

Arts Council of Northern Ireland Lottery Distribution Account 2018-19

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Performance Report

The Performance Report focuses on matters relevant to all users of financial statements. Its purpose is to provide information on the Arts Council of Northern Ireland, its main objectives and strategies and the principal risks it faces. Although it is designed to be a self-standing document, much of the information contained in it is simply a summary of information provided in other documents and is therefore cross-referenced as appropriate. The Performance Report has two sections: an 'Overview' and a 'Performance Analysis'.

Overview

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

Chairman's Foreword

The Arts Council is the statutory body, which, since the inception of the National Lottery in 1994, has been responsible for the administration and distribution of Lottery funds to the arts in Northern Ireland. Funding decisions are guided by the directions contained in the National Lottery Act and by the strategic priorities published in the Arts Council's current five-year plan for the arts, *Ambitions for the Arts, 2013-18*.

The Board of the Arts Council is advised on Lottery matters by the Grants Committee. In addition to its role in advising on Exchequer funding programmes and policies, the Committee also advises the Board on policy issues relating to the Arts Council's National Lottery Fund. It also monitors all matters relating to the administration of the Arts Council's National Lottery fund, and takes decisions on grant aid within delegated financial limits set by the Board. The Committee presently has full delegated authority to award grants to applicants where the award is within the delegated band of £25,000 - £50,000.

National Lottery funding is integral to the delivery of the Arts Council's strategy for developing the arts, providing a major resource to help us meet our objectives across a wide range of areas. The Arts Council's capacity to support the widest range of creative activity throughout the region is dependent upon a combination of Exchequer and National Lottery resources.

At the time of writing, governments across the world are concentrating efforts on limiting the impact of the devastating Covid-19 pandemic. In these extraordinary times, everyone is having to cope with challenges the scale of which none of us has ever faced before. The need for our politicians and our statutory bodies to respond quickly and effectively has never been more keenly felt, by ourselves and by the people and the communities that we represent. The Arts Council has put emergency measures in place to remotely maintain essential services and to mitigate against the worst of the impact of the Coronavirus on our sector. The response of our artists and arts organisations to this threat to our creative and cultural life has been inspiring. Artists are finding brilliant and innovative new ways to lift the nation's spirits, developing and delivering life-enriching work to what are now, by necessity, virtual audiences. The impact of the Coronavirus will be felt deeply across the entire sector. We must ensure that our funding support, which we are adapting quickly to meet current need and demand, enables as many artists and arts organisations as possible to ride the current crisis and to emerge at the other end, where they will once again play a major role in rebuilding our economy and our society.

John Edmund
Chairman, Arts Council of Northern Ireland

1 September 2020

Chief Executive's Introduction

National Lottery funding constituted a vital element of the costs of maintaining the Arts Council's regularly Funded Organisations. In total, 96 key organisations received Lottery funds of £4.5 million towards their programming costs. Almost £1 million was subsequently awarded to 40 arts organisations through the Lottery Project Programme, to contribute to the growth of the arts in the community. 97 organisations delivering community-engagement initiatives across the region received a further £370k through the Lottery-funded Small Grants Scheme.

Lottery funds continued to support individual artists through the Support for the Individual Artist Programme, with 17 emerging artists receiving additional mentoring support through the Artist Career Enhancement Scheme. Writers Malachi O'Doherty and Rosemary Jenkinson, composer Ed Bennett and playwright Carol Moore received this year's Major Individual Artist Awards of £15,000 each, making it possible for them to produce ambitious work that will contribute to the development of their careers. Thirteen disabled and deaf artists received funding support through the iDA awards, totalling £17,000, awarded by the University of Atypical with Lottery funds supplied through the Arts Council.

This year the Arts Council, in partnership with Belfast City Council, introduced a new Lottery-funded Resilience funding programme aimed at supporting large-scale Belfast-based arts organisations to adapt, change and identify new opportunities as the city grows. Fourteen arts organisations, including the Crescent Arts Centre, the Ulster Orchestra and Belfast Community Circus, have been selected for 18-month customised development programmes.

In this 'Decade of Centenaries', it has been gratifying to see the central role afforded to artists in bringing life, colour and creativity to the various commemorations. On June 10th, thousands of women joined marches in Belfast, Cardiff, Edinburgh and London to mark the centenary of the Representation of the People Act, which gave women the right to vote in the UK. The marches were part of 'Processions', a nationwide, mass-participation creative event organised by public art specialists, Artichoke, as part of 14-18 NOW, the UK's official arts programme for the First World War centenary. In Northern Ireland, Prime Cut Productions, The Playhouse and the Centre for Contemporary Art, among others, brought together women and women's groups from across the region to produce centenary banners representing and celebrating the diverse voices of women and girls from different backgrounds. The banner-making workshops focused on text and textiles, echoing the practices of the women's suffrage campaign, and creating spaces for the participants to consider the power of the vote today and our shared future. The banners became the creative centre point of a living artwork of mass participation by women and for women.

The production of linen has long historical associations with female workers and with Northern Ireland. This heritage was celebrated between August and October at the inaugural International Linen Biennale, organised by R-Space Gallery in Lisburn. A programme featuring more than 100 events and welcoming 200 delegates to a two-day conference explored the rich and colourful history of linen in Northern Ireland, while demonstrating that artisan linen production remains very much alive and well in Northern Ireland.

At the start of the financial year, the Arts Council in partnership with the Education Authority and Urban Villages Initiative launched a new programme designed to inject more creativity into the classroom in a bid to improve educational outcomes for students. With an initial investment of £120,000, the Creative Schools Partnership engaged with 10 post-primary schools and communities in Belfast and Derry-Londonderry, in areas where there has been a history of deprivation and community tension. The programme is based on research which indicates that access to quality arts experiences in school can benefit all aspects of learning, including better engagement and attendance levels, improving results in other school subjects, increasing confidence and self-motivation, and promoting positive mental health and wellbeing. An evaluation of the first year of the programme concluded that it 'exemplified good practice in schools creativity'. The programme successfully engaged 180 children in sustained participation in the arts, which had a transformative effect on some of the students and reached the wider community through performances, exhibitions and conversations. The success of the pilot year has ensured that the Creative Schools Partnership will secure funding to continue next year.

The Creative Schools Partnership is a welcome addition to the portfolio of special initiatives currently run by the Arts Council with the support of National Lottery funding, including the Young People's Health and Wellbeing Arts programme, the Arts and Older People's Programme and the Local Government Challenge Fund. These pioneering programmes are enabling artists to concentrate efforts on identified areas of social need and further demonstrate the major contribution that the arts are making across civil society.

I also wish to note the contribution made to the arts over 39 years by Lorraine McDowell our former Director of Operations who retired during the course of the year. She played an invaluable role in the delivery of the Arts Council's funded programmes over many decades.

At the time of writing, the world is in the grip of the Coronavirus pandemic. Covid-19 has forced the closure of all public-facing arts activities and events, including venues and facilities. Artists and arts organisations are responding with remarkable ingenuity and enterprise under exceptionally difficult circumstances, adapting their work in new, creative ways for virtual audiences. The crisis however, will have a deep and far-reaching impact on an already underfunded sector. It will impinge on the ability of arts organisations to deliver projects, to generate income, to support the contracts of artists and freelancers, and to maintain staffing costs. The Arts Council is responding quickly and accordingly to the needs of the sector in this fundamentally changed environment. Flexibility and liquidity are key at this time; flexibility in how funding is deployed and used this year, and the use of upfront payments and support for the sector as they manage cash flow. We are reviewing our funding programmes and reprofiling existing budgets so that we can offer the best possible support for artists and arts organisations in the months ahead.

Roisín McDonough
Chief Executive

1 September 2020

Purpose and Activities of the Arts Council of Northern Ireland

Business Model and Environment

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

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

Statutory Background

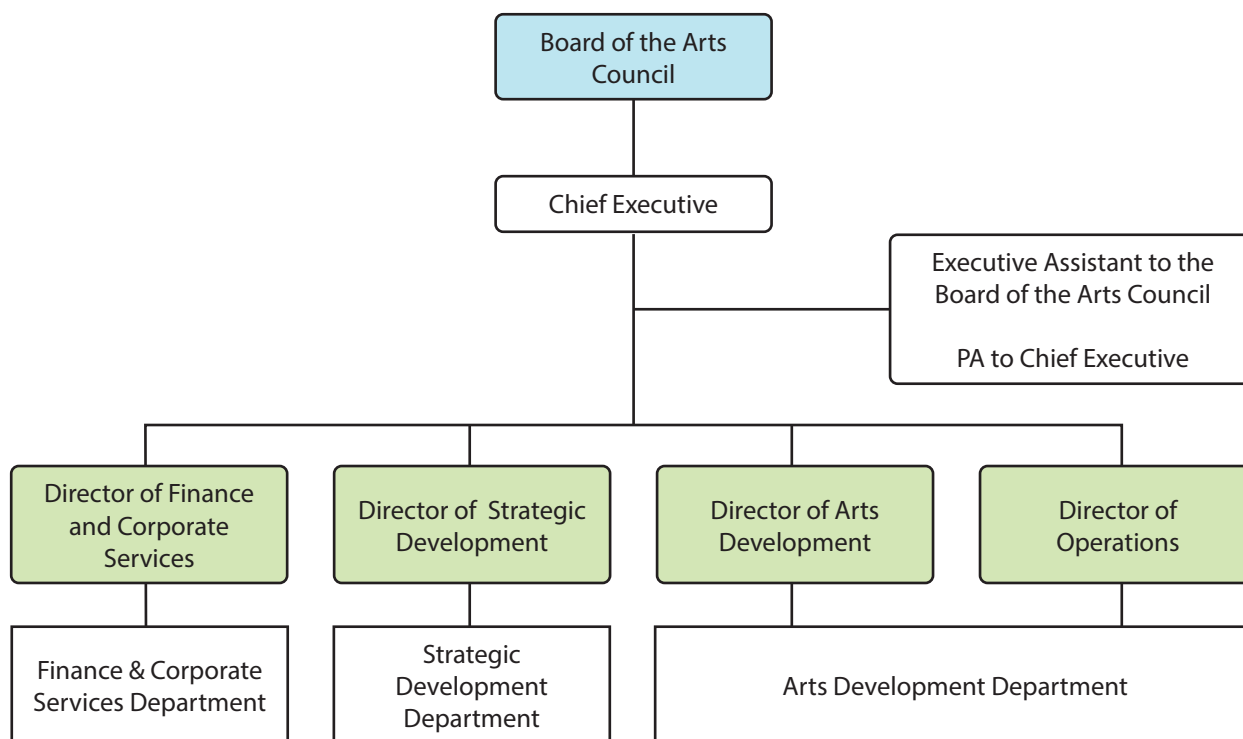
The National Lottery was established by the National Lottery etc. Act 1993, as amended by the 1998 Act, to raise money for 'good causes' through the sale of lottery tickets.

The National Lottery Distribution Fund (NLDF) was established in 1994 to receive and hold monies generated by the National Lottery for good causes. Section 21 of the National Lottery etc. Act 1993 places the NLDF under the control and management of the Secretary of State for Digital, Culture, Media and Sport.

The Arts Council of Northern Ireland is charged under the Act with responsibility for distributing Lottery proceeds allocated to the arts in Northern Ireland. Lottery proceeds are also distributed through other distributing bodies to Sport, National Heritage, Charities, and to the Arts in England, Scotland and Wales.

The Department for Digital, Culture, Media and Sport (DCMS) manage the flow of funds between Camelot (the operator of the National Lottery) and the distributing bodies. DCMS seek annual assurances from the Accounting Officer of each lottery distributing body that they have in place adequate systems of internal control and have complied with the current Financial Directions.

Organisational Structure



Principal functions related to National Lottery Distribution Activities

The Arts Council is responsible for the administration and distribution of funds raised by the National Lottery. The Board made its first awards to applicants for Lottery funding in 1995-96. The principal function is to fund applications for a broad range of capital and revenue projects in the Arts which will make an important and lasting difference to the quality of life of the people in Northern Ireland.

2018-19 National Lottery Distribution Activities

During 2018-19 the Arts Council continued to deliver a range of funding programmes, with the following schemes being opened to applications:

- Annual Funding Programme
- Project Funding Programme
- Small Grants Programme
- Support for Individual Artists (including General Awards, Artists' Career Enhancement Scheme, Major Awards);
- Arts & Older People Programme (jointly funded with the Baring Foundation)
- Young People & Well-being Programme (Articulate – A 3-year programme jointly funded with the Public Health Agency)
- Creative Schools Programme

Work continued on the Resilience programme which is jointly funded with Belfast City Council. Negotiations also took place throughout 2018-19 with Derry City & Strabane District Council to widen the programme to the North West. Both programmes will continue to develop in 2019-20.

The Arts Council continued its 2-year delegation agreement with NI Screen to support the development and production of film. Since April 2017, Lottery funding to NI Screen has been focussed on script development and short film. As with previous priorities, the importance of the development of new and emerging talent across writing, directing and producing remains.

Future Developments in National Lottery Distribution Activities

The Arts Council will continue to offer the programmes above in 2019-20, in addition to opening a new Small Grants Commissioning Programme which will aim to support new work and develop wider audiences for the arts across Northern Ireland.

Comment on National Lottery Distribution Fund (NLDF) Balance Policy

As at the 31 March 2019, Arts Council Lottery Account balances at NLDF totalled £3m (31 March 2018: £2.9m), an increase of £0.1m on the prior year.

The NLDF balance is classified as investments in the Statement of Financial Position. This is in line with DCMS accounting policy. NLDF investments are therefore held at amortised cost.

Current contracted grants payable plus trade and other payables total £2.6m. The Arts Council considers that it has sufficient liquid resources within the NLDF and cash balances of £3.8m as well as forecasted NLDF income to cover all current contracted commitments. The forecasted NLDF income is based on projections received from DCMS.

In 2017, the Arts Council revised its NLDF policy (Appendix B) to improve compliance with the requirements of National Lottery Guidance Note 1/03. The objective of this policy is for the Arts Council to maintain its NLDF balance at a prudent level based on a realistic assessment of its needs and the availability of funding from NLDF. The Arts Council's NLDF balance will be set at a level that will maximise its ability to achieve its strategic objectives, that will ensure that present commitments are not compromised and that will not impair or constrain its ability to enter into future commitments.

Although income is not entirely within its control, the Arts Council has arrived at the proposed target NLDF balance, by making realistic assessments of forecasts for levels of income in future years (based on NLDF forecasts), and the Arts Council's assessment of:

- Both the 'upside' and 'downside' risks to those forecasts;
- Its forecasts for expenditure in future years on the basis of commitments made and planned activity;
- Its analysis of any future needs, opportunities, contingencies or risks which are not likely to be able to be met out of income if and when they arise; and
- The likelihood, on the best evidence available, of each of those needs arising and the potential consequences for the Arts Council of not being able to meet them.

Having carefully considered the above, the Arts Council Board approved a target NLDF balance for 31 March 2019 of £1.085m. The actual NLDF balance was £3m and the higher actual balance was due mainly to less expenditure than budgeted, a larger commitments balance at year-end than profiled and a small increase in NLDF income received in year compared to forecast.

Key Issues and Risks

Details on managing the Arts Council's risk can be found in the Governance Statement. The principal risk facing the Arts Council arises from pressures on public funding and the ongoing constrained funding environment. The Arts Council has modelled government cuts to inform options, the impact of cuts on arts organisations and staffing levels. It is essential that staffing levels are maintained at a level sufficient to deliver the lottery fund objectives.

Going Concern Basis

The Lottery Distribution Accounts of the Arts Council are produced on the Going Concern Basis. This was formally considered by the Board at its Board meeting on Thursday 9 April 2020. The Arts Council is not aware of any reason to adopt a different basis.

The Department for Communities (DfC) are currently undertaking a review of all arms-length bodies. The review will not be complete until financial year 2020-2021 at the earliest.

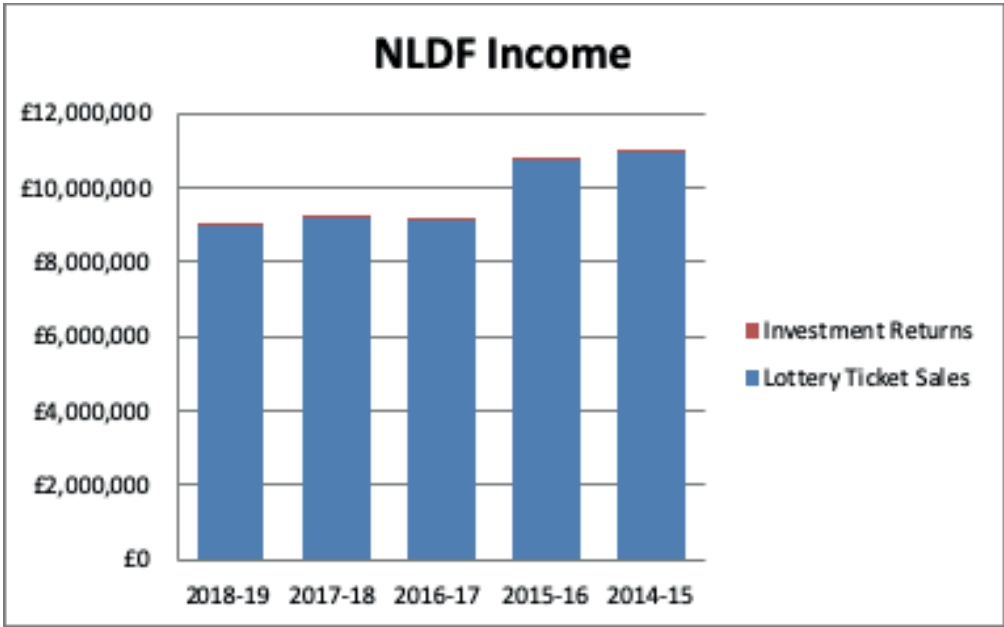
The Arts Council considers that the Fund is not exposed to significant liquidity risks; it is satisfied that it has sufficient liquid resources within the NLDF and cash balances of £3.8m as well as forecasted NLDF income to cover the total of the current and non-current liabilities of £2.6m. The forecasted NLDF income is based on projections received from DCMS.

Performance Summary

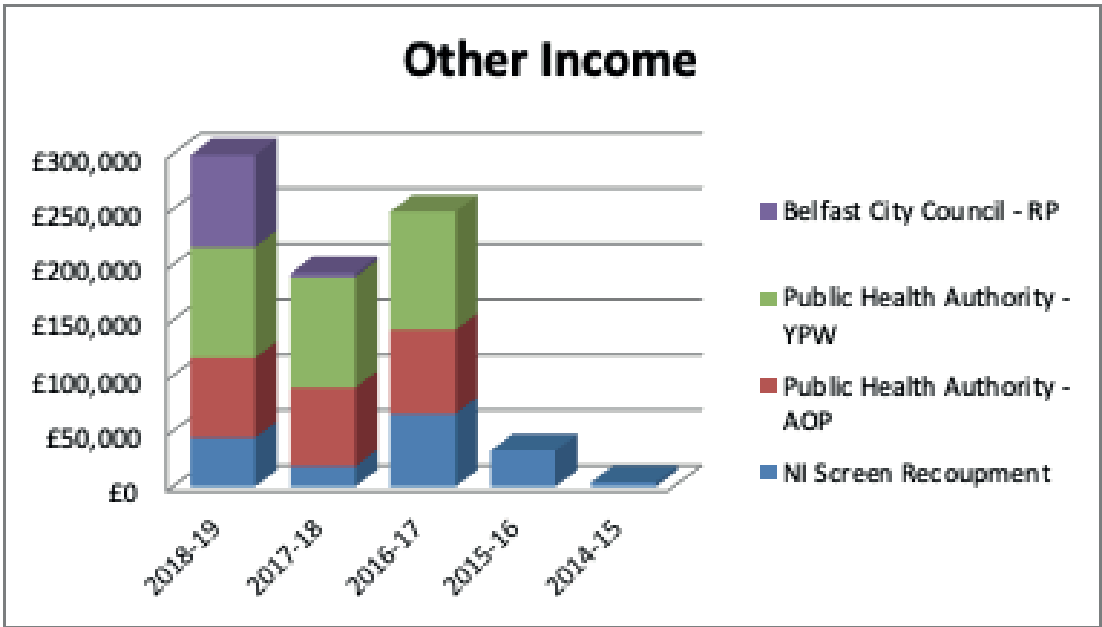
The graphs below show the trends in Income received and Grant Commitments made over the past 5 years.

Total income comprises both NLDF Income and Other Income. There is a graph for each below. Other Income consists of NI Screen Recoupments and External Funding from the Public Health Authority and Belfast City Council.

The overall trend shows that after NLDF income dropped by 15% from £10.8m in 2015-16 to £9m in 2018-19.

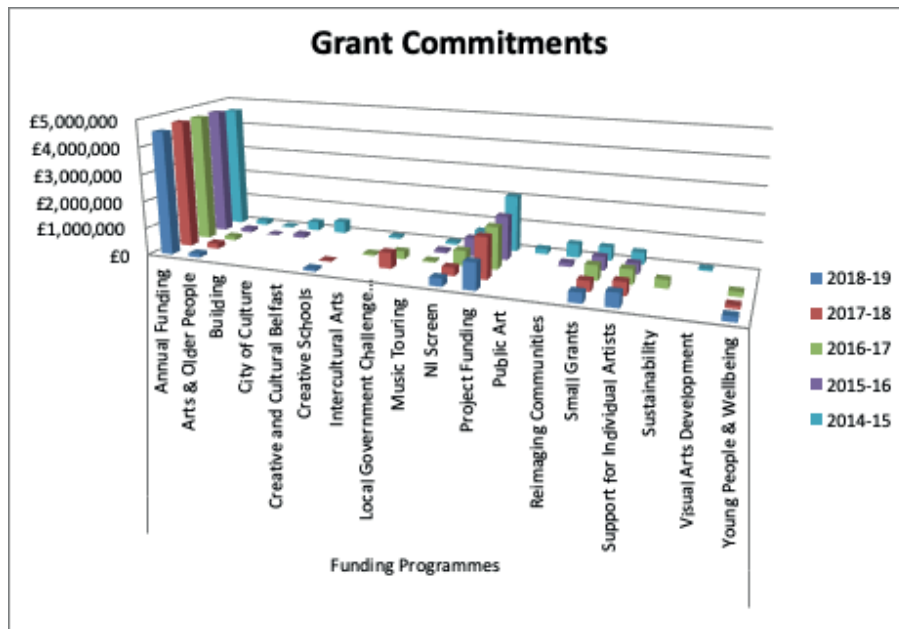


Arts Council Lottery applied for and obtained additional funding from external sources from 2016-17 onwards.



Grant Commitments are the total figure for Commitments for each year funded by both NLDF and External Funders. Over the past five years ACNI Lottery has been involved in delegation agreements with NI Screen to support the development and production of film. The grant commitments made by NI Screen on ACNI Lottery's behalf are therefore also included.

The timing of the 2015-16 Annual Funding round meant that both the 2014-15 and 2015-16 Annual Funding rounds were scored to 2014-15. For the purpose of the Grant Commitments graph below the 2014-15 and 2015-16 Annual Funding rounds have been allocated to the relevant financial year that they related to. This gives a more realistic view of the funding year on year.



The Grant Commitments graph shows the overall trend in line with the drop in NLDF income. The number of funding programmes has decreased while maintaining the value committed to the Arts Council's main funding programme, Annual Funding.

Of the other funding programmes the Support for Individual Artists (SIAP), Small Grants, Project Funding and NI Screen have been maintained each year but with a noticeable reduction in the value of grant commitments.

With the additional external funding from the Public Health Agency the annual value committed to Arts and Older People has been maintained over the five years and funding for Young People and Wellbeing was introduced in 2015-16 and then maintained through to 2018-19.

Performance Analysis

Key Performance Indicators (KPIs), Risk and Uncertainty

A reduction in National Lottery funding of the arts is a significant risk, which could result in the loss of frontline services.

The NLDF Balance Policy Statement (Appendix B) highlights that the Arts Council's policy is to maintain its NLDF balance at a prudent level based on a realistic assessment of its needs and the availability of funding from NLDF.

Although income is not entirely within its control, the Arts Council has arrived at the proposed NLDF target by making realistic assessments of forecasts for levels of income in future years (based on NLDF forecasts), and the Arts Council's assessments of associated risks to those forecasts, forecasts for expenditure in future years as well as an analysis of future needs, opportunities and contingencies or risks.

In light of this the target NLDF balance for 31 March 2019 was agreed at £1.085m.

The Arts Council manages its NLDF balance and target by using a range of management tools including management accounts, commitment to best practice and continuous improvement and the following two KPIs, which reflect the policies and targets adopted.

The Quicker Turnaround KPI

100% of decisions to be made within published deadline

Achieved

The Quicker Close Out KPI

90% of grants to be closed out within two months of the project end

Not Achieved

The close out rate varies between grant programmes:

Grant Programme	% of grants closed out within 2 months of the project end
Project Funding	68%
Annual Funding Programme	97%
Support for the Individual Artist Programme	80%

These figures have improved considerably on the previous year, however there are two contributing factors impacting on the Quicker Close Out KPI:

- The close out of grants is totally dependent on provision of paperwork by supported clients; and
- Letters of offer include deadlines for submission of final reports and clients are reminded of the deadline and in some cases given extensions. Reports against the KPI are run against letter of offer dates and do not include these extensions

Financial results

The Arts Council of Northern Ireland's Lottery Distribution results are set out in the Statement of Comprehensive Net Expenditure.

Total income received from the National Lottery totalled £9,005,988 (2017-18: £9,182,930). A recoupment was also received from NI Screen of £44,064 (2017-18: £18,349). Additional income of £255,138 (2017-18: £174,189) was received for ring fenced projects.

During the year the Arts Council made net commitments of £7,040,421 (2017-18: £8,270,114) to applicants and contributed £177,897 (2017-18: £100,000) for Cross Border Touring.

The total administrative costs to the Arts Council of its distribution activities, including staff costs, were £1,531,188 (2017-18: £1,510,126).

Equity at the year end

The Lottery Distribution Account showed net income of £555,684 in 2018-19 (2017-18: net expenditure of £504,772). At 31 March 2019 the total equity showed a surplus of £1,278,986 (31 March 2018: surplus of £723,302).

Review of National Lottery distribution activities

During the 2018-19 year, 769 (2017-18: 866) eligible applications were received by the Arts Council seeking grants of £11,897,912 (2017-18: £12,486,666) across the main Lottery programmes. The total number of applications received and the total number of awards are not directly related as, due to year-end and timing of award programmes, applications can be received in one financial year and decided in another.

By the end of the year the Arts Council had made 461 commitments (2017-18: 543) through the main programmes, totalling £6,813,744 (2017-18: £8,006,891).

NI Screen made 66 commitments (2017-18: 51) totalling £297,137 (2017-18: £300,719) under its 3-year delegation agreement with the Arts Council.

Therefore in aggregate commitments were made in year totalling £7,110,881 (2017-18: £8,307,610).

Research and Development

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

Interest Rate and Currency Risk

The Arts Council Lottery Distribution Account has no borrowing, relying primarily on Lottery funding for its cash requirements and is therefore not exposed to liquidity risks. It has also no material deposits. Therefore the Arts Council is not exposed to material interest rate risk and as all significant assets and liabilities are determined in sterling it is not exposed to material currency risk.

Payment of Suppliers

The Arts Council is committed to the prompt payment of bills for goods and services in accordance with the Confederation of British Industry's Prompt Payment Code. The target for payment of bills is 10 days from receipt of goods or services, or presentation of a valid invoice or similar demand, whichever is later. A review conducted at the end of the year to measure how promptly the Arts Council paid its bills found that 97% of the bills were paid within this standard. The comparative figure for 2017-18 was 97%. A review of payment of bills in 30 days from receipt of goods or services found that 100% (2017-18: 100%) of the bills were paid within 30 days.

Overall for the year the average number of days taken to pay invoices was 4 days (2017-18: 4 days).

Pension Fund

All assets, liabilities and operating costs of the Arts Council's pension scheme are recorded in the accounts of the Arts Council of Northern Ireland Exchequer entity. The salary charges to Lottery in-year include a recharge of employer pension costs of £155,101 (2017-18: £157,629).

The market value of the Arts Council's share of the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) pension scheme's assets (excluding Additional Voluntary Contributions) at 31 March 2019 was £16.461m (31 March 2018: £15.481m) and the present value of the Arts Council's share of the scheme liabilities was £20.858m (31 March 2018: £19.723m). The Arts Council's share of the Scheme recorded net pension liabilities at 31 March 2019 was £4.397m (31 March 2018: £4.242m).

All assets, liabilities and operating costs of the Arts Council's pension scheme are recorded in the accounts of the Exchequer entity. Details of this pension scheme are available within the Arts Council's Exchequer accounts.

Social and Community Issues

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

Political and Charitable Donations

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

Accounts and Appointment of Auditors

The Arts Council of Northern Ireland is required to prepare a statement of accounts for each financial year in accordance with sections 35(2) and 35(3) of the National Lottery etc. Act 1993.

The financial statements are also prepared in accordance with:

- The form directed by the Secretary of State for Digital, Culture, Media and Sport with the consent of the Department for Communities (DfC) in Northern Ireland and the approval of HM Treasury in accordance with Section 35(2) – (3) of the National Lottery etc. Act 1993; and
- 2018-19 Government Financial Reporting Manual issued by HM Treasury.

DfC also issued, on behalf of DCMS, revised Lottery Policy Directions to the Arts Council on 16 April 2008, a copy of which is attached to the end of these financial statements in Appendix A.

Under the National Lottery etc. Act 1993, in particular Section 35(5), the Comptroller and Auditor General examines, certifies and reports on the financial statements of each of the National Lottery distributing bodies and lays copies of the statements and his report before Parliament.

The fee for the audit of these financial statements was £28,000 (2017-18: £26,000). This cost is included within Expenditure Note 2 in the financial statements. The Arts Council did not purchase any non-audit services from its external auditor.

So far as the Accounting Officer is aware, there is no relevant audit information of which the Arts Council's auditors are unaware. The Accounting Officer has taken all the steps that she ought to have taken to make herself aware of any relevant audit information and to establish that the entity's auditors are aware of that information. The Accounting Officer is responsible for ensuring that the financial statements as a whole are fair, balanced and understandable and takes personal responsibility for them and the judgements required for determining that they are fair, balanced and understandable.

Complaints Handling

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

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

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

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

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

There was one direct complaint received in the 2018-19 financial year (none in the 2017-18 financial year).

Additionality

The Arts Council of Northern Ireland recognises and respects the additionality principles of Lottery funding. Lottery funding enables us to extend the reach and increase the impact of the activity that we could undertake if Exchequer funds alone were available. Together with the other Lottery distributors, we have agreed to share the following common definition of additionality:

“Lottery funding is distinct from government funding and adds value. Although it does not substitute for Exchequer expenditure, where appropriate it complements government and other programmes, policies and funding.”

We have regard to the principles of additionality and this policy when we set the strategic objectives of our Lottery-funded programmes and when we decide how each programme will operate. We have, and will continue to use, Lottery funding to fund specific, time-limited activity that would not take place without the support of Lottery.

Respect for Human Rights

It is the policy of the Arts Council that, during the course of their employment, no employee receives less favourable treatment or is discriminated against on the grounds of their sex including gender reassignment, pregnancy or maternity leave, marital or civil partnership status, sexual orientation, race or ethnic origin, religious belief, political opinion, national identity, age, or disability.

Anti-corruption, Anti-fraud and Anti-bribery Matters

The Arts Council has a number of policies in place, designed to minimise the risk of fraud. These are; Anti-Fraud and Anti-Bribery Policy, Conflicts of Interest Policy, Whistleblowing Policy, Gifts and Hospitality Policy and Code of Conduct for Staff. Staff received training on Fraud Awareness, Bribery and Corruption during the course of the year.

During 2018-19 there were no incidents of fraud relating to Arts Council Lottery.

Sustainability Report

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

Our sustainable actions include:

- Reducing our waste and increasing recycling levels;
- Reducing our contribution to climate change in terms of energy consumption and related CO2 emissions;
- Reducing paper by use of tablet computers and encouraging duplex printing and printing two pages on A4 paper;
- Participating in the Governments "Cycle to work" scheme;
- Reducing business travel, where possible, through greater use of video/teleconferencing; and
- Encouraging all tendered Arts Council suppliers to devise and implement Social Clauses/Corporate Social Responsibility (CSR) policies.

Roisín McDonough
Accounting Officer

1 September 2020

Accountability Report

The purpose of the Accountability Report is to meet key accountability requirements to Parliament. The report consists of three sections:

- Corporate Governance Report;
- Remuneration and Staff report and
- Parliamentary Accountability and Audit Report.

Corporate Governance Report

The purpose of the Corporate Governance Report is to explain the composition and organisation of the Arts Council's governance structures and how they support the achievement of its objectives. The Corporate Governance Report includes the Directors' Report; the Statement of Accounting Officer's responsibilities and the Governance Statement.

Directors' Report

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

Appointments to the Board are made by the Minister for Communities. The Chair and members of the Board have individual and collective responsibility to the Minister as Head of the Department:

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

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

The Board of the Arts Council of Northern Ireland for the year ended 31 March 2019 is shown below:

Board: 1 April 2018 to 31 March 2019

Mr John Edmund	(Chairman)
Dr Katy Radford	(Vice-Chair)
Mr David Alderdice	
Ms Anna Carragher	
Ms Roisin Erskine	(to 24 June 2019)
Ms Siún Hanrahan	
Dr Leon Litvack	
Ms Noelle McAlinden	
Ms Katherine McCloskey	
Mr Paul Mullan	
Mr Cian Smyth	

At 30 November 2019, the terms of all Board Members, with the exception of the Chairman, are due to expire. Several Board Members have received temporary extensions of appointment to 30 June 2020.

Board: as at 9 April 2020

Mr John Edmund (Chairman)
Dr Katy Radford (Vice-Chair)
Ms Siún Hanrahan
Mr Cian Smyth

The members of the Audit and Risk Committee for the year ended 31 March 2019 were:

Ms Anna Carragher	(Chair)
Ms Roisin Erskine	(to 24 June 2019)
Mr Paul Mullan	
Dr Katy Radford	(from October 2018)
Mr Gerry Crossan	(co-opted member to 9 May 2019)

as at 9 April 2020

Dr Katy Radford	(Chair)
Mr Cian Smyth	(attended the January meeting as an interim measure)

The members of the Grants Committee for the year ended 31 March 2019 were:

Dr Katy Radford	(Chair)
Mr David Alderdice	
Ms Siún Hanrahan	
Mr Paul Mullan	

as at 9 April 2020

Dr Katy Radford	(Chair)
Ms Siún Hanrahan	

The members of the Finance & Capital Committee for the year ended 31 March 2019 were:

Dr Leon Litvack	(Chairman)
Ms Siún Hanrahan	
Mr Cian Smyth	
Mr Gerry Crossan	(co-opted member to 9 May 2019)

as at 9 April 2020

Ms Siún Hanrahan	(Interim Chair)
Mr Cian Smyth	

Several members of the Board of the Arts Council and members of key management staff are also involved with other arts organisations in Northern Ireland either directly or indirectly as a result of a family relationship, a close friendship or business relationship. All individuals make an annual declaration of their interests and do not take part in discussions and decisions to make grant awards to those organisations with which they have a declared interest. A list of awards made to the organisations concerned and details of who made the declaration of interest is detailed in Note 17. The Register of Interests is also online on the Arts Council website. All of the transactions relating to the organisations were conducted at arm's length by the Arts Council.

Personal Data

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

Statement of Arts Council's and Accounting Officer's Responsibilities

The Arts Council of Northern Ireland is required to prepare a statement of accounts for each financial year in the form directed by the Secretary of State for Digital, Culture, Media and Sport with the consent of the Department for Communities in Northern Ireland and the approval of HM Treasury in accordance with Section 35(2) – (3) of the National Lottery etc. Act 1993.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Arts Council of Northern Ireland's lottery distribution activities at the year-end and of its income and expenditure, changes in equity and cash flows for the financial year.

In preparing the accounts the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- Observe the Accounts Direction issued by the Department for Communities (formerly Department of Culture, Arts and Leisure) on behalf of the Secretary of State for the Department for Digital, Culture, Media and Sport, 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;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on a going concern basis.
- Confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

The Accounting Officer for the Department for Communities has designated the Chief Executive of the Arts Council of Northern Ireland as the Accounting Officer for the Arts Council. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records, and for safeguarding the Arts Council of Northern Ireland's assets, are set out in 'Managing Public Money Northern Ireland' issued by the Department of Finance and in the Financial Directions issued by the Department for Communities on behalf of the Secretary of State for the Department for Digital, Culture, Media and Sport under s26(3) of the National Lottery etc. Act 1993.

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

Governance Statement

Scope of Responsibility

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

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

I also combine my Accounting Officer role with my responsibilities to the Department including any Ministerial directions. There were no Ministerial directions in the 2018-19 financial year.

Corporate Governance Code

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

The Board has reviewed and discussed the six principles of the code and is content that the Arts Council has adopted the practices set out in the code wherever they were relevant, practical and consistent with business needs.

Two principles were less relevant to the Arts Council:

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

The Board sought to strengthen the principle on the role of the Board by revising the Board Code of Conduct policy and the Conflicts of Interest policy. Both policies were approved by the Board in June 2019.

The role of the Board in year is discussed on page 31 and page 32.

Conflicts of Interest

The Corporate Governance in Central Government Departments: Code of Good Practice (NI) 2013 also requires the Board to publish how it identified any conflicts of interest and potential conflicts and how these have been managed. Following review of the Conflicts of Interest policy and further discussion at the Boards effectiveness session in March 2019, the Board approved a revised Conflicts of Interest policy at their meeting on 26 June 2019.

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

A list of awards made to the organisations concerned and details of who made the declaration of interest is detailed in Note 17. All of the transactions relating to the organisations were conducted at arm's length by the Arts Council.

The Purpose of the Governance Framework

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

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

The governance framework has been in place in the Arts Council for the year ended 31 March 2019 and up to the date of approval of the annual report and accounts, and accords with Department of Finance guidance. However, as highlighted on pages 27 to 29 there is scope for several areas of improvement.

The Governance Framework

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

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

Board

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

- Provide effective leadership for the Arts Council, in particular in defining and developing its strategic direction and in setting challenging objectives;
- Act in a way that promotes high standards of public finance, including the promotion of regularity, propriety and value for money;
- Ensure that the Arts Council's activities are conducted in an efficient and effective manner;
- Ensure that strategies are developed for meeting the Arts Council's overall objectives in accordance with the policies and priorities established by the Minister;
- Monitor the Arts Council's performance to ensure that it fully meets its aims, objectives and performance targets;
- Ensure that the Arts Council's control, regulation and monitoring of its activities as well as those of any other bodies which it may sponsor or support, ensure value for money within a framework of best practice, regularity and propriety;
- Participate in the corporate planning process; and
- Appoint a Chief Executive.

The Board held twelve meetings during the year to determine policy for the Arts Council and make decisions in line with that policy. Ten meetings were Board meetings; one meeting was for Board effectiveness training and there was one extraordinary Board meeting. The Directors were not required for Board effectiveness training nor for the extraordinary Board meeting. The average attendance rate for Board members during the year was 76%. The Directors were not required for Board effectiveness training nor for the extraordinary Board meeting. I attended ten Board meetings. My Directors attended nearly all the ten Board meetings and produced papers and information to assist Board decision making. On Thursday 28th March 2019 the Board of the Arts Council of Northern Ireland met to review its effectiveness and consider governance and operational management according to the requirements of the Northern Ireland Audit Office (NIAO) Board Effectiveness Good Practice Guide. The Board considered all of those matters prescribed by the Guide and where necessary approved the operational response. The Board considered Committee performance and the relevance of current structures and committee memberships, mindful that the Council is moving into a new planning phase with a new corporate plan. The Board reviewed and approved its current work-plan and considered positively its operational relationship with the Executive and noted the importance of having time to review the functioning of Arts Council Northern Ireland in light of the current environment within which the arts operates.

The Board has a rolling work-plan and achieved its objectives, which were set out during the year. The overall average attendance rate of members was 76%.

2018-19 Board/Committee Attendance

	Board Meetings			Committee Meetings			Total Meetings		
	Actual	Possible	%	Actual	Possible	%	Actual	Possible	%
John Edmund (chair)	11	11	100	0	0	0	11	11	100
Katy Radford (vice Chair)	11	11	100	5	5	100	16	16	100
David Alderdice	11	12	92	2	2	100	13	14	93
Anna Carragher	8	12	67	5	6	83	13	18	72
Siún Hanrahan	8	12	67	4	6	67	12	18	67
Leon Litvack	9	11	82	4	4	100	13	15	87
Noelle McAlinden	12	12	100			N/A	12	12	100
Katherine McCloskey	7	12	58	0	0	0	7	12	58
Roisin Erskine	6	12	50	0	6	0	6	18	33
Paul Mullan	8	12	67	6	8	75	14	20	70
Cian Smyth	9	12	75			N/A	9	12	75
Gerry Crossan			N/A	7	10	70	7	10	70

*Including one N/S plenary, one Board Effectiveness training & one Extraordinary Board meeting

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

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

Audit and Risk Committee

The Audit and Risk Committee comprises four members and one co-opted member, and is chaired by a member. It met six times during the year. I attended all six meetings; the Director of Finance and Corporate Services attended five meetings and the Operations Director attended the four meetings held before her retirement. The Audit and Risk Committee has a rolling work-plan and measures its performance by the achievement of its objectives.

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

The Audit and Risk Assurance Committee Handbook (NI), issued under cover of DAO (DFP) 03/18, sets out five principles to be followed. These principles are:

- Principle 1: Membership, independence, objectivity and understanding;
- Principle 2: Skills;
- Principle 3: The role of the Audit and Risk Assurance Committee;
- Principle 4: Scope of work; and
- Principle 5: Communication and reporting.

The Board has formally considered these and confirmed it complied with the principles.

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

Other Committees

The Finance and Capital Committee comprises three members and one co-opted member, and is chaired by a member. This committee met four times during the year. The Director of Finance and Corporate Services attended all four meetings; the Director of Operations attended the three meetings held before her retirement and I attended three meetings. Its terms of reference cover the proposal to the Board for the annual budget of the Arts Council; ensuring comprehensive financial advice is provided to the Board; reviewing the detailed information relating to the financial resources including the Statement of Comprehensive Net Expenditure, Statement of Financial Position and Statement of Cash Flow; monitoring financial expenditure against targets set throughout the year; making recommendations as necessary; reviewing the programmes, policies and procedures relating to the payment of capital grants and where appropriate, to propose changes to the above for Board approval; and to advise on policy and the strategic deployment of capital resources.

The Remuneration Committee comprises five members and is chaired by the Vice Chair. Its terms of reference include assessing and agreeing targets, standards of performance, goals and objectives in respect of the Chief Executive. In consultation with the Department it sets the remuneration terms related to the performance of the Chief Executive, giving due weight to the proper management and use of public monies. It monitors the performance of the Chief Executive within the terms and conditions of the contract of employment. It reviews its own terms of reference annually to ensure it is operating to maximum effect and recommends any changes considered necessary to the Board for approval. No meeting was held in 2018-2019. The committee did not meet as the Chief Executive's appraisal had not yet taken place.

The Grants Committee comprises four members and is chaired by the Vice Chair. It met two times during the year. I attended the two meetings along with the Director of Operations. Its terms of reference include reviewing the programmes, policies and procedures relating to the payment of Exchequer and Lottery grants, and where appropriate, proposing changes to the above for approval by the Board and taking decisions on grant aid within delegated financial limits set by the Board. The Board has delegated its grant-decision-making for grants under £25,000 to staff. All decisions made by staff and committees are reported to the Board.

Business Planning

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

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

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

Milestones achieved	100% (1) ¹
Milestones still progressing	- -
Milestones not achieved	66-78% (1) ¹

A new draft strategy in the form of a five-year framework has been developed. Its three principal themes are 'Inspire', 'Connect' and 'Lead'. Approval and publication is expected in the early part of 2020-21.

¹ Key Performance Indicators on Page 11

Risk Management

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

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

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

- Litigation: Personnel disputes including redundancy policy, pension reform and discrimination;
- Public perception of the Arts Council arising from Board conflict; and
- Reduction in Department for Communities / National Lottery funding of the arts resulting in a loss of frontline services.
- Financial difficulties of the MAC theatre and exhibition venue who are a funded client.
- Covid-19 pandemic.

All above matters pose a risk to the reputation of the Arts Council in respect of the potential additional work required and costs incurred which would divert precious staff time and funds away from front line services. Board conflict and difficult relationships within the Board and senior management were examined in a governance review commissioned in October 2018 by the Department for Communities. As the Board refreshes during the 2019-20 financial year there is an opportunity to rebuild relationships.

Reduction in Arts funding has resulted in financial pressure on Arts Organisations and the Arts Council assesses financial capability as part of the grant award process. The Audit and Risk Committee also scrutinised management and budgetary information on Arts Organisations flagged at financial risk. This oversight included the commissioning of three third party organisation reviews undertaken by internal audit and reported to the committee in October 2019. This allowed scrutiny and challenge of the organisations financial capability and provides assurance that public funds are not at risk.

In November 2019, the MAC highlighted a deficit for 2018-19 and a forecast for 2019-20. As a consequence, internal audit was engaged to carry out a further third party inspection of the MAC focussing on the current financial position, the implementation of the 2018-19 recommendations and the 2018-19 financial outturn. Following review internal audit provided "Limited" assurance in relation to the appropriateness and effectiveness of the processes and controls in place in relation to the financial planning, budget setting and management, forecasting and financial controls at the MAC. The Arts council continues to work with other stakeholders to monitor the MACs financial position.

In May 2019, the Arts Council settled litigation in respect of age discrimination and victimisation, without admission of liability, for the sum of £12,000. This amount was paid through Exchequer and was not included in the recharge, of other operating costs, to Lottery.

Covid-19 pandemic: On Monday 23 March 2020, the Prime Minister in a public address to the nation said the public would not be allowed to leave their homes except for a few specific reasons. All non-essential businesses were closed including Theatres and other arts venues. The Arts Council invoked its business continuity plan and introduced homeworking for all staff. The Northern Ireland Executive published a recovery plan for Northern Ireland on 12 May 2020 which identified the steps for recovery in six sectors including a "Sports, culture and leisure activities" sector. Step four of the plan referred to resuming outdoor concerts and step five referred to attending live events, both on a restricted basis. Dates have not been fixed to implement these steps and the viability and the ability of arts events to function in a restricted basis is not yet known. However the pandemic has adversely impacted the economy including the Arts Sector and some funded clients may face solvency and going concern issues.

Fraud Risk and Information Risk

The Arts Council has a fraud policy that is reviewed on an annual basis. It is given to all new staff at their induction, and staff receive training appropriate to their grade and duties. The Arts Council also has an information risk policy to be followed by all staff, which new staff read as part of their induction. The policy requires all data to be held securely. The Arts Council is compliant with the Security Policy Framework and with the mandatory measures of the Data Handling Review.

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

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

Governance & Accountability within the Arts Council

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

- Discussions with the Arts Council's senior management;
- Discussions with the Chairman of the Audit and Risk Committee;
- The corporate Risk Register;
- Annual report and financial statements;
- Specific areas requested by the Department for Communities for inclusion;
- Prior internal audit recommendations; and
- Inclusion of core financial areas which form the basis of the system of internal control.

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

All reports of the internal auditors were discussed by the Audit and Risk Committee with senior members of staff in attendance, including those whose departments were reported upon by the auditors. This gave me and members

of the committee the opportunity to discuss, in detail, the findings, recommendations and proposed management actions. Directors that had failings identified by the internal auditors were required to devise corrective action and set a completion date for that action in consultation with the internal auditors. I receive regular reports from the auditors notifying me of the progress my Directors have achieved in clearing up points raised by both internal and external auditors in previous years.

Evaluation of the Council's corporate governance, financial planning and control

In January 2018 the Department for Communities commissioned an independent review of the Council's corporate governance, financial planning and control. The review followed various communications received by the Department with differing views about the financial management and governance systems and procedures.

The report acknowledged significant issues with the working relationships between the Chairman, Board and the Executive and made a number of recommendations designed to underpin better Board working, while establishing closer communication between the Arts Council, its Board and the Department and improved understanding of each other's needs.

The review concluded in March 2018 and made five recommendations. The Department acknowledged that all recommendations were implemented in September 2018.

In October 2018 the Department for Communities advised that it was commissioning an Independent Governance/ Board Effectiveness Review to assess the Council's corporate governance, financial planning and control. The aim of the Review was to provide assurance that the complete governance framework and associated processes are operating effectively and that they are being applied in practice. The assessment was to provide assurances that the Arts Council, as an organisation, continues to discharge its primary functions in an effective and efficient manner and that there remains in place a robust system of stewardship of the organisation; sound governance, planning, performance management, reporting, financial decision making, direction setting and leadership. The Department held a series of meetings with the Chairman, Board and Chief Executive in June 2019 to discuss the draft report. The report has identified that significant issues have continued to exist between the Chair, Board and Executive Team. Recommendations have been made in relation to the Board and the Department and work is underway to address these. The Board approved a revised Conflicts of Interest policy and Board Code of Conduct at their meeting on 26 June 2019. A new Partnership agreement between ACNI and the Department is being agreed and other measures are also being put in place by the Department to assist the operation of the Board. Board members attended a mediation session adeptly facilitated by the Vice Chair on 14 February 2020.

Sources of Independent Assurance

Grant Thornton is the Internal Auditor for the Arts Council and issued an internal audit assurance statement to the Audit and Risk Committee of the Arts Council in respect of the year ended 31 March 2019. The internal audit assurance statement stated that on the basis of work performed during the year, Grant Thornton can conclude that the Arts Council has established procedures that are adequate to meet management's control objectives in the systems audited and consequently Grant Thornton provided a satisfactory level of assurance over the control environment at the organisation.

The Comptroller and Auditor General certifies the Arts Council of Northern Ireland Lottery Distribution Account and provides an opinion whether, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern the Arts Council. Please refer to the Audit Certificate for other opinions provided by the Comptroller and Auditor General.

Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors and senior management within the Arts Council who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. As a result of their work during the year, the internal auditors have produced an annual certificate of assurance with regard to the adequacy of the systems and the operation of internal controls within the Arts Council. In addition, I have considered the Report To Those Charged with Governance (RTTCWG) prepared by the external auditors following their audit of the accounts for the year ended 31 March 2019. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit and Risk Committee, and a plan to address weaknesses and ensure continuous improvement of the internal control system is in place.

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

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

Quality of Information

The Board of the Arts Council and the Governance Review reviewed the quality and management of the information made available by the executive for the purpose of effective decision making. The Governance Review made a number of proposals to enhance the quality and quantity of management information. The Board and the executive will work together to consider the proposals contained in the review.

The Board values the reports on art forms, organisational performance and the Council's development programmes for their insights into the challenges and opportunities facing the arts in Northern Ireland. The Board notes the challenge with regard to information, analysis and assessment facing the executive in determining the most beneficial distribution of arts funding in the current financial environment.

Looking to the future the Board recognises that the pattern and the nature and extent of information provision on the functioning of the arts in Northern Ireland will change during the planning process and to support the delivery of the five-year framework.

The Board looks forward to participating with the executive in the definition of this new information regime.

Internal Governance Divergences – Current and New for 2018-19

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

Twelve prior year issues highlighted in internal audit reports have been resolved and are no longer control issues in 2018-19.

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

One prior year Priority 2 issue brought forward has not been resolved to the satisfaction of internal audit. Management are engaged with internal audit to close out this issue.

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

Internal auditors Grant Thornton awarded the Arts Council a satisfactory level of assurance over its control environment in its assurance statement for 2018-19.

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

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

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

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

Internal Audit also assign an assurance rating to reviews. Three evaluations are used. One evaluation, Satisfactory, is considered to be "above the line" in terms of governance, risk management and control. The remaining two audit opinions are considered "below the line".

The Satisfactory assurance rating is defined, in line with DAO (DoF) 07/16, as:

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

Six reviews were issued during the year, all with satisfactory assurance ratings.

Management agreed a timescale for implementation of the recommendations arising from the reviews.

Overall, fifteen new recommendations have been identified in the current year, four priority 2 and eleven priority 3. Of these recommendations nine have already been addressed and management have agreed a timescale for implementation of the remaining six recommendations.

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

Conclusion

As a result of the above, I believe that the Arts Council's internal control and governance framework provides me with the level of assurance that I require. There is nothing of which I am aware that leads me to believe that our systems for detecting and responding to inefficiency, for preventing and detecting fraud and for minimising losses of grant-in-aid are not adequate. However, the Governance Review made recommendations to deal with interpersonal relationships in the Board, improve our management of conflict of interest and enhance our Board Code of Conduct. We are also committed to improving our quality and quantity of management information. I believe that the Arts Council's governance structure has operated adequately in 2018-19.

Roisín McDonough
Accounting Officer

1 September 2020

Remuneration and Staff Report

The Remuneration Report sets out the remuneration policy for directors. More specifically, it details remuneration (including pension and benefits in kind) of staff key to its operation and where relevant, the link between performance and remuneration. There is a presumption that information on named individuals will be given in all circumstances.

The Staff Report element provides additional information including:

- Number of senior civil service staff by band;
- Staff numbers and costs;
- Average number of persons employed;
- Staff composition by gender
- Sickness absence data;
- Staff Policies applied during the financial year;
- Consultancy expenditure;
- Off Payroll Disclosures; and
- Exit packages.

Remuneration Report

Remuneration Policy

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

Dr Katy Radford	(Chair);
Mr David Alderdice	
Mr John Edmund;	
Dr Leon Litvack; and	
Ms Katherine McCloskey	

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

The pay remit (for the NI public sector and SCS) is normally approved by the Minister of Finance but in the absence of an Executive the Department of Finance (DoF) Permanent Secretary has set the 2018-19 NI public sector pay policy in line with the overarching HM Treasury parameters and in a manner consistent with the approach taken by the previous Finance Minister in 2016-17.

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

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

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

Service Contracts

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

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

Officials	2018-19					2017-18				
	Salary	Bonus	Benefit-in-kind	Pension Benefits*	Total	Salary	Bonus	Benefit-in-kind	Pension Benefits*	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
R McDonough ** (Chief Executive)	70-75	-	-	22	90-95	70-75	-	-	32	105-110
N McKinney (Director of Arts Development)	55-60	-	-	16	70-75	55-60	-	-	3	60-65
G Troughton (Director of Finance and Corporate Services)	55-60	-	-	26	80-85	50-55	-	-	10	60-65
N Livingston (Director of Strategic Development)	40-45	-	-	17	55-60	55-60	-	-	1	60-65
L McDowell*** (Director of Operations)	35-40	-	-	12	45-50	40-45	-	-	14	55-60

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

** This employee took flexible retirement on 31 August 2017. The pension lump sum received from the flexible retirement is in the band range £100-105k. The annual pension received in year is in the band range £35-40k (2017-18: £35k-40k). FTE salary is in the band range £80-85k.

*** This employee took flexible retirement on 31 December 2015 and then took full retirement on 31 December 2018. The pension lump sum received from the flexible retirement is in the band range £55-60k. The annual pension received in year is in the band range £20-25k (2017-18: £20-25k). FTE salary is in the band range £55-60k. The New Director of Operations, Paul Harron, took up the position on 2 March 2020.

Salary

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

Benefits in Kind

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

Board Members' Honoraria (Audited Information)

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

The annual rate of honorarium for the Chairman is £10,100 per annum and the Vice Chairman is £3,535 per annum with effect from 1 August 2017.

The total cost of honoraria paid in 2018-19 was therefore £13,725 (2017-18: £13,500). This includes £240 (2017-18: £256) of employer's National Insurance Contributions. The amounts received in 2018-19 are higher due to a backdated pay award applicable from 01 August 2017.

The amount received by the Chair and Vice-Chair are detailed below:

	Chairman	Vice-Chairman
	£	£
J Edmund	10,167	
K Radford		3,558

Of the total cost of honoraria, £7,402 (2017-18: £7,717) was apportioned to the Lottery Distribution Account. No emoluments were paid to other Board members in respect of Lottery activities. The Arts Council does not pay any pension contributions on behalf of the Chairman and Vice-Chairman. These individuals are not included, therefore, in the following pension note.

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

Bonuses

The Special Bonus Scheme allows the Arts Council to reward exceptional performance in particularly demanding tasks or situations at any time in the year. No staff received a performance bonus in 2018-19 (2017-18: 0).

Fair Pay Disclosure (Audited Information)

	2018-19	2017-18
	£	£
Band of Highest Paid Director's Total Remuneration*	80-85	80-85
Median Total Remuneration* (£)	31,760	30,608
Ratio	2.6	2.7

*Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

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

The banded remuneration of the highest-paid director in the organisation in the financial year 2018-19 was £80-85k (2017-18: £80-85k). This was 2.6 times (2017-18: 2.7) the median remuneration of the workforce, which was £31,760 (2017-18: £30,608).

In 2018-19, 0 (2017-19: 0) employees received remuneration in excess of the highest-paid director.

Remuneration ranged from £22,739 to £84,640 (2017-18: £22,739-£84,640).

The ratio is calculated as follows:

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

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

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

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

Arts Council Pensions (Audited Information)

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

During the year the Arts Council made contributions for 47 (2017-18: 47) employees (not all 47 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 2018 the Arts Council contributed 19% of gross salary (2017-18: 18%) plus a one-off annual payment of £25,500 which is called a 'pension deficit recovery contribution' (2017-18: Nil).

	2018-19	2017-18
	£	£
Employer's Contribution	155,101	157,629

Pension Entitlements (Audited Information)

	Accrued pension at retirement age as at 31 March 2019 and related lump sum	Real increase in pension at retirement age and related lump sum	CETV at 31 March 2019	Restated* CETV at 31 March 2018	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
R McDonough**	0-5	0-2.5	37	13	17
	plus lump sum of	plus lump sum of			
	0-5	0-2.5			

	Accrued pension at retirement age as at 31 March 2019 and related lump sum £'000	Real increase in pension at retirement age and related lump sum £'000	CETV at 31 March 2019 £'000	Restated* CETV at 31 March 2018 £'000	Real increase in CETV £'000
N McKinney	20-25 plus lump sum of 40-45	0-2.5 plus lump sum of (0-2.5)	507	470	21
G Troughton	10-15 plus lump sum of 0-5	0-2.5 plus lump sum of 0-2.5	208	177	22
N Livingston	25-30 plus lump sum of 50-55	0-2.5 plus lump sum of (0-2.5)	583	564	2
L McDowell***	0-5 plus lump sum of 0-5	0-2.5 plus lump sum of 0-2.5	45	32	13

* New transfer factors, effective from 7 January 2019, have been used to recalculate the 2017-18 CETV and for 2018-19 CETV. This is because the real increase in CETV should exclude the impact of any change in factors. It does mean that the CETV now stated for 2017-18 will be different from that stated at the end of last year.

** As stated on page 38 this employee took flexible retirement on 31 August 2017. The real increase in CETV is for the new pension scheme.

*** As stated on page 38 this employee took flexible retirement on 31 December 2015 and took voluntary full retirement on 31 December 2018.

Cash Equivalent Transfer Values

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

Real increase in CETV

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

Exit Packages (Audited Information)

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

Staff Report

1 Number of Directors (Audited Information)

	2018-19	2017-18
Director's Salary		
£45,000 - £50,000	–	–
£50,000 - £55,000	1	1
£55,000 - £60,000	3	3
£60,000 - £65,000	–	–
£65,000 - £70,000	–	–
£70,000 - £75,000	–	–
£75,000 - £80,000	–	–
£80,000 - £85,000	1	1
Total Number of Directors	5	5

The Directors' salaries shown above are on a full-time equivalent basis. Whereas the salary information on page 32 is what the Directors actually earned, including back dated pay awards and adjustments for any sick leave or reduction in hours during the year.

2 Staff Numbers and Costs (Audited Information)

a Staff Costs

	2018-19 Permanently employed staff £	2018-19 Others £	2018-19 Total £	2017-18 Total £
Wages and salaries	663,823	80,422	744,245	825,886
Social security costs	66,696	7,667	74,363	84,718
Other pension costs	141,107	13,994	155,101	157,629
Agency costs	–	65,883	65,883	35,742
	871,626	167,966	1,039,592	1,103,975

All of the staff costs were incurred by the Arts Council of Northern Ireland and recharged to the Lottery Distribution Account on the basis of average Lottery caseload from the Arts Development Department and on other appropriate bases from the rest of the Arts Council.

Staff remuneration in 2018-2019, ranges from £23,991 to £84,640 on an FTE basis.

b Chief Executive's Remuneration (Audited Information)

The remuneration received by the Chief Executive, including back dated pay awards and adjustments for reduction in hours during the year was £70,671 (2017-18: £74,452). The Chief Executive is an ordinary member of the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) pension scheme. A total of £48,694 (2017-18: £57,990) of the Chief Executive's employment costs (including employers national insurance contributions and employers pension) have been apportioned to the Lottery Distribution fund to cover time spent on Lottery activities.

c Pension Contributions

The NILGOSC Scheme is a defined benefits scheme, and the fund is invested in suitable investments, managed by the Committee. For 2018-19 the contribution rates were 19% employers contribution (2017-18: 18%) plus a one-off annual payment of £25,500 (2017-18: £25,500) and ranging between 5.5% and 10.5% employees (2017-18: ranging between 5.5% and 10.5% employees).

d Pension Commitments

The Arts Council makes employer contributions to the Northern Ireland Local Government Officers Superannuation Scheme (NILGOSC) which is a funded scheme of the defined benefit type.

All assets, liabilities and operating costs of the Arts 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 £155,101 (2017-18: £157,629).

Details of this pension scheme are available within the Arts Council's Exchequer accounts.

3 Average number of persons employed: (Audited Information)

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

Arts Council of Northern Ireland	Permanently Employed		2018-19 Total No.	2017-18 Total No.
	Staff No.	Others No.		
Directly employed	37	3	40	41
Other	—	3	3	2
Staff engaged on capital projects	—	—	—	—
Total	<u>37</u>	<u>6</u>	<u>43</u>	<u>43</u>

The average number of whole-time equivalent persons employed during the year working on the Lottery Distribution Account was as follows:

Lottery Distribution Account	Permanently Employed		2018-19 Total No.	2017-18 Total No.
	Staff No.	Others No.		
Directly employed	20	2	22	23
Other	—	1	1	1
Total	<u>20</u>	<u>3</u>	<u>23</u>	<u>24</u>

4 Staff Composition

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

	Male Directors	Male Employees	Female Directors	Female Employees
2018-19				
Payroll	2	12	3	30
Board	–	1	–	1
Agency	–	1	–	4
Total	2	14	3	35
2017-18				
Payroll	2	13	3	29
Board	–	1	–	1
Agency	–	2	–	2
Total	2	16	3	32

Staff composition shows the number of people employed by the Arts Council. Two of the Board Members are classified as 'employed' (Chairman and Vice Chairman) as they are on the Arts Council payroll to facilitate payment of their honorarium.

5 Sickness Absence Data

The number of sick days reported in 2018-19 was 392 (2017-18: 474). This equates to an average lost working days per employee of 10.48 days (2017-18: 11.95 days).

6 Staff Policies applied during the financial year

Employee Consultation

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

Policy on Disabled Persons

It is the Arts Council intention to ensure that people with a disability are given opportunities for suitable employment and that they are not discriminated against on the grounds of disability for recruitment, training or promotion.

In setting out Policy Guidelines for the distribution of Lottery funds, the Secretary of State for the Department for Digital, Culture, Media and Sport has asked the Arts Council to ensure that there is suitable access for people with disabilities to any assets, new or improved facilities which receive Lottery funding. The Arts Council requires all applicants for Lottery funding to demonstrate that they have addressed the issue of access for people who have a disability, and other people for whom physical access is a difficulty, to both facilities and the services within them with regard to the project proposed. Applicants are asked to indicate, under a range of headings, the facilities they intend to provide. In considering the needs of people who have a disability, applicants are reminded not only about the needs of people with mobility difficulties, but also the needs of people with visual and hearing impairments. A checklist of topics to be considered in this area is included as part of the pack which each applicant receives.

Equal Opportunity Policy

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

Health and Safety

The Arts Council is committed to providing staff and customers with a working environment that is as safe as possible and free from risk to health. In accordance with this commitment, the Arts Council complies with relevant health and safety legislation, holds regular committee meetings and delivers relevant training.

Trade Union Relationships

The Arts Council liaises with local trade union representatives on an ongoing basis and also regularly holds formal JNCC (Joint Negotiating and Consultative Committee) meetings. The Arts Council and the trade union (NIPSA Northern Ireland Public Service Alliance) have a Recognition and Procedural Agreement in place.

Human Capital Management

The Arts Council is committed to creating a diverse workforce as we recognise the value this brings to the organisation. We value and develop our staff through a broad range of training programmes.

7 Expenditure on Consultancy

	2018-19	2017-18
	£	£
Arts & Older People – Programme Evaluation	–	7,861
Creative Schools Programme – Programme Evaluation	9,600	–
Resilience Programme – Programme Evaluation	3,836	3,341
Young People & Well Being – Programme Evaluation	7,485	7,485
Total Expenditure on Consultancy	<u>20,921</u>	<u>18,687</u>

8 Off Payroll Disclosures (Audited Information)

Off-payroll engagements are those where individuals, either self-employed or acting through a personal service company, are paid gross by the employer. Following the Review of Tax Arrangements of Public Sector Appointees published by the Chief Secretary to the Treasury on 23 May 2012, departments and their arm's length bodies must publish information on any highly paid and/or senior off-payroll engagements as at 31 March 2019, for more than £245 per day and that last longer than six months. The Arts Council has no off-payroll engagements as at 31 March 2019 or 31 March 2018.

9 Exit Packages (Audited Information)

	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band (prior year comparatives)
Exit package cost band			
< £10,000	–	–	– (–)
£10,000 - £25,000	–	–	– (–)
£25,000 - £50,000	–	–	– (1)
£50,000 - £100,000	–	–	– (–)
£100,000 - £150,000	–	–	– (–)
£150,000 - £200,000	–	–	– (–)
Total number of exit packages	–	–	– (1)
Total resource cost	–	–	– (£47,724)

Redundancy and other departure costs have been paid in accordance with the provisions of the Arts Council's Voluntary Exit Scheme. Exit costs are accounted for in full in the year of departure, including recognising liabilities as accruals at the point at which offers were accepted. Exit costs were fully processed through the Arts Council's Exchequer Account with the same amount received from government funding provided by the Department for Communities. If the exit costs had been recharged to Lottery in line with other salary costs 53% / £Nil (2017-18: 56% / £26,725) would have been charged and the same amount received from government funding.

Parliamentary Accountability and Audit Report

The Parliamentary accountability and audit report brings together the key Parliamentary accountability documents within the annual report and accounts. It comprises:

- Parliamentary Accountability Disclosures
- Regularity of Expenditure
- Certificate and Report of the Comptroller and Auditor General

Parliamentary Accountability Disclosure Notes (Audited Information)

Losses and special payments

There were no losses or special payments during the year which required disclosure in the accounts (31 March 2018: Nil).

Regularity of Expenditure (Audited Information)

All expenditure incurred by the Arts Council is regular; it is in accordance with the expressed wishes of the sponsoring department and has been approved by the senior management team.

Roisín McDonough
Accounting Officer

1 September 2020

The Certificate and Report of The Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Arts Council of Northern Ireland Lottery Distribution Account for the year ended 31 March 2019 under the National Lottery etc. Act 1993. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows and Changes in Taxpayers' Equity, and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Arts Council of Northern Ireland Lottery Distribution Account affairs as at 31 March 2019 and of the net income for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Lottery etc. Act 1993 and Secretary of State directions issued thereunder.

Opinion on regularity

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

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Arts Council of Northern Ireland Lottery Distribution Account in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Arts Council of Northern Ireland Lottery Distribution Account's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

Respective responsibilities of the Council and Accounting Officer for the financial statements

As explained more fully in the Statement of Arts Council's and Accounting Officer's Responsibilities, the Arts Council of Northern Ireland and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the National Lottery etc. Act 1993.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Arts Council of Northern Ireland Lottery Distribution Account's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

Other Information

The Arts Council of Northern Ireland and the Accounting Officer are responsible for the other information. The other information comprises information included in the Report accompanying the financial statements, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the National Lottery etc. Act 1993;
- in the light of the knowledge and understanding of the Arts Council of Northern Ireland Lottery Distribution Account and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General

11 September 2020

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Statement of Comprehensive Net Expenditure for the year ended 31 March 2019

	Note	2018-19 £	2017-18 £
Proceeds from Lottery ticket sales	4	8,960,071	9,156,467
Lottery investment returns	4	45,917	26,463
Other operating income	4	299,202	192,538
Total Operating Income		<u>9,305,190</u>	<u>9,375,468</u>
New Grants made in year	11	7,110,881	8,307,610
Grants De-committed in year	11	(70,460)	(37,496)
Grant Funding Cross Border Touring UK	3a	79,314	100,000
Grant Funding – Cross Border Touring North / South	3b	98,583	–
Staff Costs: recharge	2	1,039,592	1,103,975
Other Operating Expenditure: direct costs	2	178,198	97,314
Other Operating Expenditure: recharge	2	313,398	308,837
Total Operating Expenditure		<u>8,749,506</u>	<u>9,880,240</u>
Net Income/(Expenditure) Income for the year		<u>555,684</u>	<u>(504,772)</u>
Comprehensive Net Income/(Expenditure) for the year ended 31 March 2019		<u>555,684</u>	<u>(504,772)</u>

All activities are continuing with no acquisitions or disposals. There are no gains or losses other than those shown above.

The notes on pages 50 to 60 form part of these accounts.

Statement of Financial Position as at 31 March 2019

		31 March 2019	31 March 2018
	Note	£	£
Non-current assets:			
Property, plant and equipment	5	—	—
Total non-current assets		<u>—</u>	<u>—</u>
Current assets:			
Investments – balance held in NLDF	7	3,030,429	2,864,840
Trade and other receivables	9	68,355	92,194
Cash and cash equivalents	8	792,999	658,428
Total current assets		3,891,783	3,615,462
Total assets		<u>3,891,783</u>	<u>3,615,462</u>
Current liabilities:			
Trade and other payables	10	475,739	365,100
Grants payable	10	1,829,295	2,263,240
Total current liabilities		2,305,034	2,628,340
Total assets less current liabilities		<u>1,586,749</u>	<u>987,122</u>
Non-current liabilities:			
Grants payable	10	307,763	263,820
Total non-current liabilities		<u>307,763</u>	<u>263,820</u>
Total assets less total liabilities		<u>1,278,986</u>	<u>723,302</u>
Equity:			
General reserve		1,278,986	723,302
Total Equity		<u>1,278,986</u>	<u>723,302</u>

The financial statements on pages 46 to 60 were approved by the Board on the ninth of April 2020 and were signed on its behalf by:

Roisín McDonough
Accounting Officer

1 September 2020

The notes on pages 50 to 60 form part of these accounts.

Statement of Cash Flows for the year ended 31 March 2019

	Notes	2018-19 £	2017-18 £
Cash flows from operating activities			
Net Income/(Expenditure)		555,684	(504,772)
Decrease/(Increase) in Trade and Other Receivables	9	23,839	(9,859)
(Decrease)/Increase in Payables < 1 year	10	(323,306)	207,319
Increase/Decrease in Payables > 1 year	10	43,943	(3,827)
(Increase)/Decrease in balance held at NLDF	7	(165,589)	387,131
Net cash Inflow from Operating Activities		134,571	75,992
 Net increase in cash and cash equivalents in the period		 134,57	 75,992
Cash and cash equivalents at the beginning of the period	8	658,428	582,436
Cash and cash equivalents at the end of the period	8	792,999	658,428

The notes on pages 50 to 60 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2019

	Notes	General Reserve £	NLDF Revaluation Reserve £	Total Reserves £
Balance at 31 March 2017		1,228,074	–	1,228,074
Changes in Equity for 2017-2018				
Comprehensive Net Expenditure for the Year		(504,772)	–	(504,772)
Balance at 31 March 2018		723,302	–	723,302
Changes in Equity for 2018-2019				
Comprehensive Net Income for the Year		555,684	–	555,684
Balance at 31 March 2019		1,278,986	–	1,278,986

The notes on pages 50 to 60 form part of these accounts.

Notes to the Accounts

1 Statement of accounting policies

These financial statements have been prepared in the form directed by the Secretary of State for Culture, Media and Sport with the consent of the Department for Communities in Northern Ireland and the approval of HM Treasury in accordance with the Section 35(2) - (3) of the National Lottery etc. Act 1993.

The financial statements have been prepared in accordance with the 2018-19 Government Financial Reporting Manual issued by HM Treasury. The accounting policies contained in the Government Financial Reporting Manual apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the Government Financial Reporting Manual permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Arts Council of Northern Ireland Lottery Distribution Account for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Arts Council of Northern Ireland Lottery Distribution Account for the distribution of public funding for the Arts in Northern Ireland are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

a Accounting convention

These accounts have been prepared on an accruals basis under the historical cost convention.

b Property, Plant and Equipment and Intangible Assets

Arts Council Exchequer is responsible for all non-current asset purchase and maintenance. Non-current asset usage on Lottery activities is recharged from the Exchequer to the Lottery account.

c Balances held in the National Lottery Distribution Fund

Balances held in the National Lottery Distribution Fund remain under the stewardship of the Secretary of State for the Department for Digital, Culture, Media and Sport. However, the share of these balances attributable to the Arts Council of Northern Ireland is as shown in the accounts and, at the Statement of Financial Position date, has been certified by the Secretary of State for the Department for Digital, Culture, Media and Sport as being available for distribution by the Arts Council in respect of current and future commitments.

The National Lottery Distribution Fund balance is classified as investments in the Statement of Financial Position. This is in line with the Department for Communities accounting policy. National Lottery Distribution Fund investments are therefore held at amortised cost.

d Grants Payable

A grant commitment is deemed to be a liability once the Letter of Offer has been drawn up and sent to the grant client. The grants liability at 31 March 2019 is disclosed in Note 11 to the accounts and recognised as expenditure in the Statement of Comprehensive Net Expenditure.

e Recharge of Staff Costs and Apportionment of Other Operating Costs

Administrative overheads and salaries are incurred by the Arts Council of Northern Ireland Exchequer. An amount is then recharged to Arts Council of Northern Ireland Lottery to cover the costs of staff working on Lottery Grants. A Service Level Agreement on Recharging of Salaries and Overheads between Exchequer and Lottery at 53% was approved by the Board on the 22 May 2018.

f 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 valuation of the scheme was at 31 March 2016.

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.

All assets, liabilities and operating costs of the Arts 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 £155,101 (2017-18: £157,629). Details of this pension scheme are available within the Arts Council Exchequer accounts.

g Operating Income

All income received, whether Lottery proceeds or other income, is credited to income in the year to which it is receivable.

h Financial Instruments

As the cash requirements of the Arts Council of Northern Ireland Lottery Distribution Fund are met through Lottery Funding, 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 of Northern Ireland's expected purchase and usage requirements and the Arts Council of Northern Ireland is therefore exposed to little credit liquidity or market risk.

i Staff Costs

Under IAS19 Employee Benefits, all staff costs must be recorded as an expense as soon as the organisation is obligated to pay them. This includes the cost of any untaken leave as at the year-end. The cost of untaken leave has been determined using data from leave records.

j Impending Application of Newly Issued Accounting Standards as yet not effective

The Arts Council provides disclosure that there are no new relevant accounting standards which it has not yet applied. The application of any new or amended IFRS standards is governed by their adoption by the FReM. The Council applies changes to standards when they become effective. There are no known material impacts from IFRS changes that have been issued and are not yet effective on the financial statements in the period of initial application.

Specifically:

■ IFRS 16 Leases – No known material impacts.

For organisations which prepare their accounts under IFRS a new accounting standard, IFRS 16 (Leases), has been issued and will come into effect during 2019-20. As per Note 13 the Lottery Fund has no direct lease commitments. The Exchequer account has one lease commitment of £1,753 of which a proportion will be recharged to the Lottery fund.

k Implementation of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers

The Arts Council implemented IFRS 9 and IFRS 15 in 2018-19 for the first time. IFRS 9 adoption has resulted in a classification of all financial instruments as measured at amortised cost. There have been no other significant effects of IFRS 9 on these accounts.

The recognition and measurement of lottery income has not changed as a result of the adoption of IFRS 15.

l Operating Segments

The activities of the Arts Council are considered to provide a single function; maintaining and developing the Arts in Northern Ireland. In terms of IFRS, this is considered to be a single operating segment. It is therefore considered that no further analysis is required to meet the requirements of IFRS 8.

m Reserves

General Reserve

This is the balance arising from monies attributed to the Arts Council of Northern Ireland as a Distributing Body for the National Lottery Distribution Fund as certified by the Secretary of State for the Department for Digital, Culture, Media and Sport and the net income as reported in the Statement of Comprehensive Net Expenditure for the year.

2 Expenditure

All of the staff costs were incurred by the Arts Council of Northern Ireland and recharged to the Lottery Distribution Account on the basis of activity in terms of the proportion of grant applications and awards that relate to Lottery activity.

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

	Direct £	Recharge £	2018-19 Total £	2017-18 Total £
Salary Costs				
Wages and salaries	–	744,245	744,245	825,886
Social security costs	–	74,363	74,363	84,718
Other pension costs	–	155,101	155,101	157,629
Agency costs	–	65,883	65,883	35,742
Total Salary Costs	–	1,039,592	1,039,592	1,103,975
Arts Council Administration- Apportionment	–	313,398	313,398	308,837
NI Screen Administration	25,000	–	25,000	25,000
Creative Schools Administration	8,405	–	8,405	–
Creative Schools Consultancy	9,600	–	9,600	–
Arts and Older People Administration	10,681	–	10,681	20,280
Arts and Older People Consultancy	–	–	–	7,861
Young People & Well Being Administration	1,746	–	1,746	970
Young People & Well Being Consultancy	7,485	–	7,485	7,485
Resilience Administration	79,278	–	79,278	–
Resilience Consultancy	3,836	–	3,836	3,341
Audit Fees	28,000	–	28,000	26,000
External Monitoring	4,167	–	4,167	6,377
Total	178,198	1,352,990	1,531,188	1,510,126

Of the total other operating expenditure of £491,597 (2017-18: £406,151) an amount of £313,398 (2017-18: £308,837) was incurred by the Arts Council of Northern Ireland and recharged to the Lottery Distribution Account at full economic cost. The £313,398 (2017-18: £308,837) administrative overhead apportioned to the Lottery Distribution fund comprised administrative costs and expenses incurred by the Arts Council from which the Lottery benefited indirectly. The apportionment was made at full economic cost and calculated on appropriate bases.

During the year the Arts Council did not purchase any non-audit services from its external auditor.

3a Grant Funding - Cross Border Touring

In 1999 an agreement was reached between Arts Council England, Creative Scotland, Arts Council of Wales and Arts Council of Northern Ireland to provide funding to enable companies and individuals to undertake cross border touring within the other Arts Council's territories. During 2010-11 a new agreement was drawn up to fund these activities from Lottery instead of Exchequer monies. The final expenditure in relation to the most recent Cross Border Touring agreement was incurred in 2018-19 and the programme has completed for now. The 4 participating organisations continue to meet to share learning and consider the strategic development of the programme in the event that future opportunities to continue the initiative arise.

During 2018-19 expenditure of £79,314 was incurred in respect of this agreement (2017-18: £100,000).

3b Grant Funding – Cross Border Touring – North/South

North/South Cross Border Touring (officially titled The Touring and Dissemination of Work Scheme in the Republic of Ireland) is designed to support touring and dissemination of work across a range of art forms and arts practices throughout Ireland and Northern Ireland. The programme agreement between Arts Council of Northern Ireland and An Chomhairle Ealaíon (Arts Council Ireland) completed in 2018-19.

During 2018-19 expenditure of £98,583 was incurred in respect of this agreement (2017-18: £Nil).

4 Income

	2018-19	2017-18
	£	£
NLDF Income:		
Investment Income	45,917	26,463
Lottery Investment Returns	45,917	26,463
Proceeds from Lottery Ticket Sales	8,960,071	9,156,467
Total NLDF Income	9,005,988	9,182,930
Other Income:		
NI Screen Recoupment	44,064	18,349
Public Health Authority-Arts and Older People	72,024	70,848
Public Health Authority-Young People and wellbeing	100,000	100,000
Belfast City Council – Resilience	83,114	3,341
Total Other Income:	299,202	192,538
Total Income	9,305,190	9,375,468

5 Property, plant and equipment

Property, plant and equipment held by Lottery at 31 March 2011 had no carrying amount and during 2011-12 these assets were transferred to the Arts Council Exchequer accounts at nil value. Arts Council Exchequer is now responsible for all non-current asset purchase and maintenance. Non-current asset usage on Lottery activities is recharged from the Exchequer to the Lottery account.

6 Financial Instruments

IFRS 7 requires disclosure of the role which financial instruments have had during the year in creating or changing the risks the Fund faces in undertaking its role. As the cash requirements of the Arts Council of Northern Ireland Lottery Distribution Fund are met through Lottery Funding, 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 of Northern Ireland's expected purchase and usage requirements and the Arts Council of Northern Ireland is therefore exposed to little credit, liquidity or market risk.

Liquidity Risks

In 2018-19, £9m or 96.29% (2017-18: £9.2m or 97.66%) of the Arts Council's Lottery Fund's income derived from the National Lottery. The remaining income derived from investment returns from the balance held with the National Lottery Distributions Fund, £46k or 0.49% (2017-18: £26k or 0.28%), and from Sundry Income, £299k or 3.22% (2017-18: £193k or 2.06%). The Arts Council considers that the Fund is not exposed to significant liquidity risks; it is satisfied that it has sufficient liquid resources within the NLDF and cash balances of £3.8m as well as forecasted NLDF income to cover all current contracted commitments plus trade and other payables of £3m. The forecasted NLDF income is based on projections received from DCMS.

Interest Rate Risks

The financial assets of the Fund are invested in the National Lottery Distribution Fund, which invests in a narrow band of low risk assets such as government bonds and cash. The Arts Council has no control over the investment of Funds in the National Lottery Distribution Fund. At the Statement of Financial Position date the Market Value of investment in the National Lottery Distribution Fund was £3m. In the year the rate of return declared by NLDF was 0.67% (2017-18: 0.35%). Cash balances which are drawn down from the Fund to pay grant commitments and operating costs are held in an instant access variable rate bank account which on average carried an interest rate of 0% (2017-18: 0%) in the year. The Arts Council Lottery fund bank account has an applicable credit interest rate of base less 1%. In March 2009 the Bank of England base rate dropped to 0.5%, hence no interest has been credited to the account from this date. The cash balance at the year-end was £792,999 (31 March 2018: £658,428). The Arts Council considers that the Fund is not exposed to significant interest rate risks.

Foreign Currency Risk

The Fund is not exposed to any foreign exchange risk.

7 Reconciliation of Movement in National Lottery Distribution Fund

The funds held in the NLDF are invested on its behalf by the Commissioners for the Reduction of the National Debt. Up to 1996-97 the Arts received 20% of the monies paid into the Fund by Camelot, the Lottery operator, after deduction of expenses incurred by DCMS in administering the Fund, and by the regulator, the Office of the National Lottery. This percentage was reduced to 16.67% by the National Lottery Act 1998 and then returned to 20% by the National Lottery Act 2006. The Arts Council of Northern Ireland receives 2.8% of the sum allocated to the Arts. Interest earned on the sums invested is apportioned to each of the Lottery distributors on the basis of their percentage of the total remaining NLDF funds at the time the interest is received.

The closing market value of investments held at 31 March 2019 by NLDF under the National Lottery Act as amended on behalf of the Arts Council of Northern Ireland Lottery Distribution Account was £3,030,429 (31 March 2018: £2,864,840).

The NLDF balance is classified as investments in the Statement of Financial Position. This is in line with the DCMS accounting policy. NLDF investments are therefore held at the lower of carrying amount and fair value less costs to sell, with any unrealised profit or loss to be recognised through reserves.

	31 March 2019	31 March 2018
	£	£
Balances in NLDF		
Proceeds from Lottery	8,960,071	9,156,467
Investment Income	45,917	26,463
Drawn down in year by Arts Council	(8,840,399)	(9,570,061)
Total decrease in Funds	165,589	(387,131)
Balance as at 1 April	2,864,840	3,251,971
Balance as at 31 March	3,030,429	2,864,840

8 Cash and cash equivalents

	31 March 2019	31 March 2018
	£	£
Balance at 1 April	658,428	582,436
Net change in cash and cash equivalent balances	134,571	75,992
Balance at 31 March	<u>792,999</u>	<u>658,428</u>

The following balances at 31 March were held at:

Commercial banks and cash in hand	792,999	658,428
Balance at 31 March	<u>792,999</u>	<u>658,428</u>

9 Trade receivables, financial and other current assets

	31 March 2019	31 March 2018
	£	£
Amounts falling due within one year		
Trade Receivables	–	–
Prepayments & Accrued Income	68,355	92,194
	<u>68,355</u>	<u>92,194</u>

Amounts falling due after more than one year

Trade Receivables	–	–
Prepayments & Accrued Income	–	–
	<u>–</u>	<u>–</u>

Trade receivables includes £Nil (31 March 2018: £Nil) in respect of amounts due to the Lottery Distribution Account from the Arts Council of Northern Ireland.

10 Trade payables and other current liabilities

	31 March 2019	31 March 2018
	£	£
Amounts falling due within one year		
Accruals and deferred income	475,739	365,100
Grants payable (Note 11)	1,829,295	2,263,240
	<u>2,305,034</u>	<u>2,628,340</u>

Amounts falling due after more than one year

Grants payable (Note 11)	<u>307,763</u>	<u>263,820</u>
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Accruals includes £93,269 (31 March 2018: £106,783) in respect of services and purchases rendered to or made on behalf of the Lottery Distribution Account by the Arts Council of Northern Ireland.

11 Grants Payable

	31 March 2019	31 March 2018
	£	£
Grants payable at 1 April	2,527,060	2,531,491
Grants paid during the year	(7,430,423)	(8,274,545)
Grant de-commitments	(70,460)	(37,496)
Grants made in the year	7,110,881	8,307,610
Grants payable at 31 March	<u>2,137,058</u>	<u>2,527,060</u>

Profile of Commitments over the next five years

Amounts falling due during 2018-19	–	2,263,240
Amounts falling due during 2019-20	1,829,295	263,820
Amounts falling due during 2020-21	307,763	–
Amounts falling due during 2021-22	–	–
Amounts falling due during 2022-23	–	–
	<u>2,137,058</u>	<u>2,527,060</u>

Current contracted commitments total £2.1m. The Arts Council considers that it has sufficient liquid resources within the NLDF and cash balances of £3.8m as well as forecasted NLDF income to cover all current contracted commitments. The forecasted NLDF income is based on projections received from DCMS.

12 Grant commitments at year end which do not meet the criteria for being treated as a liability at 31 March 2019

In 2018-19 the Arts Council approved 91 (2017-18: 95) awards under the Annual Funding Programme (AFP) totalling £4,339,140 (2017-18: £4,535,796). These awards have not been included in the calculation of grants payable in the Statement of Financial Position. As the awards relate to the 2019-20 funding year the Letters of Offer were issued on the 1 April 2019. As a result the AFP decisions do not qualify as commitments and therefore do not meet the criteria for being treated as a liability until 1 April 2019.

13 Leases

While the Lottery Fund has no direct lease commitments, the Exchequer account has £1,753 (17-18: £2,337) lease commitments, of which a proportion will be recharged to the Lottery Fund as they are incurred. The Arts Council was in temporary accommodation at the Sidings, Lisburn under licence from the Department of Finance until Friday 18th October 2019. The Arts Council is currently in temporary accommodation at Linen Hill House, Lisburn until February 2021. The Arts Council paid the Department of Finance annual rent of £85,000 for the Sidings.

14 Capital commitments

There were no capital commitments as at 31 March 2019 (31 March 2018: Nil).

15 Other financial commitments

There were no other financial commitments as at 31 March 2019 (31 March 2018: Nil).

16 Contingent asset disclosed under IAS 37**Contingent Asset**

The National Lottery Distributors (including the Arts Council of Northern Ireland) are entitled to receive a share of receipts from the sale of land on Queen Elizabeth Olympic Park in return for their contribution of an additional £675m to the funding of the London 2012 Olympic and Paralympic Games. The arrangements are set out in a legal agreement between the Secretary of State and the Greater London Authority (GLA) dated 29 March 2012 which sets out the distribution of funds between the GLA and the lottery distributors (via the core department). Land sales are likely to take place over a lengthy period, estimated to be from 2019-20 to 2036-37. The department estimates the first payments to the Lottery Distributors will be received in the early to mid-2020s.

17 Related Party Transactions

The Arts Council of Northern Ireland is a Non Departmental Public Body sponsored by the Department for Communities (DfC). DfC is regarded as a related party and during the year the Arts Council had various material transactions with DfC. The Lottery Account operations of the Arts Council of Northern Ireland are funded from the National Lottery Distribution Fund through the Department for Digital, Culture, Media and Sport (DCMS). DCMS is regarded as a related party. During the year the Arts Council has had various material transactions with DCMS.

The Arts Council of Northern Ireland Exchequer Account is also regarded as a related party to The Arts Council's National Lottery Distribution Account. At 31 March 2019 a net amount of £93,269 (2018-19: £106,783) was owed to the Exchequer Account in respect of salary and other administrative costs incurred.

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

				Balance Outstanding as at	
			Awarded in 2018-19 £	Paid in 2018-19 £*	31 March 2019 £**
Name	Nature of relationship	Organisation Name			
Board Members:					
David Alderdice	Chair of Eastside Arts	Eastside Arts	37,253	39,243	4,527
John Edmund	Private Consultancy Work	The Playhouse	78,012	83,062	3,901
		Derry Theatre Trust	35,260	35,510	1,763
	Career Pathways Assignment***	The Nerve Centre	17,000	17,000	850
	Interviewed Obon Festival in relation to DCSDC tourism assignment****	Obon on the Foyle Festival	25,000	39,270	1,250
Roisin Erskine	Co-Chair of Beyond Skin until July 2017.	Beyond Skin	21,500	21,675	1,075
	Volunteer Music Facilitator for Beyond Skin at Conversations Festival in September 2018				
	One paid weekend per year as site manager with Belfast Circus School for the Festival of Fools	Belfast Community Circus School	54,695	54,693	2,735
		Festival of Fools	33,713	43,862	25,285
	Member of Open Arts Community Choir	Open Arts	51,242	42,680	10,268
Siún Hanrahan	Board Member of The Void	The Void	67,000	70,510	4,190
Jarlath Kearney (until 6/10/17)	Family Member on Board of Feile an Phobail	Feile an Phobail	36,777	37,077	1,839

Name	Nature of relationship	Organisation Name	Awarded	Paid in	Balance
			in 2018-19	2018-19	Outstanding
			£	£*	as at
					31 March
					2019
					£**
Leon Litvack	Professor at Queen's University	Queen's Film Theatre	–	4,225	4,225
Noelle McAlinden	Board of Centre for Contemporary Art	Centre for Contemporary Art	32,736	32,736	1,637
	Member of Royal Ulster Academy Council	Royal Ulster Academy	–	–	750
	Chair of Fermanagh Live Arts Festival	Fermanagh Arts Festival	3,180	3,180	–
Paul Mullan	Spouse is Chair of All Set Cross Cultural Project	All Set Cross Cultural Project	7,833	7,833	392
Katy Radford	Family / Close Connection with Ulster Orchestra Society	Ulster Orchestra Society	370,636	370,636	18,532
	Family / Close Connection with John Baucher	John Baucher	–	–	300
	Employer has MOU with ArtsEkta (ceased Feb 2019)	ArtsEkta	32,247	36,687	5,957
	Employer has membership of Play Resource Warehouse	Play Resource Warehouse	35,600	42,214	3,433
	Employer sometimes uses 174 Trust for event hire	174 Trust	50,000	50,390	2,500
	Employer has commissioned work from NI Opera	NI Opera	219,000	219,000	10,950
	Represents Employer on Linen Hall Library project steering group	Linen Hall Library	4,000	4,850	400
	Employer has working relationship with the British Council and a registry of artists which includes:				
	Kabosh	Kabosh	18,000	18,000	900
	Big Telly	Big Telly	56,196	56,696	2,810
	Duncairn Arts Centre	174 Trust	50,000	50,390	2,500
	The John Hewitt Society	The John Hewitt Society	5,548	5,568	277
	Royal Ulster Academy	Royal Ulster Academy	–	–	750
Conor Shields (until 30/4/17)	Employee of Community Arts Partnership	Community Arts Partnership	70,352	70,322	11,123
Cian Smyth	Freelancer for Belfast International Arts Festival until Dec18	Belfast International Arts Festival	121,000	121,250	6,050
	Chairman of Outburst	Outburst Arts Festival	42,100	44,600	17,500

Name	Nature of relationship	Organisation Name	Awarded in 2018-19 £	Balance Outstanding as at	
				Paid in 2018-19 £*	31 March 2019 £**
Nisha Tandon (until 30/04/17)	Director of ArtsEkta Family member is a freelance Events & Marketing Manager for ArtsEkta	ArtsEkta	32,247	36,687	5,957
Staff Members:					
Vincent Crossey	Treasurer of Wheelworks	Wheelworks	21,116	18,308	3,583
Lizzie Devlin	Friends work for 174 Trust	174 Trust	50,000	50,390	2,500
	Friend is Board Member of Kabosh	Kabosh	18,000	18,000	900
	Friends work for Spectrum Centre	Greater Shankill Partnership Project	32,300	33,295	1,615
Nick Livingston	Daughter employed by Arts & Business	Arts & Business NI	194,139	200,008	9,707
Suzanne Lyle	Friend works for company which is Golden Thread Landlord	Golden Thread Gallery	74,554	74,644	4,572
Matthew Malcolm	Voluntary member of an advisory panel with Ards & North Down Borough Council	Ards and North Down Borough Council	–	20,000	–
Roisin McDonough	UK Trustee of Creative and Cultural Skills & Chair of NI Group	Creative & Cultural Skills	–	17,250	54,698
Noirin McKinney	Spouse is Editor of Irish Pages	Irish Pages Ltd	10,000	10,250	500
Noirin McKinney	Friends with Directors of Panarts	Panarts	10,555	10,555	528
Andrea McKittrick	Family members are involved in Community Circus Lisburn	Community Circus Lisburn	12,575	14,288	6,288
Gavin O'Connor	Tutor for BelfastTrad Music Society	BelfastTrad	13,850	13,565	835
Ciaran Scullion	Spouse is the Membership and Development Officer for Ulster Youth Choir	Ulster Youth Choir	50,800	49,750	2,540
Anne Shipton	Family Member is a Member of Armagh Rhymers	Armagh Rhymers Society	21,000	34,006	1,050
	Friends of Arts Co- ordinator at Duncairn Centre	174 Trust	50,000	50,390	2,500
Fionnuala Walsh (until 21/06/18)	Partner Chairman of PLACE	PLACE	30,302	30,330	1,515
	Board Member of Digital Arts Studio	Digital Arts Studio	13,154	13,204	658
Debbie Young (until 29/09/17)	Community Artist with Cap	Community Arts Partnership	70,352	70,322	11,123

Name	Nature of relationship	Organisation Name	Awarded	Paid in	Balance
			in 2018-19	2018-19	Outstanding as at
			£	£*	31 March 2019
					£**
	Artist in Residence at Arts for All	Arts for All	9,650	10,068	483
	Arts and Crafts Facilitator at Duncairn Centre	174 Trust	50,000	50,390	2,500
Whitney Williamson	Part-time acting roles for the agents for NI Screen	NI Screen	ACNI entered a 2 year delegation agreement with NI Screen on 1 April 2017 to support the development and production of film with an annual allocation of £250k.		
			250,000	227,267	116,376

*Paid in 2018-19 includes payments relating to awards made in previous years.

**Balance outstanding as at 31 March 2019 includes all awards made in 2018-19 and previous years where an outstanding balance remains.

***The Chair carried out an assignment for the Nerve Centre on career pathways for technical and trade employment in the film industry. The assignment did not cross into areas that are the purview of ACNI.

****The Chair interviewed the promoter of the Festival in connection with a tourism assignment for DSCDC

18 Third-party assets

There are no third-party assets as at 31 March 2019 (31 March 2018: Nil).

19 Events after the Reporting Period

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

Covid-19 pandemic

On Monday 23 March 2020 the Prime Minister in a public address to the nation said the public would not be allowed to leave their homes except for a few specific reasons. All non-essential businesses were closed including Theatres and other arts venues. The Arts Council invoked its business continuity plan and introduced homeworking for all staff. The Northern Ireland Executive published a recovery plan for Northern Ireland on 12 May 2020 which identified the steps for recovery in six sectors including a "Sports, culture and leisure activities" sector. Step four of the plan referred to resuming outdoor concerts and step five referred to attending live events, both on a restricted basis. Dates have not been fixed to implement these steps and the viability and the ability of arts events to function on a restricted basis is not yet known. However the pandemic has adversely impacted the economy including the Arts Sector and some funded clients may face solvency and going concern issues.

Date of authorisation for issue

The Annual Report and Accounts were authorised for issue on the date of certification by the Comptroller and Auditor General.

Appendix A

Revised Lottery Policy Directions to Arts Council of Northern Ireland

The Department of Culture, Arts and Leisure, on behalf of the Department for Culture, Media and Sport, in exercise of the powers conferred by section 26(1) of the National Lottery etc. Act 1993 and having consulted the Arts Council of Northern Ireland pursuant to section 26(5) of that Act, hereby gives the following directions:

- 1 In these Directions any reference to a section is a reference to a section of the National Lottery etc. Act 1993.
- 2 In determining the persons to whom, the purposes for which and the conditions subject to which it distributes any money under section 25(1), the Arts Council of Northern Ireland shall take into account the following matters:-
 - A Its assessment of the needs of the arts and its priorities for addressing them (having regard to government strategies/policies in force).
 - B The need to inspire children and young people, awakening their interest and involvement in the arts.
 - C The need to foster local community initiatives which bring people together, enrich the public realm and strengthen community spirit.
 - D The need to support volunteering and encourage volunteering in the arts.
 - E The need to encourage new talent, innovation, and excellence and help people to develop new skills.
 - F The need to involve the public and local communities in making policies and setting priorities.
 - G The need to consider projects relating to film and the moving image, and in particular the need to foster the development of sustainable structures in the film industry by, among other things, supporting the development, distribution and promotion of films, as well as their production.
 - H The need to ensure that money is distributed for projects which promote public good rather than private gain.
 - I The need to further the objectives of sustainable development.
 - J The need to ensure that all those receiving Lottery money acknowledge it using the common Lottery branding.
 - K The need to require an element of partnership funding, or contributions in kind from other sources, to the extent that this is reasonable to achieve for different kinds of applicants.
 - L The desirability of:
 - a increasing access and participation for all;
 - b ensuring that all areas have access to funding; and
 - c reducing economic and social deprivation.
 - M The desirability of working jointly with other organisations, including other distributors.
 - N The need:
 - a to set time limits for which grants are payable;
 - b to ensure that the Arts Council of Northern Ireland has the necessary information and expert advice to make decisions on each application; and
 - c for applicants to demonstrate the financial viability of projects.

- O Where capital funding is sought, the need:
 - a for a clear business plan showing how any running and maintenance costs will be met for a reasonable period; and
 - b to ensure that appraisal and management for major projects match the Office of Government Commerce's Gateway Review standards.
- P The need to ensure that its powers to solicit applications under section 25 (2A) are used in connection with the pursuit of strategic objectives.

Signed on behalf of the Department of Culture, Arts and Leisure

Name: *Paul Sweeney*

Date: 16 April 2008

Appendix B

National Lottery Development Fund (NLDF) Balance – Policy Statement

1 Background

The National Lottery provides funding for good causes to the National Lottery Distribution Fund (NLDF). After allowing for expenses, funds received by the NLDF from National Lottery are disbursed to distributors in Arts, Sports, Heritage and Big Lottery Fund for onward transmission to spending organisations and individuals.

The Lottery Shares Order Act, which was enacted in November 2010, determines the percentage of funds allocated to NLDF for each of the 4 categories above. For the financial years 2012/2013 to 2016/2017 the share of NLDF funds allocated to Arts, Sports, and Heritage is 20% each with the Big Lottery Fund receiving 40%.

Cash Balances held by NLDF are invested on behalf of it by the Commissioners for the Reduction of the National Debt (CRND) and investment income earned by NLDF is apportioned between its distributors on the basis of the funds held by NLDF on behalf of individual distributors at the date of receipt of investment income.

Arts Council of Northern Ireland (ACNI) is the distributor for the Arts in Northern Ireland and is one of the Arts organisations funded by NLDF alongside: Arts Council England; Arts Council of Wales; Creative Scotland and the British Film Institute. ACNI is allocated 0.56% of NLDF's net income per annum until 2022/2023.

Each distributor draws down funds from NLDF against its allocation and after deduction of administration costs, distributes such funds as grants. All distributors operate at arm's length from Government and make their grant decisions independently of Government, in response to applications for funding which they receive directly.

2 ACNI NLDF Policy

2.1 Introduction

The Arts Council's policy in relation to NLDF is based on the guidance of the National Lottery Guidance Note 1/03: Management of National Lottery Distribution Fund balances.

The Arts Council adopts a consistent approach to commitment with well managed risk taking which avoids excessive caution but which has due regard to the income flows of and the need to safeguard whatever commitments are made by potential recipients. The Arts Council carries out regular reviews of project plans to identify changes in circumstances (e.g. delays in capital projects) which would enable increases in funding elsewhere.

2.2 NLDF balances

The Arts Council's NLDF Balance comprises the following:

- 1 Balances held by NLDF not yet drawn down; and adjusted by
- 2 Balances drawn down by the Arts Council from NLDF but not yet distributed (this includes amounts forwarded by the Arts Council to NI Screen and not distributed).

The Arts Council's policy is to maintain its NLDF balance at a prudent level based on a realistic assessment of its needs and the availability of funding from NLDF. The Arts Council's NLDF balance will be set at a level that will maximise its ability to achieve its strategic objectives, that will ensure that present commitments are not compromised and that will not impair or constrain its ability to enter into future commitments.

The following statement will be included in the annual report and accounts:-

'Although income is not entirely within its control, the Arts Council has arrived at the proposed target level of balance which has been expressed as a range, by making realistic assessments of forecasts for levels of income in future years (based on NLDF forecasts), and The Arts Council's assessment of:

- Both the 'upside' and 'downside' risks to those forecasts;
- Its forecasts for expenditure in future years on the basis of commitments made and planned activity;
- Its analysis of any future needs, opportunities, contingencies or risks which are not likely to be able to be met out of income if and when they arise; and
- The likelihood, on the best evidence available, of each of those needs arising and the potential consequences for the Arts Council of not being able to meet them.

Having carefully considered the above, the Arts Council has agreed that NLDF targets are:

CY	2019-20	£2.160M
CY+1	2020-21	£2.778M
CY+2	2021-22	£3.335M

3 Management of NLDF balances –

The Arts Council manages its NLDF balance by using a range of management tools including:

3.1 Management Accounts

The Arts Council manages its NLDF policy target by introducing Lottery Fund Management Accounts to monitor activity and to enable programme expenditure to be increased or decreased as required in line with NLDF balance targets.

Management Accounts compares actual outturns with budget, including actual and budget NLDF balances. Variances against budget are identified and explained.

3.2 Good practice

The Arts Council is committed to best practice and continuous improvement in its management of NLDF funds, subject to compliance with Financial Directions. The Arts Council has adopted and will continue to pursue good practice policies in relation to managing NLDF funds including:

- Committing Lottery Funds further in advance and improving cash management systems;
- Reducing the time between an in-principle commitment and initial drawdown of funds; and
- Reducing the time between award of grant and first drawdown.

3.3 KPIs

The Arts Council uses KPIs appropriate to the policies and targets adopted. These include:-

The 'Quicker Turnaround KPI'

100% of decisions to be made within published deadline. This is calculated using reporting from the GIFTs system.

The 'Quicker Close Out KPI'

90% of grants to be closed out within two months of the project end. This is calculated using reporting from the GIFTs system.

3.4 Costs of administering NLDF funding

The Arts Council seeks to recover its reasonable costs for administering NLDF funds. The level of such costs is kept under review and is subject to Board agreement.

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