



Arts Council of Northern Ireland

ANNUAL REPORT & ACCOUNTS

FOR THE YEAR ENDED

31 MARCH 2011



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**NDPB ARTS COUNCIL OF NORTHERN IRELAND
ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2011**

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

27 June 2011

**Laid before the Northern Ireland Assembly
Under Article 8 (2) (c) and Article 9 of the
Arts Council (Northern Ireland) Order 1995
by the Department of Culture, Arts and Leisure**

8 July 2011

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CHAIRMAN'S FOREWORD

Fair Deal for the Arts

The major achievements of 2010-11 have taken place under the lengthening shadow of the recession. The year started inauspiciously with the Assembly's 'Emergency Budget', which led to the loss of £1.1 million from the Arts Council's budget from the Department of Culture, Arts and Leisure (DCAL). This should have been the final year uplift for the arts, indicated in the previous Comprehensive Spending Review (CSR) of 2008-11, but which failed to materialise; leaving our core revenue-funded clients with a shortfall of £3.32 million between demand and resource available.

Then in December 2010, the Finance Minister announced the draft Budget 2011-2015, against the backdrop of a requirement to cut public spending by £4 billion over the period, due to the reduction in the Northern Ireland Block Grant. DCAL, one of the smallest departments handling just 1% of total government expenditure, seemed designated to receive the largest proportionate cuts of all the Departments; and it appeared that the Arts Council faced an even more disproportionate reduction of £4.2 million in cash terms over the four-year budget period.

The window to challenge the budget through the public consultation process remained open until mid-February 2011, and the Arts Council, Artists and Arts Organisations rallied under the campaign banner of a 'Fair Deal for the Arts'. We created opportunities to put our case at meetings with the Minister, the Culture Arts and Leisure Committee and with other senior politicians from across the range of parties and departments. At the same time we availed of opportunities to speak out on the subject, and employed new technology to good effect in the use of social networking sites in order to promote and gather public support in making the case for the arts.

The response by members of the Assembly, the arts community and the public was heartening. At the close of the consultation, submissions in favour of the arts comprised an overwhelming majority.

The Assembly not only heard the strong clear voice of the people as they supported the 'Fair Deal for the Arts' campaign, but also adjusted its position in response to the strength of the case that was presented. As the Finance Minister acknowledged in his revised budget statement in March, *"There was also substantial lobbying on the arts. During the Budget process, I tried to acquaint myself with the things that we spend money on. I went round schools, arts groups, museums and building projects and talked to people in all kinds of departments. Many people think of the arts as simply a picture hanging on a wall, but it involves a lot of employment potential — especially tourist potential — in Northern Ireland."*

The threatened cut was reduced from £4.2 million to £1.4 million over the four-year budget period. In addition, a budget of £1.4 million was reinstated for capital projects. This leaves the Arts Council at the close of the financial year 2010/11 in a position to maintain most of our core revenue-funded clients on standstill funding for the coming year. A cut is still a cut, of course, and we do not underestimate the scale of the challenges ahead for the sector, which will be compounded by inflation and other financial pressures. With the Arts Council's budget set to drop in 2012/13, there remains a need for organisations to seek further efficiencies and, for some, to consider greater collaboration and mergers.

The revised Budget 2011-15 considerably improved the situation for the arts; and the Northern Ireland Assembly's final settlement is welcomed as a reprieve from the potentially devastating cuts initially proposed in the draft Budget. The final Budget represents, I believe, an expression of confidence by the Assembly in Northern Ireland's arts and culture, and signifies recognition that the quality of arts - alongside healthcare, justice and education - is one of the measures by which a society is judged.



Rosemary Kelly

Rosemary Kelly, OBE
Chairman

CHIEF EXECUTIVE'S INTRODUCTION

Defining times

Two major pieces of research undertaken this year by the Arts Council highlight a startling disparity between, on the one hand, the contribution that the arts make to Northern Ireland's society and economy and, on the other, the recognition that contribution receives. Both reports are instrumental to the Arts Council's efforts to refocus and develop its strategies and support programmes to meet the needs of the sector.

The 'Digest of Arts Statistics' provides a reliable, single source of statistical information reflecting current arts-based economic and consumption trends in Northern Ireland. The need for such research is rooted in the fact that government increasingly provides funding for the arts with the expectation that its support will also act to lever broader social and economic benefits. As such, the data provided by the Digest was a determining factor in the strength of the (ultimately successful) evidence-based case for the arts that the Arts Council was able to present to the Spending Review 2011-15. Providing quantitative facts to support qualitative values, the Digest describes how the arts touch just about every facet of our lives, entertaining and informing us, as well as making an increasingly substantial contribution to the nation's education, health and social and economic regeneration.

Belying the positive findings of the Digest, a second publication, produced jointly by the Arts Council of Northern Ireland and An Chomhairle Ealaíon, exposes a bleaker than expected picture of the hardships experienced by artists. The report, 'Living and Working Conditions of Artists Living in Northern Ireland and the Republic of Ireland', reveals that the average professional artist living in Northern Ireland can expect to earn just £7,500 a year from their work. This, despite having achieved a higher level of formal education than the wider labour force and despite demonstrating remarkable dedication by working much longer hours than average and often having to hold down extra jobs to support their creative endeavours. In the most comprehensive study of its kind for a generation, the report sheds critical new light on what it means to be an artist, writer, musician or performer in modern day Ireland, north and south. It shows how many artists are currently working on the island, the level of state support provided in other countries, and the range of challenges artists encounter as they pursue their chosen careers.

The findings of this report are already influencing how the Arts Council responds to the identified professional needs of artists in Northern Ireland. This year, for instance, we added a new professional development strand to our 'Support for the Individual Artist' programme. The 'Artists' Career Enhancement Scheme' (ACES)

commits £75,000 to artists working in music, visual arts, literature and participatory arts. £5,000 bursaries are available to enable artists to boost their careers by partnering with a professional arts organisation, which will provide specialist mentoring and development support. Fifteen individual artists are benefiting this year from the new scheme, giving them the opportunity to take their careers to the next level.

Beyond the immediate measures the Arts Council is taking to refocus and improve its support programmes, one consolatory message we can take from the 'Living and Working Conditions' report is that, despite all the hardships - the recession, the cut backs and the poor working conditions endured by artists - the overwhelming majority said they would, given the chance, do it all over again. That's a level of commitment you just would not find in many other professions. The question any enlightened society should ask itself, and the question the Arts Council will continue to demand of government, is whether it is reasonable to expect to receive so much from the arts community in return for so very little.



Roisín McDonough

Roisín McDonough
Chief Executive

ANNUAL REPORT

Background Information

Statutory Background

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

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

Principal Functions Related to Grant-in-aid Activities

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

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

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

The Council performed its functions during the year ending on 31 March 2011 by making grants to organisations engaged in the arts either on a revenue or on a project basis; by granting awards and bursaries to individuals engaged in the arts; by organising tours of performing and creative artists; by organising and participating in the Forum for Local Government and the Arts; and by advising the Department of Culture, Arts and Leisure and various other public and private bodies on a range of issues relating to the arts. The Council is also one of the distributing bodies of the National Lottery. Lottery distributing activities are reported upon separately under the National Lottery Etc. Act 1993.

Appointments to the Board are made by the Minister of Culture, Arts and Leisure. The Chair and members of the Board have individual and collective responsibility to the Minister as Head of Department:

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

The Board of the Arts Council of Northern Ireland for the year ended 31 March 2011 is shown below.

Board:

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

The members of the Audit & Risk Committee for the year ended 31 March 2011 were: Mr Tony Kennedy (Chairman), Mr Raymond Fullerton, Mr David Irvine, Mr Ivor Johnston (Co-opted Member) and Ms Janine Walker (from 20 December 2010).

The members of the Lottery and Grants Committee for the year ended 31 March 2011 were: Ms Kate Bond (Chairman), Ms Eithne Benson, Prof Paul Seawright, Mr Damien Coyle and Ms Janine Walker (from 20 December 2010).

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

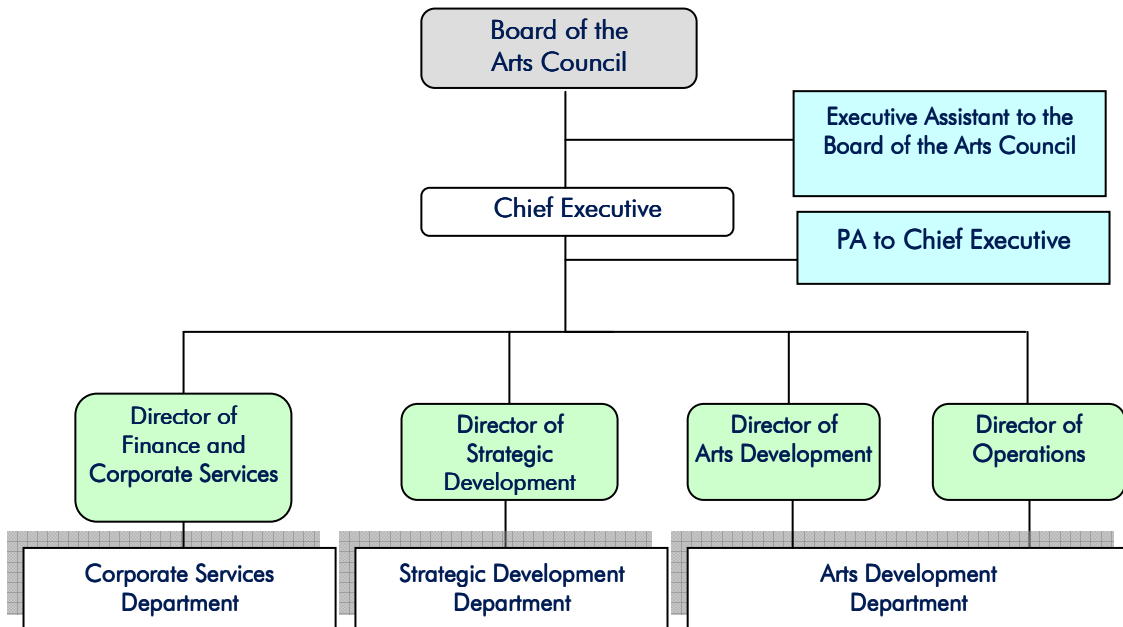
Board Members Attendance 2010/11

#		13 Board Meetings held			Committee Meetings		Total meetings	
		Full	Part	Act	Act	Poss	Act	Poss
#	Eithne Benson	9	0	9	3	3	12	16
#	Kate Bond	8	0	8	3	3	11	16
#	Damien Coyle	9	1	10	11	18	21	31
	Raymond Fullerton	11	0	11	5	5	16	18
*	David Irvine	3	0	3	2	2	5	5
#	Rosemary Kelly	13	0	13	10	12	23	25
#	Tony Kennedy	11	2	13	9	9	22	22
#	Bill Montgomery	4	3	7	4	10	11	23
#	Ian Montgomery	8	0	8	8	11	16	24
	Sharon O'Connor	5	0	5	0	0	5	13
	Joe Rice	5	2	7	1	4	8	17
#	Paul Seawright	7	0	7	5	6	12	19
#	Brian Sore	12	1	13	6	7	19	20
	Peter Spratt	11	1	12	4	4	16	17
	Janine Walker	10	0	10	4	6	14	19

Additional adhoc meetings not included

* extended illness

Organisational Structure



Accounts and Appointment of Auditors

The Accounts of the Arts Council of Northern Ireland are prepared in a form directed by the Department of Culture, Arts and Leisure with the consent of the Department of Finance and Personnel in accordance with Article 8 of the Arts Council (Northern Ireland) Order 1995.

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

The audit of the financial statements 2010-11 resulted in an audit fee of £12,000. This cost is included in other expenditure in the financial statements.

So far as the Accounting Officer is aware, there is no relevant audit information of which the Council's auditors are unaware.

The Accounting Officer has taken all steps that she ought to have taken to make herself aware of any relevant audit information and to establish that the Council's auditors are aware of that information.

Policy on Disabled Persons and Equality of Opportunity

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

Pension Fund

All assets, liabilities and operating costs of the Council's pension scheme are recorded in the accounts of the Exchequer entity. The salary charges to Lottery in-year include a recharge of employer pension costs of £131,662 (2009-10: £184,975).

The market value of the Council's share of the NILGOSC pension scheme's assets (excl. AVCs) at 31 March 2011 was £8.666m (2009-10: £7.722m) and the present value of the Council's share of the scheme liabilities was £10.739m (2009-10: £12.426m). The Council's share of the scheme recorded net pension liabilities at 31 March 2011 was £2.0723m (31 March 2010: £4.704m).

Employee Consultation

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

Payment of Suppliers

The Arts Council is committed to the prompt payment of bills for goods and services in accordance with the Confederation of British Industry's Prompt Payment Code. The target for payment of bills is 10 days from receipt of goods or services, or presentation of a valid invoice or similar demand, whichever is later. A review conducted at the end of the year to measure how promptly the Arts Council paid its bills found that 96% of the bills were paid within this standard. The comparative figure for 2009-10 was 93% (on the basis of a 30 day target). The target for this is 95%.

Overall for the year the average number of days taken to pay invoices was 7 days.

Political and Charitable Donations

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

Management Commentary

Nature of Business

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

The objectives of the Council are:

- (a) to develop and improve the knowledge, appreciation and practice of the arts;
- (b) to increase public access to, and participation in, the arts; and,
- (c) to advise the Department of Culture, Arts and Leisure and other government departments, district councils and other bodies on matters relating to the arts.

Financial Results

The Arts Council's key financial target is to operate within the allocated Budget for the year. At the end of the year the Council realised total net expenditure of £26,667,683 (2009/10: £28,204,240). The reserve at the year end is £710,408 (2009/10: restated deficit of £1,310,809).

Review of Grant-in-aid Activities

During the year 2010/2011, the Arts Council made awards totalling £26,581,834 (2009/10: £27,040,756) to artists and art organisations. This represents a decrease of £0.5m (2009/10: increase of £8.5m) on the previous year. Excluding in-year capital grants to arts organisations, the decrease falls to £0.2m (2009-10: £0.5m) on the prior year. Regularly funded organisations, including the cultural traditions, received £10.47m (2009/10: £10.11m) – a commendable achievement given the difficult funding environment.

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

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

Promoting the value of the Arts

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

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

In furtherance of these objectives the Arts Council held its bi-annual Chairs' and Chief Executives' Forum, which focused on the impending cuts under the Spending Review 2011-2015 and strategies for diversifying funding streams for the arts.

The Arts Council proactively campaigned with the arts sector to mitigate against the £4.2m reduction outlined in the draft NI Assembly budget announced in December 2010. The 'Fair Deal for the Arts' campaign yielded 5,000 responses to the budget consultation in support of the maintenance of arts funding, and resulted in a reinstatement of £2.75m, a cut of £1.4m. Although this is a reprieve, there are challenges ahead for the future of the arts in Northern Ireland, but this is undoubtedly an improved outcome.

Given the financial context, it was with regret that the Arts Council had to announce that it was unable to fund Northern Ireland's representation at the Venice Biennale in 2011. This has had a detrimental impact on our international programme and the profile of the visual arts from here. The Council continued with its international residencies at Rome and New York, as well as travel awards for individual artists and limited overseas touring for a number of companies, Camerata and Tinderbox Theatre Company.

Strengthening the Arts

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

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

The Council revised its Support for the Individual Artist Programme with the introduction of the Artists' Career Enhancement Scheme (ACES). The £75,000 funding scheme offers artists, working in music, visual arts, literature, and participatory arts, the opportunity to apply for a £5,000 bursary. The scheme enables artists to boost their careers by partnering with a professional organisation

to deliver new creative work. The Artists' Career Enhancement Scheme (ACES) provides specialist mentoring and development opportunities, supporting career artists whose work is of a high quality, original, challenging and innovative.

The launch of ACES followed the completion of a recent report 'The Living and Working Conditions of Artists in and Northern Ireland and the Republic of Ireland', in which artists revealed the challenges they face as they pursue their chosen career. Fifteen of Northern Ireland's most talented rising stars of the art world went on to be awarded ACES grants from the Arts Council of Northern Ireland. Thirteen professional partners pledged their support to the pilot scheme including for literature the Seamus Heaney Centre for Poetry at Queen's University; mentoring opportunities for visual artists by the Golden Thread Gallery, Context Gallery and the Millennium Court Arts Centre; for performing artists by Tinderbox Theatre Company and Young at Art; for musicians by Moving on Music, An Chulturlann and the Armagh Pipers; and for participatory arts by the Belfast Community Circus.

Major Individual Artist Awards of £15,000 each were presented to composer Peter Rosser, writer Ian Samson, playwright Dave Duggan and visual artist Allan Hughes, acknowledging the valuable contribution each have made to the arts in Northern Ireland.

97 organisations were funded under the Arts Council's Annual Support for Organisations Programme with grants totalling £9.9 million.

74 Small Grants ranging from £500 to £10,000 were awarded to groups across Northern Ireland.

The Council continues to monitor the grants awarded under the Creative Industries Innovation Fund in this final year of the pilot programme. The programme evaluation is due in April 2011.

This year saw the completion of the Crescent Arts Centre and Conway Mill complex. Work has progressed on a number of regional capital projects in Down, Dungannon and Antrim.

The new company NI Opera began its first year of operation, playing to regional venues with a highly acclaimed tour of Menotti's 'The Medium'. It presented a ground-breaking production of Puccini's 'Tosca' to enthralled audiences across three venues in Derry during March; St. Columb's Cathedral, The Guildhall and St. Columb's Hall. This auspicious start augers well for the development of the art form in Northern Ireland. Congratulations are due to the board under the chairmanship of Roy Baillie and artistic director Oliver Mears who brings vision, skill and artistic excellence to the company.

Increasing Audiences

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

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

The Arts Council worked closely with Audiences Northern Ireland in the development of a strategy for the visual arts. The key elements included: individual meetings with visual arts clients, outlining a summary action list for both immediate and longer-term development; provision of e-marketing to Galleries; development of centralized resources for sector; Museums & Galleries Marketing Day; and development of toolkit/best practice guidelines re: data capture.

Following from the launch of the Older People's Programme with partnership funding from Atlantic Philanthropies, the Arts Council has funded 16 projects including Derg Valley Care Ltd in Castlederg and "The Monday Club" in Cookstown. The Arts Council offers funding opportunities for organisations to apply for grants from £500- £50,000.

The Arts Council invested £100,000 in a second round of its highly successful Start Up Programme aimed at seed funding groups which had not previously engaged in arts activities. A total of 22 projects were funded, ranging from £500 to £5,000.

Improving organisational performance

To achieve this aim we will:

- become a more client focused organisation;
- develop our structures and processes to achieve our business objectives;
- develop our people in line with our business strategy; and,
- strengthen governance and accountability within the Arts Council of Northern Ireland.

The Arts Council undertook a root and branch review of its grants processes addressing guidelines, criteria and scoring matrices for all programmes. The first element of this was introduced during the year and will be rolled out across all relevant programmes.

The Arts Council was delighted to retain its Investors in People accreditation, following a period of review and improvement.

The Human Resources team undertook a fundamental review of all HR policies, and these have been duly approved by the Board and disseminated to all staff.

The Council published vital research in a new compendium *The Digest of Arts Statistics*, as well as its *Older Peoples Strategy* and *The Living and Working Conditions of Artists in Ireland*.

Non-Current Assets

The movement on non-current assets is reported upon in note 6. Assets to the value of £45,580 (2009/10: £68,130) were purchased during the year and there were disposals £27,070 of assets during the year.

Future Grant-in-aid Activities

In 2011/12 the Arts Council's base-line will go up by £0.576 m. However, it will have to make its decisions on grant aid to the sector in the context of the budget reductions for the following three year period. This will necessitate a further rationalisation of its funding programmes as it will not be possible to continue to support 97 organisations under its main annual programme. The continuing need for improvement of the capital infrastructure will also be severely constrained as the Council has only been awarded £1.4 million capital for the next CSR period.

Principal Risks

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

The principal risks considered in our risk register are:

- Potential level of business failure in sector supported by our Creative industries Investment Fund program.
- Impact of the Economic downturn
- Sustaining partnership funding
- Government Funding environment and impact on frontline services
- Meeting PSA (Programme for Government) targets

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

Sickness Absence

The number of sick days reported in 2010/11 was 254 (2009/10: 531). This equates to an average per employee of 3.8 days (2008/09: 7.81 days).

Personal Data

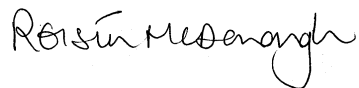
There were no reported personal data related incidents during the year.

Going Concern Basis

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

Events after Reporting Period

There have been no events after the reporting period which would affect the reader's understanding of the financial statements on pages 34 to 62.



Roisín McDonough
Accounting Officer

Date: 27/06/2011

Remuneration Report

Staffing and Remuneration Policy

The Arts Council Staffing and Remuneration Committee is a Committee of the Board of the Arts Council. The Committee is authorised by the Board to undertake any activity within its terms of reference. Its membership is made up of 4 Board members as follows:

R Kelly D Coyle B Montgomery I Montgomery

When acting as a Remuneration Committee the membership will include 2 additional board members to comprise

R Kelly D Coyle B Montgomery I Montgomery B Sore
T Kennedy (until June 2010)

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

The pay award for staff in the Northern Ireland Senior Civil Service (SCS) is normally comprised of two elements; a base pay uplift and a non-consolidated bonus. Both elements are based on performance. The senior civil service pay award in 2010/11 comprised a base pay uplift only, with individual's awards differentiated on the basis of performance and position on the relevant pay band. There were no non-consolidated bonus payments to any senior civil servants as part of the pay award. The Remuneration Committee is responsible for approving the Chief Executive's salary and assessing her performance. The method used for appraisal is that the Chief Executive has a staff appraisal with the Chairman on the basis of objectives set the previous year. The appraisal meeting also discusses objectives for the incoming year. These are further discussed by the Chairman with DCAL. Subsequently proposed objectives are presented to the Remuneration Committee. On approval of same these are discussed and agreed with the Chief Executive as appropriate for the year.

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

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

Service Contracts

Appointments in the Arts Council are made with reference to the Equality Commission’s Advice and Guidance. Policy relating to notice periods and termination payments are contained in individual terms and conditions of employment. Unless otherwise stated below, the employees covered by this report hold appointments, which are open-ended until they reach the normal retiring age of 65. The Chief Executive (Roisin Mc Donough) was appointed on 16th October 2000. This position is permanent within the definition above as are the executive director positions.

Salary

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

Benefits in kind

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

Board Members’ Honoraria

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

The rate of honoraria for the Chairman is £10,000 per annum with effect from 1 July 2007 and the Vice Chairman is £3,500 per annum with effect from 1 December 2007. The total cost of honoraria paid in 2010/11 was £14,051 (2009/10: £14,050) as shown in wages and salaries. This includes £551 of employer’s National Insurance Contributions. The amounts received by the Chairman and Vice Chairman are detailed below:

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

Of the total cost of honoraria £6,042 (2009/10: £6,182) was apportioned to the Lottery Distribution Account. No emoluments were paid to other Board members in respect of Lottery activities. The Council does not pay any pension contributions on behalf of the Chairman and Vice Chairman. These individuals are not included, therefore, in the following pension note.

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

	2010/11 SALARY	2010/11 Bonus	2010/11 BIK	2009/10 SALARY Restated	2009/10 Bonus Restated	2009/10 B-I-K
	£'000	£'000	£'000	£'000	£'000	£'000
R McDonough (Chief Executive)	75-80	-	-	70-75*	10*	-
N McKinney (Director of Arts Development)	45-50	-	-	45-50	-	-
P Burns (Director of Corporate Services - retired 30 November 2009)	N/A	-	-	25-30 **FYE 45-50	-	-
K Brown (Part-time Acting Director of Corporate Services 20 April 2009 to 31 March 2011)	N/A	-	-	20-25 **FYE 45-50	-	-
G Troughton (Director of Finance and Corporate Services Appointed 1 March 2010)	40-45	-	-	0-5 *FYE 40-45	-	-
N Livingston (Director of Strategic Development)	45-50	-	-	45-50	-	-
L McDowell (Director of Operations)	40-45	-	-	40-45	-	-

*PY restated from band 75-80k as shown in 09/10 accounts as P60 figure was shown which did not include AVCs. The 2009/10 pay award included backdated pay awards for previous years.

**FYE = Full year equivalent

Arts Council Pensions

The pension benefits of all staff are provided through the Northern Ireland Local Government Officers' Superannuation Committee. This is a funded scheme which provides benefits on a "final salary" basis at a normal retirement age of 65. Benefits accrue at the rate of 1/60th of pensionable salary for each year of service (1/80th before 1 April 2009). In addition, a tax free lump sum may be payable on retirement. Members pay contributions of between 5.5% and 7.5% of pensionable earnings. Pensions increase in payment in line with the Retail Prices Index. In death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of three times pensionable pay and also provides a service enhancement on computing the

spouse's pension. Medical retirement is possible in the event of serious ill- health. In this case pensions are brought into payment early.

During the year the Arts Council made contributions for 63 (2009/10: 71) employees (not all 63 were employed throughout the year). The NILGOSC scheme is a "multi employer", defined benefit scheme, which provides members of participating employers with the benefits related to pay and services at rates which are defined under statutory regulations. To finance these benefits, assets are accumulated in the scheme and are held separately from the assets of the employers. The scheme is funded by employers participating in the NILGOSC scheme who pay contributions at rates determined by an independent professionally qualified actuary on the basis of regular valuations using the projected unit method. During the year ended 31 March 2011 the Arts Council contributed 17% (2009/10: 16%) of gross salary.

	2010/11 £	2009/10 £
Employer's	(849,307)*	421,463

Pension Entitlements (Audited Information)

	PENSIONABLE EARNINGS £'000	ACCRUED PENSION AT 65 £'000	REAL INCREASE £'000	ACCRUED LUMP SUM AT 65 £000	REAL INCREASE IN LUMP SUM £'000	CETV 31MAR10 £'000	CETV 31MAR11 £'000	REAL INCREASE IN CETV £'000
R McDonough	75-80	28.4	1.77	77.5	1.34	616.3	648.1	13.8
N McKinney	45-50	15.2	0.92	40.9	0.30	251.8	246.7	-15.95
K Brown (Part time Acting Director from 20 April 2009 to 31 March 2011)	N/A	N/A	N/A	-	-	9.2	-	-
G Troughton (Appointed 1 March 2010)	40-45	2.1	2.04	0.6	0.6	0.7	22.8	22.0
N Livingston	45-50	17.8	1.15	48.5	0.98	349.5	356.9	-4.16
L McDowell	40-45	17.6	1.42	48.4	1.94	339.8	353.9	2.79

Cash Equivalent Transfer Values

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

*The actuarial factors used in the CETV calculation were changed during 2010, due to changes in demographic assumptions and the move from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI) as the measure used to uprate pensions. This means that the CETV in this year's report for 31 March 2011 will not be the same as the corresponding figure shown in last year's report.

Real increase in CETV

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

Exit Packages

No executive directors of the Arts Council received any termination benefits during the year.



Roisín McDonough
Accounting Officer for the Council

Date: 27/06/2011

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

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

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

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

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

STATEMENT ON INTERNAL CONTROL

Scope of Responsibility

As Accounting Officer, I have in accordance with the responsibilities assigned in Managing Public Money NI, responsibility for maintaining a sound system of internal control that supports the achievement of the Council's policies, aims and objectives, whilst safeguarding the public funds and assets. This responsibility is supported by the functions of the Council; Board; Committees (particularly the Audit and Risk Committee); internal and external audit; the Arts Council's risk register as well as accountability meetings with the Department of Culture, Arts and Leisure.

The Purpose of the System on Internal Control

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

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

The system of internal control has been in place for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance. The organisation will at all times ensure that:

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

Capacity to Handle Risk

The identification and impact of risk is incorporated into the corporate planning and decision making processes of the Arts Council. Consequently the Arts Council ensures that there are procedures in place for verifying that internal control and aspects of risk management are regularly reviewed and reported on and are supplemented by detailed best practice guidelines on Public Interest Disclosure (whistle-blowing) and Fraud Management policies among others. The Board receives periodic reports concerning internal control and steps are taken to manage risks in significant areas of responsibility and monitor progress on key projects. A system of risk management is maintained to inform the Board's decisions and all reputational risks to the Council are drawn to the attention of the Chairman and are

properly managed. The Risk Register is presented to the Audit and Risk Committee at each meeting and to the Board on a quarterly basis. Responsibility for risk management has been assigned to appropriate members of the executive team and officers and is reported on routinely to the Chief Executive and Director of Finance and Corporate Services. A Risk and Assurance course was undertaken by the Director of Finance and a Board member in January 2010. A Risk Management Strategy was developed and approved by the Board in March 2009.

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

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

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

Finally, the Arts Council maintains a register of related party transactions in order to ensure opportunities for conflicts of interest are avoided. This register is maintained centrally and updated regularly. It features as a supplementary report in the decision-making process on relevant grants, to ensure the exclusion of parties with a perceived conflict of interest.

The Risk and Control Framework

The Arts Council appointed independent Internal Auditors (ASM Horwath) from a tender exercise in open competition. The internal auditors have submitted regular reports which included an opinion on the adequacy and effectiveness of the Council's system of internal control together with recommendations for improvement.

With DCAL's approval the Board's Review of Grant Distribution was undertaken during 2009/10 and has reached the implementation stage and the recommendations are being implemented across all programmes as appropriate.

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

All staff have been provided with a copy of the *Arts Council Information and IT Security Policy* to ensure that they are aware of best practice in how to protect the data and assets held by the organisation. During December 2010, the Information Commissioner's Office made a presentation to all staff which provided an overview of both the ICO and of the legislation that they cover.

Grants Verification procedures were approved by the Board in January 2010 on the recommendation of the Audit and Risk Committee. DCAL's framework for Risk Registers was adopted and put in place in December 2009. The Framework is also guided by Best Practice in the areas of Public Interest Disclosure (Whistleblowing) and Fraud Risk Management. In accordance with central government guidelines and best practice the Arts Council has in place an Anti-Fraud Policy and a Public Interest Disclosure (Whistleblowing) Policy.

Following an announcement by the Information Commissioner that the approval of all current publication schemes would expire on 31 December 2008, the Council adopted a new model scheme which is suitable for every public authority and is publishing more information than was previously the case. The Arts Council operates a Document Disposal Schedule which reflects the Northern Ireland Civil Service model. The Document Disposal Schedule was approved in 2008 and will be updated to reflect any changes that may be forthcoming as part of the PRONI review of systems of assuring retention and disposal schedules.

Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control which is informed by the work of the internal auditor and the senior managers within the Council who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their Report to those charged with Governance and other reports. In addition, as noted above, the Committees of the Board of the Arts Council report at Board meetings on the functional areas falling within each Committee's terms of reference. The Board makes appropriate recommendations where necessary.

A three year Strategic Internal Audit Plan for 2008-11 is in place and has been reviewed and updated on an annual basis. The 2010/11 plan was updated to

reflect requirements from DCAL Governance Support Unit (GSU) and was accepted by the Audit and Risk Committee in March 2010. The Annual Statement of Assurance concludes that relevant satisfactory controls are in place and that these continue to be reviewed and amended where appropriate in accordance with best practice guidelines. Outstanding internal and external recommendations are reviewed regularly and are incorporated into work plans for the incoming financial year.

Consistent with its Fraud Response Plan the Arts Council is making an initial assessment on three suspected cases of external fraud. When the initial assessment is complete, the Responsible Officer, the Director of Finance and Corporate Services, will consider all aspects of the suspected fraud. Providing the initial information appears bona fide the Responsible Officer will convene a meeting of the Council's Fraud Plan Response Group. The Responsible Officer notifies relevant parties of fraud as set out in the Fraud Response Plan.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit and Risk Committee. A plan to address any weaknesses, implement internal audit and external audit recommendations, and ensure continuous improvement of the system is in place.

During the year the Steering Group for Business Continuity Planning managed the testing schedule. The work involved successful backup and restoration of IT systems. Business Continuity Planning will continue to be reviewed in Steering Group meetings.

Significant Internal Control Issues

The following issue is considered:

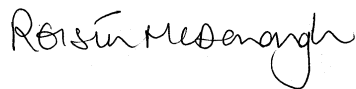
Pension:

Payment by the Arts Council of the employees' superannuation contributions to the Northern Ireland Local Government Officers Superannuation Committee (NILGOSC) for staff employed prior to 2005. In January 2009, the Arts Council were advised by NILGOSC that The Local Government Pension Scheme (Northern Ireland) is a contributory scheme and the current regulations (Regulation 11(1)) stated 'that each member shall make contributions to the Scheme at the standard contribution rate on his pay in each employment in which he is an active member'. NILGOSC advised that there was no regulation which permits an employer to pay their employees' contributions on their behalf and this practice may have HMRC implications for the entire pension scheme and audit implications for the employers concerned. The Arts Council sought professional advice from ASM Horwath to review the options available to the Arts Council for amending its pension arrangements and whether this would have National Insurance Contributions (NIC) obligations and benefit-in-kind

implications for the employer and the employee. The issue may be considered as two part; NILGOSC compliance and HMRC compliance.

- NILGOSC compliance: the Arts Council has prepared a Business Case for DCAL recommending that employee contributions are processed through the payroll system and matched by a compensatory allowance consistent with terms and conditions for the affected staff. The recommendation requires approval from the Department of Finance and Personnel (DFP).
- HMRC compliance: It is suggested there is a Class 1 National Insurance liability on employee pension contributions made by the employer.

DCAL have suggested that DFP will lead on negotiations with HMRC. DFP have made a response to DCAL in relation to the compensatory pension allowance and DCAL are providing clarification and direction to the Council.



Roisín McDonough
Accounting Officer for the Council

Date: 27/06/2011

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

I certify that I have audited the financial statements of Arts Council of Northern Ireland for the year ended 31 March 2011 under the Arts Council (Northern Ireland) Order 1995. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayer's Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Council, Accounting Officer and auditor

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

Scope of the Audit of the Financial Statements

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

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

Opinion on Regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view, of the state of Arts Council of Northern Ireland affairs as at 31 March 2011 and of its net expenditure, cash flows and changes in taxpayers' equity for the year then ended; and
- the financial statements have been properly prepared in accordance with the Arts Council (Northern Ireland) Order 1995 and Department of Culture Arts and Leisure directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Department of Culture Arts and Leisure directions issued under Arts Council (Northern Ireland) Order 1995; and
- the information given in Director's Report and Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- The Statement on Internal Control does not reflect compliance with Department of Finance and Personnel's guidance.

Report

I have no observations to make on these financial statements.



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

29 June 2011

Statement of Comprehensive Net Expenditure for the year ended 31 March 2011

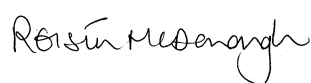
EXPENDITURE	Note	2010/11 £	2009/10 £
Staff Costs	3	(984,407)	(2,093,738)
Expenditure on the Arts	4(a)	(26,581,834)	(27,040,756)
Other Expenditure	4(b)	<u>(752,468)</u>	<u>(835,555)</u>
		<u>(28,318,709)</u>	<u>(29,970,049)</u>
INCOME			
Other Income	5(a)	<u>1,651,026</u>	<u>1,765,809</u>
		<u>1,651,026</u>	<u>1,765,809</u>
Net Expenditure		<u>(26,667,683)</u>	<u>(28,204,240)</u>
OTHER COMPREHENSIVE EXPENDITURE			
	Note	2010/11	2009/10
Gain on Revaluation	6(a)	24,993	-
Actuarial Gain/(Loss)	3(b)	<u>1,486,000</u>	<u>(2,512,000)</u>
Total Comprehensive Expenditure for the year ended 31 March 2011		<u>(25,156,690)</u>	<u>(30,716,240)</u>

The notes on pages 38 to 62 form part of these accounts.

Statement of Financial Position as at 31 March 2011

Non-Current Assets	Note	31 March 2011 £	31 March 2010 Restated £	1 April 2009 Restated £
Property, plant and equipment	6	<u>3,558,873</u>	<u>3,568,849</u>	<u>3,576,891</u>
Total non-current assets		<u>3,558,873</u>	<u>3,568,849</u>	<u>3,576,891</u>
Current assets				
Trade and other receivables	8	397,731	472,838	1,066,378
Cash and cash equivalents	9	<u>710,958</u>	<u>540,438</u>	<u>1,522,644</u>
Total current assets		<u>1,108,689</u>	<u>1,013,276</u>	<u>2,589,022</u>
Total Assets		<u>4,667,562</u>	<u>4,582,125</u>	<u>6,165,913</u>
Current liabilities				
Trade and other payables	10	1,607,030	919,907	1,909,261
Other Liabilities	10	<u>277,124</u>	<u>269,027</u>	<u>272,221</u>
Total current liabilities		<u>1,884,154</u>	<u>1,188,934</u>	<u>2,181,482</u>
Non-current assets plus net current assets		<u>2,783,408</u>	<u>3,393,191</u>	<u>3,984,431</u>
Non-current liabilities				
Provisions				
Pension Liabilities	11	<u>(2,073,000)</u>	<u>(4,704,000)</u>	<u>(2,060,000)</u>
Total non-current liabilities		<u>(2,073,000)</u>	<u>(4,704,000)</u>	<u>(2,060,000)</u>
Assets less Liabilities		<u>710,408</u>	<u>(1,310,809)</u>	<u>(1,924,431)</u>
Taxpayer's Equity				
Capital reserve		68,423	92,610	90,028
General reserve		(678,915)	(27,823)	603,299
Art Collection Reserve		678,831	638,328	601,028
Revaluation Reserve		2,614,769	2,610,076	2,610,076
Donated Asset Reserve		100,300	80,000	80,000
Pension reserve		<u>(2,073,000)</u>	<u>(4,704,000)</u>	<u>(2,060,000)</u>
		<u>710,408</u>	<u>(1,310,809)</u>	<u>(1,924,431)</u>

The financial statements on pages 34 to 62 were approved by the Board on 27 June 2011 and were signed on its behalf by:



Roisin Mc Donough
Chief Executive

Date: 27/06/2011

The notes on pages 38 to 62 form part of these accounts.

Statement of Cash Flows for the year ended 31 March 2011

	Note	2010/11 £	2009/10 £ Restated
Cash flow from Operating Activities			
Net Deficit after cost of capital and interest		(26,667,683)	(28,204,240)
Depreciation		55,446	75,082
Revaluation	6(a)	25,103	-
Decrease/(Increase) in trade and other receivables		75,107	593,540
Increase/(Decrease) in trade payables		695,219	(992,548)
Less movements in payables relating to items not passing through the Statement of Comprehensive			
Net Expenditure		(73,731)	(37,428)
Use of provisions	3(b)	<u>(1,145,000)</u>	<u>132,000</u>
Net cash outflow from operating activities		<u>(27,035,539)</u>	<u>(28,433,594)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		<u>(27,035)</u>	<u>(58,030)</u>
Net cash outflow from Investing activities		<u>(27,035)</u>	<u>(58,030)</u>
Cash flows from financing activities			
Grants from DCAL		<u>27,233,094</u>	<u>27,509,418</u>
Net financing		<u>27,233,094</u>	<u>27,509,418</u>
Net increase/(decrease) in cash and cash equivalents in the year			
Cash and cash equivalents at the beginning of the year	9	<u>540,438</u>	<u>1,522,644</u>
Cash and cash equivalents at the end of the year	9	<u>710,958</u>	<u>540,438</u>

Statement of Changes in Taxpayer's Equity for the year ended 31 March 2011

	Note	Capital Reserve	Pension Reserve	General Reserve	Collection Grant Reserve	Revaluation Reserve	Donated Asset Reserve	Total Reserves
Balance at 31 March 2009		90,028	(2,060,000)	603,299	601,028	2,658,256	80,000	1,972,611
Write-offs restated		-	-	-	-	(48,180)	-	(48,180)
Restated Balance at 1 April 2009		90,028	(2,060,000)	603,299	601,028	2,610,076	80,000	1,924,431
Changes in Taxpayer's Equity 2009/10								
Release of reserves to the Statement of Comprehensive Net Expenditure		(28,418)	-	-	-	-	-	(28,418)
Net expenditure		-	(132,000)	(28,072,240)	-	-	-	(28,204,240)
Actuarial Loss	3(b)	-	(2,512,000)	-	-	-	-	(2,512,000)
Total recognised income and expense for 2009/10		(28,418)	(2,644,000)	(28,072,240)	-	-	-	(30,744,658)
Grant from DCAL		31,000	-	27,441,118	37,300	-	-	27,509,418
Balance at 31 March 2010		92,610	(4,704,000)	(27,823)	638,328	2,610,076	80,000	(1,310,809)
Changes in Taxpayer's Equity 2010/11								
Release of reserves to the Statement of Comprehensive Net Expenditure		(55,187)	-	-	-	-	-	(55,187)
Revaluation		-	-	-	-	4,693	20,300	24,993
Net Income/(Expenditure)		-	1,145,000	(27,812,683)	-	-	-	(26,667,683)
Write Offs		-	-	-	-	-	-	-
Actuarial Gain/(Loss)		-	1,486,000	-	-	-	-	1,486,000
Total recognised income and expense for 2010/11		(55,187)	2,631,000	(27,812,683)	-	4,693	20,300	(25,211,877)
Grant from DCAL		31,000	-	27,161,591	40,503	-	-	27,233,094
Balance at 31 March 2011		68,423	(2,073,000)	(678,915)	678,831	2,614,769	100,300	710,408

NOTES TO THE ACCOUNTS

1. Statement of accounting policies

The financial statements have been prepared in accordance with the 2010/11 Government Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Council for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Council for the distribution of public funding for the arts in Northern Ireland are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

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

The accounting policies for all material items are outlined below:

Property, plant and equipment

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

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

Heritage Assets - Works of Art and Partnership Purchase of Pictures

The Arts Councils' Art Collection is regarded as a non-operational heritage asset and from 2009/10 is capitalised in the Statement of Financial Position at cost or value as outlined below. There is no minimum level for capitalisation of Heritage Assets.

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

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

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

Heritage Assets are not depreciated.

The Arts Council would like to transfer ownership of the major part of the Art Collection to registered museums and other recognised public bodies and during 2009/10 received the approval of the Department of Culture, Arts and Leisure to do this. The gifting process will be implemented in 2011/12.

Depreciation

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

The rates of depreciation in use are as follows:

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

Operating leases

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

Operating Income

Government Grants

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

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

Lottery Recharges

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

Other Operating Income

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

Payment of Grants

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

VAT

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

1.2 Removal of Cost of Capital Charge

In line with Department of Finance and Personnel advice the cost of capital charge has been removed from the accounts on the grounds that it will result in improved consistency of financial reporting.

The impact of this accounting policy change in respect of 09/10 is shown in the note below:

	2009/10
	£
Net Expenditure after Cost of Capital charge and Interest	28,298,852
Removal of Cost of Capital charge	<u>(94,612)</u>
Adjusted Net Expenditure after Interest	<u>28,204,240</u>

1.3 Pension Costs

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

The pension costs are assessed in accordance with the advice of independent qualified actuaries using the market led approach. The latest actuarial valuations of the scheme were at 31 March 2011.

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

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

Prior Period Adjustment

A prior year adjustment of £44k has been made in relation to the Heritage Assets Collection. The reason for this adjustment is that the prior year reports generated from the Collection Management system contained items which had either been

(i) previously written off the Arts Council's assets, (ii) returned to other parties as they were established as not belonging to the Arts Council or (iii) sold by public auction. Items previously written off were with approval from the Department of Education (1991) and Department of Culture Arts and Leisure (2007). These items were retained on the Collection Management System with a valuation for tracking purposes and were included in error in prior years. These items are now excluded from asset valuations and this error cannot recur. In addition a number of works previously designated "disputed ownership" or "removed from the old collection" have now been added back as their status has now been resolved.

2(a) Reconciliation taxpayers' equity after Prior Period Adjustment at end of reporting period 31 March 2010

	General Fund
	£
Taxpayers' equity at 31 March 2010	(1,267,081)
Prior Period Adjustment	
Write-down of Heritage Assets	<u>(43,728)</u>
Taxpayer's equity at 1 April 2010 after PPA	<u>(1,310,809)</u>

2(b) Reconciliation net expenditure after Prior Period Adjustment at end of reporting period 31 March 2010

	£
Net Expenditure for 2009/10	28,204,240
Prior Period Adjustment	
Write-down of Heritage Assets	<u>-</u>
Net Expenditure for 2009/10 after PPA	<u>28,204,240</u>

The Arts Council of Northern Ireland had a cash balance of £710,958 at 31 March 2011. The Arts Council of Northern Ireland did not have any cash equivalents reported as investments.

3(a) Staff Costs

	Total	Permanently employed staff	Others	2009/10
	£	£	£	£
Wages and salaries	1,605,330	1,444,615	160,715	1,526,741
Social security costs	214,401	203,473	10,928	102,481
Agency costs	13,983	-	13,983	43,053
Other pension costs*	<u>(849,307)</u>	<u>(720,157)</u>	<u>(129,150)</u>	<u>421,463</u>
	<u>984,407</u>	<u>927,931</u>	<u>56,476</u>	<u>2,093,738</u>

*The actuarial factors used in the CETV calculation were changed during 2010, due to changes in demographic assumptions and the move from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI) as the measure used to uprate pensions. This means that the CETV in this year's report for 31 March 2011 will not be the same as the corresponding figure shown in last year's report.

3(b) Pension Costs

The Council makes employer contributions to the Northern Ireland Local Government Officers Superannuation Scheme (NILGOSC) which is a funded scheme of the defined benefit type. The fund is invested in suitable investments, managed by the Committee. For 2010/11 the contribution rates were 17% employers and ranging between 5.5% and 7.5% employees (2009/10: 16% employers and between 5.5% and 7.5% employees).

The total employer pension cost under the Scheme was a credit of £849,307 (2009/10: debit of £421k). It is now possible to define the Arts Council's share of the funds, assets/liabilities and as a result the following disclosures are provided in line with IAS 19. The latest actuarial valuation of the scheme was carried out at 31 March 2011, results of which are shown below. The financial assumptions used by the actuary were:

	2010/11	2009/10
Inflation/Pension Increase Rate	2.8%	3.8%
Salary Increase Rate	5.1%	5.3%
Expected Return on Assets	6.9%	7.2%
Discount Rate	5.5%	5.5%

The average future life expectancies at age 65 are:

	Males	Females
Current Pensioners	22.9 years	25.7 years
Future Pensioners	24.9 years	27.7 years

The expected return is based on the long-term future expected investment return for each asset class at 31 March 2011 as determined by Hymans Robertson LLP.

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

	Long term return at 31.03.11 %p.a.	Value at 31.3.11 £'000	Long term return at 31.03.10 %p.a.	Value at 31.3.10 £'000	Long term return at 31.03.09 %p.a.	Value at 31.3.09 £'000
Equity	7.5%	6,673	7.8%	5,946	7.0%	3,922
Bonds	4.9%	1,213	5.0%	1,081	5.4%	752
Property	5.5%	520	5.8%	463	4.9%	376
Cash	4.6%	260	4.8%	232	4.0%	322
	6.9%	8,666	7.2%	7,722	6.5%	5,372

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

	31 March 2011	31 March 2010	31 March 2009	31 March 2008	31 March 2007
	£'000	£'000	£'000	£'000	£'000
Total Market Value of Assets	8,666	7,722	5,372	6,982	7,223
Present Value of Defined Benefit Obligation	(10,739)	(12,426)	(7,432)	(7,617)	(8,447)
Surplus/(Deficit)	(2,073)	(4,704)	(2,060)	(635)	(1,224)
Experience Gains/(Losses) on Assets	380	1,904	(2,157)	(771)	(8)
Experience Gains/(Losses) on liabilities	277	-	-	60	(2)
Actuarial Gains/(Losses) on Employer Assets	380	1,904	(2,157)	(771)	(8)
Actuarial Gains/(Losses) on Obligation	1,106	(4,416)	694	1,370	(980)
Actuarial Gains/(Losses) recognised in Statement in Changes in Reserves	1,486	(2,512)	(1,463)	599	(988)

(ii) Analysis of amounts charged to the Statement of Comprehensive Net Expenditure in respect of Defined Benefit Scheme

	2010/11 £'000	2009/10 £'000
Statement of Comprehensive Net Expenditure		
Current Service Cost	296	146
Losses on curtailment	-	6
Past Service Cost	(1,256)	70
Total Operating Charge	<u>(960)</u>	<u>222</u>

(iii) Analysis of Amount Charged to Other Finance Costs

	2010/11 £'000	2009/10 £'000
Expected Return on Pension Scheme Assets	556	352
Interest on Pension Scheme Liabilities	(631)	(515)
Net (Charge)/Return	<u>(75)</u>	<u>(163)</u>

(iv) Analysis of Amount recognised in comprehensive expenditure in the Statement of Comprehensive Net Expenditure

	2010/11 £'000	2009/10 £'000
Actuarial Gain/(Loss) on Plan Assets	380	1,904
Actuarial (Loss)/Gain on Obligation	1,106	(4,416)
Actuarial Gain/(Loss) recognised in the Statement of Comprehensive Net Expenditure	<u>1,486</u>	<u>(2,512)</u>

(v) Movement in Deficit during the year

	2010/11 £'000	2009/10 £'000
Deficit in Scheme at beginning of year	(4,704)	(2,060)
Movement in the year		
Current Service Costs	(296)	(146)
Past Service Costs	1,256	(70)
Losses on Curtailments	-	(6)
Contributions	260	253
Net Return on Assets	(75)	(163)
Actuarial Gain/ (Loss)	1,486	(2,512)
Deficit in Scheme at End of Year	<u>(2,073)</u>	<u>(4,704)</u>

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

	2010/11 £'000	2009/10 £'000
Benefit Obligation at beginning of year	12,426	7,432
Current Service Cost	296	146
Interest on obligation	631	515
Contribution by members	101	100
Actuarial Losses/(Gains)	(1,106)	4,416
Past Service Costs	(1,256)	70
Losses on Curtailments	-	6
Benefits Paid	<u>(353)</u>	<u>(259)</u>
Benefit Obligation at end of year	<u>10,739</u>	<u>12,426</u>

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

	2010/11 £'000	2009/10 £'000
Value of Assets at beginning of year	7,722	5,372
Expected return on Assets	556	352
Contributions by Members	101	100
Contributions by Employers	260	253
Actuarial Gains/(Losses)	380	1,904
Benefits paid	<u>(353)</u>	<u>(259)</u>
Value of Assets at end of year	<u>8,666</u>	<u>7,722</u>

(viii) History of Experience, Gains and Losses

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Difference Between Expected and Actual Return on Scheme Assets	380	1,904	(2,157)	(771)	(8)
Value of Assets	8,666	7,722	5,372	6,982	723
Percentage of Scheme Assets	4.4%	24.7%	(40.2)%	(11)%	(0.1)%
Experience Gains and Losses on Scheme Liabilities	277	-	-	60	(2)
Total Present Value of Liabilities	(10,739)	(12,426)	(7,432)	(7,617)	(8,447)
Percentage of Present Value of Scheme Liabilities	2.6%	N/A	N/A	7.9%	-
Actuarial Gains/ (Losses) on Plan Assets	380	1,904	(2,157)	(771)	(8)
Actuarial Gains /(Losses) on Obligation	1,106	(4,416)	694	1,370	(980)
Total Amount Recognised in Net Expenditure account	1,486	(2,512)	(1,463)	599	(988)
Total Present Value of Liabilities	(10,739)	(12,426)	(7,432)	(7,617)	(8,447)
Percentage of Present Value of Scheme Assets	13.8%	(20.2)%	(19.7)%	7.9%	(11.7)%

The contributions expected to be paid in 2011/12 are £267,000.

3(c) Average number of persons employed:

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

	Total No.	Permanently Employed Staff No.	Others No.	2009/10 No.
Directly employed	60	48	12	60
Other	1	-	1	1
Staff engaged on capital projects	1	1	-	1
Total	62	49	13	62

3(d) Board Members' Emoluments

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

The rate of honoraria for the Chairman is £10,000 per annum with effect from 1 July 2007 and the Vice Chairman is £3,500 per annum with effect from 1 December 2007. The total cost of honoraria paid in 2010/11 was £14,051 (2009/10: £14,050) as shown in wages and salaries. This includes £551 of employer's National Insurance Contributions.

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

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

3(e) Chief Executive's Remuneration

The remuneration received by the Chief Executive, including back dated pay awards and bonus, during the year was £77,700 (2009/10: £84,556). The Chief Executive is an ordinary member of the Northern Ireland Local Government Officers Superannuation Committee (NILGOSC) pension scheme. A total of £44,902 (2009/10: £48,363) of the Chief Executive's employment costs (including employers national insurance contributions and employers pension) have been apportioned to the Lottery Distribution fund to cover time spent on Lottery activities.

3(f) Exit Packages

No executive directors of the Arts Council received any termination benefits during the year.

4.	Note	2010/11 £	2009/10 £
4(a) Expenditure on the Arts			
Annual Support for Organisations			
Community Arts		907,517	873,897
Venues and Festivals		1,806,110	1,710,402
Drama		1,451,160	1,293,620
Dance		187,563	187,563
Health, Disability & Voluntary Arts		363,644	381,720
Literary Arts		476,307	471,957
Music		2,973,870	2,785,174
Visual Arts		1,147,151	1,172,654
Youth		558,712	612,772
Other		296,200	296,200
Traditional Arts ⁽¹⁾		298,510	323,510
Arts Development		513,142	534,821
Creativity in Education		-	(6,062)
SIAP		297,804	589,206
Re-imaging Communities		97,908	37,197
Other Artform		790,355	782,694
Arts and Older people		74,814	-
Legacy Trust		317,105	233,565
Strategy		34,134	127,729
Creative Industries		1,839,019	1,850,000
Capital		<u>12,150,809</u>	<u>12,782,137</u>
Expenditure on the Arts		26,581,834	27,040,756

⁽¹⁾ 2009/10 Includes £200,000 of Cultural Traditions funding from Department of Education

4(b) Other Expenditure	Note	2010/11 £	2009/10 £
Premises		256,190	288,953
Artslink & public affairs		16,870	10,842
Expenses and hospitality			
Artform officers		16,342	21,362
Council and Panel members		11,464	17,569
Administrative staff		7,165	12,669
Other core expenses		13,435	30,911
Insurances		20,606	30,014
Telephone and postage		31,950	31,164
IT Costs and Equipment		140,507	111,620
Legal and consultancy fees		80,407	97,841
Stationery		10,480	12,848
Training		33,875	27,151
Publications and advertising		31,021	61,224
Central advisers		1,607	6,305
Non Cash Items			
Depreciation		55,446	75,082
Revaluation		<u>25,103</u>	<u>-</u>
Other Expenditure		752,468	835,555

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

	T&S £	Hospitality £	2010/11 Total £	2009/10 Total £
Expenses & Hospitality				
Artform Officers	15,971	371	16,342	21,362
Council & Panel Members	8,160	3,304	11,464	17,569
Administrative Staff	6,604	561	7,165	12,669
	30,735	4,236	34,971	51,600

The Legal & Consultancy total of £80,407 (2009/10: £97,841) includes an external audit fee of £12,000 in respect of the Northern Ireland Audit Office. The above costs are gross costs to the Exchequer account and £1,183,412 of these operating cost and salaries costs have been recharged to the Lottery Distribution account and are shown as other income in note 5(a) below. £51,001 of operating costs have been recharged to ring fenced projects and are shown as other income in note 5(a) below.

5(a) Other Income	2010/11 £	2009/10 £
Department of Education (Cultural Traditions grant)	-	200,000
National Lottery Recharge – administration	271,521	219,973
National Lottery Recharge – salaries	911,891	964,765
Income from admin charges to ring fenced projects	51,001	48,521
Grant refunded	14,021	34,862
Conference Income	-	8,648
Administrative & miscellaneous	4,752	11,037
Interest	136	184
Other including Re-imaging Communities	-	79,000
Legacy Trust Income	317,105	233,565
Creative & Cultural Skills Income	6,599	6,600
Arts and Older people	74,000	-
ELB income	-	(41,346)
<i>Other Income</i>	<u>1,651,026</u>	<u>1,765,809</u>

5(b) Grant-in-Aid Carry-Over

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

The £784k carried over from 09/10 was drawn down in year and £1,430,000 of the 10/11 grant-in-aid allocation was delayed to avoid excess cash balances at year-end. The final amount drawdown will be determined by any under/overspend finalised with the Department in the Final Resource Outturn for 10/11. In line with the MSFM, the Department will make available in the next financial year (subject to approval by the Assembly of the relevant Estimates provision) any such grant-in-aid required to meet any liabilities at year end, such as accruals.

As a result the year-end cash management the balance of cash at 31 March 2011 was £710,958 which is reasonable.

6(a) Property, plant and equipment

	<u>Buildings</u>	<u>Furniture & Fittings</u>	<u>Plant & Machinery</u>	<u>Information Technology</u>	<u>Operational Heritage Assets</u>	<u>Non Operational Heritage Assets</u>	<u>Total</u>
	£	£	£	£	£	£	£
Cost or Valuation							
At 1 April 2010 (restated)	271,195	59,431	273,297	359,559	80,000	3,248,404	4,291,886
Additions at cost	-	-	-	5,077	-	40,503	45,580
Revaluation	-	-	(99,455)	-	20,000	4,993	(74,462)
Disposals/Write-off	-	-	-	(27,070)	-	-	(27,070)
At 31 March 2011	271,195	59,431	173,842	337,566	100,000	3,293,900	4,235,934
Depreciation							
At 1 April 2010	200,577	33,687	140,270	348,503	-	-	723,037
Charge for period	32,209	3,250	11,096	8,891	-	-	55,446
Revaluation	-	-	(74,352)	-	-	-	(74,352)
Disposals	-	-	-	(27,070)	-	-	(27,070)
At 31 March 2011	232,786	36,937	77,014	330,324	-	-	677,061
Net book value							
At 31 March 2011	38,409	22,494	96,828	7,242	100,000	3,293,900	3,558,873
Net book value							
At 31 March 2010	70,618	25,744	133,027	11,056	80,000	3,248,404	3,568,849
Asset Financing							
Owned	38,409	22,494	96,828	7,242	100,000	3,293,900	3,558,873
NBV at 31 March 2011							
At 31 March 2011	38,409	22,494	96,828	7,242	100,000	3,293,900	3,558,873

* The revaluation related to pianos which previously were included at valuation rather than cost which was inconsistent with ACNI's stated accounting policy. This adjustment brings the accounts into line with our accounting policy.

	Buildings	Furniture & Fittings	Plant & Machinery	Information Technology	Operational Heritage Assets	Non Operational Heritage Assets	Total
	£	£	£	£	£	£	£
Cost or Valuation							
At 1 April 2009	264,926	59,431	260,965	350,046	80,000	3,259,284	4,274,652
Write-off*	-	-	-	-	-	(48,180)	(48,180)
Restated 1 April 2009	264,926	59,431	260,965	350,046	80,000	3,211,104	4,226,472
Additions at cost	7,359	-	13,958	9,513	-	37,300	68,130
Disposals At 31 March 2010	(1,090)	-	(1,626)	-	-	-	(2,716)
	271,195	59,431	273,297	359,559	80,000	3,248,404	4,291,886
Depreciation							
At 1 April 2009	168,586	30,065	130,800	320,130	-	-	649,581
Charge for period	31,991	3,622	11,096	28,373	-	-	75,082
Disposals At 31 March 2010	-	-	(1,626)	-	-	-	(1,626)
	200,577	33,687	140,270	348,503	-	-	723,037
Net book value							
At 31 March 2010	70,618	25,744	133,027	11,056	80,000	3,248,404	3,568,849
Net book value							
Restated at 1 April 2009	96,340	29,366	130,165	29,916	80,000	3,211,104	3,576,891
Asset Financing							
Owned	70,618	25,744	133,027	11,056	80,000	3,248,404	3,568,849
NBV at 31 March 2010	70,618	25,744	133,027	11,056	80,000	3,248,404	3,568,849

* A prior year adjustment of £44k has been made in relation to the Heritage Assets. The reason for this adjustment is that the prior year reports generated from the Collection Management system contained items which had either been (i) previously written off the Arts Council's assets, (ii) returned to other parties as they were established as not belonging to the Arts Council or (iii) sold by public auction. Items previously written off were with approval from the Department of Education (1991) and Department of Culture Arts and Leisure (2007). These items were retained on

the Collection Management System with a valuation for tracking purposes and were included in error in prior years. These items are now excluded from asset valuations and this error cannot recur. In addition a number of works previously designated “disputed ownership” or “removed from the old collection” have now been added back as their status has now been resolved.

6 (b) Operational Heritage Assets

The operational Heritage Asset relates to a violin the Council possesses manufactured by Joseph Gagliano between 1780 and 1782. The violin was donated to the Council in 1980. This is classed as an operational heritage asset as it is on loan as an award to an outstanding young violinist from Northern Ireland and is therefore shown in the Fixed Asset note. The violin was valued on 27 June 2003 and is shown in the accounts at fair value. Prior to 2009/10, this was not included within fixed assets but disclosed in a note to the accounts. However, in 2009/10 the operational heritage asset was capitalised in the Statement of Financial Position. The violin is not depreciated as its value may increase over time.

6 (c) Non-Operational Heritage Assets

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

The Arts Council still recognises the importance of purchasing contemporary work as a means of supporting artists. Accordingly, the Council allocates an acquisitions fund of circa £40k per annum. In order to qualify Artists must have been living in Northern Ireland for 12 months before date of purchase of work and have made a contribution to artistic activities in Northern Ireland. Artists from Northern Ireland who are living elsewhere will also be considered. Artists not from Northern Ireland whose work is of particular relevance to Northern Ireland will be considered in

exceptional circumstances. Priority is given to artists whose work is both challenging and innovative. Emerging as well as established artists are eligible. Works in all media are considered, including painting, sculpture, crafts, prints photography, video and emergent art forms. The Council considers accepting gifts to the collection. Such works are assessed against the same criteria as for purchase.

Works of art are selected by the Acquisitions Committee. Works are considered against the following criteria – quality, innovation and challenging nature of the work, evidence of the artistic achievement of the artist’s contribution to visual arts in Northern Ireland, relevance of purchase to furtherance both of the artist’s career and to the Council’s Funding objectives.

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

7. Financial Instruments

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

8(a) Trade receivables and other current assets

	31 March 11	31 March 10	1 April 09
	£	£	£
Amounts falling due within one year:			
Trade receivables	19,232	107,537	75,420
Other receivables	76,562	76,701	1,200
Prepayments and accrued Income	<u>301,937</u>	<u>288,600</u>	<u>989,758</u>
	<u>397,731</u>	<u>472,83</u>	<u>1,066,378</u>

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

	31 March 11 £	31 March 10 £	1 April 09 £
Amounts falling due within one year:			
Central Government	204,158	252,339	181,173
Local Authorities	-	-	48,933
Intra Government Debtors	<u>204,158</u>	<u>252,339</u>	<u>230,106</u>
Bodies external to Government	<u>193,573</u>	<u>220,499</u>	<u>836,272</u>
	<u>397,731</u>	<u>472,838</u>	<u>1,066,378</u>

9. Cash and cash equivalents

	31 March 11 £	31 March 10 £	1 April 09 £
Balance at 1 April	540,438	1,522,644	3,164,764
Net change in cash and cash equivalent balances	<u>170,520</u>	<u>(982,206)</u>	<u>(1,642,120)</u>
Balance at 31 March	<u>710,958</u>	<u>540,438</u>	<u>1,522,644</u>

The following balances at 31 March were held at:

Commercial banks and cash in hand	710,958	540,438	1,522,644
Short term investments	-	-	-
Balance at 31 March	<u>710,958</u>	<u>540,438</u>	<u>1,522,644</u>

10 (a) Trade payables and other current liabilities

	31 March 11 £	31 March 10 £	1 April 09 £
Amounts falling due within one year:			
VAT	-	5,203	2,669
Other payables	1,607,030	919,907	1,909,261
Accruals and deferred Income	<u>277,124</u>	<u>263,824</u>	<u>269,552</u>
	<u>1,884,154</u>	<u>1,188,934</u>	<u>2,181,482</u>

	10 (b) Trade payables and other current liabilities – Intra Government Balances		
	31 March 11	31 March 10	1 April 09
		Restated*	
	£	£	£
Central Government	114,807	77,681	36,151
Local authorities	-	56	223,778
Other public bodies	<u>12,000</u>	<u>11,500</u>	<u>189,896</u>
Intra Government Debtors	126,807	89,237	449,825
Bodies external to Government	<u>1,757,347</u>	<u>1,099,697</u>	<u>1,731,657</u>
	<u>1,884,154</u>	<u>1,188,934</u>	<u>2,181,482</u>

*Prior year figure restated to re-categorise £28,087 of Lottery Creditor from Bodies external to Government into Central Government.

11. Non- current liabilities

	31 March 11	31 March 10	1 April 09
	£	£	£
Pension deficit	<u>(2,073,000)</u>	<u>(4,704,000)</u>	<u>(2,060,000)</u>
	<u>(2,073,000)</u>	<u>(4,704,000)</u>	<u>(2,060,000)</u>

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

12. Explanation of Reserve Accounts

Capital Reserve

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

General Reserve

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

Art Collection Reserve

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

Revaluation Reserve

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

Donated asset reserve

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

Pension Reserve

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

13. Capital commitments

	31 March 11	31 March 10	1 April 09
	£	£	£
Contracted capital commitments as at 31 March not otherwise included in these financial statements			
Property plant and equipment	-	-	£9,316

14. Commitments under leases

Operating Leases

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

	31 March 11	31 March 10	1 April 09
	£	Restated £	Restated £
Obligations under operating leases comprise:			
<i>Buildings</i>			
Not later than one year	205,625	205,625	205,625
Later than one year and not later than five years	822,500	822,500	205,625
Later than five years	-	<u>205,625</u>	-
	<u>1,028,125</u>	<u>1,233,750</u>	<u>411,250</u>
<i>Other</i>			
Not later than one year	3,493	3,963	3,963
Later than one year and not later than five years	-	3,246	6,985
Later than five years	-	-	-
	<u>3,493</u>	<u>7,209</u>	<u>10,948</u>

15. Other financial commitments

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

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

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

The payments to which the Arts Council are committed during 2010/11 analysed by the period during which the commitment expires are as follows:

	31 March 11	31 March 10	1 April 09 Restated
	£	£	£
Not later than one year	-	-	-
Later than one year and not later than five years	-	75,000	75,000
Later than five years	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>75,000</u>	<u>75,000</u>

*April 08 figures restated as the commitment paid in 08-09 had been entered into in 07/08.

16. Contingent Liability disclosed under IAS 37

The Arts Council of Northern Ireland has the following contingent liabilities. The Council has for some time been directly meeting the cost of some employees' contributions to the Northern Ireland Local Government Officers' Pension Scheme, effectively treating the pension scheme as a non-contributory pension scheme for those members. This had been a clause in the relevant contracts of employment. During 2011/12 all staff will have to make the appropriate employee contribution directly from pay.

In 2008-09 the Arts Council commissioned ASM Horwath to review the options available to the Arts Council for amending its pension arrangements. This report assessed 10 options of compensating employees to ensure they make an appropriate employee contribution but provide them with a similar net pay. The impact on the employer's contribution ranged from -£53k to +£64k per annum. This creates a contingent liability as at 31 March 2011.

Discussions have continued during the 10/11 year between ACNI, DCAL and DFP in relation to this issue and will continue into the foreseeable future.

17. Related-party transactions

The Arts Council of Northern Ireland is a Non Departmental Public Body sponsored by the Department of Culture, Arts and Leisure (DCAL). DCAL is regarded as a

related party and during the year the Council had various material transactions with DCAL as reconciled in Note 5(b) above.

In 2009/10 The Arts Council received funding of £200k from the Department of Education ring-fenced for a Cultural Traditions programme.

The Arts Council's National Lottery Distribution Account is also regarded as a related party to The Arts Council of Northern Ireland Exchequer Account. At 31 March 2011 a net amount of £203,400 (2009/10: £252,339) was owed by the National Lottery Distribution Account to this account in respect of salary and other administrative costs incurred. These amounts are included in the Trade and Other Receivables figure of £397,731 (2009/10: £472,838) shown in note 8 above and the Trade Payables and other Current Liabilities balance of £1,884,154 (2009/10: £1,188,934) in note 10 above.

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

Grant Ref	Organisation Name	Grant Amount	Nature of relationship
ACNI/6859	Aisling Ghear Theatre Company	£67,320.00	ACNI staff member's husband provided consultancy services to this organisation via Belfast City Council's Strategy in Business Programme.
ACNI/6965	Arts Care	£12,000.00	ACNI board member is member of Arts Care committee.
ACNI/6827	Arts Care	£45,292.00	ACNI board member is member of Arts Care committee.
ACNI/6762	Belfast and District Set Dancing and Traditional Music Society	£20,000.00	ACNI staff member is a tutor for the organisation.
ACNI/6130	Belfast and District Set Dancing and Traditional Music Society	£7,451.00	ACNI staff member is a tutor for the organisation.
ACNI/6867	Belfast Festival at Queens	£100,000.00	ACNI board member is a director of the John Hewit Society which is involved in the festival programme.
ACNI/6805	Belfast Print Workshop	£89,019.00	ACNI board member was 2010 Artist in Residence at the BPW.

Grant Ref	Organisation Name	Grant Amount	Nature of relationship
ACNI/6909	Camerata Ireland	£25,000.00	ACNI board member is Camerata benefactor and member of temporary board.
ACNI/5852	Camerata Ireland	£26,500.00	ACNI board member is Camerata benefactor and member of temporary board.
ACNI/5569	Camerata Ireland	£40,000.00	ACNI board member is Camerata benefactor and member of temporary board.
ACNI/6970	Creative Exchange	£1,000.00	ACNI staff member is a member of the Creative Exchange Studio Group.
ACNI/6799	Creative Exchange	£13,100.00	ACNI staff member is a member of the Creative Exchange Studio Group.
ACNI/6186	Creative Exchange	£3,140.00	ACNI staff member is a member of the Creative Exchange Studio Group.
ACNI/6820	Crescent Arts Centre	£201,300.00	ACNI staff member volunteers with the CAC.
ACNI/5164	Down District Council	£41,892.00	ACNI board member is a director of Down District Council. ACNI staff member's partner works for Down District Council .
ACNI/6780	Down Community Arts Ltd	£30,000.00	ACNI board member was a board member of Down Com Arts until March 2010.
ACNI/6795	East Belfast Arts Collective	£7,500.00	ACNI staff member has exhibited in the gallery, and spouse is on the organisation's board.
ACNI/6872	Feilie an Phobail	£123,000.00	ACNI board member is a director of the John Hewitt Society which is involved in the festival programme.
ACNI/6797	Flaxart Studios	£38,680.00	ACNI board member's spouse is Chair of Flaxart Studios.
ACNI/6136	Headliners (UK)	£10,176.00	ACNI staff member is a member of the organisation's advisory board.
ACNI/6755	Irish Pages Ltd.	£30,000.00	Spouse of ACNI staff member is editor of Irish Pages.
ACNI/6811	Lagan Press Ltd	£49,600.00	ACNI staff member is published by Lagan Press Ltd.
ACNI/5537	Linen Hall Library	£8,750.00	2 ACNI board members are members of Linen Hall Library.
ACNI/6815	Moving on Music Ltd	£114,150.00	ACNI board member is Chair of Board of Moving on music.
ACNI/6814	Poetry Ireland	£30,000.00	ACNI board member is director of the John Hewitt Society, which is involved in the applicant's programming.

Grant Ref	Organisation Name	Grant Amount	Nature of relationship
ACNI/6759	Royal Society of Ulster Architects (RSUA)	£35,000.00	ACNI board member is regional representative of Royal Town Planning Institute which is a user of RSUA.
ACNI/5932	Royal Society of Ulster Architects (RSUA)	£30,000.00	ACNI board member is regional representative of Royal Town Planning Institute which is a user of RSUA.
ACNI/6854	Spanner in the Works	£22,000.00	ACNI board member is co-founder of the organisation.
ACNI/6812	The John Hewitt Society	£18,000.00	ACNI board member is director of the John Hewitt Society
ACNI/6876	The Nerve Centre	£150,000.00	ACNI board member is director of the John Hewitt Society, which is involved in the applicant's programming (Culture NI).
ACNI/6879	Ulster Orchestra Society Ltd	£2,196,720.00	ACNI board member is committee member of Friends of the Ulster Orchestra. ACNI board member has a sister on the board of UO.
ACNI/6771	Ulster Youth Choir	£20,100.00	ACNI board member is also board member of Ulster Youth Choir.
ACNI/6806	Ulster Youth Orchestra	£35,000.00	ACNI board member is employee of SELB who are referred to in application.

18. IAS 10 - Events after the reporting period

There have been no events after the reporting period outside the ordinary course of business that would materially affect the Arts Council since 31 March 2011. The accounts were authorised for issue on the same date the Comptroller and Auditor General signs his Audit Report.



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