



Arts Council of Northern Ireland

ANNUAL REPORT
AND ACCOUNTS
2007 - 2008



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**NDPB ARTS COUNCIL OF NORTHERN IRELAND
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR
ENDED 31 MARCH 2008**

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

3rd July 2008

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CHAIRMAN'S FOREWORD

2007-08 proved to be a turbulent year for arts funding in Northern Ireland, with National Lottery cutbacks and the Northern Ireland Budget 2008-2011 dominating the headlines.

At the end of the previous financial year, the Treasury announced its 'Lottery Raid' on arts funding, redirecting vital Lottery funds from the UK arts councils to support the 2012 London Olympic Games. This resulted in the closure of major Arts Council funding programmes.

The imperative to convince the Northern Ireland Assembly of the need to increase public funding for the arts became stronger than ever. In 'The Time for the Arts' report, the Arts Council presented a detailed picture to the Executive of how the arts are woven into the fabric of Northern Irish society and how they contribute specifically to the stated goals of the forthcoming budget regarding health, social inclusion and education. We also set out to demonstrate how we could, with additional resources, capitalise on the rich economic potential of Cultural Tourism and the Creative Industries. We were able to amass a convincing body of supportive evidence, as experience across the world shows that arts and culture are prime catalysts in transforming the social, creative and economic regeneration of cities and regions.

We asked the Assembly to respect the fact that the people of Northern Ireland deserve the same level of cultural entitlement as our neighbours on these islands and to raise the level of arts funding to the United Kingdom average. This would equate to an additional £26 million over the spending period; a very modest amount in relation to the overall budget spending figures.

The campaign for increased arts funding gathered momentum in the run up to the budget, prompting a private member's motion calling on parity of arts funding, which secured the support of the main political parties. The arts sector became the dominant voice at each of the regional consultation meetings and held a much-publicised rally at Stormont. The campaign culminated in a strong response to the budget consultation process, a third of which was in support of the arts.

In his budget speech in January, the Finance Minister singled out for special mention the success of the arts campaign as well as acknowledging the contribution of the arts to Northern Ireland's economic growth.

The Northern Ireland Executive responded positively to the campaign, within the constraints of a tight spending round, and granted the Arts Council an uplift of £7.55 million over the 2008-2011 funding period.

This uplift, although short of what the sector requires if it is to prosper, leaving serious funding challenges ahead, particularly against the backdrop of the ongoing diminution of

Lottery resources, leaves us in a stronger position to begin building some stability into our core arts organisations, where it's needed most.

Within just two months of Northern Ireland's Budget announcement in January, the Arts Council was able to pass the 2008-09 uplift directly on to 96 core organisations and to safeguard the immediate future of a further 32 major organisations whose future had been at serious risk.

The first budget for many years to be decided by locally-elected representatives may signal a turning point in attitudes to the arts in Northern Ireland. We now look forward to building on this healthy start to our relationship with the Northern Ireland Assembly and working closely together over the coming years to building a brighter future for Northern Ireland.



Rosemary Kelly

Rosemary Kelly
Chairman

CHIEF EXECUTIVE'S INTRODUCTION

The year has been unparalleled in terms of positive international re-profiling of Northern Ireland's image through its arts and culture.

In June, the Arts Council, Department of Culture, Arts and Leisure (DCAL), and the British Council Northern Ireland launched Northern Ireland's second presentation at the world's most prestigious showcase of contemporary visual arts, the Venice Biennale 2007. Northern Ireland's highest profile international artist and twice Turner Prize nominee, Willie Doherty, presented 'Ghost Story', a new video work specially commissioned for Venice by the show's curator, Hugh Mulholland. Amidst the leading artists representing 75 nations at the Biennale, Doherty's exhibition proved a great critical and popular success, attracting more than 40,000 visitors and demonstrating that Northern Ireland's visual arts compete comfortably on the world stage.

The 2007 Rediscover Northern Ireland programme of events at the Smithsonian Folklife Festival in Washington DC, running throughout March to July, was the most ambitious and successful international arts and cultural programme ever undertaken by Northern Ireland. The programme, with principal funding from DCAL and the Arts Council, comprised a series of more than 66 arts and cultural events, demonstrating the transformation that has taken place in recent times in Northern Ireland.

The success of our artists and arts organisations representing the cream of Northern Ireland's arts and culture in Washington – from the wonderful opening concert by Camerata Ireland with Barry Douglas to a poetry evening featuring three of our greatest living poets, Michael Longley, Ciaran Carson and Paul Muldoon - helped to promote Northern Ireland for all the right reasons, as a confident and creative place in which to live, work and do business. Our political representatives and a range of leading local businesses joined us in the United States to help cement the new cultural, business and trade relationships created through the Rediscover programme, and they have since capitalised further on a range of new investment opportunities for the region.

At the end of the financial year, in March 2008, the Arts Council and DCAL continued to strengthen these cultural links when we hosted the 'Over Here' mini-festival, bringing over several North American arts organisations to develop their contacts with artists and arts organisations working in Northern Ireland.

Successful artists have the potential to make a difference outside Northern Ireland, to the way in which the rest of the world regards us. As we enter a new, more positive era in our history, we need to build on the growing reputation of our arts and on their capacity to encourage cultural tourism. The Arts Council is committed over the period of our current five year strategy to developing national and international opportunities to showcase and celebrate artists' work.

We continue to argue strongly for the intrinsic cultural value of the arts to society - in enriching lives, as a source of renewal and growth, and in providing inspiration for the young and stimulating their imagination, all of which is essential if we are to move towards the development of an informed, inclusive, prosperous and stable society.

Arts-led urban renewal has transformed the image and prospects of many of the world's cities, and those initiatives not only changed how the world perceived them but, just as importantly, how they felt about themselves. Here in Northern Ireland, the arts are proving to be vitally important to our regeneration process.

In addition to welcoming the opening of new landmark arts facilities in Strabane, Omagh and Ballymena, which will make a real difference to the cultural life and status of those places, this year saw the first allocations made through the Re-imaging Communities Programme.

This three-year, £3.3 million programme is now playing a key role in promoting community cohesion throughout Northern Ireland, placing artists at the heart of communities to work with local people to tackle the visible signs of sectarianism and racism, creating a more welcoming environment for everyone. By the end of the year in review, the first £1 million of the Re-imaging Communities Programme's funds had been allocated to 52 community-based projects.

We look forward in the coming year to seeing more of the fruits of this important regeneration programme at home and to continuing to build upon the international profiling for our arts, which has progressed so successfully this year.



Roisín McDonough
Chief Executive

BACKGROUND INFORMATION

Statutory Background

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

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

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.

Council Members of the Arts Council of Northern Ireland

The Council performed its functions during the year ending on 31 March 2008 by making grants to organisations engaged in the arts either on a revenue or on a project basis; by granting awards and bursaries to individuals engaged in the arts; by organising tours of performing and creative artists; by organising and participating in the Forum for Local

Government and the Arts; and by advising the Department of Culture, Arts and Leisure and various other public and private bodies on a range of issues relating to the arts. The Council is also one of the distributing bodies of the National Lottery. Lottery distributing activities are reported upon separately under the National Lottery Etc. Act 1993.

The appointment of Council members is approved by the Minister of Culture, Arts and Leisure. The Chair and members of the Council have individual and collective responsibility to the Head of the Department of Culture, Arts and Leisure:

- 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 Council of the Arts Council of Northern Ireland for the year ended 31 March 2008 is shown below.

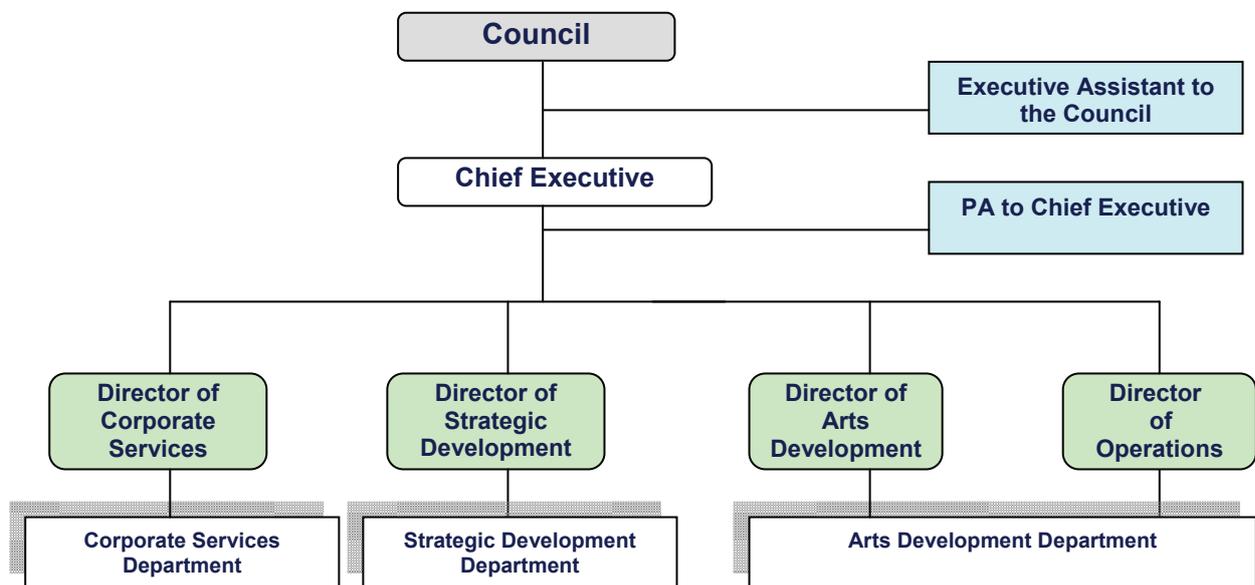
Council:

Ms Rosemary Kelly (Chairman)	Prof Ian Montgomery
Mr Damien Coyle (Vice Chairman)	Ms Sharon O'Connor
Mrs Eithne Benson	Mr Joe Rice
Mrs 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	

Mr Martin Bradley (former Vice-Chairman), Mr Tim Kerr, Ms Jill McEaney and Mr Gerry O'hEara resigned on 30 November 2007. Ms Lucy Finnegan resigned in February 2008.

Several members of the Arts Council and members of key management staff are also involved with other arts organisations in Northern Ireland either directly or indirectly as a result of a family relationship, a close friendship or business relationship. These individuals make an annual declaration of their interests and do not take part in discussions and decisions to make grant awards to those organisations with which they have a declared interest. A list of awards made to the organisations concerned and details of who made the declaration of interest is detailed in Note 14. All of the transactions relating to the organisations were conducted at arms length by the Council.

Organisational Structure



Accounts and Appointment of Auditors

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

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

The audit of the financial statements 2007-08 resulted in an audit fee of £11k. This cost is included in other operating costs in the financial statements.

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

Policy on Disabled Persons

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

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. Unless otherwise stated in the contract, payment is due within 30 days of receipt of the goods or services, or presentation of a valid invoice or similar demand, whichever is later.

A review conducted at the end of the year to measure how promptly the Arts Council paid its bills found that 90% of the bills were paid within this standard. The comparative figure for 2006-07 was 93%. The target for this is 95%.

Political and Charitable Donations

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

Management Commentary

Financial Results

At the end of the year the Council realised total net operating costs of £ 18,920,015 (2006-07: £11,352,279). The reserves at the year end are £801,873 (2006-07: £38,532).

Review of Grant-in-aid Activities

During the year 2007-2008, the Arts Council made awards totalling £17,841,330 (2006-07: £10,274,852) to artists and art organisations. This represents an increase of £7.6m on the previous year. Excluding in-year capital grants to arts organisations, the increase reduces to £2.4m on the prior year. Regularly funded organisations, including the cultural traditions, received £8.3m (2006-07: £7.8m) – a commendable achievement given the difficult funding environment.

Fixed Assets

The movement on fixed assets is reported upon in note 6(a). Assets to the value of £90,069 were purchased during the year and there were no disposals of assets during the year.

Future Grant-in-aid Activities

In 2008-09 the Arts Council will strategically deploy the additional resources of £1.7m made available for the arts through the Comprehensive Spending Review. This includes enhanced support to clients to help consolidate their core work, as well as support for individual artists. The Council will be devising a new scheme to support the creative industries in line with the allocation of additional resources of £5m from DCAL to roll out over three years. The Council will also be developing a capital programme to meet the needs of the arts sector; consultation work will inform the needs analysis of the capital programme.

The Arts Council will be undertaking reviews into key art form areas, visual arts, opera and dance during 2008-09. These will establish needs priorities and strategic direction for the development of the art forms over the life of the five year plan.

Post Balance Sheet Events

There have been no post balance sheet events which would affect the reader's understanding of the financial statements on pages 26 to 45.

A handwritten signature in blue ink that reads "Roisín McDonough". The signature is written in a cursive style.

Roisín McDonough
Accounting Officer

26th June 2008

Remuneration Report

Remuneration Policy

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

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

In reaching its recommendations, the Review Body has regard to a number of recommendations, more information on which may be found at www.ome.uk.com. The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

The remuneration of all senior civil servants is entirely performance based. Senior staff pay awards are determined by the Northern Ireland Civil Service (NICS) Remuneration Committee.

Within the Arts Council, the Chief Executive is employed at a Senior Civil Service grade, while all other executive directors are employed at Grade 7.

The Arts Council Remuneration and Staffing Committee is responsible for approving the Chief Executive's salary and assessing her performance and its membership is made up as follows from Council members:

R Kelly D Coyle B Montgomery B Sore

All other senior staff positions above Deputy Principal are approved by DCAL.

Service Contracts

Civil service appointments are made in accordance with the Civil Service Commissioners for Northern Ireland's Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments, which are open-ended until they reach the normal retiring age of 65. Policy relating to notice periods and termination payments is contained in the Northern Ireland Civil Service (NICS) Staff Handbook. In relation to the position of Roisin McDonough, Chief Executive, she was appointed on the 16th October 2000. This position is permanent within the definition above as are the executive director positions.

Further information about the work of the Civil Service Commissioners can be found at www.nicscommissioners.org.

Salary and Pension Entitlements - Senior Staff (Audited)

	2007-08	2006-07
	SALARY £'000	SALARY £'000
R McDonough	65-70	75-80
P Hammond	45-50	45-50
N McKinney	45-50	40-45
P Burns	45-50	40-45
N Livingston	40-45	40-45
L McDowell	35-40	35-40

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 above.

Arts Council Pensions

The Arts Council participates in the Northern Ireland Local Government Officers' Superannuation Committee Scheme (NILGOSC) and made contributions for 61 employees during the year (not all 61 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 2008 the Arts Council contributed 15% of gross salary.

	2007-08	2006-07
	£	£
Employer's	219,110	175,734

	PENSIONABLE EARNINGS £'000	ACCRUED PENSION AT 65 £'000	REAL INCREASE £'000	ACCRUED LUMP SUM AT 65 £000	REAL INCREASE £'000	CETV 31MAR07 £'000	CETV 31MAR08 £'000	REAL INCREASE £'000
R McDonough	65-70	21.6	.01	64.9	0.8	346.2*	368.5	17.6
P Hammond	45-50	20.3	1.1	60.8	3.2	289.6	321.9	28.3
N McKinney	45-50	12.1	1.1	36.6	3.3	147.9	174.5	22.0
P Burns	45-50	10.3	1.0	31.0	3.1	143.5	167.9	22.3
N Livingston	40-45	14.0	1.2	42.2	3.5	195.0	227.3	26.3
L McDowell	35-40	13.8	1.0	41.5	3.1	197.0	228.1	24.9

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 Civil Service pension arrangements and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. 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 within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

*Due to certain factors being incorrect in last years CETV calculations there is a difference between the final period CETV for 2006-07 for the Chief Executive and the starting CETV for 2007-08.

Real increase in CETV

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



Roisín McDonough
Accounting Officer for the Council

26th June 2008

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

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

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

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

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

STATEMENT OF INTERNAL CONTROL

Scope of Responsibility

As Accounting Officer, I have 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 for which I am personally responsible, in accordance with the requirements of the Council's Management Statement and Financial Memorandum. This responsibility is supported by the functions of Council, various Committees (particularly the Audit Committee), the internal auditor, external audit work and active management of the Arts Council's risk register.

The Purpose of the System of 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; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 March 2008 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; that it is accountable to both its sponsoring department and, ultimately, to the public; and that 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 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 whistle-blowing and fraud management policies among others. The Council receives periodic reports concerning internal control and steps are taken to manage risks in significant areas of responsibility and monitor progress on key projects.

The Audit Committee has lead responsibility for the periodic review of the risk framework and other records of risk. Management of risk categories has been allocated appropriately within the organization. Any revision to the framework is discussed within the Audit Committee and recommended to Council. In accordance with these functions, the Chair

of the Audit Committee has received appropriate training in accordance with Best Practice guidelines and Corporate Governance principles.

The Audit Committee also agrees the internal audit work schedule and all internal audit reports are reviewed by the Committee.

Finally, the Audit Committee reviews the final reports and accounts and the ensuing management letter.

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

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 and features as a supplementary report to ensure the exclusion of those with a perceived conflict of interest from the decision-making process on relevant grants.

The Risk and Control Framework

The Council has an Internal Audit Unit, provided by a shared internal post with Sports Council of Northern Ireland, which operates to standards defined in the Government Internal Audit Manual. The internal auditor 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.

During the year the Council's grant monitoring procedures have been reviewed and amended in line with current guidelines to incorporate a more systems-based approach to grant monitoring activities. The rollout of these revisions continues to be monitored and further improvements or adaptations are ongoing, with both internal finance and internal audit expertise being availed of. I have been assured by my senior managers that the procedures continue to be developed to incorporate more sophisticated aspects such as multiple application fraud detection in line with policy and financial directions.

The framework is also guided by Best Practice in the areas of Whistleblowing and Fraud Risk Management. The Arts Council has in place a Whistleblowing Policy and an Anti-Fraud Policy both of which are in accordance with central government guidelines and best practice.

Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control 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 management letter and other reports. In addition, as noted above, the various Committees of the Arts Council report to Council at its meetings on the functional areas falling within each Committee's terms of reference and Council makes appropriate recommendations where necessary.

Following the publication of the Northern Ireland Audit Office report *Collections Management in the Arts Council of Northern Ireland* in August 2006, a full plan was drawn up detailing twelve key actions to be undertaken in relation to the recommendations contained in the report. This plan was agreed by the Arts Council and the Audit Office. All actions have been fully completed.

As part of its review of collections, the Council is seeking permission to gift the majority of its collection to registered museums in Northern Ireland. The business case for gifting was submitted to Department of Culture Arts and Leisure in January 2008, and the outcome will inform the future of the collection management at the Arts Council.

The Internal Audit work-plan for 2007-08 has been completed. The Annual Statement of Assurance concludes that relevant satisfactory controls are in place and that these continue to be reviewed and amended where appropriate in accordance with best practice guidelines. A limited level of assurance was given in relation to the areas of bacs, bank and cash and fixed assets. Any outstanding recommendations will be incorporated into work plans for the incoming financial year.

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

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



Roisín McDonough
Accounting Officer for the Council

26th June 2008

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

I certify that I have audited the financial statements of the Arts Council of Northern Ireland for the year ended 31 March 2008 under the Arts Council (Northern Ireland) Order 1995. These comprise the Operating Cost Statement, the Balance Sheet, the Cashflow Statement and the Statement of Total Recognised Gains and Losses 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

The Council and the Chief Executive as Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Arts Council (Northern Ireland) Order 1995 and Department of Culture, Arts and Leisure's directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Council's and Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Arts Council (Northern Ireland) Order 1995 and Department of Culture, Arts and Leisure's directions made thereunder. I report to you whether, in my opinion, the information, which comprises the Background Information and the Management Commentary, included in the Annual Report, is consistent with the financial statements. I also report whether 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.

In addition, I report to you if the Arts Council of Northern Ireland has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by the Department of Finance and Personnel regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal control reflects the Arts Council of Northern Ireland's compliance with the Department of Finance and Personnel's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks

and controls, or form an opinion on the effectiveness of the Arts Council of Northern Ireland's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Chairman's Foreword, the Chief Executive's Introduction and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Council and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Arts Council of Northern Ireland's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that 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. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Arts Council (Northern Ireland) Order 1995 and directions made thereunder by the Department of Culture, Arts and Leisure, of the state of the Arts Council of Northern Ireland's affairs as at 31 March 2008 and of its net operating costs, the cash flows and total recognised gains and losses for the year then ended;

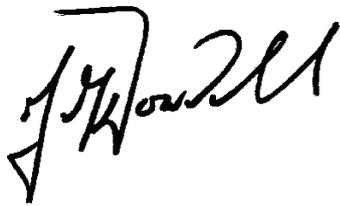
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Arts Council (Northern Ireland) Order 1995 and Department of Culture, Arts and Leisure directions made thereunder; and
- information which comprises the Background Information and Management Commentary, included within the Annual Report is consistent with the financial statements.

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.

Report

I have no observations to make on these financial statements.



JM Dowdall CB
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU

26th June 2008

Operating Cost Statement for the year ended 31 March 2008

	Notes	2008 £	2007 £
INCOME			
Other Income	2(c)	<u>940,218</u>	<u>648,627</u>
EXPENDITURE			
Staff Costs	3(a)	1,140,830	1,012,377
Depreciation	6(a)	99,756	68,195
Expenditure on the Arts	4	17,841,330	10,274,852
Other Operating Costs	5(a)	<u>778,317</u>	<u>645,482</u>
		<u>19,860,233</u>	<u>12,000,906</u>
Net Operating Costs before Notional Costs		(18,920,015)	(11,352,279)
Notional Cost of Capital	1(f)	<u>(47,240)</u>	<u>(21,811)</u>
Net Operating Costs after Notional Costs		(18,967,255)	(11,374,090)
Adjustment for Notional Cost of Capital		47,240	21,811
Net Operating Costs excluding Notional Costs	9	<u><u>(18,920,015)</u></u>	<u><u>(11,352,279)</u></u>

The notes on pages 30 to 45 form part of these accounts.

All amounts above relate to continuing operations of the Council.

Statement of Total Recognised Gains and Losses for the year ended 31 March 2008

		2008	2007
	Notes	£	£
Net Operating Costs excluding Notional Costs		(18,920,015)	(11,352,279)
Actuarial Gain/(Loss)		<u>599,000</u>	<u>(988,000)</u>
Recognised Losses for the year		(18,321,015)	(12,340,279)
Prior year adjustment – FRS 17	9	<u>-</u>	<u>(230,000)</u>
Total Losses recognised since last annual report		<u><u>(18,321,015)</u></u>	<u><u>(12,570,279)</u></u>

The notes on pages 30 to 45 form part of these accounts.

Balance Sheet as at 31 March 2008

		2008	2007
	Notes	£	£
FIXED ASSETS			
Tangible Fixed Assets	6(a)	<u>363,394</u>	<u>373,081</u>
CURRENT ASSETS			
Debtors	7	197,765	514,590
Cash at bank and in hand		<u>3,164,764</u>	<u>1,383,059</u>
		<u>3,362,529</u>	<u>1,897,649</u>
CURRENT LIABILITIES			
Creditors amounts falling due within one year	8	<u>(2,289,050)</u>	<u>(1,008,198)</u>
NET CURRENT ASSETS		<u>1,073,479</u>	<u>889,451</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,436,873</u>	<u>1,262,532</u>
NET ASSETS EXCLUDING PENSION DEFICIT		1,436,873	1,262,532
PENSION DEFICIT	3(f)	<u>(635,000)</u>	<u>(1,224,000)</u>
NET ASSETS INCLUDING PENSION DEFICIT		<u>801,873</u>	<u>38,532</u>
RESERVES			
General Reserve	9	1,344,873	1,222,532
Government Grant Reserve	9	92,000	40,000
Pension Reserve	9	<u>(635,000)</u>	<u>(1,224,000)</u>
		<u>801,873</u>	<u>38,532</u>



Roisín McDonough
Accounting Officer for the Council

26th June 2008

The notes on pages 30 to 45 form part of these accounts.

Cash Flow Statement for the year ended 31 March 2008

		2008	2007
	Notes	£	£
Net cash outflow from operating activities	11(a)	(17,235,582)	(12,014,882)
Capital Expenditure			
Purchase of tangible fixed assets	6(a)	<u>(90,069)</u>	<u>(152,789)</u>
Net cash outflow before Financing		(17,325,651)	(12,167,671)
Financing from the Consolidated Fund	11(b)	<u>19,107,356</u>	<u>12,015,275</u>
Increase /(decrease) in cash for the year	11(c)	<u><u>1,781,705</u></u>	<u><u>(152,396)</u></u>

The notes on pages 30 to 45 form part of these accounts.

NOTES TO THE ACCOUNTS

1. Accounting Policies

The financial statements have been prepared in accordance with the requirements of the 2007-2008 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

Where FReM permits a choice of accounting policy, the accounting policy which has been 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 Council's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1(a) Basis of Accounting

These financial statements have been prepared in accordance with the historical cost convention. However, the assets had previously been revalued as at 31 March 2000.

Without limiting the information given, the financial statements meet the accounting and disclosure requirements of the Companies (Northern Ireland) Order 1986, Accounting Standards issued or adopted by the Accounting Standards Board and disclosure requirements issued by the Department of Finance and Personnel in so far as those requirements are appropriate.

1(b) Tangible Fixed Assets

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

The rates of depreciation in use are as follows:

Furniture, Fixtures & Fittings	10%, 4%
MacNeice House - Tenant's Works	20%, 16 ² / ₃ %, 14 ¹ / ₄ % & 10%
Theatrical, film, art & music equipment	3 ¹ / ₃ %
Computer equipment	14 ¹ / ₄ %, 20% & 33 ¹ / ₃ %
Other Equipment	20%

1(c) Works of Art and Partnership Purchase of Pictures

Works of Art are no longer capitalised and recorded in the Balance Sheet for the reasons stated in Note 6(b) below. Purchases of Works of Art are charged against DCAL recurrent grant income in the Balance Sheet in the year of expenditure and the amount is recorded on a separate Art Asset Register and Capital Grant Account at cost, with both of these

being maintained outside of the accounting system as per Note 6(b) below. The Council considers its Art Collection to be a non-operational heritage asset. Write-offs, once approved, are written back to DCAL recurrent grant income in the Balance Sheet and the amount is charged against a separate Art Register and Capital Grant account at cost.

1(d) 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.

Grant relating to capital expenditure, used to acquire specific capital items, is credited to a Government 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 Government Grant Reserve is released to income.

1(e) Payment of Grants

Grants awarded to arts organisations and individuals are charged to the Income and Expenditure account in the year to which they relate. Any amounts of unpaid grant at 31st March each year are included as creditors in the balance sheet.

1(f) Notional Cost of Capital

From the 1996-97 year, these financial statements make provision for the notional cost of capital employed by the Council. The Income and Expenditure Account includes the notional cost of capital employed by the Council calculated as 3.5% of the average capital employed over the financial year.

1(g) Pension Costs

The Council staff belong to 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 2008.

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 Operating Cost Statement. 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 Recognised Gains and Losses.

2. Income

2(a) Grant-in-aid

The Department of Culture, Arts and Leisure (DCAL) provided the following funding during the year:

	2008	2007
	£	£
Basic Revenue Grant	12,488,812	10,938,314
In Year capital	6,543,544	1,036,961

With effect from the 2006-07 reporting period the FReM requires Non-Departmental Public Bodies to account for grants and grants-in-aid received for revenue purposes as financing because they are regarded as contributions from a controlling party which gives rise to a financial interest in the residual interest of NDPBs. This is a change in accounting policy from earlier periods when such items were recorded as income.

The DCAL provided a total of £19,112,057 grant in the period. An amount of £27,701 was allocated from grant income and used for additions to the art collection. An amount of £75,000 was a capital contribution towards capital requirements at ACNI. An amount of £23,000 was released from deferred capital grants. The remaining balance of £19,032,356 was used to fund the revenue activities of the Council during the period.

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

Paragraphs 2.9 and 2.10 of the Financial Memorandum require the Council to contain the amount of grant-in-aid carried forward into the new financial year within prescribed limits. Any unspent receipts may be carried forward with the agreement of DCAL.

	Grant-in-Aid	Other Income
(i) Grant-in-aid	£19,032,356	-
(ii) Amount carried forward	£3,164,764	-
(iii) % carried forward	17%	
(iv) % limit of carry forward	2%	
(v) £ limit of carry forward	£ 380,647	

The amount carried forward exceeded the 2% permitted. The 17% carry forward has been calculated on a cash basis. When the figures are calculated on an accruals basis, the amount carried forward is a surplus of £875,712 which represents 5% of the total grant-in-aid.

2(c) Other Income

	2008	2007
	£	£
Department of Education (Cultural Traditions Grant)	225,000	250,000
Belfast City Council Education Grant	(11,500)	23,000
National Lottery Recharge	181,467	250,562
Grant Refunded	-	17,685
Conference Income	6,456	1,558
Administrative & Miscellaneous	5,543	1,086
Interest	551	412
Other	55,648	58,324
Pension Fund Investment Returns	59,000	46,000
Turas Programme	30,000	-
Smithsonian Project Income	388,053	-
	<u>940,218</u>	<u>648,627</u>

3. Staff Costs**3(a) Analysis of Staff Costs**

	2008	2007
	£	£
Salaries & Wages	830,921	768,574
Social Security Costs	57,383	56,318
Other Pension Costs	219,110	175,734
Temporary Staff Costs	33,416	11,751
Total	<u>1,140,830</u>	<u>1,012,377</u>

3(b) Average Number of Persons Employed

During the year the Arts Council of Northern Ireland employed an average total of 54.8 FTE (2006-07: 56) administrative employees.

3(c) Pension Costs

The NILGOSC Scheme is a defined benefits type, and the fund is invested in suitable investments, managed by the Committee. For 2007-2008 the contribution rates were 15% employers and 6% employees (2006-2007: 12.9% employers and 6% employees).

The total employer pension cost under the Scheme was £219k (2006-2007: £176k).

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 2008.

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 Operating Cost Statement. 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 Recognised Gains and Losses.

3(d) Council Members' Emoluments

No emoluments were paid to members of the Arts Council except for Honoraria to the Chairman and Vice Chairman who received £13,689 as detailed below.

	Chairman	Vice Chairman
	£	£
R Kelly	9,855	
M Bradley		2,667
D Coyle		1,167

3(e) Chief Executive's Remuneration

The Chief Executive's remuneration, during the year was £67,559 (2006-07: £77,768 including backdated pay awards). The Chief Executive is an ordinary member of the Northern Ireland Local Government Officers Superannuation Committee (NILGOSC) pension scheme. A total of £22,263 (2006-07: £25,230) of the Chief Executive's employment costs have been apportioned to the Lottery Distribution fund to cover time spent on Lottery activities.

3(f) Pension Commitments

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.

It is now possible to define the ACNI's share of the funds, assets/liabilities and as a result the following disclosures are provided in line with FRS17.

The latest actuarial valuation of the scheme was carried out at 31 March 2008, results of which are shown below. The financial assumptions used by the actuary were:

	2008	2007	2006
Rate of return on investments p.a.	3.6%	3.2%	3.1%
Rate of general increase in salaries p.a.	5.1%	4.7%	4.6%
Rate of pension increases per annum	3.6%	3.2%	3.1%
Discount Rate Nominal/(Real)	6.9% (3.2%)	5.4% (2.1%)	6.0% (2.8%)

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

	Long term return at 31.03.08 %p.a.	Value at 31.3.08 £'000	Long term return at 31.03.07 %p.a.	Value at 31.3.07 £'000	Long term return at 31.03.06 %p.a.	Value at 31.3.06 £'000
Equity	7.7%	5,500	7.8%	5,448	7.4%	5,420
Bonds	5.7%	808	4.9%	1,044	4.6%	800
Property	5.7%	566	5.8%	639	5.5%	490
Cash	4.8%	108	4.9%	91	4.6%	90
Rounding				1		
	7.3%	6,982	7.2%	7,223	6.9%	6,800

The following amounts at 31 March 2008, 31 March 2007, and 31 March 2006 were measured in accordance with the requirements of FRS 17:

	31 March 2008 £'000	31 March 2007 £'000	31 March 2006 £'000
Total Market Value of Assets	6,982	7,223	6,800
Present Value of Scheme Liabilities	(7,617)	(8,447)	(7,030)
Net Pension Liability	(635)	(1,224)	(230)

Analysis of amounts charged to Operating Cost Statement in respect of Defined Benefit Scheme

	2008 £'000	2007 £'000
Operating Cost Statement		
Current Service Cost	245	189
Past Service Cost	-	-
Total Operating Charge	<u>245</u>	<u>189</u>

	2008 £'000	2007 £'000
Analysis of Amount Charged to Other Finance Costs		
Expected Return on Pension Scheme Assets	517	468
Interest on Pension Scheme Liabilities	(458)	(422)
Net Return	<u>59</u>	<u>46</u>

	2008 £'000	2007 £'000
Statement of Total Recognised Gains and Losses		
Actual less Expected Return on Pension Scheme Assets	(779)	(8)
Experience Gains and Losses Arising on the Scheme Liabilities	68	(2)
Changes in Assumptions Underlying the Present Value of the Scheme Liabilities	1,310	(978)
Actuarial Gain /(Loss) Recognised in STRGL	<u>599</u>	<u>(988)</u>

	2008 £'000	2007 £'000
Movement in Deficit during the Year		
Deficit in Scheme at Beginning of Year	(1,224)	(230)
Movement in the year		
Current Service Costs	(245)	(189)
Past Service Costs	-	-
Contributions	176	137
Net Return on Assets	59	46
Actuarial Gain/ (Loss)	599	(988)
Deficit in Scheme at End of Year	<u>(635)</u>	<u>(1,224)</u>

	2008 £'000	2007 £'000
Details of Experience Gains and Losses		
Difference Between Expected and Actual Return on Scheme Assets	(779)	(8)
Value of Assets	6,982	7,223
Percentage of Scheme Assets	(11.2%)	(0.1%)
Experience Gains and Losses on Scheme Liabilities	68	(2)
Total Present Value of Liabilities	(7,617)	(8,447)
Percentage of Present Value of Scheme Liabilities	0.9%	-
Total Amount Recognised in STRGL	599	(988)
Total Present Value of Liabilities	(7,617)	(8,447)
Percentage of Present Value of Scheme Assets	7.9%	(11.7%)

4. Expenditure on the Arts

	2008 £	2007 £
<u>ASOP</u>		
Community Arts	613,873	610,873
Venues and Festivals	1,634,602	1,431,607
Drama	1,044,670	1,024,670
Dance	47,830	108,875
Health, Disability & Voluntary Arts	306,894	334,435
Literary Arts	274,557	274,557
Music	2,577,136	2,386,974
Visual Arts	876,636	802,805
Youth Arts	365,085	365,085
Other	254,200	171,220
Traditional Arts (Cultural Traditions) ⁽¹⁾	307,839	282,842
Arts Development	313,039	94,268
Creativity in Education	249,958	227,924
District Council Challenge Fund	17,908	90,227
Ticketing software	88,726	(26,128)
SIAP	542,082	534,882
Smithsonian Project	306,172	95,576
Reimaging Communities	1,200,305	184,318
Other Artform	468,749	100,000
Strategy	128,306	146,807
Capital	6,222,763	1,033,035
	<u>17,841,330</u>	<u>10,274,852</u>

⁽¹⁾ Includes £225,000 of Cultural Traditions funding from Department of Education

The prior year figures have been restated to reflect a reclassification of expenditure categories.

5(a) Other Operating Costs

	2008	2007
	£	£
Premises Costs	291,707	219,884
Artslink & Public Affairs	102,773	41,348
Expenses & Hospitality		
Artform Officers	41,285	31,545
Council & Panel Members	17,658	20,237
Administrative Staff	9,147	7,857
Other Core Expenses	16,958	14,213
Insurances	38,069	28,841
Telephone & Postage	38,219	35,350
Equipment	107,526	70,472
Legal & Consultancy Fees	32,381	54,957
Stationery	11,155	10,871
Training	29,482	32,111
Publications & Advertising	25,635	61,204
Central Advisers	2,633	4,214
Honoraria	13,689	12,378
	<u>778,317</u>	<u>645,482</u>

The above includes 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	2008	2007
	£	£	Total	Total
	£	£	£	£
Expenses & Hospitality				
Artform Officers	38,490	2,795	41,285	31,545
Council & Panel Members	15,501	2,157	17,658	20,237
Administrative Staff	7,845	1,302	9,147	7,857
	<u>61,836</u>	<u>6,254</u>	<u>68,090</u>	<u>59,639</u>

The Legal & Consultancy total of £32,381 includes an external audit fee of £11,000 in respect of the Northern Ireland Audit Office.

6 (a) Tangible Fixed Assets

	MacNeice House Tenant's Works	Furniture, Fixtures & Fittings	Theatrical, Art & Music Equipment	Computer Equipment	CYP Website	Other Equipment	ACNI Website	Total
	£	£	£	£	£	£	£	£
Valuation								
At 1 April 2007	238,327	56,025	244,426	272,048	7,272	1,626	4,406	824,130
Additions at cost	9,233	3,406		62,517		14,913		90,069
Disposals At 31 March 2008	247,560	59,431	244,426	334,565	7,272	16,539	4,406	914,199
Depreciation								
At 1 April 2007	105,061	22,875	107,913	203,985	7,272	1,300	2,643	451,049
Charge for period	30,026	3,595	7,648	54,298		3,308	881	99,756
Disposals At 31 March 2008	135,087	26,470	115,561	258,283	7,272	4,608	3,524	550,805
Net book value								
At 31 March 2008	112,473	32,961	128,865	76,282	0	11,931	882	363,394
Net book value								
At 31 March 2007	133,266	33,150	136,513	68,063	0	326	1,763	373,081

The Council possesses a violin manufactured by Joseph Gagliano between 1780 and 1782. The violin was donated to the Council in 1980. Due to the problems associated with the valuation of such an asset and to the fact that it may be regarded as a heritage asset, the Council has decided to disclose its existence in this note each year and not to include it in the Fixed Asset tabulation shown above.

6 (b) Art Collection

The Council's Art Collection was disclosed in the Balance Sheet as at 31 March 1996. From 1996-97 the Arts Council was required to value its fixed assets on the basis of modified historic costs. As it would have been impractical to record the Art Collection on this basis, and as the Council regards the Art Collection as a heritage asset, the Art Collection, valued at historic cost, (and its corresponding source of finance i.e. the Capital Reserve Account) was removed from the Balance Sheet. The Arts Council would like to transfer ownership of the major part of the Art Collection to registered museums and other recognised public bodies with the approval of the Department of Culture, Arts and Leisure. Parliamentary approval for gifting is also required. Work on an inventory to verify the holding and reconciliation of records is ongoing. As this has not yet been completed, it is

therefore still appropriate to continue to disclose the Art Collection details in the note below.

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 Council believes that its staff is qualified to perform the valuation and to test and analyse valuations as advised by Sotheby's. The valuation of £1,952,872 established at 31st March 2005 has been amended in light of known market changes and now stands at £3,233,133 following purchases this year of £27,701. The historic cost of the Art Collection is shown below. The staff involved in the on-going revaluation are Ms. Noírin McKinney, Arts Development Director and Dr. Suzanne Lyle, Collection Curator.

	Works of Art £	Partnership Purchase of Pictures £	2008 Total £
At 1 April 2007	522,370	24,806	547,176
Additions at cost	27,701	-	27,701
Write-off Losses	-	-	-
At 31 March 2008	<u>550,071</u>	<u>24,806</u>	<u>574,877</u>

Capital Reserve Account

£

Balance at 1 April 2007	547,176
Financed from In year Income	27,701
Artworks written off at cost	-
Balance at 31 March 2008	<u>574,877</u>

7. Debtors

	2008 £	2007 £
Sundry Debtors & Accrued Income	144,839	290,105
Prepayments	<u>52,926</u>	<u>224,485</u>
	<u>197,765</u>	<u>514,590</u>

Within Sundry Debtors, a figure of £45,000 (2006-07: £104,499) relates to items invoiced to Central Government and £ Nil (2006-07: £11,183) to local authorities.

8. Creditors (Amounts falling due within one year)

	2008	2007
	£	£
Grants Payable	1,687,520	725,113
Other Creditors	570,812	233,622
Audit Fee Accrual	11,000	9,580
Deferred Income	-	30,000
VAT	19,718	9,883
	<u>2,289,050</u>	<u>1,008,198</u>

9. Movement on reserves 2007/08

	2007/08				2006/07			
	General Reserve	Pension Reserve	Government Grant Reserve	Total	General Reserve	Pension Reserve	Government Grant Reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2007	1,222,532	(1,224,000)	40,000	38,532	593,536	(230,000)	-	363,536
Net expenditure	(18,910,015)	(10,000)		(18,920,015)	(11,346,279)	(6000)		(11,352,279)
GIA received towards resource expenditure	12,488,812			12,488,812	10,938,314			10,938,314
GIA received towards capital expenditure	6,543,544			6,543,544	1,036,961			1,036,961
Release of Deferred Capital Grant			(23,000)	(23,000)				
Capital grant received towards purchase of fixed assets			75,000	75,000			40,000	40,000
Actuarial Gain / (Loss)		599,000		599,000		(988,000)		(988,000)
At 31 March 2008	<u>1,344,873</u>	<u>(635,000)</u>	<u>92,000</u>	<u>801,873</u>	<u>1,222,532</u>	<u>(1,224,000)</u>	<u>40,000</u>	<u>38,532</u>

	2008	2007
	£	£
Pension Deficit at Beginning of Year	(1,224,000)	(230,000)
Current Service Cost	(245,000)	(189,000)
Employer Contributions	176,000	137,000
Past Service Costs	-	-
Net Return on Assets	59,000	46,000
Actuarial Gain/ (Loss)	599,000	(988,000)
Pension Deficit at End of Year	<u>(635,000)</u>	<u>(1,224,000)</u>

10. Capital Commitments

There were no material capital commitments at 31st March 2008.

11. Notes to the Cash Flow Statement

11(a) Net Cash Flow from Operating Activities	2008	2007
	£	£
Net operating costs after notional costs	(18,967,255)	(11,374,090)
Notional Costs	47,240	21,811
Depreciation	99,756	68,195
Release from Deferred Capital Grant Account	(23,000)	-
Decrease/(increase) in debtors	316,825	(269,829)
Increase/(decrease) in creditors	1,280,852	(466,969)
Increase in pension fund creditor realised in year	10,000	6,000
Net cash inflow from operating activities	<u>(17,235,582)</u>	<u>(12,014,882)</u>
11(b) Financing from the Consolidated Fund	2008	2007
	£	£
DCAL Funding	19,032,356	11,975,275
Deferred Capital Grant Account - grants received	75,000	40,000
	<u>19,107,356</u>	<u>12,015,275</u>

11(c) Reconciliation of Net Cash Flow to Net Movement in Funds

	2008 £	2007 £
Increase in cash in period	1,781,705	(152,396)
Net funds at 1 April 2007	<u>1,383,059</u>	<u>1,535,455</u>
Net funds at 31 March 2008	<u><u>3,164,764</u></u>	<u><u>1,383,059</u></u>

Analysis of changes in net funds

	2008 £	2007 £	Change £
Cash at bank and in hand	3,164,764	1,383,059	1,781,705

12 Financial Commitments

At 31 March 2008 the Arts Council of Northern Ireland has annual commitments under operating lease agreements as set out below.

Agreements which expire:

	Land & Buildings £	Other £	Total £	2007 Total £
Within one year	-	79,805	79,805	27,707
Between two and five years	205,625	29,059	234,684	220,488
Over five years	-	-	-	-
	<u>205,625</u>	<u>108,864</u>	<u>314,489</u>	<u>248,195</u>

13. Contingent Liability

The Arts Council of Northern Ireland 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. From 01 April 2009 all staff will have to make the appropriate employee contribution directly from pay. In 2007-08 The Arts Council sought information on the possible options for addressing this issue, and in particular the cost and funding implications of solutions which will result in employees having broadly the same net pay (after tax and NI deductions).

The actuarial report received by NILGOSC appointed actuaries (Hymans Robertson LLP) indicated that there were three options available to the Arts Council:

- A) ACNI would increase pensionable pay by a lump-sum contribution or by instalments to the pension fund providing for the same net-pay to individuals. This option would create a contingent liability in the pension fund as at 31 March 2008. The value of this contingent liability was assessed by the actuaries to be £214k. No provision has been made in these accounts in respect of this.
- B) ACNI would compensate employees through an on-going non-pensionable allowance to individuals to provide them with a similar net pay or
- C) ACNI could pay a "one-off" non-pensionable lump-sum to individuals by way of compensation.

Options B and C do not create a contingent liability as at 31 March 2008.

14. 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 (2) above. The Arts Council received funding of £225,000 from the Department of Education ring-fenced for a Cultural Traditions programme. During the year, the Arts Council paid or accrued grant payments to ELBs under the Creative Youth Partnerships programme as follows: SEELB £50,000, SELB £49,958, WELB £50,000, BELB £50,000 and NEELB £50,000. The Arts Council's National Lottery Distribution Account is also regarded as a related party to this account. At 31 March 2008 a net amount of £79,921 (2006-07: £84,746) was owed by the National Lottery Distribution Account to this account in respect of salary and other administrative costs incurred. This amount is included in the Sundry Debtors and Accrued Income figure of £144,839 (2006-07: £290,105) shown in note 7 above and the Accruals figure of £570,812 (2006-07: £233,622) shown in note 8 above.

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

Grant Reference	Organisation name	Grant Amount	Declared Interest
ACNI/2851	Belfast Community Circus School	21,800	Ken Bartley
ACNI/1677	Belfast Community Circus School	89,100	Ken Bartley
ACNI/2242	An Gaelaras	500,000	Gerry O' hEara
ACNI/1676	An Gaelaras	44,550	Gerry O' hEara
ACNI/1717	Andersonstown Traditional Music School	50,000	Debbie Young
ACNI/2791	Armagh City and District Council	11,150	Jill McEaney, Tony Kennedy, Sonya Whitefield
ACNI/2770	Armagh City and District Council	42,150	Jill McEaney, Tony Kennedy, Sonya Whitefield
ACNI/2784	Armagh City and District Council	15,250	Jill McEaney, Tony Kennedy, Sonya Whitefield
ACNI/1636	Artscare	45,292	Jenny Gallon, Brian Sore
ACNI/2634	Belfast City Council	11,000	Debbie Young
ACNI/2643	Belfast City Council	4,000	Debbie Young
ACNI/2645	Belfast City Council	40,500	Debbie Young
ACNI/2646	Belfast City Council	37,000	Debbie Young
ACNI/2631	Belfast City Council	28,325	Debbie Young
ACNI/2632	Belfast City Council	11,000	Debbie Young
ACNI/2633	Belfast City Council	16,000	Debbie Young
ACNI/2627	Belfast City Council	6,000	Debbie Young
ACNI/2628	Belfast City Council	22,500	Debbie Young
ACNI/2629	Belfast City Council	4,700	Debbie Young
ACNI/2641	Belfast City Council	17,000	Debbie Young
ACNI/2341	Belfast City Council	2,000,000	Debbie Young
ACNI/1704	Big Telly Theatre Company	94,050	Jill McEaney
ACNI/2662	Cahoots	10,000	Jill McEaney
ACNI/1701	Cahoots	54,450	Jill McEaney
ACNI/1694	Cathedral Quarter Arts Festival	69,300	Donal Gormley
ACNI/1678	Derry Theatre Trust	165,132	Martin Bradley
ACNI/1771	Francis McPeake Music School	50,000	Maria O'Kane
ACNI/2520	Irish Pages	14,800	Noirin McKinney
ACNI/1658	Lagan Press	39,600	Damian Smyth
ACNI/2866	Linen Hall Library	5,000	Bill Montgomery
ACNI/1640	Moving on Music	103,950	David Irvine
ACNI/2709	NI Music Industry Commission	20,000	Jenny Gallon, Bill Montgomery
ACNI/2656	Queens Street Studios	15,000	Ken Bartley
ACNI/1633	Queens Street Studios	33,000	Ken Bartley
ACNI/2316	Royal Society of Ulster Architects	10,000	Paul Harron
ACNI/1648	Royal Society of Ulster Architects	31,561	Paul Harron
ACNI/2920	Ulster Orchestra	41,125	Raymond Fullerton
ACNI/1651	Ulster Orchestra	1,925,113	Raymond Fullerton
ACNI/2335	University of Ulster	150	Rosemary Kelly, Kate Bond, Tim Kerr, Paul Seawright
ACNI/2856	Wheelworks	4,272	Iain Davidson
ACNI/1707	Wheelworks	60,000	Iain Davidson
ACNI/1975	Southern Education and Library Board	49,958	Iain Davidson, Eithne Benson

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