ARTS COUNCIL OF NORTHERN IRELAND

MANAGEMENT STATEMENT

AND

FINANCIAL MEMORANDUM
MODEL MANAGEMENT STATEMENT FOR EXECUTIVE NDPBS

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Definitions

In this Management Statement and Financial Memorandum:

"The Arts Council" means the Arts Council of Northern Ireland
"The Board" means the Board of the Arts Council of Northern Ireland

"Body" means the Arts Council of Northern Ireland

"C&AG" means the Comptroller and Auditor General for Northern Ireland

"Chief Executive" means the senior executive official of the Arts Council of Northern Ireland

"DAO" means "Dear Accounting Officer" letter

"the Department" means the Department of Culture, Arts and Leisure

"DCAL" means the Department of Culture, Arts and Leisure

"DFP" means Department of Finance and Personnel

"DPFO" means "Dear Principal Finance Officer" letter

"FReM" means the Government Financial Reporting Manual

"Grant" means any form of payment, of which "grant-in-aid" is a subset

"Minister" means the Minister of the Department of Culture, Arts and Leisure.

"MPMNI" means Managing Public Money Northern Ireland

"MSFM" means the Management Statement and Financial Memorandum document

"OFMDFM" means Office of the First Minister and deputy First Minister

"PFO" means Principal Finance Officer

"the Order" means The Arts Council (Northern Ireland) Order 1995

"Voted" means provision voted by the Northern Ireland Assembly
INTRODUCTION

1.1 This Document

1.1.1 This Management Statement and Financial Memorandum (MSFM) has been drawn up by the Department in consultation with the Arts Council. The document is based on a model prepared by the Department of Finance and Personnel (DFP).

1.1.2 The terms and conditions set out in the combined Management Statement and Financial Memorandum may be supplemented by guidelines or directions issued by the sponsor Department/Minister in respect of the exercise of any individual functions, powers and duties of the NDPB.

1.1.3 A copy of the MSFM for the Arts Council should be given to all newly appointed Board Members, senior Arts Council executive staff and departmental sponsor staff on appointment. Additionally the MSFM should be tabled for the information of Board Members at least annually at a full meeting of the Board. Amendments made to the MSFM should also be brought to the attention of the full Board on a timely basis.

1.1.4 Subject to the legislation noted below, this Management Statement sets out the broad framework within which the Arts Council will operate, in particular:

- the Arts Council’s overall aims, objectives and targets in support of DCAL’s wider strategic aims and the outcomes and targets contained in its current Public Service Agreement (PSA);

- the rules and guidelines relevant to the exercise of the Arts Council’s functions, duties and powers;

- the conditions under which any public funds are paid to the Arts Council;

- how the Arts Council is to be held to account for its performance.

1.1.5 The associated Financial Memorandum sets out in greater detail certain aspects of the financial provisions which the Arts Council shall observe. However, the Management Statement and Financial Memorandum do not convey any legal powers or responsibilities.

1.1.6 The document shall be periodically reviewed by the Department in accordance with the timetable referred to in section 7 below.

1.1.7 The Arts Council, the Department, or the Minister, may propose amendments to this document at any time. Any such proposals by the Arts Council shall be considered in the light of evolving Departmental policy aims, operational factors and the track record of the Arts Council itself. The guiding principle shall be that the extent of flexibility and freedom given to the Arts Council shall
reflect both the quality of its internal controls to achieve performance and its operational needs. The Department shall determine what changes, if any, are to be incorporated in the document. Legislative provisions shall take precedence over any part of the document. Significant variations to the document shall be cleared with DFP Supply after consultation with the Arts Council, as appropriate. (The definition of "significant" will be determined by the Department in consultation with DFP).

1.1.8 The MSFM is approved by DFP Supply, and signed and dated by the Department and the Arts Council’s Chief Executive.

1.1.9 Any question regarding the interpretation of the document shall be resolved by the Department after consultation with the Arts Council and, as necessary, with DFP Supply.

1.1.10 Copies of this document and any subsequent substantive amendments shall be placed in the Library of the Assembly. (Copies shall also be made available to members of the public on the Arts Council’s website).

1.2 Founding Legislation; Status

1.2.1 The Arts Council is established under the Arts Council (Northern Ireland) Order 1995 as a body corporate. The Arts Council does not carry out its functions on behalf of the Crown.

1.2.2 The Arts Council is designated in the National Lottery etc Act 1993, as amended by the National Lottery Act 1998, as the body responsible for the distribution of lottery proceeds for the arts in Northern Ireland. The financial framework within which the Arts Council operates as a distributing body is set out in a Statement of Financial Directions issued separately by the Department.

1.2.3 The Arts Council’s principal source of income is grant-in-aid provided by the Department. Other income is derived from grants, donations and receipts for services. The Arts Council is a registered charity.

1.3 The Functions, Duties and Powers of the Arts Council

1.3.1 The Arts Council (Northern Ireland) Order 1995 (The Order) gives the Arts Council the following:

Functions:

a) to develop and improve the knowledge, appreciation and practice of the arts;

b) to increase public access to, and participation in, the arts;

c) to advise the Department and other government departments, district councils and other bodies on matters relating to the arts; and
such other functions as are conferred on the Council by any statutory provision other than the Arts Council (NI) Order 1995.

Duties:

a) to consult regularly with district councils on the exercise by the Arts Council of its functions (excluding national lottery functions);

b) to make provision for regular consultation with members of district councils on the development of the arts.

Powers:

a) to encourage and assist:
   (i) the provision of arts facilities and events; and
   (ii) the co-ordination and efficient use of resources for the arts;

b) to provide financial assistance to persons or bodies;

c) to receive donations and make charges for its services;

d) to organise or assist in the organisation of, conferences, seminars and courses of training;

e) to assist the provision of administrative services and training for or by any body providing facilities for, or in connection with, the arts;

f) to provide and manage arts facilities;

g) to print, publish and disseminate information relating to the arts;

h) to visit other parts of the United Kingdom and other countries

i) to co-operate with other bodies established within the United Kingdom or outside the United Kingdom;

j) to carry out, or assist or co-operate with other persons in carrying out, research into and studies concerning matters relating to the art.

1.3.2 Within this framework it is the role of the Arts Council, having obtained Ministerial approval where necessary and taking account of the Government’s general policies, including those for the educational and cultural development of Northern Ireland:

• to determine its artistic policy and strategy;

• to decide the allocation of the funds available to it in line with its artistic judgment as to priorities between different art forms and the funding of artists, organisations and venues;

• to explain its decisions to the public.
1.4 Classification

1.4.1 For policy/administrative purposes the Arts Council is classified as an executive non-departmental public body.

1.4.2 For national accounts purposes the Arts Council is classified to the central government sector.

1.4.3 References to the Arts Council include, where they exist, all its subsidiaries and joint ventures that are classified to the public sector for national accounts purposes. If such a subsidiary or joint venture is created, there shall be a document setting out the arrangements between it and the Arts Council (paragraphs 70-71 of the Financial Memorandum refer).
2. AIMS, OBJECTIVES AND TARGETS

2.1 Overall Aim

2.1.1 The Arts Council of Northern Ireland is the prime distributor of grants to professional artists and arts organisations throughout the region, in a variety of artistic disciplines, and acts as the principal development agency for the contemporary arts.

2.2 Objectives and Key Targets

2.2.1 The Department determines the Arts Council's performance framework in line with the Department's wider strategic aims and current Programme for Government (PfG) objectives and targets. The Arts Council's key targets and performance measures are set out in the Arts Council's annual Annual plan and its five year strategy.

2.3 The Arts Council's Service Charter

The Council aims to provide courteous, timely and effective service to its customers. Any complaints will be promptly investigated, answered, and efforts made to eliminate potential causes of future complaint. The Arts Council's commitment to high standards of customer service is set out in the Arts Council of Northern Ireland Service Charter which can be accessed on the Arts Council's website at http://www.artscouncil-ni.org/publications/Informational/Service%20Charter.pdf
3. RESPONSIBILITIES AND ACCOUNTABILITY

3.1 The Minister

3.1.1 The Minister is accountable to the Assembly for the activities and performance of the Arts Council. His/Her responsibilities include:

- approving the Arts Council’s strategic objectives and the policy and performance framework within which the Arts Council will operate (as set out in this Management Statement and Financial Memorandum and associated documents);

- keeping the Assembly informed about the Arts Council’s performance;

- approving the amount of grant-in-aid/grant/other funds to be paid to the Arts Council, and securing Assembly approval; and

- carrying out responsibilities specified in the Order including appointments to the Board (including the Chairman), approving terms and conditions of Board Members, approval of terms and conditions of staff and laying of the annual report and accounts before the Assembly.

3.2 The Accounting Officer of the Department

3.2.1 The Permanent Secretary, as the Department’s principal Accounting Officer (the “Departmental Accounting Officer”), is responsible for the overall organisation, management and staffing of the Department and for ensuring that there is a high standard of financial management in the Department as a whole. The Departmental Accounting Officer is accountable to the Assembly for the issue of any grant-in-aid to the Arts Council. The Departmental Accounting Officer designates the Chief Executive of the Arts Council as the Arts Council’s Accounting Officer, and may withdraw the accounting officer designation if he/she believes that the incumbent is no longer suitable for the role.

3.2.2 In particular, the Departmental Accounting Officer of the Department shall ensure that:

- the Arts Council’s strategic aims and objectives support the Department’s wider strategic aims and current PFG objectives and targets;

- the financial and other management controls applied by the Department to the Arts Council are appropriate and sufficient to safeguard public funds and for ensuring that the Arts Council’s compliance with those controls is effectively monitored ("public funds" include not only any funds granted to the Arts Council by the Assembly but also any other funds falling within the stewardship of the Arts Council);
the internal controls applied by the Arts Council conform to the requirements of regularity, propriety and good financial management; and

any grant-in-aid to the Arts Council is within the ambit and the amount of the Request for Resources and that Assembly authority has been sought and given.

3.2.3 The responsibilities of a Departmental Accounting Officer are set out in more detail in Chapter 3 of Managing Public Money Northern Ireland (MPMNI).

3.2.4 The Departmental Accounting Officer or his/her designated officials or representatives may attend as an observer at the Arts Council's Board meetings, Audit and Risk Committee meetings and from time to time any other sub-committees as considered appropriate by the Department.

3.3 The Sponsoring Team in the Department

3.3.1 Within the Department, Arts Branch is the sponsoring team for the Arts Council. The Team, in consultation as necessary with the Departmental Accounting Officer, is the primary source of advice to the Minister on the discharge of his/her responsibilities in respect of the Arts Council, and the primary point of contact for the Arts Council in dealing with the Department. The sponsoring team shall carry out its duties under the management of a senior officer, who shall fulfil the role of Senior Sponsor and have primary responsibility for overseeing the performance of the Arts Council.

3.3.2 The sponsoring team shall advise the Minister on:

- an appropriate framework of objectives and targets for the Arts Council in light of the Department's wider strategic aims and current PFG objectives and targets;

- an appropriate budget for the Arts Council in light of the Department's overall public expenditure priorities;

- how well the Arts Council is achieving its strategic objectives and whether it is delivering value for money.

3.3.3 In support of the Departmental Accounting Officer, the sponsoring team shall:

**on performance and risk management -**

- monitor the Arts Council's performance on a continuing basis through an adequate and timely flow of information from the Arts Council on performance, budgeting, control, and risk management, including early sight of the Arts Council's Governance Statement;

- address in a timely manner any significant problems arising in the Arts Council, whether financial or otherwise, making such interventions in the affairs of the Arts Council as the Department judges necessary to address such problems;
periodically carry out a risk assessment of the Arts Council’s activities to inform the Department’s oversight of the Arts Council; strengthen these arrangements if necessary; and amend the Management Statement and Financial Memorandum accordingly. The risk assessment shall take into account the nature of the Arts Council’s activities; the public monies at stake; the body’s corporate governance arrangements; its financial performance; internal and external auditors’ reports; the openness of communications between the body and the Department; and any other relevant matters;

when appropriate, attend the Councils Board Meetings and meetings of the Audit and Risk Committee, as observers.

on communication with the Arts Council -

inform the Arts Council of relevant Government policy in a timely manner; if necessary, advise on the interpretation of that policy; and issue specific guidance to the Arts Council as necessary;

bring concerns about the activities of the Arts Council to the attention of the Board, and require explanations and assurances from the Board that appropriate action has been taken.

3.4 The Arts Council’s Board

3.4.1 The Board Members are appointed by the Minister, normally for a period of four years. These appointments are made in accordance with the Code of Practice issued by the Commissioner for Public Appointments Northern Ireland.

3.4.2 The Board has corporate responsibility for ensuring that the Arts Council fulfils the aims and objectives set by the Department and approved by the Minister, and for promoting the efficient, economic and effective use of staff and other resources by the Arts Council. To this end, and in pursuit of its wider corporate responsibilities, the Board shall:

• establish the overall strategic direction of the Arts Council within the policy and resources framework determined by the Department and the Minister;

• constructively challenge the Arts Council’s executive team in its planning, target setting and delivery of performance;

• ensure that the Department is kept informed of any changes which are likely to impact on the strategic direction of the Arts Council or on the attainability of its targets, and determine the steps needed to deal with such changes;

• ensure that any statutory or administrative requirements for the use of public funds are complied with; that the Board operates within the limits of
its statutory authority and any delegated authority agreed with the Department, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Board takes into account guidance issued by DFP and the Department;

- ensure that the Board receives and reviews regular financial information concerning the management of the Arts Council; is informed in a timely manner about any concerns about the activities of the Arts Council; and provides positive assurance to the Department that appropriate action has been taken on such concerns;

- demonstrate high standards of corporate governance at all times, including using the independent audit committee (see paragraph 4.6.3) to help the Board to address the key financial and other risks facing the Arts Council; and

- appoint, with the Department’s approval, a Chief Executive to ACNI and, in consultation with the Department, set performance objectives and remuneration terms linked to these objectives for the Chief Executive, which give due weight to the proper management and use of public monies.

3.4.3 Individual Board members shall act in accordance with their wider responsibilities as Members of the Board — namely to:

- comply at all times with the Arts Council’s Standing Orders, their terms and conditions of appointment, The Seven Principles of Public Life and the rules relating to the use of public funds and to conflicts of interest;

- not misuse information gained in the course of their public service for personal profit or for political gain, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations; and to declare publicly and to the board any private interests that may be perceived to conflict with their public duties;

- comply with the Board’s rules on the acceptance of gifts and hospitality, and of business appointments; and

- act in good faith and in the best interests of the Arts Council.

3.4.4 The Department shall have access to all Board and committee meeting minutes. These should be sufficiently detailed and accurate, recording the discussions held and the decisions taken. Minutes should be forwarded to the Department as soon as they are cleared by the Board.
3.5 The Chairman of the Arts Council

3.5.1 The Chairman is appointed by the Minister for a period which is normally four years. This appointment is made in line with the Code of Practice issued by the Commissioner for Public Appointments Northern Ireland.

3.5.2 The Chairman is responsible to the Minister. The Chairman shall aim to ensure that the Arts Council’s policies and actions support the wider strategic policies of the Minister; and that the Arts Council’s affairs are conducted with probity. The Chairman shares with other Board members the corporate responsibilities set out in paragraph 3.4.2, and in particular for ensuring that the Arts Council fulfills the aims and objectives set by the Department and approved by the Minister in line with statutory obligations.

3.5.3 The performance of the Chairman shall be assessed annually by a senior official in the Department, either the Permanent Secretary or Deputy Secretary. This assessment shall be carried out in line with the Department’s policies for assessing the performance of Chairs of its arm’s length bodies.

3.5.4 The Chairman has a particular leadership responsibility on the following matters:

- formulating the Board’s strategy;
- ensuring that the Board, in reaching decisions, takes proper account of guidance provided by the Department and all relevant information provided by the Arts Council’s Executive;
- promoting the efficient and effective use of staff and other resources;
- encouraging high standards of regularity and propriety;
- representing the views of the Board to the general public;
- ensuring that the Board meets at regular intervals throughout the year and that the minutes of meetings accurately record the decisions taken and, where appropriate, the views of individual Board members; and
- report formally to the Minister and Permanent Secretary at pre-arranged Accountability Review Meetings.

3.5.5 The Chairman shall also:

- ensure that all board members, when taking up office, are fully briefed on the terms of their appointment and on their duties, rights and responsibilities, and receive appropriate induction training, including the
final financial management and reporting requirements of public sector bodies
and on any differences which may exist between private and public sector
practice;

• advise the Department of the needs of the Arts Council when vacancies
on the Board arise, with a view to ensuring a proper balance of
professional and financial expertise;

• assess the performance of individual Board Members. Board Members will
be subject to ongoing performance appraisal, with a formal assessment
being completed by the Chair of the Board at the end of each year [and
prior to any re - appointment of individual Members taking place].
Members will be made aware that they are being appraised, the standards
against which they will be appraised, and will have an opportunity to
contribute to and view their report.

3.5.6 Performance appraisal should be regular and open and should not be
conducted only at the time of reappointment. Members should have an
awareness that they are being appraised, the standards against which they
will be appraised, and have an opportunity to contribute to and view their
report.

3.5.7 On-going assessment of members is vital, not only for compliance with the
Code of Practice, but also to meet best practice and provide members with
feedback; to recognise their contribution; to motivate them; and, where
necessary, to provide them with advice on improving performance.

The Chairman shall also ensure that a Code of Practice for Board Members is
in place, based on the Corporate Governance in Central Government
Departments: Code of Good Practice (NI) 2013, “the 2013 Code”.

3.5.8 Code of Practice for Board Members of Public Bodies, (FD(DFP) 03/06 refers).
The Code shall commit the Chairman and other Board Members to the Nolan
‘seven principles of public life’, and shall include a requirement for a
comprehensive and publicly available register of Board Members’ interests.

3.5.9 Communications between the Board and the Minister shall normally be
through the Chairman. The Chairman shall ensure that the other Board
members are kept informed of such communications on a timely basis.

3.6 The Chief Executive

Role as Accounting Officer

3.6.1 The Chief Executive of the Arts Council is designated as the Arts Council’s
Accounting Officer by the Departmental Accounting Officer of the Department.

3.6.2 The Accounting Officer of the Arts Council is personally responsible for
safeguarding the public funds for which he/she has charge; for ensuring
propriety and regularity in the handling of those public funds; and for the day-
to-day operations and management of the Arts Council.

3.6.3 As Accounting Officer, the Chief Executive shall exercise the following
responsibilities in particular:

**on planning and monitoring -**

- establish, in agreement with the Department, the Arts Council’s Strategy
  and Annual plans in support of the Department’s wider strategic aims and
  current PIF objectives and targets;

- inform the Department of the Arts Council’s progress in helping to achieve
  the Department’s policy objectives and in demonstrating how resources
  are being used to achieve those objectives;

- ensure that timely forecasts and monitoring information on performance
  and finance are provided to the Department; that the Department is notified
  promptly if overspends or underspends are likely and that corrective action
  is taken; and that any significant problems, whether financial or otherwise,
  and whether detected by internal audit or by other means, are notified to
  the Department in a timely fashion;

**on advising the Board -**

- advise the Board on the discharge of its responsibilities as set out in this
  document, the Order and in any other relevant instructions and guidance
  that may be issued from time to time by DFP or the Department;

- advise the Board on the Arts Council’s performance against its aims and
  objectives;

- ensure that financial considerations are taken fully into account by the
  Board at all stages in reaching and executing its decisions, and that
  standard financial appraisal techniques are followed appropriately;

- take action as set out in Chapter Three of MPMNI if the Board, or its
  Chairman, is contemplating a course of action involving a transaction
  which the Chief Executive considers would infringe the requirements of
  propriety or regularity, or does not represent prudent or economical
  administration, efficiency or effectiveness;

- ensure that a system of risk management is maintained to inform decisions
  on financial and operational planning and to assist in achieving objectives
  and targets;

- ensure that an effective system of programme and project management
  and contract management is maintained;

- ensure compliance with the Northern Ireland Public Procurement Policy;
ensure that all public funds made available to the Arts Council, including any income or other receipts, are used for the purpose intended by the Assembly, and that such monies, together with the Arts Council’s assets, equipment and staff, are used economically, efficiently and effectively;

ensure that adequate and appropriate internal management and financial controls are maintained by the Arts Council, including effective measures against fraud, bribery and theft;

maintain a comprehensive system of internal delegated authorities that are notified to all staff, together with a system for regularly reviewing compliance with these delegations; and

ensure that effective personnel management policies are maintained;

on accounting for the Arts Council’s activities -

sign the accounts and be responsible for ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any directions issued by the Minister, the Department, or DFP;

sign a Statement of Accounting Officer’s responsibilities, for inclusion in the annual report and accounts;

sign a Governance Statement for inclusion in the annual report and accounts;

ensure that effective procedures for handling complaints about the Arts Council are established and made widely known within the Arts Council;

act in accordance with the terms of this document and with the instructions and relevant guidance in MPMNI and other instructions and guidance issued from time to time by the Department and DFP - in particular, Chapter 3 of MPMNI and the Treasury document, Regularity and Propriety and Value for Money (a copy of which the Chief Executive shall receive on appointment). Section IX of the Financial Memorandum refers to other key guidance;

give evidence, normally with the Accounting Officer of the Department, if summoned before the Public Accounts Committee on the use and stewardship of public funds by the Arts Council;

ensure that an Equality Scheme is in place, reviewed and equality impact assessed as required by the Equality Commission and OFMDFM;

ensure that Lifetime Opportunities is taken into account; and

ensure compliance with all legislative requirements.
3.7 The Chief Executive's role as Consolidation Officer

3.7.1 For the purposes of Whole of Government Accounts, the Chief Executive of the Arts Council is normally appointed by DFP as the Arts Council's Consolidation Officer.

3.7.2 As the Arts Council's Consolidation Officer, the Chief Executive shall be personally responsible for preparing the consolidation information, which sets out the financial results and position of the Arts Council; for arranging for its audit; and for sending the information and the audit report to the Principal Consolidation Officer nominated by DFP.

3.7.3 As Consolidation Officer, the Chief Executive shall comply with the requirements of the Arts Council Consolidation Officer Memorandum as issued by DFP and shall, in particular:

- ensure that the Arts Council has in place and maintains sets of accounting records that will provide the necessary information for the consolidation process;

- prepare the consolidation information (including the relevant accounting and disclosure requirements and all relevant consolidation adjustments) in accordance with the consolidation instructions and directions issued by DFP "Dear Consolidation Office" (DCO) and "Dear Consolidation Manager" (DCM) letters on the form, manner and timetable for the delivery of such information.

3.8 Delegation of Duties

3.8.1 The Chief Executive may delegate the day-to-day administration of his/her Accounting Officer and Consolidation Officer responsibilities to other employees in the Arts Council. However, he/she shall not assign absolutely to any other person any of the responsibilities set out in this document.

3.9 The Chief Executive's role as Principal Officer for Ombudsman cases

3.9.1 The Chief Executive of the Arts Council is the Principal Officer for handling cases involving the Northern Ireland Commissioner for Complaints. As Principal Officer, he/she shall inform the Permanent Secretary of the Department of any complaints about the Arts Council accepted by the Ombudsman for investigation, and about the Arts Council's proposed response to any subsequent recommendations from the Ombudsman.

3.10 Consulting Customers

3.10.1 The Arts Council will work in partnership with its stakeholders and customers to deliver the services/programmes, for which it has responsibility, to agreed
4. **PLANNING, BUDGETING AND CONTROL**

4.1 **Five-year Strategy**

4.1.1 The Arts Council shall submit to the Department a draft of the Arts Council's Five-year Strategic Plan. The draft plan should be submitted to the Department, for discussion with the Minister and/or officials, in line with agreed dates.

4.1.2 The Minister shall approve the Arts Council's Five-year Strategy. DFP reserves the right to ask to see and agree the Arts Council's strategy.

4.1.3 The Strategy shall reflect the Arts Council's statutory duties and, within those duties, the priorities set by the Minister. In particular, the Strategy shall demonstrate how the Arts Council contributes to the achievement of the Department's strategic aims and PfG objectives and targets.

4.1.4 The Strategy shall set out:

- the Arts Council's key objectives and associated key performance indicators and targets for the period, and its strategy for achieving those objectives (aligned to PfG objectives and goals);

- a review of the Arts Council's performance in the preceding strategy period;

- alternative scenarios to take account of factors which may significantly affect the execution of the Strategy, but which cannot be accurately forecast;

- a forecast of expenditure and income, taking account of guidance on resource assumptions and policies provided by the Department at the beginning of the planning period. These forecasts should represent the Arts Council's best estimate of all its available income not just any grant or grant-in-aid;

- other matters as agreed between the Department and the Arts Council.

4.1.5 The main elements of the plan, including the key performance targets, shall be agreed between the Department and the Arts Council in light of the Department's Public Service Agreement and decisions on policy and resources taken in the context of the Executive's wider policy and spending priorities and decisions.

4.1.6 All draft strategies that impact Departmental priorities or involve a major policy or strategy change should be put to the Department for consideration prior to consultation and should not be publicly consulted on prior to Departmental Approval.
standards. It will consult regularly to develop a clear understanding of citizens' needs and expectations of its services, and to seek feedback from both stakeholders and customers, and will work to deliver a modern, accessible service.
4.2 The Annual Plan

4.2.1 Each year of the Strategy, amplified as necessary, shall form the basis of the Annual plan for the relevant forthcoming year. The Annual Plan shall include key performance indicators, milestones and targets linked to the Programme for Government and Public Service Agreements for the year immediately ahead. It shall also be linked to budgeting information so that resources allocated to achieve specific objectives can readily be identified by the Department.

4.2.2 The draft Business Plan is submitted to the Department as early as possible but by no later than 31 January each year or later by agreement if notification of budget is delayed. The Arts Council’s plans are agreed by the Department, including measures of performance and annual targets in respect of each of those measures and the proposed annual efficiency (including market testing where appropriate) plans with the Arts Council. The Department may meet with the Chief Corporate Executive to discuss and formally agree the Annual Plan and/or funding within a reasonable period following its submission and normally prior to the beginning of the financial year to which it relates. Until the Annual Plan and/or funding agreement is agreed, it will be at the Department’s discretion whether, to what extent and on what basis, payments of grant-in-aid should be made to the Arts Council.

4.2.3 DFP reserves the right to ask to see and agree the NDPB’s Annual Plan. Strategies and Annual Plans will be formally approved by the Minister.

4.3 Publication of Plans

4.3.1 The Arts Council’s Corporate and Annual Plans will be made available to the public in electronic format and published on the Arts Council’s website. A summary version shall also be made available to staff.

4.4 Reporting Performance to the Department

4.4.1 The Arts Council shall operate management information and accounting systems which enable it to review in a timely and effective manner its financial and non-financial performance against the budgets and targets set out in its agreed corporate and Annual Plans.

4.4.2 The Arts Council shall take the initiative in informing the Department of changes in external conditions, which make the achievement of objectives more or less difficult, or which may require a change to the budget or objectives as set out in the Strategy or Annual Plans.

4.4.3 The Arts Council’s performance in helping to deliver Departmental policies, including the achievement of key objectives, shall be reported to the Department on a three-monthly basis. Performance will be formally reviewed regularly by officials of the Department. The Minister shall meet the Board
formally annually to discuss the Arts Council’s performance, its current and
future activities, and any policy developments relevant to those activities.

4.4.4 The Arts Council’s performance against key targets shall be reported in its
annual report and accounts (see section 5.1 below). Arrangements for the
validation of reported performance will be agreed between the Arts Council
and the sponsoring Department.

4.5 Budgeting Procedures

4.5.1 The Arts Council’s budgeting procedures are set out in the Financial
Memorandum.

4.6 Internal Audit

4.6.1 The Arts Council shall establish and maintain arrangements for internal audit
in accordance with the Public Sector Internal Audit Standards (PSIAS) which
replaced the Government Internal Audit Standards (GIAS) from 1 April 2013.

4.6.2 The Department shall outline the arrangements that it has determined as
appropriate for the Arts Council taking account of DAO (DFP) 01/10 Internal
Audit Arrangements between Departments and Arm’s Length Bodies. This will
include specifying the Department’s requirements in terms of:

- having input to Arts Council’s planned internal audit coverage;
- arrangements for the receipt of audit reports, assignment reports, the
  Head of Internal Audit’s annual report and opinion etc;
- arrangements for the completion of Internal and External Assessments
  of the Arts Council’s internal audit function against PSIAS. The
  Department reserves a right of access to carry out its own independent
  reviews of internal audit in the Arts Council;
- the right of access to all documents prepared by the Arts Council’s
  internal auditor, including where the service is contracted out. Where
  the Arts Council’s audit service is contracted out the Arts Council
  should stipulate this requirement when tendering for the services.

4.6.3 The Arts Council shall consult the Department to ensure that the latter is
satisfied with the competence and qualifications of the Arts Council’s Head of
Internal Audit and that the requirements for approving the appointment of an
auditor are in accordance with PSIAS and relevant DFP guidance.

4.6.4 The Department will review the Arts Council’s terms of reference for internal
audit service provision. The Arts Council shall notify the sponsor Department
of any subsequent changes to internal audit’s terms of reference.

4.7 Audit Committee

4.7.1 The Arts Council shall set up an independent audit committee as a committee
of its Board, in accordance with the Cabinet Office’s Guidance on Codes of
4.7.2 Departmental representatives may attend the Arts Council’s Audit and Risk Committee as an observer. The Departmental Audit and Risk Management Committee may also ask officials of Arts Council’s Audit and Risk Committee to attend to assist it with its discussions on any particular matter.

4.7.3 The Department shall have access to the Audit Committee’s minutes. These should be sufficiently detailed and accurate, recording the discussions held and the decisions taken. Draft minutes should be supplied within 15 working days of the meeting taking place.

4.7.4 In advance of all meetings of the Arts Council’s Audit and Risk Committee, papers will be forwarded to the Department. These papers will include a summary of all final internal audit reports issued in the period since the previous committee meeting and the implementation of audit recommendations. Notification of any significant issues arising during the audit process should be fast-tracked to Management and to the Audit and Risk Committee. The Department may make ad-hoc requests relating to Internal Audit work and the implementation of recommendations.

4.7.5 The Arts Council shall arrange for periodic quality reviews of its internal audit in accordance with the Public Sector Internal Audit Standards (PSIAS) which replaced the Government Internal Audit Standards (PSIAS) from 1 April 2013. The Department shall consider whether it can rely on these reviews to provide assurance on the quality of internal audit. However, the Department reserves a right of access to carry out independent reviews of internal audit in the Arts Council.

4.7.6 The Department’s Internal Audit Service shall also have a right of access to all documents prepared by the Arts Council’s internal auditor, including where the service is contracted out. The audit strategy, periodic audit plans and annual audit report, including the Arts Council’s Head of Internal Audit’s opinion on risk management, control and governance shall be forwarded as soon as possible to the sponsoring team who shall consult the Head of Internal Audit as appropriate.

4.7.7 The Arts Council shall provide the Department with a copy of all internal reports and, on request, with information on the implementation of audit recommendations.

4.7.8 The Arts Council shall ensure that its Internal Auditors review the information held on its Grants Management System to ensure that information extracted and input on the Government Funding Database is timely reliable and accurate.

4.7.9 The Department will review the Arts Council’s audit committee terms of reference. The Arts Council shall notify the sponsor Department of any subsequent changes to the audit committee’s terms of reference.
4.8 Fraud & Bribery

4.8.1 The Arts Council shall report immediately to the Department all frauds and complete the monthly update (proven or suspected), including attempted fraud. The Department shall then report the frauds or bribery immediately to DFP and the C&AG. In addition the Arts Council shall forward to the Department the annual fraud return, commissioned by DFP, on fraud, bribery and theft suffered by the Arts Council.

4.8.2 The Department will review the Arts Council’s Anti Fraud Policy and Fraud Response Plan. The Arts Council shall notify the Department of any subsequent changes to the policy or response plan.

4.9 Additional Departmental access to the Arts Council

4.9.1 In addition to the right of access referred to in paragraph 4.6.2 above, the Department shall have a right of access to all the Arts Council’s records and personnel for purposes such as sponsorship audits, operational investigations and other purposes including third party reports. (See also paragraphs 3.5.4 and 4.6.4 access to Board and Audit Committee minutes)
5. EXTERNAL ACCOUNTABILITY

5.1 The Annual Report and Accounts

5.1.1 After the end of each financial year the Arts Council shall publish as a single document an annual report of its activities together with its audited annual accounts. The report shall also cover the activities of any corporate bodies under the control of the Arts Council. A draft of the report shall be submitted to the sponsor Department at the same time a draft is issued to the auditors and at least two weeks before the proposed publication date although it is expected that the Department and the Arts Council will have had extensive pre-publication discussion on the content of the report prior to formal submission to the Department.

5.1.2 The report and accounts shall comply with the most recent version of the Government Financial Reporting Manual (FReM) issued by DFP. (NOTE: This guidance is updated every year). The accounts shall be prepared in accordance with any relevant statutes and the specific Accounts Direction issued by the Department.

5.1.3 The report and accounts shall outline the Arts Council’s main activities and performance during the previous financial year and set out in summary form the Arts Council’s forward plans. Information on performance against key financial targets shall be included in the notes to the accounts, and shall therefore be within the scope of the audit.

5.1.4 The report and accounts shall be laid before the Assembly and made available, in accordance with the guidance on the procedures for presenting and laying the combined annual report and accounts as prescribed in the relevant FD letter issued by DFP.

5.1.5 Due to the potential accounting and budgetary implications, any changes to accounting policies or significant estimation techniques underpinning the preparation of annual accounts, requires the prior written approval of the Department.
5.2 **External Audit**

5.2.1 The Comptroller and Auditor General (C&AG) audits the Arts Council’s annual accounts and passes the accounts to the Department who shall lay them before the Assembly, together with the Arts Council’s annual report. For the purpose of audit, the C&AG has a statutory right of access to relevant documents as provided for in Articles 3 and 4 of the Audit and Accountability (Northern Ireland) Order 2003.

5.2.2 The C&AG will liaise with the Arts Council on the arrangements for completing the audit of the Arts Council’s accounts. This will either be undertaken by staff of the NIAO or a private sector firm appointed by the C&AG to undertake the audit on his behalf. The final decision on how such audits will be undertaken rests with the C&AG, who retains overall responsibility for the audit.

5.2.3 The C&AG has agreed to share with the Department information identified during the audit process including the report to those charged with governance at the end of the audit. This shall apply, in particular, to issues which impact on the Department's responsibilities in relation to financial systems within the Arts Council. The C&AG will also consider, where asked, providing departments and other relevant bodies with reports which departments may request at the commencement of the audit and which are compatible with the independent auditor’s role.

5.2.4 The Arts Council will, on request, provide the sponsoring team in DCAL with information on the implementation of Management Letter recommendations. All accepted audit recommendations must be implemented within the external auditor’s recommended priority time frame.

5.3 **VFM examinations**

5.3.1 The C&AG may carry out examinations into the economy, efficiency and effectiveness with which the Arts Council has used its resources in discharging its functions. For the purpose of these examinations the C&AG has statutory access to documents as provided for under Articles 3 and 4 of the Audit and Accountability (Northern Ireland) Order 2003. Where making payment of a grant, or drawing up a contract, the Arts Council should ensure that it includes a clause which makes the grant or contract conditional upon the recipient or contractor providing access to the C&AG in relation to documents relevant to the transaction. Where subcontractors are likely to be involved, it should also be made clear that the requirements extend to them.
6. **STAFF MANAGEMENT**

6.1 **General**

6.1.1. Within the arrangements approved by the Minister and DFP, the Arts Council shall have responsibility for the recruitment, retention and motivation of its staff. To this end the Council shall ensure that:

- its rules for the recruitment and management of staff create an inclusive culture in which diversity is fully valued; where appointment and advancement is based on merit; and where there is no discrimination on grounds of gender, marital status, domestic circumstances, sexual orientation, race, colour, ethnic or national origin, religion, disability, community background, or age;

- the level and structure of its staffing, including grading and numbers of staff, are appropriate to its functions and the requirements of efficiency, effectiveness and economy;

- the performance of its staff at all levels is satisfactorily appraised and the Arts Council's performance measurement systems are reviewed from time to time;

- its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve the Arts Council's objectives;

- proper consultation with staff takes place on key issues affecting them;

- adequate grievance and disciplinary procedures are in place;

- whistle blowing procedures consistent with the Public Interest Disclosure (Northern Ireland) Order 2003 are in place; and

- a code of conduct for staff is in place based on Annex 5A of Public Bodies: A Guide for NI Departments (available at www.aasdni.gov.uk).

6.2 **REGRADING/CREATING POSTS**

6.2.1 The Arts Council has approval to re-grade posts up to Deputy Principal Level and analogous grades. Approval of the Department is required to re-grade/create posts at DP level and above, unless otherwise advised by the Department.
7. REVIEWING THE ROLE OF THE ARTS COUNCIL

7.1 The Arts Council shall be reviewed in the Financial Year 2013/14, in accordance with the business needs of the Department and the Arts Council. The review should be carried out in line with Chapter 9 of the Public Bodies: a Guide for Northern Ireland Departments.

7.2 The Arts Council shall provide the Department with full details of all agreements where the Arts Council or its successors have a right to share in the financial gains of developers. It should also pass to the Department details of any other forms of claw back due to the Arts Council.
FINANCIAL MEMORANDUM FOR ARTS COUNCIL NI

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I. INTRODUCTION

1. This Financial Memorandum sets out certain aspects of the financial framework within which the Arts Council is required to operate.

2. The terms and conditions set out in the combined Management Statement and Financial Memorandum may be supplemented by guidelines or directions issued by the Department/Minister in respect of the exercise of any individual functions, powers and duties of the Arts Council.

3. The Arts Council shall satisfy the conditions and requirements set out in the combined document, together with such other conditions as the Department/Minister may from time to time impose.

II. THE BODY’S INCOME AND EXPENDITURE - GENERAL

The Departmental Expenditure Limit (DEL)

4. The Arts Council’s current and capital expenditure form part of the sponsoring Department’s Resource Departmental Expenditure Limit (DEL) and Capital DEL respectively.

Expenditure not proposed in the budget

5. The Arts Council shall not, without prior written Departmental approval, enter into any undertaking to incur any expenditure which falls outside the Arts Council’s delegations or which is not provided for in the Arts Council’s annual budget as approved by the Department.

Procurement

6. The Arts Council’s procurement policies shall reflect the public procurement policy adopted by the Northern Ireland Executive in May 2002 (refreshed May 2009); Procurement Guidance Notes; and any other guidelines or guidance issued by Central Procurement Directorate (CPD) and the Procurement Board. The Arts Council’s procurement activity should be carried out by means of a Service Level Agreement with CPD or another recognised Centre of Procurement Expertise (CoPE) – this should ensure compliance with relevant UK, EU and international procurement rules.

7. Periodic reviews of the NDPB’s procurement activity should be undertaken. The results of any such review will be shared with the sponsor Department.
8. Contracts shall be placed on a competitive basis and tenders accepted from suppliers who provide best value for money overall.

9. Single Tender Action is the process where a contract is awarded to an economic operator (i.e. supplier, contractor) without competition. All Single Tender Actions should be approved by the ACNI Accounting Officer. ACNI should forward a report to DCAL on an Annual basis of all contracts of £5,000 or over where competitive tendering was not employed. The Arts Council should comply with the relevant Procurement Guidance Notes (PGN), PGN 03/11 'Awards of Contracts without Competition' and PGN 04/12 'Procurement Control Limits and Basis for Contract Awards'.

Best Value for money

10. Procurement by the Arts Council of works, supplies and services shall be based on best value for money, i.e. the optimum combination of whole life cost and quality (or fitness for purpose) to meet the Arts Council’s requirements. An options appraisal shall be carried out before procurement decisions are taken.

Timeliness in paying bills

11. The Arts Council shall collect receipts and pay all matured and properly authorised invoices in accordance with Annexes 4.5 and 4.6 of Managing Public Money Northern Ireland and any guidance issued by DFP or the Department.

Novel, contentious or repercussive proposals

12. The Arts Council shall obtain the approval of the Department and DFP before:

- incurring any expenditure for any purpose which is or might be considered novel or contentious, or which has or could have significant future cost implications, including on staff benefits;

- making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the Department;

- making any change of policy or practice which has wider financial implications (e.g. because it might prove repercussive among other public sector bodies) or which might significantly affect the future level of resources required. (The Department will advise on what constitutes “significant” in this context).
Risk management/Fraud & Bribery

13. The Arts Council shall ensure that the risks it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and shall develop a risk management strategy, in accordance with the Treasury guidance Management of Risk: A Strategic Overview ("The Orange Book").

14. The Arts Council shall take proportionate and appropriate steps to assess the financial and economic standing of any organisation or other body with which it intends to enter into a contract or to which it intends to give grant or grant-in-aid.

15. The Arts Council shall adopt and implement policies and practices to safeguard itself against fraud and theft, in line with DFP’s guide Managing the Risk of Fraud.

16. All cases of attempted, suspected or proven fraud shall be reported to the Department who shall report it to DFP and the NIAO (see section 4.8 in the Management Statement) as soon as they are discovered, irrespective of the amount involved.

Wider Markets

17. The Arts Council shall seek to maximise receipts from non-Consolidated Fund sources, provided that this is consistent with (a) the Arts Council’s main functions (b) its Strategy’s agreed with the Department. The Department will confirm with the DFP Supply Officer that such proposed activity is appropriate.

Fees and charges

18. Fees or charges for any services supplied by the Arts Council shall be determined in accordance with Chapter 6 of MPMNI.

III. THE ARTS COUNCIL’S INCOME

Grant-in-aid

19. Grant-in-aid will be paid to the Arts Council in monthly instalments, on the basis of a written application from the Arts Council showing evidence of need. The application shall certify that the conditions applying to the use of grant-in-aid have been observed to date and that further grant-in-aid is
now required for purposes appropriate to the Arts Council's functions.

20. The Arts Council should have regard to the general principle enshrined in Annex 5.1 of Managing Public Money Northern Ireland that it should seek grant-in-aid according to need.

21. Verification checks will be carried out by the Department. The Arts Council must retain all original invoices for inspection and provide the Department with information and access to documentation as required.

22. Cash balances accumulated during the course of the year shall be kept at the minimum level consistent with the efficient operation of the Arts Council. Grant-in-aid not drawn down by the end of the year shall lapse. However, where draw-down of grant-in-aid is delayed to avoid excess cash balances at year-end, the Department will make available in the next financial year (subject to approval by the Assembly of the relevant Estimates provision) any such grant-in-aid required to meet any liabilities at year end, such as creditors.

Fines and taxes as receipts

23. Most fines and taxes (including levies and some licences) do not provide additional DEL spending power and should be surrendered to the sponsor Department.

Receipts from sale of goods or services (excluding land or property)

24. Receipts from the sale of goods and services (including certain licences), rent of land and dividends normally provide additional DEL spending power. If a body wishes to retain a receipt or utilise an increase in the level of receipts, it must gain the prior approval of its sponsor Department.

25. If there is any doubt about the correct classification of a receipt, the Arts Council shall consult the Department, which may consult DFP as necessary.

Interest earned

26. Interest earned on cash balances cannot necessarily be retained by the Arts Council. Depending on the budgeting treatment of this receipt, and its impact on the Arts Council's cash requirement, it may lead to commensurate reduction of grant-in-aid or be required to be surrendered to the NI Consolidated Fund via the sponsor Department. If the receipts are used to finance additional expenditure by the Arts Council, the sponsor Department will need to ensure it has the necessary budget cover.
Un-forecast changes in in-year income

27. If the negative DEL income realised or expected to be realised in-year is less than estimated, the Arts Council shall, unless otherwise agreed with the Department, ensure a corresponding reduction in its gross expenditure so that the authorised provision is not exceeded. (NOTE: For example, if the Arts Council is allocated £100 resource DEL provision by the Department and expects to receive £10 of negative DEL income, it may plan to spend a total of £110. If income (on an accruals basis) turns out to be only £5, the Arts Council will need to reduce its expenditure to £105 to avoid breaching its budget. If the Arts Council still spends £110 the Department will need to find £5 of savings from elsewhere within its total DEL to offset this overspend.)

28. If the negative DEL income realised or expected to be realised in the year is more than estimated, the Arts Council may apply to the Department to retain the excess income for specified additional expenditure within the current financial year without an offsetting reduction to grant-in-aid. The Department shall consider such applications, taking account of competing demands for resources, and will consult with DFP in relation to any significant amounts. If an application is refused, any grant-in-aid shall be commensurately reduced or the excess receipts shall be required to be surrendered to the NI Consolidated Fund via the Department.

Build-up and draw-down of deposits

29. The Arts Council shall comply with the rules that any DEL expenditure financed by the draw-down of deposits counts within DEL and that the build-up of deposits may represent a saving to DEL (if the related receipts are negative DEL in the relevant budgets).

30. The Arts Council shall ensure that it has the necessary DEL provision for any expenditure financed by draw-down of deposits.

Proceeds from disposal of assets

31. Disposals of land and buildings are dealt with in Section VI below.

Gifts and bequests received

32. The Arts Council is free to retain any gifts, bequests or similar donations subject to paragraph 34. These shall be capitalised at fair value on receipt and must be notified to the Department. (NOTE: A release from the donated assets reserve should offset depreciation in the operating cost statement. The latest FReM requirements should be applied.)
33. Before accepting a gift, bequest, or similar donation, the Arts Council shall consider if there are any associated costs in doing so or any conflicts of interests arising. The Arts Council shall keep a written record of any such gifts, bequests and donations and of their estimated value and whether they are disposed of or retained. A gifts and hospitality policy which includes the Bribery Act 2010 must be in place and a gifts and hospitality register must be maintained.

Distribution/Allocation of Lottery Funds

34. The Arts Council shall observe the Financial Directions issued by the Department on behalf of the Secretary of State for Culture, Media and Sport under section 23 of the National Lottery etc. Act 1993. Receipts from the National Lottery are additional to public expenditure and provide additional spending power for the Authority. The Chief Executive will be held to account for the use of any Lottery grant as though it were public expenditure and the Authority will need to identify any such receipts separately in its Accounts and reporting systems.

Receipts from the EU

35. Receipts from the European Union are additional to public expenditure and provide additional spending power for the Authority. The Chief Executive will be held to account for the use of any EU grant as though it were public expenditure and the Arts Council will need to identify any such receipts separately in its Accounts and reporting systems.

Borrowing

36. Normally, the Arts Council will not be permitted to borrow, but when doing so, shall observe the principles set out in Chapter 5 and the associated annexes of MPMNI when undertaking borrowing of any kind. The Arts Council shall seek the approval of the Department and, where appropriate, DFP, to ensure that it has any necessary authority and budgetary cover for any borrowing or the expenditure financed by such borrowing. Medium or long term private sector or foreign borrowing is subject to the value for money test in Section 5.7 of MPMNI.

37. Where exceptionally NDPBs are allowed to borrow the spending financed by borrowing scores gross in budgets. This applies whatever the source of borrowing (Department, market, European Investment Bank). The cash raised by borrowing does not score as negative DEL. This means that any expenditure by the Arts Council financed by borrowing will need DEL budget cover (provided that this is the normal budgeting treatment for such expenditure).
IV. EXPENDITURE ON STAFF

Staff costs

38. Subject to its delegated levels of authority, the Arts Council shall ensure that the creation of any additional posts does not incur forward commitments which will exceed its ability to pay for them.

Pay and conditions of service

39. The staff of the Arts Council, whether on permanent or temporary contract, shall be subject to levels of remuneration and terms and conditions of service (within the general NICS Pay Structure) as approved by the Department and DFP. The Arts Council has no delegated power to amend these terms and conditions.

40. Current terms and conditions for staff of the Arts Council are those set out in its Employee Handbook. The Arts Council shall provide the Department and DFP with a copy of the Handbook and subsequent amendments.

41. Annual pay increases of Arts Council staff must be in accordance with the annual FD letter on Pay Remit Approval Process and Guidance issued by DFP. Therefore, all proposed pay awards must have prior approval of the Department and the Minister for Finance before implementation. Separate pay remits are required for SCS level staff (Chief Executive) and non-SCS level staff.

42. The travel expenses of Board Members shall be tied to Departmental rates. Reasonable actual costs shall be reimbursed. The Arts Council should have a travel and subsistence policy in place.

43. The Arts Council shall operate a performance-related pay scheme which shall form part of the annual aggregate pay budget approved by the Department and DFP.

44. The Arts Council shall comply with the EU directive on contract workers Fixed Term Employees Regulations (Prevention of Less Favourable Treatment).
Pensions; redundancy/compensation

45. The Arts Council's staff shall be eligible for a pension provided by admittance to the NI Local Government Officers Superannuation Committee (NILGOSC).

46. Staff may opt out of the occupational pension scheme provided by the Arts Council. However, the employer's contribution to any personal pension arrangement, including a stakeholder pension, shall be limited to the national insurance rebate level.

47. Any proposal by the Arts Council to move from the existing pension arrangements, or to pay any redundancy or compensation for loss of office, requires the approval of the Department and DFP.

V. NON-STAFF EXPENDITURE

Economic appraisal and Evaluation

48. The Arts Council is required to apply the principles of economic appraisal, with appropriate and proportionate effort, to all decisions and proposals concerning spending or saving public money, including European Union (EU) funds, and any other decisions or proposals that involve changes in the use of public resources. For example, appraisal must be applied irrespective of whether the relevant public expenditure or resources:

- involve capital or current spending, or both;
- are large or small;
- are above or below delegated limits (see Appendix A).

49. Appraisal itself uses up resources. The effort that should go into appraisal and the detail to be considered is a matter for case-by-case judgement, but the general principle is that the resources to be devoted to appraisal should be in proportion to the scale or importance of the objectives and resource consequences in question. Judgement of the appropriate effort should take into consideration the totality of the resources involved in a proposal.

50. Spending commitments should not be entered into until a proportionate business case/economic appraisal has been completed and the appropriate approvals are in place.
51. Evaluation plays an important role which is complementary to appraisal, and should be embedded within the Arts Council decision making process. The Arts Council should have systems in place to ensure project outturns are measured, recorded and compared with original estimates and lessons learned are appropriately disseminated. An evaluation report should be completed for all expenditure which includes grants is supported by a business case, irrespective of the level of expenditure.

52. General guidance on economic appraisal and evaluation that apply to the Arts Council can be found in:


Capital expenditure

53. Subject to being above an agreed capitalisation threshold, all expenditure on the acquisition or creation of fixed assets shall be capitalised on an accruals basis in accordance with relevant accounting standards. Expenditure to be capitalised shall normally include the (a) acquisition, reclamation or laying out of land; (b) acquisition, construction, preparation or replacement of buildings and other structures or their associated fixtures and fittings; and (c) acquisition, installation or replacement of movable or fixed plant, machinery, vehicles and vessels.

54. Proposals for large-scale individual capital projects or acquisitions will normally be considered within the Arts Council’s corporate and annual planning process. Subject to paragraph 55, applications for approval within the Strategy/Annual plan by the Department and, DFP if necessary, shall be supported by formal notification that the proposed project or purchase has been examined and duly authorised by the Board. Regular reports on the progress of projects shall be submitted to the Department.

55. Approval of the 5 Year Strategy/Annual plan does not obviate the Arts Council’s responsibility to abide by the economic appraisal process.

56. Within its approved overall resources limit the Arts Council shall, as indicated in the attached Appendix on delegations, have delegated authority to spend up to £100,000 on any individual capital project or acquisition (this also applies to capital projects where the Arts Council is not the primary funder). Beyond that delegated limit, the Department’s and, where necessary, DFP’s prior authority must be obtained before expenditure on an individual project or acquisition is incurred.

57. If the costs of a capital project increase by 10% or more of the approved costs as set out in the economic appraisal, the Arts Council is required to
submit a revised economic appraisal to the Department and, where appropriate, DFP for approval prior to agreeing the cost increase.

Transfer of funds within budgets

58. Unless financial provision is subject to specific Departmental or DFP controls (e.g., where provision is ring-fenced for specific purposes) or delegated limits, transfers between budgets within the total capital budget, or between budgets within the total revenue budget, do not need Departmental approval. The one exception to this is that, due to HM Treasury controls, any movement into, or out, of depreciation and impairments within the resource budget will require departmental and possibly DFP approval. (NOTE: Under resource budgeting rules, transfers from capital to resource budgets are not allowed.)

Lending, guarantees, indemnities; contingent liabilities; letters of comfort

59. The Arts Council shall not, without the Department's and where necessary, DFP's prior written consent, lend money, charge any asset or security, give any guarantee or indemnities or letters of comfort, or incur any other contingent liability (as defined in Annex 5.5 of MPMNI), whether or not in a legally binding form.

Grant or loan schemes

60. Unless covered by a delegated authority, all proposals to make a grant or loan to a third party, whether one-off or under a scheme, together with the terms and conditions under which such grant or loan is made shall be subject to prior approval by the Department, and where necessary, DFP. If grants or loans are to be made under a continuing scheme, statutory authority is likely to be required.

61. The terms and conditions of a grant or loan to a third party shall include a requirement on the receiving organisation to prepare accounts and to ensure that its books and records in relation to the grant or loan are readily available for inspection by the Arts Council, the Department and the C&AG.

62. See also below under the heading Recovery of grant-financed assets (paragraphs 83-85).

Gifts made, write-offs, losses and other special payments

63. Proposals for making gifts or other special payments (including issuing write-offs) outside the delegated limits set out in Appendix A of this document must have the prior approval of the Department and, where necessary, DFP.
64. Losses shall not be written off until all reasonable attempts to make a recovery have been made and proved unsuccessful.

65. Gifts by management to staff are subject to the requirements of DAO (DFP) 05/03.

Leasing

66. Prior Departmental approval must be secured for all property and finance leases. The Arts Council must have capital DEL provision for finance leases and other transactions which are, in substance, borrowing (paragraphs 36 – 37 above).

67. Before entering into any lease (including an operating lease) the Arts Council shall demonstrate that the lease offers better value for money than purchase.

Public/Private Partnerships

68. The Arts Council shall seek opportunities to enter into Public/Private Partnerships where this would be more affordable and offer better value for money than conventional procurement. Where cash flow projections may result in delegated spending authority being breached, the Arts Council shall consult the Department. The NDPB should also ensure that it is has the necessary budget cover.

69. Any partnership controlled by the Arts Council shall be treated as part of the Arts Council in accordance with guidance in the FReM and consolidated with it. Where the judgement over the level of control is difficult, the Department will consult DFP (who may need to consult with the Office of National Statistics over national accounts treatment).

Subsidiary companies and joint ventures

70. The Arts Council shall not establish subsidiary companies or joint ventures without the express approval of the Department and DFP. In judging such proposals the Department will have regard to the Department’s wider strategic aims, objectives and current Public Service Agreement.

71. For public expenditure accounts purposes any subsidiary company or joint venture controlled or owned by the Arts Council shall be consolidated with it in accordance with guidance in the FReM, subject to any particular treatment required by FReM. Where the judgement over the level of control is difficult, the Department will consult DFP (who may need to consult with the Office of National Statistics over national accounts treatment). Unless specifically agreed with the Department and DFP, such subsidiary companies or joint ventures shall be subject to the controls and requirements set out in this Management Statement and Financial...
Memorandum, and to the further provisions set out in supporting documentation.

Financial investments

72. The Arts Council shall not make any investments in traded financial instruments without the prior written approval of the Department and, where appropriate, DFP, nor shall it aim to build up cash balances or net assets in excess of what is required for operational purposes. Funds held in bank accounts or as financial investments may be a factor for consideration when grant-in-aid is determined. Equity shares in ventures which further the objectives of the Arts Council shall equally be subject to Departmental and DFP approval unless covered by a specific delegation.

Unconventional financing

73. The Arts Council shall not enter into any unconventional financing arrangement without the approval of the Department and DFP.

Commercial insurance

74. The Arts Council shall not take out any insurance without the prior approval of the Department and DFP, other than third party insurance required by the Road Traffic (NI) Order, 1981 (as amended) and any other insurance which is a statutory obligation or which is permitted under Annex 4.5 of MPMNI.

75. In the case of a major loss or third-party claim the Department shall liaise with the Arts Council about the circumstances in which an appropriate addition to budget out of the Department’s funds and/or adjustment to the Arts Council’s targets might be considered. The Department will liaise with DFP Supply where required in such cases.

Payment/Credit Cards

76. The Arts Council, in consultation with the Department, shall ensure that a comprehensive set of guidelines on the use of payment cards (including credit cards) is in place. DAO (DFP) 24/02 refers.

Hospitality

77. The Arts Council, in consultation with the Department, shall ensure that a comprehensive set of guidelines on the provision of hospitality is in place. DAO (DFP) 10/06 (Revised) refers.
Use of Consultants

78. The Arts Council shall adhere to guidance issued by DFP, as well as any produced by the Department, in relation to the use of consultants. Please see the delegated limits set out in Appendix A.

79. The Arts Council will provide the Department with an annual statement on the status of all consultancies completed and/or started in each financial year.

80. Care should be taken to avoid actual, potential, or perceived conflicts of interest when employing consultants.

VI. MANAGEMENT AND DISPOSAL OF FIXED ASSETS

Register of assets

81. The Arts Council shall maintain an accurate and up-to-date register of its fixed assets.

Disposal of assets

82. The Arts Council shall dispose of assets which are surplus to its requirements. Assets shall be sold for best price, taking into account any costs of sale. Generally, assets shall be sold by auction or competitive tender (unless otherwise agreed by the Department), and in accordance with the principles in MPMNI.

83. All receipts derived from the sale of assets (including grant-financed assets, see below) must be declared to the Department, which will consult with DFP on the appropriate treatment.

Recovery of grant-financed assets

84. Where the Arts Council has financed expenditure on capital assets by a third party, the Arts Council shall set conditions and make appropriate arrangements to ensure that any such assets individually above a value of £1,000 are not disposed of by the third party without the Arts Council’s prior consent.

85. The Arts Council shall therefore ensure that such conditions and arrangements are sufficient to secure the repayment of the NI Consolidated Fund’s due share of the proceeds of the sale, in order that funds may be surrendered to the Department.
86. The Arts Council shall ensure that if the assets created by grants made by the Arts Council cease to be used by the recipient of the grant for the intended purpose, a proper proportion of the value of the asset shall be repaid to the Arts Council for surrender to the Department. The amounts recoverable under the procedures in paragraphs 82 - 83 above shall be calculated by reference to the best possible value of the asset and in proportion to the NI Consolidated Fund’s original investment(s) in the asset.

VII. BUDGETING PROCEDURES

Setting the annual budget

87. Each year, in the light of decisions by the Department on the Arts Council’s updated 5 Year Strategy plan (See section 4.1 of the Management Statement), the Department will send to the Arts Council:

- a formal statement of the annual budgetary provision allocated by the Department in the light of competing priorities across the Department and of any forecast income approved by the Department; and

- a statement of any planned change in policies affecting the Arts Council.

88. The Arts Council’s approved Annual Plan will take account of its approved funding provision and of any forecast receipts, and will include a budget of estimated payments and receipts together with a profile of expected expenditure and of draw-down of the Departmental funding and/or other income over the year. These elements will form part of the approved Annual Plan for the year in question (See section 4.1 of the Management Statement.)

89. Any grant-in-aid provided by the Department for the year in question will be voted in the Department’s Estimate and will be subject to Assembly control.

General conditions for authority to spend

90. Once the Arts Council’s budget has been approved by the Department and subject to any restrictions imposed by Statute, the Minister, the Department, this MSFM, the Arts Council shall have authority to incur expenditure approved in the budget without further reference to the Department, on the following conditions:

- the Arts Council shall comply with the delegations set out in Appendix A of this document. These delegations shall not be altered without the prior agreement of the Department and where necessary DFP;
the Arts Council shall comply with the conditions set out in paragraph 12 above regarding novel, contentious or repercussive proposals;

- inclusion of any planned and approved expenditure in the Arts Council’s budget shall not remove the need to seek formal Departmental (and, where necessary, DFP) approval where such proposed expenditure is above the delegated limits as set out in Appendix A, or is for new schemes not previously agreed;

- the Arts Council shall provide the Department with such information about its operations, performance, individual projects or other expenditure as the Department may reasonably require (see paragraph 92 below); and

- the Arts Council shall comply with NI Procurement Policy, all relevant Procurement Guidance Notes and carry out procurement via CPD or another recognized CoPE, if required.

Providing monitoring information to the Department

91. The Arts Council shall provide the Department with, as a minimum, information on a monthly basis which will enable the satisfactory monitoring by the Department of:

- the Arts Council’s cash management;

- its draw-down of any grant-in-aid;

- the expenditure for that month;

- forecast outturn by resource headings

- explanation of variances between monthly resource forecasts and actual outturn; and

- other data required for the DFP Outturn and Forecast Outturn returns.

VIII. BANKING

Banking arrangements

92. The Arts Council’s Accounting Officer is responsible for ensuring that the Arts Council’s banking arrangements are in accordance with the requirements of Annex 5.7 of MPMNI. In particular, he/she shall ensure that the arrangements safeguard public funds and that their implementation ensures efficiency, economy and effectiveness.

93. He/she shall therefore ensure that:
FINAL June 2013

- all DCAL funding is held within the NICS pooling arrangement bank account; and the responsibility for reviewing bank accounts is with DFP.

- sufficient information about banking arrangements is supplied to the Department’s Accounting Officer to enable the latter to satisfy his/her own responsibilities (See Section 3.2 of the Management Statement);

- the advice of the Department is sought before opening new bank accounts;

- the Arts Council’s banking arrangements shall be kept separate and distinct from those of any other person or organisation; and

- adequate records are maintained of payments and receipts and adequate facilities are available for the secure storage of cash.

IX. COMPLIANCE WITH INSTRUCTIONS AND GUIDANCE

Relevant documents

94. The Arts Council shall comply with the following general guidance documents:

- This document (both the Financial Memorandum and the Management Statement);

- Managing Public Money Northern Ireland (MPMNI);

- Public Bodies - a Guide for NI Departments issued by DFP;

- Public Sector Internal Audit Standards issued by DFP;

- The document Managing the Risk of Fraud issued by DFP;

- The Treasury document The Government Financial Reporting Manual (FReM) issued by DFP;

- Relevant DFP Dear Accounting Officer and Finance Director letters;
FINAL June 2013

- Relevant Dear Consolidation Officer and Dear Consolidation Manager letters issued by DFP;
- Regularity and Propriety, issued by Treasury;
- The Consolidation Officer Letter of Appointment, issued by DFP;
- Other relevant instructions and guidance issued by the central Departments (DFP/OFMDFM) including Procurement Board and CPD Guidance;
- Specific instructions and guidance issued by the Department;
- Recommendations made by the Public Accounts Committee, or by other Assembly authority, which have been accepted by the Government and which are relevant to the Arts Council.
- **The Bribery Act 2010**

X. REVIEW OF MANAGEMENT STATEMENT AND FINANCIAL MEMORANDUM

95. The Management Statement and Financial Memorandum will normally be reviewed at least every five years or following a review of the Arts Council’s functions as provided for in Section 7 of the Management Statement.

96. DFP Supply will be consulted on any significant variation proposed to the Management Statement and Financial Memorandum.

Signed: [Signature] Date: 11.7.13
On behalf of the Arts Council of Northern Ireland

Signed: [Signature] Date: 17.7.2013
On behalf of the Department of Culture, Arts and Leisure
DELEGATED EXPENDITURE LIMITS

General

The Department has delegated the following expenditure limit to the Arts Council. The Arts Council’s delegated authority for expenditure is subject to the conditions in this appendix and the Management Statement and Financial Memorandum. These delegated expenditure limits have been agreed by the Department and the Department of Finance and Personnel.

Economic Appraisal

The principles of economic appraisal should be applied in all cases where expenditure is proposed, whether the proposal involves capital or current expenditure, or both. The effort put into economic appraisal should be commensurate with the size or importance of the needs or resources under consideration. However, the Arts Council should undertake a comprehensive business case of all projects involving expenditure of £250,000 and over. Spending commitments should not be entered into until a proportionate business case/economic appraisal has been completed and the appropriate approvals are in place.

1. PURCHASING ALL GOODS AND SERVICES

Before any procurement activity is undertaken, the requisite number of quotations/tenders must be obtained from potential suppliers/contractors. The Arts Council should follow DFP Guidance in relation to the number and type of tender required. Arts Council’s procurement authorisation should be carried out in line with delegated authority levels (delegated from the Department and its internal delegated authority levels). PGN 04/12 refers.

General

These delegated expenditure limits have been agreed by the Department and the Department of Finance and Personnel.

Table 1 Delegated Authority for the Purchase of Goods, Services and Works

(All costs exclude VAT)

<table>
<thead>
<tr>
<th>Value</th>
<th>Procedure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to £5,000</td>
<td>Organisations must demonstrate that value for money has been secured.</td>
</tr>
<tr>
<td>£5,000 to £30,000</td>
<td>A minimum of two tenders invited by the person authorised to procure for their organisations in accordance with a Service Level Agreement (SLA) with a CoPE: or A tender process undertaken by a CoPE</td>
</tr>
</tbody>
</table>
Where the minimum number of quotation/tenders is not obtained

Where the Arts Council is unable to obtain a sufficient number of tenders, it must follow DFP guidance on the award of contracts without a competition. PGN 03/11 refers.

2. CAPITAL PROJECTS

The Arts Council CEO shall have delegated authority of £100,000 for capital expenditure. Capital projects over this amount require the approval of the Department, and may be subject to quality assurance by the Department of Finance and Personnel if requested.

Where the capital project is funded by a number of government departments and the Arts Council is not the primary funder, Departmental approval is still required if the Arts Council’s contribution exceeds the delegated authority level.

Any novel and/or potentially contentious projects, regardless of the amount of expenditure, require the approvals of the Department and DFP.

3. RESOURCE EXPENDITURE

The Arts Council CEO shall have full delegated authority in relation to funding distributed under the Annual Funding Programme. The Arts Council shall have delegated authority of £250k in relation to all other resource expenditure. The Department’s approval is required for expenditure above that threshold and proportionate business cases/economic appraisals should be submitted to the department in support of the proposed expenditure.

4. DISPOSAL OF SURPLUS EQUIPMENT

Disposal must be at current market value by public auction or another public process, unless otherwise agreed with the Department. Prior approval of the Department is required for disposal of surplus equipment with a value in excess of £1,000.

Proceeds from the disposal of surplus equipment must be declared to the Department, which will consult with DFP on the appropriate treatment.
5. LEASE AND RENTAL AGREEMENTS

The Arts Council shall not enter into any property or finance lease without the prior approval of the Department.

6. APPROVAL OF INFORMATION TECHNOLOGY PROJECTS

The appraisal of Information Technology (IT) projects should include the staffing and other resource implications.

The principles of appraisal, evaluation and management apply equally to proposals supported by information communication technology (ICT) as to all other areas of public expenditure. ICT-enabled projects should be appraised and evaluated according to the general guidance in the Northern Ireland Guide to Expenditure Appraisal and Evaluation (NIGEAE) and managed using the new *Successful Delivery (NI)* guidance which was issued in June 2009.

The purchase of IT equipment and systems should be in line with the guidance on Procedures and Principles for Application of Best Practice in Programme/Project Management (PPM), (available at www.dfpni.gov.uk/successful-delivery) and be subject to competitive tendering unless there are convincing reasons to the contrary. The form of competition should be appropriate to the value and complexity of the project, and in line with the Procurement Control Limits in Table 1. Delegated authority for each IT project is set out in Table 2.

The Arts Council has delegated authority of £50,000 for Information Technology Projects. The Arts Council may set internal delegated authority levels for projects within its delegated authority level. Projects above £50,000 require Chief Executive and Departmental approval.

**Table 2 Delegation Arrangements for Information Technology Projects, Systems and Equipment**

(All costs exclude VAT)

<table>
<thead>
<tr>
<th>Value</th>
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<td>£5,000 to £30,000</td>
<td>A minimum of two tenders invited by the person authorised to procure for their organisations in accordance with a Service Level Agreement (SLA) with a CoPE: or A tender process undertaken by a CoPE</td>
</tr>
<tr>
<td>£30,000 to EU Thresholds</td>
<td>Advertise on eSourcing NI. Tender process must be conducted in line with Procurement Guidance 05/12: Procurement of Goods, Works and Services Over £30,000 and Below EU thresholds.</td>
</tr>
</tbody>
</table>
7. ENGAGEMENT OF CONSULTANTS

General

The Arts Council has authority to appoint consultants for a single contract without recourse to the sponsor Department up to a total cost of £5,000 and subject to any guidance as may be issued by DFP or the sponsor Department.

Economic appraisal

A full business case should be prepared for all consultancy assignments expected to exceed £5,000. A proportionate business case should be prepared for all assignments below this threshold. Section 5 of the guidance note attached to FD (DFP) 04/09 explains the nature of the required business case.

8. LOSSES AND SPECIAL PAYMENTS

The Chief Executive, with prior approval from the Department, will have the authority to write off losses and make special payments up to:

(a) Cash losses – up to £500 per case/incident

(b) Stores/Equipment losses – up to £500 per case/incident

(c) Constructive losses and fruitless payments – up to £500 per case.

(d) Compensation payments

   i. Made under legal obligation, e.g. by Court Order – up to £500 per case plus reasonable legal expenses

   ii. For damage to personal property of staff – no delegated authority

   iii. Where written legal advice is that the Arts Council should not fight a court action because it is unlikely that it would win – no delegated authority
(e) Claims abandoned or waiver of claim to include bad debts—up to £500 per case

(f) Extra contractual payments—no delegated authority

(g) Ex gratia payments—up to £100 per case (Pensions payments are not covered by this threshold)

(h) Extra statutory and extra regulatory payments—no delegation, all proposals must be submitted to the Department for approval

The prior approval of the Department must be obtained for amounts above these values.

Where total losses exceed £5,000 in any financial year, an explanatory note should be included in the Arts Council’s accounts.

Details of all losses and special payments should be recorded in a Losses and Special Payments Register, which will be available to auditors. The Register should be kept up-to-date and should show evidence of the approval by the Chief Executive, and the Department, where appropriate.