as specified within the 2002 business case.'*
14. In October 2009 DFP advised the Department that retrospective approval had not been granted because neither it, nor the Department had the opportunity to challenge either of the two expenditure increases in the project. DFP was of the view that had those challenges materialised, much of the expenditure might not have occurred.
15. However, in November 2009 the Department advised the Arts Council that there were a number of compelling reasons to support a Departmental contribution to the Grand Opera House. These reasons included, amongst others:
- health and safety issues that needed to be addressed at additional costs but which could prevent future claims;
 - the strategic importance of the Grand Opera House to national and international reputation of Northern Ireland; and
 - the potential for the Grand Opera House to be left trading in an insolvent position, should funding not be secured.
- The Department concluded that through the Arts Council it should make available to the Grand Opera House the necessary resources to meet the cost increases incurred in delivering the capital project.
16. Following notification of the above case I asked the Department if it was aware of any other projects where DFP approval had not been sought. One additional project was identified which exceeded the 10% threshold –

refurbishment of the Ulster Museum - and had not complied with the requirement of MPMNI. I am informed that DFP has subsequently granted retrospective approval for this case.

17. The Arts Council recognises that the failure to obtain the necessary approvals is a significant breakdown in project management and resulted in the additional expenditure being irregular.

Conclusion

18. Expenditure amounting to £1,736,000 has been identified for which the Department has not obtained the necessary DFP approval. As this expenditure was not applied to the purposes intended by the Assembly I have qualified my audit opinion on regularity. It is concerning that both the Department and DFP recognise that some costs may have been avoided if procedures had been followed. This raises implications about value for money in the project.



KJ Donnelly
Comptroller and Auditor General

1 July 2010

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