

Arts Council of Northern Ireland

**Lottery Distribution Account
For the Year Ended 31 March 2001**

Foreword

The Arts Council of Northern Ireland

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

The Arts Council dates from 1943 when it was set up as the Council for the Encouragement of Music and the Arts in Northern Ireland. Initially funds were provided by the Pilgrim Trust and matched by the Ministry of Education for Northern Ireland. At the present time the Arts Council is funded via grant-in-aid by the Department of Culture, Arts and Leisure. The affairs of the Council are managed by a Council consisting of fifteen members. The current Council members are listed below. The Chief Executive is the principal executive officer of the Council and is supported by a professional staff responsible for subject and functional areas of the Council's programme.

Statutory Background

The Arts Council of Northern Ireland is a statutory body established by the Arts Council (Northern Ireland) Order 1995.

The National Lottery was established by the National Lottery etc. Act 1993 to raise money for "good causes" through the sale of lottery tickets. 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, Millennium Projects, and to the Arts in England, Scotland and Wales. From 1998-99 Lottery proceeds were also distributed to the New Opportunities Fund (NOF) and to the National Endowment for Science, Technology and the Arts (NESTA).

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 Council 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.

Financial results

The Arts Council of Northern Ireland's Lottery Distribution results are set out in the Income and Expenditure Account. Total proceeds received from the National Lottery totalled £9,009,104. During the year the Arts Council awarded grants to Lottery applicants of £1,768,609. In 2000-01, £5,503,230 was paid to applicants. The total administrative costs to the Arts Council of its distribution activities, including staff costs, was £593,279 (excluding depreciation). This represents approximately 6.6% of the total proceeds received in the year.

Review of National Lottery distribution activities

During the year under review the Arts Council continued to implement the objectives and actions detailed in its *Strategy for the Distribution of National Lottery Arts Funding 1999-2002*. Discussions took place with the sector on the detail and development of a number of existing and new programmes with the aim of best meeting the needs of the arts community.

Discussions have also taken place with other Lottery Distributors to implement an Awards for All programme in Northern Ireland to provide grants of between £500 and £5,000 to small organisations.

A moratorium was in place throughout the year on applications for new buildings while the Council re-designed the programme and discussed its overall priorities for the capital infrastructure. The programme will be re-launched early in the next financial year and funds unspent under this programme during the year will be carried forward into the next financial year. The Council continued to fund minor refurbishment projects as well as equipment purchase. Three feasibility studies into the development of the infrastructure around Northern Ireland also received funding totalling £54,603.

As a result of the moratorium the number of new grants made during the year fell to 67 totalling £1,741,845. An additional 4 grants totalling £26,764 were made to 3 Colleges under the Interim Funding Scheme for Northern Irish dance/drama students representing the final instalments of 3-year undertakings made in previous years.

The *New Work* programme continued its success in attracting a large number of applications and under this programme the Council made 25 awards for new work in all art forms. Twenty awards were made under the *Access* programme which is aimed at supporting arts projects which take place in a community context.

Significant changes in fixed assets

The movement on fixed assets is set out in note 5 to the financial statements. During the year a total of £4,052 was spent on acquiring new fixtures and fittings. No further expenditure on fixed assets took place during the year.

Retained funds at the year end

At the end of the year the Lottery Distribution Account showed an increase in funds of £7,160,480 after making a provision for all hard grant commitments outstanding at the year end. At the end of 2000-01 the retained funds totalled £24,444,033. This amount will be carried forward to the 2001-02 financial year and will be available for distribution.

Future developments in National Lottery distribution activities

In April 2001 the Arts Council will re-launch its revised programmes – *Capital*, *New Work* and *Access* – and will announce a new *Audience Development* programme. The new programme will cover areas of touring, marketing and education/outreach activity.

The Arts Council, in association with other Lottery Distributors, will also launch the Northern Ireland Awards for All programme in April 2001.

During the year the Arts Council will announce details of schemes designed to attract applications and increase support for those artforms previously identified as being under-represented in terms of Lottery grants. Information seminars and targeted events will be organised to raise awareness of the Arts Council's Lottery programmes in geographic areas which, again, have been identified as receiving lower levels of Lottery funding.

The Council will also embark upon a consultation exercise to review the implementation and effectiveness of its current Lottery distribution strategy which comes to an end in March 2001. This consultation exercise will address the future strategy for the distribution of Lottery funds to best meet the needs of the arts community within the overall strategy for arts development in Northern Ireland.

The Arts Council will enter into negotiations with the Northern Ireland Film Commission to explore the possibility of delegating its functions relating to the support of film.

Council members of the Arts Council of Northern Ireland and members of its Lottery Committee

The Council of the Arts Council of Northern Ireland for the year ended 31 March 2001 is shown below. All members were appointed on 1 March 2000 for a three year term unless stated otherwise. Those marked with an asterisk had served a previous term which commenced on 1 September 1996.

Prof. Brian Walker (Chairman) (from 1 August 1998 for three years)
 Mrs Maureen Armstrong
 Mr David Boyd
 Cllr Martin Bradley *
 Dr Maurna Crozier
 Mr Ronnie Dunn OBE
 Dr Tess Maginess *
 Mr David Hyndman
 Ms Judith Jordan
 Mr James Kerr
 Prof. Brian McClelland
 Ms Gerri Moriarty
 Ms Eilis O Baoill (Vice-Chairman)
 Mr Aidan Shortt *
 Mrs Margaret Yeomans

Unless otherwise stated the members of the Lottery Panel commenced their term on 1 April 1998 and their term will end on 31 March 2001. Council members who served on the Lottery Panel during the year are marked with an asterisk and their term runs concurrently with their Council appointments as outlined above. Members of the Lottery Panel who served during this period were:

Ms Eilis O Baoill, Chair *
 Cllr Mrs Toye Black
 Cllr Martin Bradley *
 Mr David Hyndman *
 Ms Judith Jordan *
 Mr Nigel Mansley
 Ms Shan McAnena (resigned April 2000)
 Mr Aidan McGrath
 Mr Aidan Shortt *
 Prof. Brian Walker * (Ex-Officio)

Appointment of auditors

Under the National Lottery etc. Act 1993 the Comptroller and Auditor General examines and certifies the financial statements of each of the National Lottery distributing bodies and lays copies of the statements and his report before Parliament.

Policy on disabled persons

In setting out Policy Guidelines for the distribution of Lottery funds, the Secretary of State 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.

The Arts Council prepared an Equality Scheme in line with Section 75 of the Northern Ireland Act 1998 and submitted it to the Equality Commission for approval in June 2000. Section 75 places a statutory obligation on the Arts Council to have due regard to the need to promote equality of opportunity:

- (a) between persons of different religious belief, political opinion, racial group, age marital status or sexual orientation;
- (b) between men and women generally;
- (c) between persons with a disability and persons without; and,
- (d) between persons with dependants and persons without.

The Scheme was approved by the Equality Commission on 14 June 2001.

The Arts Council is committed to the development of positive policies to promote equal opportunity in employment based on practices which are non-discriminatory as between people of differing abilities, religion, political view, nationality, race, colour or sex.

Employee consultation

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

Payment of Suppliers

The Arts Council is committed to the prompt payment of bills for goods and services in accordance with the Better Payment Practice Code. Unless otherwise stated in the contract, payment is due within 30 days of receipt of the goods or services, or presentation of a valid invoice or similar demand, whichever is later.

A review conducted at the end of the year to measure how promptly the Arts Council paid its bills found that 96% of the bills were paid within this standard. The comparable figure for the previous year was also 96% paid within the standard.

Political and Charitable Donations

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

Roisín McDonough
Accounting Officer
for the Council

July 2001

STATEMENT OF THE COUNCIL'S AND CHIEF EXECUTIVE'S RESPONSIBILITIES

Under section 35(2) & (3) of the National Lottery etc. Act 1993 the Arts Council of Northern Ireland is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State, with the consent of Treasury.

The financial statements are prepared on an accruals basis and must show 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, total recognised gains and losses and cash flows for the financial year.

In preparing the financial statements the Council is required to:

- observe the accounts direction issued by the Department of Culture, Arts and Leisure on behalf of the Secretary of State for Culture, Media and Sport (formerly National Heritage), including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the body will continue in operation.

The Accounting Officer for the Department of Culture, Arts and Leisure has designated the Chief Executive of the Arts Council of Northern Ireland as the Accounting Officer for the Council. Her relevant responsibilities as Accounting Officer, including her responsibility for the propriety and regularity of the finances for which she is answerable and for the keeping of proper records, are set out in the Non-Departmental Public Bodies Accounting Officer Memorandum issued by the Northern Ireland Department of Finance and Personnel, the guidance contained within 'Government Accounting Northern Ireland' also issued by the Department of Finance and Personnel, and in the Financial Directions issued by the Department of Culture, Arts and Leisure on behalf of the Secretary of State for Culture, Media and Sport under s26(3) of the National Lottery etc. Act 1993.

Roisín McDonough
Accounting Officer
for the Council

July 2001

THE STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

As Accounting Officer, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated by the Arts Council of Northern Ireland.

The system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Council;
- regular reviews by the Council of periodic and annual financial reports which indicate financial performance against the forecasts;
- procedures for the assessment of applications and the management of grants, ensuring that all applications and awards receive sufficient, consistent, processing in line with Policy and Financial Directions issued by the Permanent Secretary of the Department of Culture, Arts and Leisure;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines;
- as appropriate, formal project management disciplines.

The Arts Council of Northern Ireland has an internal audit unit, which operates to standards defined in the Government Internal Audit Manual. The work of the internal audit unit is informed by an analysis of the risk to which the body is exposed, and annual internal audit plans are based on this analysis. The analysis of risk and the internal audit plans are endorsed by the Council's Audit Panel and approved by me. At least annually, the Head of Internal Audit (HIA) provides me with a report on internal audit activity in the body. The report includes the HIA's independent opinion on the adequacy and effectiveness of the body's system of internal financial control.

My review of the effectiveness of the system of internal financial control is informed by the work of the internal auditors, the Audit Panel which oversees the work of the internal auditor, the executive manager within the body who has responsibility for the development and maintenance of the financial control framework, and comments made by the external auditors in their management letter and other reports.

Implementation of a Statement of Internal Control

As Accounting Officer, I am aware of the recommendation for departments to produce a Statement of Internal Control, and am taking reasonable steps to comply with the Department of Finance and Personnel's requirement for this statement to be prepared for the year ended 31 March 2002, in accordance with guidance issued by the Department of Finance and Personnel.

Roisín McDonough
Accounting Officer
for the Council

July 2001

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

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

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ARTS COUNCIL OF NORTHERN IRELAND

LOTTERY DISTRIBUTION ACCOUNT

Income and Expenditure Account for the year ended 31 March 2001

	Notes	£	1999-2000 £
Proceeds from lottery	2	9,009,104	8,260,047
Other Income	3	38,522	44,762
Total Income		9,047,626	8,304,809
Grants paid in year		5,503,230	9,046,236
Provision for (increase)/decrease in value of investments		-	(457)
Provision for grant commitments in future years		(4,213,984)	1,050,623
Staff costs : Recharge	4	360,397	314,103
Depreciation: tangible assets	5	4,621	3,757
Other operating costs : Direct Costs	6	177,339	248,226
: Recharge	6	55,543	54,340
Total Expenditure		1,887,146	10,716,828
Increase in funds		7,160,480	(2,412,019)
Notional Costs - capital	14	(4,733)	(10,050)
Increase in Funds including notional costs		7,155,747	(2,422,069)
Reversal of Notional Costs		4,733	10,050
Increase in Funds		7,160,480	(2,412,019)

The income and expenditure relate to continuing activities.

The Arts Council of Northern Ireland's Lottery Distribution Account has no recognised gains and losses other than those included above.

The notes on pages 17 to 27 form part of these financial statements.

ARTS COUNCIL OF NORTHERN IRELAND

LOTTERY DISTRIBUTION ACCOUNT

Balance Sheet as at 31 March 2001

			1999-2000 [as restated]	1999-2000 [as restated]
	Notes	£	£	£
Fixed Assets				
Tangible assets	5		5,454	6,023
Current Assets				
Investments - Balance held in NLDF	7	30,148,539	27,305,132	
Debtors & Prepayments	8	6,926	2,154	
Cash at bank and in hand		403,176	88,588	
Less: creditors-amounts due within one year	9	(6,120,062)	(9,607,410)	
Net Current Assets			24,438,579	17,788,464
Total Assets less Current Liabilities			<u>24,444,033</u>	<u>17,794,487</u>
Represented by:				
Provisions for Liabilities & Charges				
Grant Commitments	10		6,907,586	7,418,520
Reserves				
Income & Expenditure			17,536,447	10,375,967
			<u>24,444,033</u>	<u>17,794,487</u>

Roisín McDonough
Accounting Officer

July 2001

The notes on pages 17 to 27 form part of these financial statements.

ARTS COUNCIL OF NORTHERN IRELAND

LOTTERY DISTRIBUTION ACCOUNT

Cash Flow Statement for the year ended 31 March 2001

		1999-2000 [as restated]
	£	£
Net cash inflow/(outflow) from operating activities (note 1)	280,118	(364,381)
Returns on investments and servicing of finance (note 3)	38,522	44,762
Capital expenditure (note 4)	<u>(4,052)</u>	<u>(1,498)</u>
Increase/(decrease) in cash	<u>314,588</u>	<u>(321,117)</u>

The notes on page 16 form part of this statement

ARTS COUNCIL OF NORTHERN IRELAND

LOTTERY DISTRIBUTION ACCOUNT

Notes to the Cash Flow Statement

1. Reconciliation of increase in funds to net cash outflow from operating activities

		1999-2000 [as restated]
	£	£
Increase/(decrease) in funds	7,160,480	(2,412,019)
Depreciation charges	4,621	3,757
Interest and investment returns	(38,522)	(44,762)
(Increase)/decrease in NLDF investments	(2,843,407)	1,081,052
(Increase)/decrease in debtors	(4,772)	8,381
Increase/(decrease) in creditors	(3,487,348)	(2,617,231)
Increase/(decrease) in provision for grants	(510,934)	3,616,441
	<u>280,118</u>	<u>(364,381)</u>

2. Reconciliation of net cash flow to movement in net funds

Increase/(decrease) in cash in period	314,588	(321,117)
Changes in net funds	314,588	(321,117)
Net funds at 1 April 2000	88,588	409,705
Net funds at 31 March 2001	<u>403,176</u>	<u>88,588</u>

3. Returns on investments and servicing of finance

Interest received	20,513	27,645
Returns on Film Financing	14,354	13,230
Sale of Assets	2,559	-
Grants Refunded	1,096	3,887
	<u>38,522</u>	<u>44,762</u>

4. Capital expenditure

Payments to acquire tangible fixed assets	(4,052)	(1,498)
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NOTES TO THE ACCOUNTS - 31 MARCH 2001

1. Accounting Policies

(a) Basis of Accounting

These financial statements have been prepared in accordance with the historical cost convention. The Accounts Direction issued by the Department of Culture, Arts and Leisure is reproduced as an appendix to these accounts.

Without limiting the information given, the financial statements meet the accounting and disclosure requirements of the Companies (Northern Ireland) Order 1986, Accounting Standards issued or adopted by the Accounting Standards Board and disclosure requirements issued by the Department of Finance and Personnel in so far as those requirements are appropriate. Significant departures from accounting standards are disclosed and explained in the notes and the financial effects quantified where practicable.

(b) Tangible Fixed Assets

Fixed assets are capitalised in the Balance Sheet at cost except for items costing less than £1,000, which are written off to the Income and Expenditure Account. Depreciation has been provided using the straight line method so as to write each asset off over its estimated useful life. Depreciation is charged in the year in which the asset is acquired; no depreciation is charged in the year in which the asset is disposed.

The rates of depreciation in use are as follows:

Information Technology	
. Hardware & Software	33 $\frac{1}{3}$ %
. LAN Cabling	10%
Furniture, Fixtures & Fittings	10%
Other	20%

The "Other" category above refers to a mobile display unit used for Lottery promotional purposes.

(c) Pension Costs

The pension cost in respect of employees is charged to the Income and Expenditure Account so as to recognise the cost of pensions over the employees' working lives.

(d) Notional Cost of Capital

From the 1996-97 year, these financial statements make provision for the notional cost of capital employed by the Council. The Income and Expenditure Account includes the notional cost of capital employed by the Council calculated as 6% of the average capital employed over the financial year.

(e) 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 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 Balance Sheet date, has been certified by the Secretary of State for Culture, Media and Sport as being available for distribution by it in respect of current and future commitments.

(f) Restatement of comparative figures for 1999-2000

Following consultation with the Department for Culture, Media and Sport, Hard Grant Commitments payable within one year of the Balance Sheet date, which were previously included in the Balance Sheet figure for "Provisions for Liabilities and Charges - Grant Commitments" are now included in "Creditors - amounts falling due within one year". As a result of this change in accounting policy, the comparative figures for 1999-2000 have been restated in accordance with Financial Reporting Standard (FRS) 3 requirements.

2. Proceeds from Lottery

	£
Proceeds from Lottery	7,223,635
Investment returns on balances held at NLDF	1,785,469
	<u>9,009,104</u>

3. Other Income

	£
Bank Interest	20,513
Returns on Film Financing	14,354
Other – Sale of Lottery Assets	2,559
Grants refunded	<u>1,096</u>
	38,522

The £2,559 income from the sale of Lottery assets represents the auction proceeds from the sale of 102 items with a value of £8,917.

4. Staff Costs

	£
Salaries & Wages	307,891
Social Security Costs	22,876
Other Pension Costs	<u>29,630</u>
	360,397

All of the Staff Costs were incurred by the Arts Council of Northern Ireland and recharged to the Lottery Distribution Account.

The average number of persons employed by the Arts Council of Northern Ireland and deployed on Lottery duties during the period was 10.5 staff. The total staff costs shown above includes the officers employed solely for Lottery purposes and a recharge from the Arts Council of Northern Ireland in respect of staff time spent on

administrative duties on behalf of the Lottery. The recharge totalled £154,980 and is made up as follows: salaries & wages £132,141; social security costs £10,198; and other pension costs £12,641.

In addition to these staff costs, agency staff were employed during the year at a cost of £5,641. This was treated as an Operating Cost and is shown separately in Note 6.

Chief Executive's Remuneration

The Chief Executive who was in post at 1 April 2000 [Brian Ferran] retired on 31 October 2000. A new Chief Executive [Roisín McDonough] took up the post on 16 October 2000. Her contract is for a period of five years and 5½ months had expired at 31 March 2001. The remuneration of the Chief Executive during the year was as follows: Brian Ferran £37,909; Roisín McDonough £26,731. The Chief Executive is an ordinary member of the Northern Ireland Local Government Officers Superannuation Committee (NILGOSC) pension scheme. A total of 40% of the Chief Executive's employment costs have been apportioned to the Lottery Distribution fund to cover time spent on Lottery activities. This amount is included in the staff costs recharge to the Lottery Distribution fund which totalled £154,980 as noted above. For the year 2000-01 the amount recharged in respect of the Chief Executive's employment costs was £25,856.

Council Members' Emoluments

The Chairman and Vice-Chairman of the Council received honoraria totalling £12,000 as follows:

	Chair	Vice Chair
	£	£
B Walker	8,000	
E O Baoill		4,000

Of this, £5,000 was apportioned to the Lottery Distribution Account. No emoluments were paid to other Council members in respect of Lottery activities. The Council does not pay any pension contributions on behalf of the Chair and Vice Chair. These individuals are not included, therefore, in the pension note below.

Pension Commitments

The Arts Council participates in the Northern Ireland Local Government Officers' Superannuation Committee Scheme (NILGOSC) for 44.5 employees, 10.5 of which are employed within the Lottery Department. 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 2000 male employees contributed 1.5% of gross salary to the scheme and the Arts Council contributed 9.1%. Female employees made no contribution and the Arts Council contributed 10.6% of gross salary. The results of the most recent valuation, which was conducted as at 31 March 1998, were as follows:

Main assumptions:

Rate of return on investments per annum	8.5%
Rate of general increase in salaries per annum	6.0%
Rate of pension increases per annum	4.5%

Market value of scheme's assets	£2,099,500,000
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Level of funding being the actuarial value of assets expressed as a percentage of the benefits accrued to members, deferred pensioners and members based on past service, and after allowing for future salary increase	126%
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The surplus is being amortised over the average remaining service life of the current membership, a period of approximately 14 years.

Contributions for the year based on the rates noted above were as follows:

	2001 £	2000 £
Employer's	29,630	25,789
Employees	<u>3,617</u>	<u>2,492</u>
Total	33,247	28,281

The real increase in the value of accrued pension at 31 March 2001 for senior employees is shown below. All those listed participate in the NILGOSC scheme with the exception of W Lyttle who contributed 6% of gross salary to a personal pension and the Arts Council contributed 9.1%. The employer's pension contribution over the year in respect of W Lyttle is shown in place of the total accrued pension at age 60 due to the difficulty in establishing this figure for a money purchase personal pension. The salary figures shown below includes a salary increase arising from the Arts Council's performance appraisal system. The total accrued pension figures were supplied by NILGOSC.

			Real increase in pension at age 60 £	Total accrued pension at 31/3/2001 £
	Age	Salary £		
B Ferran Chief Executive [to 31.10.2000]	60	54,623	-592	27,336
R McDonough Chief Executive	49	48,363	n/a	n/a
P Hammond Director of Performing Arts	49	37,151	265	17,004
N McKinney Director of Creative Arts	40	32,633	350	13,869
T Greenfield Lottery Director	38	29,520	287	10,491

			Employer's contribution in year £	
W Lyttle Director of Finance, Personnel and Administration	43	37,430	3,279	n/a

N Livingston, Director of Strategic Development: consent to disclose withheld.

5. Tangible Fixed Assets

	IT Hardware £	Furniture & Fittings £	Other £	Total £
Cost or Book Value At 1 April 2000	14,190	2,002	1,176	17,368
Additions at Cost	1,968	2,084	Nil	4,052
Disposals	Nil	Nil	Nil	Nil
At 31 March 2001	16,158	4,086	1,176	21,420
Depreciation At 1 April 2000	9,515	654	1,176	11,345
Charge for Year	4,263	358	Nil	4,621
Disposals	Nil	Nil	Nil	Nil
Accumulated Depreciation	13,778	1,012	1,176	15,966
Book Value at 31 March 2001	2,380	3,074	Nil	5,454

6. Other Operating Costs

(a)

	Total	Direct	Recharge
	£	£	£
Assessors Fees (External)	50,514	50,514	
ACNI Admin. Apportionment	43,655		43,655
Audit Fees	37,551	37,551	
External Monitoring Costs	27,142	27,142	
Cross Distributor System/Services	20,570	20,570	
Advancement	10,115	10,115	
Consultants'/Professional Fees	8,496	8,496	
Travel	6,872	2,900	3,972
Printing	6,275	6,275	
Agency Staff	5,641	3,468	2,173
Equipment Maintenance	1,788	1,788	
Stationery	2,550	212	2,338
Telephone	2,005	1,992	13
Postage	1,984		1,984
Recruitment	1,853	1,853	
Publications	1,669	1,669	
Non Capital	1,569	852	717
Sundries	977	789	188
Training	710	710	
Committee Expenses	363	108	255
Bank Charges	320	320	
Hospitality	263	15	248
	<u>232,882</u>	<u>177,339</u>	<u>55,543</u>

Of the total operating expenses of £232,882, £55,543 was incurred by the Arts Council of Northern Ireland and recharged to the Lottery Distribution Account at full economic cost.

The £43,655 administrative overhead apportioned to the Lottery Distribution fund comprised administrative costs and expenses incurred by the Council from which the Lottery benefited indirectly. The apportionment was made at full economic cost and calculated on an appropriate basis, either on the basis of time spent on Lottery activities or of staff numbers employed full time on Lottery business as a proportion of total staff employed by the Council.

The audit fees total of £37,551 includes the external audit fee charged by the National Audit Office of £20,000.

7. Balances held in the National Lottery Distribution Fund

The funds held in the NLDF are invested on its behalf by the National Investment and Loans Office. 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 the

Department of Culture, Media and Sport 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. 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 cost value of investments held at 31 March 2001 by NLDF under the National Lottery Act as amended on behalf of the Arts Council of Northern Ireland Lottery Distribution Account was £30,148,539. The market value of these investments was £30,335,216.

8. Debtors

	£
Sundry Debtors	6,311
Prepayments & Accrued Income	615
	6,926

9. Creditors

	£
Trade Creditors	168,743
Other Creditors	5,951,319
Accruals & Deferred Income	Nil
	6,120,062

The total includes £66,214 in respect of services and purchases rendered to or made on behalf of the Lottery Distribution Account by the Arts Council of Northern Ireland.

The Other Creditors figure contains £5,834,926 which represents the hard grant commitments payable during 2001-02 [see note 10].

10. Grant Commitments

	2000-01	1999-2000
<u>Soft Commitments</u>	£	£
a. Soft commitments brought forward	204,459	131,765
b. Soft commitments transferred to hard commitments	(1,767,571)	(10,267,198)
c. Soft de-commitments	(3,873)	(39,955)
d. Soft commitments made in year	1,814,293	10,379,847
e. Soft commitments carried forward	<u>247,308</u>	<u>204,459</u>

Hard Commitments

a. Hard commitments brought forward	16,956,496	15,905,873
b. Hard commitments met in year	(5,503,230)	(9,046,236)
c. Hard de-commitments	(478,325)	(170,339)
d. Hard commitments made	1,767,571	10,267,198
e. Hard commitments carried forward	<u>12,742,512</u>	<u>16,956,496</u>

f. Profile of hard commitments over the next five years:

2001-02	5,834,926	9,537,976
2002-03	2,770,146	5,823,660
2003-04	3,137,440	1,594,860
2004-05	1,000,000	-
2005-06	-	-
	<u>12,742,512</u>	<u>16,956,496</u>

Total grant commitments carried forward:

Soft	247,308
Hard	<u>12,742,512</u>
	12,989,820

The Hard Commitments total at 31 March 2001 is £12,742,512. The 2001-02 total of £5,834,926 is shown on the Balance Sheet within the “creditors – amounts payable within one year” figure of £6,120,062 [see note 9]. The balance of £6,907,586 is shown on the Balance Sheet as “Provisions for Liabilities and Charges : Grant Commitments”. The figure of £(4,213,984) shown as the “Provision for grant commitments in future years” in the Income & Expenditure Account is the difference between the Hard Commitments Carried Forward totals at 31 March 2000 and 31 March 2001.

11. Reconciliation of Movement of Funds

	Balances held in NLDF	Balances held in ACNI	Provision for Grant Commitments	2000-01 Total	1999-2000 Total
	£	£	£	£	£
Proceeds from Lottery	9,009,104			9,009,104	8,260,047
Drawn down in year by Arts Council	(6,165,697)	6,165,697			
Provision for increase/(decrease) in value of investments	0			0	457
Interest on cash balances		20,513		20,513	27,645
Other Income		18,009		18,009	17,117
Staff costs		(360,397)		(360,397)	(314,103)
Other operating costs		(232,882)		(232,882)	(302,566)
Depreciation of fixed assets		(4,621)		(4,621)	(3,757)
Grants paid in year		(5,503,230)		(5,503,230)	(9,046,236)
New grant commitments in year			(1,767,571)	(1,767,571)	(10,267,198)
Commitments written back			478,325	478,325	170,339
Grants paid from provision in year			5,503,230	5,503,230	9,046,236
Total increase/(decrease)in funds	2,843,407	103,089	4,213,984	7,160,480	(2,412,019)
Balance at 1 April 2000	27,305,132	27,331	(16,956,496)	10,375,967	12,787,986
Balance at 31 March 2001	30,148,539	130,420	(12,742,512)	17,536,447	10,375,967

12. Capital Commitments

There were no capital commitments as at 31 March 2001.

13. Contingent Liabilities

There were no contingent liabilities as at 31 March 2001 other than the soft commitments disclosed in note 10.

14. Notional Costs

Notional cost of capital is calculated as 6% of the average net assets employed by the Arts Council (Lottery Distribution) in the year, excluding the Balance in the Distribution Fund and hard grant commitments.

15. Related Party Transactions

The Arts Council of Northern Ireland is a Non Departmental Public Body sponsored by the Department of Culture, Arts and Leisure (DCAL). DCAL is regarded as a related party. During the year the Council has had various material transactions with DCAL.

Several members of the Arts Council, its Lottery Panel 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 arms length by the Council.

Applic.		Award	
Ref.	Organisation	Amount	Council/Panel Member
022/00	Cookstown District Council	£12,056	Aidan Shortt
027/00	The Educational Shakespeare Theatre Company	£9,412	David Hyndman
031/00	Community Arts Forum	£7,416	David Hyndman, David Boyd
033/00	The Playhouse	£23,760	James Kerr
085/00	Old Museum Arts Centre	£8,812	Eilis O'Baoill, David Hyndman
079/00	Classical Music Society	£5,625	James Kerr
084/00	Northern Visions	£25,584	David Hyndman
097/00	Community Theatre Association of Belfast	£30,000	David Hyndman, Gerri Moriarty
129/00	Belfast Exposed Community Photography Group	£26,397	David Hyndman

APPENDIX

Accounts Direction issued by the Department of Culture, Arts
and Leisure

ACCOUNTS DIRECTION 2000 2001

The Department of Culture, Arts and Leisure, on behalf of the Secretary of State for Culture, Media and Sport (formerly National Heritage), in pursuance of section 35 of the National Lottery etc. Act 1993, hereby gives the following Direction:-

1. The statement of accounts which it is the duty of the Arts Council to prepare in respect of its National Lottery distribution activities for the financial year ended 31 March 1995 and any subsequent financial year shall comprise:-

- 1.1 a foreword;
- 1.2 an income and expenditure account;
- 1.3 a balance sheet;
- 1.4 a cash flow statement;
- 1.5 a statement of total recognised gains and losses;

including in each case such notes as may be necessary for the purpose referred to in paragraphs 2 and 3 below. This statement, and all the elements thereof, must be prepared separately from, and must not be consolidated with any other accounts produced by the Arts Council.

2. The Accounting Officer for the Arts Council's National Lottery Fund shall observe all relevant accounting and disclosure requirements given in "Government Accounting", in the Treasury booklet "Trading Accounts: A Guide for Government Departments and Non-Departmental Public Bodies" and any other guidance issued by the Department, as amended and augmented from time to time.
3. The statement of accounts referred to above shall give a true and fair view of the income and expenditure, state of affairs and cash flow of the Arts Council in respect of its National Lottery distribution activities. Subject to the foregoing requirement, the statement of accounts shall also, without limiting the information given, and as described in Schedule 1 of this Direction, meet in so far as they are appropriate to the Arts Council's National Lottery Fund business:
 - 3.1 the accounting and disclosure requirements of the Companies (Northern Ireland) Order 1986;

- 3.2 best accounting practice including accounting standards issued or adopted by the Accounting Standards Board currently in force, with the exception of the requirement contained in Financial Reporting Standard 3 (FRS 3) for inclusion of a note showing historical cost profit and losses;
 - 3.3 any disclosure and accounting requirements which the Treasury or the Department may issue from time to time in respect of the accounts which are required to show a true and fair view; and
 - 3.4 any additional disclosure requirements contained in “The Fees and Charges Guide” in particular those relating to the need for appropriate segmental information for services or forms of service provided for which a charge is made.
- 4. The statement of accounts mentioned in paragraph 1 shall also include the supplementary information set out in Schedule 2 of this Direction.
 - 5. The income and expenditure account and balance sheet shall be prepared under the historical cost convention modified by the inclusion of:
 - (a) fixed assets at their value to the business by reference to current costs; and
 - (b) stocks valued at the lower of cost, or net current replacement cost if materially different, and net realisable valuewhere these are materially different to their value under the historical cost convention.
 - 6. Fundamental or material changes in accounting policies, to the extent that they do not conform with U.K. generally accepted accounting practice, shall be discussed and agreed with the sponsoring Department and the Treasury before implementation.
 - 7. The accounts shall be signed in respect of the Arts Council’s National Lottery Fund activities by the Arts Council’s Accounting Officer and be sent in accordance with section 35 of the National Lottery Act 1993 to the Department and Comptroller and Auditor General as soon as possible after 31 March each year and no later than 30 September.

Signed by Authority of the Secretary of State for National Heritage on 26th April 1995.

Mr R Jordan
A Grade 5 Officer in the
Department of Culture, Arts and Leisure

SCHEDULE 1

APPLICATION OF THE COMPANIES ORDER REQUIREMENTS

1. The disclosure exemptions permitted by the Companies (Northern Ireland) Order 1986 shall not apply to the body unless specifically approved by the Department of Culture, Media and Sport with the consent of the Treasury.
2. The Foreword shall contain the information required by the Companies (Northern Ireland) Order 1986 to be disclosed in the Directors' Report, to the extent that such requirements are appropriate to the National Lottery distribution activities of the body. In particular:
 - 2.1 brief history of the body
 - 2.2 statutory background and framework to the body and the National Lottery
 - 2.3 principal functions related to National Lottery distribution activities
 - 2.4 financial results
 - 2.5 review of National Lottery distribution activities
 - 2.6 significant changes in fixed assets
 - 2.7 any amount retained and carried to reserves
 - 2.8 future developments in National Lottery distribution activities
 - 2.9 names of the members of the body and any National Lottery sub-committees of the body
 - 2.10 appointment of auditors
 - 2.11 policy on disabled persons
 - 2.12 employee consultation
3. In preparing its income and expenditure account the body shall adopt format 2 prescribed in Schedule 4 to the Companies (Northern Ireland) Order 1986 to the extent that such requirements are appropriate to this Direction. This analysis should enable the user of the accounts to gain a proper appreciation of the principal elements of the income and expenditure of the body.
4. In preparing its balance sheet the body shall adopt format 1 prescribed in Schedule 4 to the Companies (Northern Ireland) Order 1986 to the extent that such requirements are appropriate to the body and taking account of the requirements of Schedule 2 to this Direction. The balance sheet totals shall be struck at total assets less current liabilities.

SCHEDULE 2

ADDITIONAL DISCLOSURE REQUIREMENTS

1. This Schedule details the non standard accounting policies, any special treatment needed, and any disclosure requirements as agreed by the Treasury, the Department and the Arts Council in respect of the Arts Council's National Lottery Fund activities.
2. The **Income and Expenditure Accounts** shall show inter alia:
 - 2.1 the total amount of Lottery proceeds receivable;
 - 2.2 any other income (detailed between bank interest, recoveries of grant and other income);
 - 2.3 the total amount of new Lottery grants paid in the period (i.e. amounts paid in respect of projects which have been approved during the year);
 - 2.4 change in the provision for net grant commitments;
 - 2.5 the total expenses incurred by the body in respect of its National Lottery distribution activities, separately identifying direct costs and costs initially incurred elsewhere in the organisation and apportioned to the National Lottery distribution activity. The calculation of costs to the Arts Council's National Lottery activities will be on a full cost recovering basis as described in the Treasury "Fees and Charges Guide" and should cover all costs that are directly and demonstrably related to Lottery distribution activities.
3. The Balance Sheet shall show, inter alia:
 - 3.1 under the heading "Current assets": shown as an investment the balance held on behalf of the body at the National Lottery Distribution Fund;
 - 3.2 under the heading "Represented by":
 - a. the provision for grants committed on a hard basis and falling due for payment after more than one year (see note 5 below on commitments);
 - b. the balance on the Income and Expenditure Account.

4. The **Notes to the Accounts** shall include inter alia:
- 4.1 a statement of accounting policies. This must include a statement explaining the nature of the balances held on the Arts Council's behalf in the National Lottery Distribution Fund as follows:

“Balances held in the National Lottery Distribution Fund remain under the stewardship of the Secretary of State for Culture, Media and Sport. However, the share of these balances attributable to the Arts Council is as shown in the accounts and, at the balance sheet date, has been certified by the Secretary of State for National Heritage as being available for distribution by it in respect of current and future commitments.”
 - 4.2 an analysis of the income and expenditure relating to the Lottery;
 - 4.3 an analysis of “other operating charges” over appropriate subject headings (to include write-offs, audit fee, leasing charges, travel, subsistence and hospitality costs for staff and body members should be separately identified);
 - 4.4 any remuneration paid to the members of the Arts Council's Lottery fund;
 - 4.5 the remuneration of the Director (or designated officer) of the Lottery Fund to be shown separately (or total remuneration and share accruing to the Lottery Fund of the individual chiefly responsible for Lottery matters if their duties are split between Lottery and non-Lottery functions);
 - 4.6 the remuneration of the senior employees to be shown in bands of £10,000 starting from £40,000 upwards. Where staff are involved in Lottery and non-Lottery functions, their total salaries and the Lottery proportion (in cost and percentage terms) should both be identified;
 - 4.7 the amounts “committed in respect of capital expenditure for administrative purposes”, and “amounts authorised in respect of capital expenditure for administrative purposes but not contracted”;
 - 4.8 the amounts committed in respect of Lottery grants split between hard and soft commitments identifying the amount falling due (see note 5 below). Where these commitments exceed available resources shown on the Balance Sheet, there should also be a note explaining the rationale for the over-commitment in terms of the benchmark being applied and the assumptions behind it, taking into account any advice received from the Department as appropriate.
- 5 The nature of the Arts Council's Lottery activities means that it will be

making commitment for future expenditure which will need to be shown in the annual financial statements. Commitments should be categorised and shown as follows:

5.1 Soft Commitments

These will occur when there is agreement in principle by the Distributing Body to fund a scheme and an offer made. Once a formal offer and acceptance of the terms and conditions of the grant has been concluded this will become a hard commitment. The total of soft commitments will be shown in a note to the balance sheet. Changes in soft to hard commitments which arise after the accounting year end and before publication of the accounts will not be adjusting events in terms of the Statement of Standard Accounting Practice 17 (SSAP 17). A tabulation should accompany the notes to the accounts and show:

- a. Soft commitments brought forward
- b. Soft commitments transferred to hard commitments
- c. Soft de-commitments
- d. Soft commitments made
- e. Balance of soft commitments outstanding carried forward
($e = a - (b+c) + d$)

5.2 Hard Commitments

A hard commitment is analogous to a commitment arising from a legally binding contract, carrying with it an obligation on the distributor to pay the agreed Lottery grant provided only that all the conditions of grant are met, and that the Lottery continues to operate. For the purpose of recording a charge in the income and expenditure account, a hard commitment arises when a firm offer of a grant from national lottery proceeds has been made by the Arts Council and accepted in writing by the recipient. A firm offer will only be made if there is a reasonable expectation that conditions attached to the offer will be met. A provision for grant commitments should be shown on the balance sheet and would be written down as the commitments mature. As part of the notes to the balance sheet a tabulation illustrating the changes in hard commitments should be shown as follows:

- a. Hard commitments brought forward
- b. Hard commitments met in the last year
- c. Hard de-commitments (withdrawal of an offer)
- d. Hard commitments made
- e. Balance of hard commitments outstanding carried forward
($e = a - (b+c) + d$)
- f. A breakdown of the provision for grant commitments should be reported separately for each year up to and including 5 years, and for over 5 years.

5.3 De-commitments

5.3.1 Soft Commitments

If a soft commitment fails to become hard for any reason and there is no prospect of a formal offer letter being issued and accepted then the soft commitment should be deleted from the Arts Council's records. It will be shown in the table accompanying the notes to the balance sheet in the soft de-commitment line.

5.3.2 Hard Commitments (withdrawal of a commitment)

Should a hard commitment fail to become a cash payment within the expected time frame, and there is little possibility of it crystallising, the Arts Council may withdraw the offer formally in writing. A reverse entry to the commitment should then be made in the Income and Expenditure account. The Table in the notes to the accounts will correspondingly be reduced.

5.4 Repayments

The circumstances of a grant repayment are described in the Statement of financial Requirements. A repayment will not affect commitment unless the payment is part of a phased scheme for which commitments for later phases have been included in the balance sheet. A repayment will be reflected as an adjustment in the Income and Expenditure account. If a repayment occurs after the year end but before the accounts have been signed by the Arts Council's accounting officer and is material (5% of the total grants paid in the year or £1m whichever is the lower,) it will be necessary to treat the repayment as an adjusting event in terms of SSAP17.