

Arts Council of Northern Ireland Lottery
Distribution Account 2015-16

Arts Council of Northern Ireland Lottery Distribution Account 2015-16

Presented to Parliament pursuant to Section 35(5) of the National Lottery etc. Act 1993 (as amended by the National Lottery Act 1998)

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Performance Report

This Performance Report focuses on matters relevant to all users of Financial Statements. Although it is designed to be a self-standing document, much of the information contained in it is simply a summary of information provided in other documents and is therefore cross-referenced as appropriate.

Overview

Chairman's Foreword

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

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

National Lottery funding is integral to the delivery of the Arts Council's strategy for developing the arts, providing a major resource to help us meet our objectives across a wide range of areas. The Arts Council's capacity to support the widest range of creative activity throughout the region is dependent upon a combination of Exchequer and National Lottery resources. With funding from the NI Executive forecast to continue falling, it appears likely that the Lottery will be called upon to play an increasingly significant role in the future of arts provision in Northern Ireland.

Bob Collins

Chairman, Arts Council of Northern Ireland

Chief Executive's Introduction

National Lottery funding makes an essential contribution to the development of the arts and to ensuring that everyone has an opportunity to access and enjoy the many benefits associated with the arts. In 2015-16 it enabled the Arts Council to support individual artists and arts organisations in the pursuit of the fullness of their potential, as well as providing the resources to take forward specific funding initiatives that address areas of identified need.

The Building Peace for the Arts – Re-imagining Communities Programme reached its conclusion in 2015-16 with the completion of almost 20 pieces of large-scale public art in communities across Northern Ireland and the border areas. Over its three year lifespan the programme successfully delivered 32 pieces of high-quality public art in a process designed to reconnect communities and reflect a desire for peace and reconciliation. Some 10,000 people and 120 community artists were actively involved in the programme. Taking the 'Re-imagining' initiative as a whole, including its pilot period from 2006 to 2009, the last decade has seen almost 20,000 people, nearly all new to the arts, embrace change and through the arts realise new possibilities and potential for their communities.

Also concluding in 2015-16 was the Derry City of Culture Legacy Fund, supported by the Arts Council and Derry and Strabane District Council. The final 12 of the 47 Legacy projects included the extension of the Verbal Arts Centre's successful community reading initiative and Something Special's C.H.O.R.A.L.E. music project for people with disabilities.

As the Legacy Trust concluded in Derry, in Belfast the first of the Creative and Cultural Belfast projects got underway. This programme is also a substantial partnership programme formed with a local city council, that is, Belfast City Council. It will generate seven landmark arts events over ten months, bringing together community groups with some of the city's best arts practitioners to tell their stories through theatre, music, film and more. The world's first Baby Day, created by Replay Theatre Company, took place in September, followed in October by ArtsEkta's 'Nine Nights' outdoor extravaganza, and Golden Thread Gallery's 'Draw Down The Walls', which asked audiences to imagine a city without barriers. The spring/summer of 2016 saw the city's largest ever Shakespeare project, a celebration of the River Farset, a community opera for Belfast and the construction of a carnival village. Each of the Creative and Cultural Belfast events is designed to engage communities and encourage the participation of hundreds of local volunteers. They are creating unprecedented opportunities for people throughout the city who would traditionally have been less likely to have accessed or participated in culture and arts due to social, economic or other barriers.

New measures to support artists' career development were introduced with the opening of funding awards in memory of Mike Moloney, co-founder of the Belfast Community Circus School and Anne O'Donoghue, Director of Play Resource Warehouse, to support the development of young people working in Circus Arts and Street Theatre, and for training courses, mentoring and cultural exchanges. Employment opportunities in the arts for young people gained a significant boost with the introduction of the NI Creative Employment Programme, set up by the Arts Council and administered by Creative & Cultural Skills. This new programme provides financial incentives for employers in the creative and cultural sector to develop specialist apprenticeships and internships with the aim over the next three years of creating 100 new employment opportunities for young people.

With funding from the Northern Ireland Executive continuing to shrink, National Lottery funding for the arts is approaching parity with Exchequer funding. The increasing reliance on the National Lottery resource is reflected in the Arts Council's ability to create the significant development opportunities that are critical to maintaining the health of the sector.

Roisín McDonough
Chief Executive

21 October 2016

Strategic Report

Background Information on the Arts Council of Northern Ireland

The Arts Council of Northern Ireland (Arts Council) 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 Arts Council took over the assets and liabilities of the Arts Council of Northern Ireland Limited which was a company limited by guarantee established in 1994 as an interim body between the previous Arts Council (established in 1943) and the new statutory body.

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

Statutory Background

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

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

The Arts Council of Northern Ireland is charged under the Act with responsibility for distributing Lottery proceeds allocated to the arts in Northern Ireland. Lottery proceeds are also distributed through other distributing bodies to Sport, National Heritage, Charities, and to the Arts in England, Scotland and Wales. From 1998-99 Lottery proceeds were also distributed to the New Opportunities Fund (NOF) and to the National Endowment for Science, Technology and the Arts (NESTA).

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

Principal functions related to National Lottery distribution activities

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

2015-16 National Lottery Distribution Activities

During 2015-16 the Council continued to deliver a range of funding programmes:

- Annual Funding;
- Arts & Older People;
- Music Touring;
- Small Grants;
- Intercultural;
- Project funding;
- Building Peace through the Arts - Re-Imaging Communities; and
- Support for Individual Artists: General Art Awards, Major Individual Awards and the Artist's Career Enhancement Scheme.

Future Developments in National Lottery Distribution Activities

In the incoming year the Council will introduce a new programme in association with the Public Health Agency aimed at addressing the mental health and wellbeing of young people.

Following discussions in 2015-16 the Arts Council will launch its Local Government Challenge Fund which has been devised to underpin and strengthen arts provision in a community setting and to stimulate long-term change.

Comment on National Lottery Distribution Fund (NLDF) Balance Policy

As at the 31 March 2016, Arts Council Lottery Account balances at NLDF totalled £4.7m (31 March 2015: £5.5m), a decrease of £0.8 million on the prior year.

As specified in the Lottery Accounts Direction, issued by the Department for Communities (formerly Department of Culture, Arts and Leisure) on behalf of DCMS, the NLDF balance is classified as investments in the Statement of Financial Position. This is in line with DCMS accounting policy. NLDF investments are therefore held at the lower of carrying amount and fair value less costs to sell, with any unrealised profit or loss recognised through reserves.

Current contracted grants payable plus trade and other payables total £2.8 million. The Council considers that it has sufficient liquid resources within the NLDF and cash balances of £4.9 million as well as forecasted NLDF income to cover all current contracted commitments. The forecasted NLDF income is based on quarterly projections received from DCMS. Current projections are to 2019-20.

In 2014 the Arts Council developed an NLDF policy (appendix B) to improve compliance with the requirements of National Lottery Guidance Note 1/03. The objective of this policy is for the Arts Council to maintain its NLDF balance at a prudent level based on a realistic assessment of its needs and the availability of funding from NLDF. The Arts Council's NLDF balance will be set at a level that will maximise its ability to achieve its strategic objectives, that will ensure that present commitments are not compromised and that will not impair or constrain its ability to enter into future commitments.

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

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

Having carefully considered the above, the Arts Council has agreed that the target NLDF balance for 31 March 2016 would be £2.387 million. The actual NLDF balance was £4.669 million and the higher balance arose due to (i) higher than anticipated income and (ii) optimistic timing forecast of expenditure.

1. Income: Income forecasts were based on DCMS projections 2014-15 to 2019-20 issued in January 2015. These projections when applied to the Arts Council suggested a Lottery income of £10.08 million for 2015-16. Actual income was £0.77 million higher at £10.85 million.
2. Expenditure: Timing of expenditure was delayed on a number of programmes. The most significant were Project funding £0.84m and Capital £0.57 million. Measures will be put in place in 2016-17 to improve expenditure forecasting.

Principal Risks

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

Social and Community Issues

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

Going Concern Basis

The Lottery Distribution Accounts of the Arts Council are produced on the Going Concern Basis. This was formally considered by the Board at its Board meeting on Wednesday 23 March 2016. Going concern was re-assessed and approved by the Board at its meeting on Monday 27 June 2016. The Council is not aware of any reason to adopt a different basis.

The Arts Council considers that the Fund is not exposed to significant liquidity risks; it is satisfied that it has sufficient liquid resources within the NLDF and cash balances of £4.9 million as well as forecasted NLDF income to cover the total of the current and non-current liabilities of £2.8 million. The forecasted NLDF income is based on quarterly projections received from DCMS. Current projections are to 2019-20.

Performance Summary

The target NLDF balance for 31 March 2016 was agreed at £2.387million.

The Quicker Turnaround KPI where 100% of decisions are to be made within published deadline was achieved 100%.

The Quicker Close Out KPI where 90% of grants were to be closed out within two months of the project end was 88% achieved.

Performance Analysis

Key Performance Indicators (KPIs)

ACNI Lottery has the following two KPI's:

The Quicker Turnaround KPI

100% of decisions to be made within published deadline

Achieved

The Quicker Close Out KPI

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

88% Achieved

Financial results

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

Total income received from the National Lottery totalled £10,814,568 (2014-15: £10,974,268). A recoupment was also received from NI Screen of £32,634 (2014-15: £4,000).

During the year the Arts Council made net commitments of £3,616,955 (2014-15: £14,096,298) to applicants and contributed £150,000 (2014-15: £150,000) for Cross Border Touring and £25,000 (2014-15: nil) for The Space.

The total administrative costs to the Arts Council of its distribution activities, including staff costs, were £1,651,369 (2014-15: £1,547,853).

Equity at the year end

At 31 March 2016 the Lottery Distribution Account showed net income of £5,403,878 (31 March 2015: net expenditure of £4,815,883). At 31 March 2016 the total equity showed a surplus of £2,182,527 (31 March 2015: deficit of £3,221,351).

The material change in expenditure was caused by bringing forward the 2015-16 Annual Funded awards to 2014-15. This brought forward expenditure resulted in a deficit in the Statement of Financial Position at 31 March 2015.

Review of National Lottery distribution activities

During the 2015-16 year, 664 (2014-15: 688) eligible applications were received by the Arts Council seeking grants of £11,658,835 (2014-15: £16,313,323) across the main Lottery programmes. The total number of applications received and the total number of awards are not directly related as, due to year end and timing of award programmes, applications can be received in one financial year and decided in another.

By the end of the year the Arts Council had made 343 commitments (2014-15: 595) through the main programmes, totalling £3,551,230 (2014-15: £13,663,218). Timing of the 2015-16 Annual Funding round meant that both the 2014-15 and 2015-16 Annual Funding awards were scored to 2014-15. This accounted for £4.7 million of the decrease in awards in 2015-16.

NI Screen made 82 commitments (2014-15: 70) totalling £679,379 (2014-15: £636,381) under its 3-year delegation agreement with the Arts Council.

Therefore in aggregate commitments were made in year totalling £4,230,609 (2014-15: £14,299,599).

Additionality

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

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

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

Sustainability Report

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

Our sustainable actions include:

- Sustainable development: Sustainable development is a guiding principle of the Architecture and Build policy published by DCAL in 2006. Consistent with this policy our Capital programmes complied with the Government’s Achieving Excellence in Construction Initiative which promoted design quality and sustainability in construction, while achieving best value of money;
- Reducing our waste and increasing recycling levels;
- Reducing our contribution to climate change in terms of energy consumption and related CO₂ emissions;
- Reducing paper by use of tablet pcs and encouraging duplex printing and printing two pages on A4 paper;
- Participating in the Governments “Cycle to work” scheme;
- Reducing business travel, where possible, through greater use of video/teleconferencing; and
- Encouraging all tendered Arts Council suppliers to devise and implement Social Clauses/Corporate Social Responsibility (CSR) policies.

Roisín McDonough
Accounting Officer

21 October 2016

Accountability Report

Corporate Governance Report

Directors' Report

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

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

- to provide effective leadership for the 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 2016 is shown below.

Board: 1 April 2015 to 31 March 2016

Mr Bob Collins (Chairman)	
Mr Damien Coyle	(Vice-Chairman until 30 November 2015)
Dr Katy Radford	(Vice-Chairman from 1 December 2015)
Mr David Alderdice	
Ms Anna Carragher	
Ms Noelle McAlinden	
Ms Katherine McCloskey	
Prof Ian Montgomery	(until 30 November 2015)
Mr Paul Mullan	
Prof Paul Seawright	(until 30 November 2015)
Mr Brian Sore	(until 30 November 2015)
Ms Nisha Tandon	
Mr Conor Shields	
Ms Eibhlín Ní Dhochartaigh	
Dr Leon Litvack	
Ms Siún Hanrahan	
Ms Roisin Mohan	(from 1 December 2015)
Mr Jarlath Kearney	(from 1 December 2015)
Mr Cian Smyth	(from 1 December 2015)

The members of the Audit and Risk Committee for the year ended 31 March 2016 were:

Ms Anna Carragher (Chairman)	
Ms Katherine McCloskey	
Mr Paul Mullan	
Mr Gerry Crossan	(co-opted member from 24 June 2015)

The members of the Grants Committee for the year ended 31 March 2016 were:

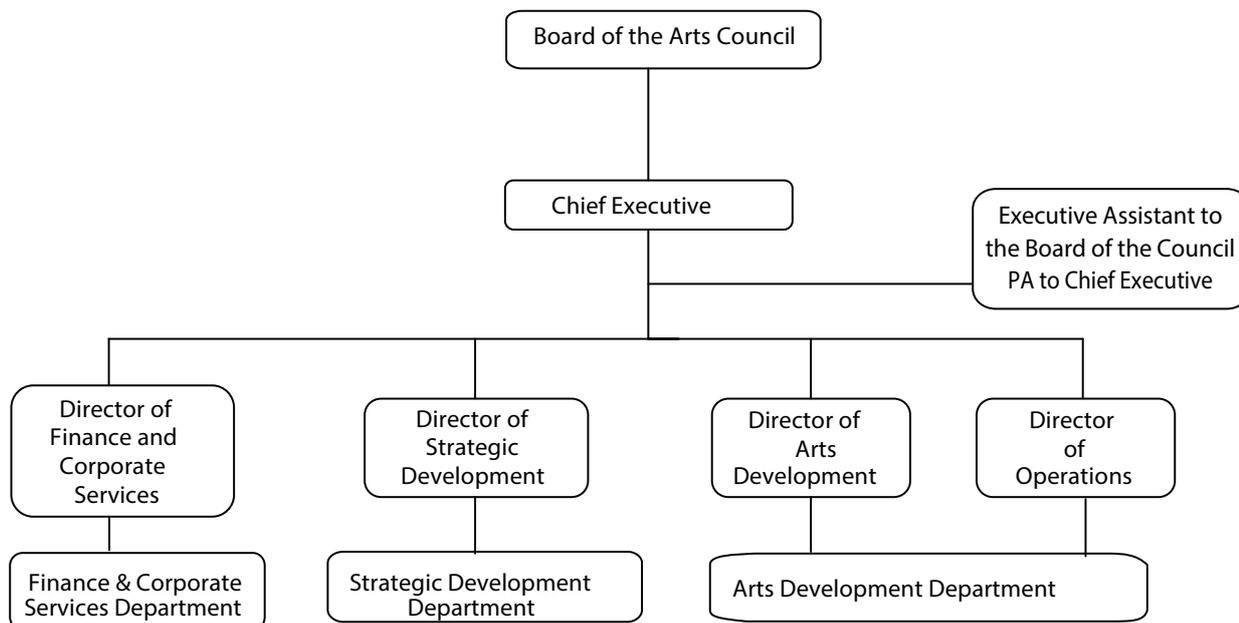
Mr Damien Coyle	(Chairman until 30 November 2015)
Dr Katy Radford	(Chairman from January 2016)
Ms Katherine McCloskey	
Mr Paul Mullan	
Prof Paul Seawright	(until 30 November 2015)

The members of the Finance & Capital Committee for the year ended 31 March 2016 were:

Mr Brian Sore	(Chairman until 30 November 2015)
Dr Leon Litvack	(Chairman from 1 December 2015)
Mr Damien Coyle	(until 30 November 2015)
Prof Ian Montgomery	(until 30 November 2015)
Mr Gerry Crossan	(co-opted member from 24 June 2015)
Mr Cian Smyth	(from 3 February 2016)
Ms Siún Hanrahan	(from 3 February 2016)

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

Organisational Structure



Research and Development

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

Interest Rate and Currency Risk

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

Political and Charitable Donations

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

Personal Data

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

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 95% of the bills were paid within this standard. The comparative figure for 2014-15 was 95%. A review of payment of bills in 30 days from receipt of goods or services found that 99.7% (2014-15: 99.6%) of the bills were paid within 30 days.

Overall for the year the average number of days taken to pay invoices was 4 days (2014-15: 4 days).

Pension Fund

All assets, liabilities and operating costs of the Council's pension scheme are recorded in the accounts of the Arts Council of Northern Ireland Exchequer entity. The salary charges to Lottery in-year include a recharge of employer pension costs of £165,883 (2014-15: £143,842).

The market value of the Arts Council's share of the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) pension scheme's assets (excluding Additional Voluntary Contributions) at 31 March 2016 was £13.057 million (31 March 2015: £12.676 million) and the present value of the Arts Council's share of the scheme liabilities was £16.049 million (31 March 2015: £16.182 million). The Arts Council's share of the Scheme recorded net pension liabilities at 31 March 2016 was £2.992 million (31 March 2015: £3.506m).

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 £165,883 (2014-15: £143,842). Details of this pension scheme are available within ACNI Exchequer accounts.

Accounts and Appointment of auditors

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

The financial statements are also prepared in accordance with:

- The Lottery Accounts Direction issued by the Department for Communities (formerly Department of Culture, Arts and Leisure) on behalf of and with the approval of the Secretary of State for the Department for Culture, Media and Sport. The Lottery Accounts Directions were issued to the Arts Council in December 2014 a copy of which can be obtained from the Arts Council of Northern Ireland upon request.
- 2015-16 Government Financial Reporting Manual issued by HM Treasury.

The Department for Communities (formerly Department of Culture, Arts and Leisure) also issued, on behalf of the Department for Culture, Media and Sport, revised Lottery Policy Directions to the Arts Council on 16 April 2008, a copy of which is attached to the end of these financial statements.

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

The fee for the audit of these financial statements was £26,000 (2014-15: £27,000). This cost is included in Other Operating Costs Note 3(a) in the financial statements. The Arts Council did not purchase any non-audit services from its external auditor.

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

Complaints Handling

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

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

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

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

A bi-monthly report is provided to the Board on the number of complaints received and the outcome within the period.

There were no direct complaints received in the 2015-16 financial year.

Statement of Council's and Accounting Officer's responsibilities

The Arts Council of Northern Ireland is required to prepare a statement of accounts for each financial year in a form directed by the Secretary of State with the consent of the Department of Finance (formerly Department of Finance and Personnel) and HM Treasury and in accordance with Section 35(3) of the National Lottery etc. Act 1993 and the Lottery Accounts Direction issued by the Department for Communities (formerly Department of Culture, Arts and Leisure) on behalf of the Department for Culture, Media and Sport.

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

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

- observe the Accounts Direction issued by the Department for Communities (formerly Department of Culture, Arts and Leisure) on behalf of the Secretary of State for the Department for Culture, Media and Sport, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- observe the current version of the Government Financial Reporting Manual;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

The Accounting Officer for the Department for Communities (formerly Department of Culture, Arts and Leisure) has designated the Chief Executive of the Arts Council of Northern Ireland as the Accounting Officer for the Council. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records, and for safeguarding the Arts Council of Northern Ireland's assets, are set out in *Managing Public Money Northern Ireland* issued by the Department of Finance (formerly the Department of Finance and Personnel), and in the Financial Directions issued by the Department for Communities (formerly Department of Culture, Arts and Leisure) on behalf of the Secretary of State for the Department for Culture, Media and Sport under Section 26(3) of the National Lottery etc. Act 1993.

Governance Statement

Scope of Responsibility

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

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

I also combine my Accounting Officer role with my responsibilities to the Department including any Ministerial directions. There were no Ministerial directions in the 2015-16 financial year. The Department provided a direction on 16 October 2015 that the Council should move and vacate its former building, MacNeice house, on 23 October 2015.

Corporate Governance Code

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

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

Two principles were less relevant to the Arts Council:

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

There were no departures in the 2015-16 financial year from the application of relevant principles.

Conflicts of Interest

The Corporate Governance in Central Government Departments: Code of Good Practice (NI) 2013 also requires the Board to publish how it identified any conflicts of interest and potential conflicts and how these have been managed.

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

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

The Purpose of the Governance Framework

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

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

The governance framework has been in place in the Arts Council for the year ended 31 March 2016 and up to the date of approval of the annual report and accounts, and accords with Department of Finance (formerly Department of Finance and Personnel) guidance.

Governance Framework

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

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

Board Membership

The Arts Council is vested in and administered by a body corporate known as the Board of the Arts Council, consisting of a Chair, Vice-Chair and 13 members (as at 31 March 2016) appointed by the Department for Communities (formerly the Department of Culture, Arts and Leisure) Minister, as set out in the Arts Council (Northern Ireland) Order 1995. Four Board members were appointed and five reappointed during the year.

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

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

The Board held 13 meetings during the year to determine policy for the Arts Council and make decisions in line with that policy. These meetings were held in my presence and that of my colleagues in senior management who produced papers and information to assist Board decision making. On 23 March 2016 the Board reviewed its effectiveness. The review provided the opportunity for reflection not available at regular Board meetings and a number of areas for improvement have been identified. It was noted that Board engagement in developing Board business for meetings had improved the agenda and had resulted in sufficient time to discuss prioritised business. It was also acknowledged that the use of the working group on Annual Funding had facilitated strategic grant consideration when difficult decisions had to be made following the cut in exchequer funding. The overall opinion was that engagement had been good, the discussion rewarding and there was a consensus that the Board, management and the organisation as a whole were functioning effectively.

The Board has a rolling work-plan and achieved its objectives, which were set out during the year. The overall average attendance rate of members was 66%.

Attendance at Board Meetings 2015-16

	Business meetings	NS Plenary*	Effective & Develop**	Total	Possible Meetings	% Attend
	Full					
David Alderdice	9	0	1	10	13	77
Anna Carragher	9	0	1	10	13	77
Bob Collins	11	1	1	13	13	100
Damien Coyle #	4	0	0	4	8	50
Siún Hanrahan	9	0	0	9	13	69
Jarlath Kearney ~	3	0	1	4	5	80
Leon Litvack	8	0	1	9	13	69
Noelle McAlinden	9	1	0	10	13	77
Katherine McCloskey	10	1	1	12	13	92
Roisin Mohan ~	2	0	0	2	5	40
Ian Montgomery #	2	0	0	2	8	25
Paul Mullan	8	0	0	8	13	62
Eibhlín Ní Dhochartaigh	3	0	0	3	13	23
Katy Radford ~	1	0	0	1	5	20
Paul Seawright #	6	0	0	6	8	75
Conor Shields	8	0	0	8	13	62
Cian Smyth ~	3	0	1	4	5	80
Brian Sore #	7	1	0	8	8	100
Nisha Tandon	6	0	0	6	13	46

* North South Plenary Meeting

** Effectiveness & Development day

Board members who completed term on 30 November 2015

~ New Board members from 1 December 2015

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

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

The minutes of committee meetings are standing items on the agenda of Board meetings and the Committee Chairs provide full report on their activities.

Attendance at Committee Meetings 2015-16

	Audit and Risk		Finance and Capital		Remun***		Grants		Total	Possible Meetings	% Attend
	4	%	4	%	1	%	1	%			
David Alderdice											
Anna Carragher	4	100							4	4	100
Bob Collins					1	100			1	1	100
Damien Coyle #			1	25	1	100	1	100	3	6	50
Siún Hanrahan			1	100					1	1	100
Jarlath Kearney ~											
Leon Litvack			4	100					4	4	100
Noelle McAlinden											
Katherine McCloskey	4	100			1	100	1	100	6	6	100
Roisin Mohan ~											
Ian Montgomery #			1	25					1	4	25
Paul Mullan	3	75					1	100	4	5	80
Eibhlín Ní Dhochartaigh											
Katy Radford ~											
Paul Seawright #							0	0	0	1	0
Conor Shields											
Cian Smyth ~			1	100					1	1	100
Brian Sore #			3	75	1	100			4	5	80
Nisha Tandon											

*** Remuneration Committee

Board members who completed term on 30 November 2015

~ New Board members from 1 December 2015

Audit and Risk Committee

The Audit and Risk Committee comprises three members and one co-opted member, and is chaired by a member. It met four times during the year. I attend each meeting along with the Director of Finance and Corporate Services. The Audit and Risk Committee has a rolling work-plan and measures its performance by the achievement of its objectives.

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

The Audit and Risk Assurance Committee Handbook (NI), issued under cover of DAO (DFP) 05/14, sets out five principles to be followed. These principles are:

Principle 1: Membership, independence, objectivity and understanding;

Principle 2: Skills;

Principle 3: The role of the Audit and Risk Assurance Committee;

Principle 4: Scope of work; and

Principle 5: Communication and reporting.

The Audit and Risk Committee formally considered these principles at its meeting 4 April 2016 and confirmed it complied with the principles.

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

Other Committees

The Finance and Capital Committee comprises three members and one co-opted member, and is chaired by a member. Two of my directors also attend each meeting. This committee met four times during the year.

Its terms of reference cover the proposal to the Board of the annual budget of the Arts Council; ensuring comprehensive financial advice is provided to the Board; reviewing the detailed information relating to the financial resources including the Statement of Comprehensive Net Expenditure, Statement of Financial Position and cash flow statements; monitoring financial expenditure against targets set throughout the year making recommendations as necessary; reviewing the programmes, policies and procedures relating to the payment of capital grants and where appropriate, to propose changes to the above for Board approval; and to advise on policy and the strategic deployment of capital resources.

The Remuneration Committee comprises four members and is chaired by the Vice Chair. It met once during the year and was quorate. Its terms of reference include assessing and agreeing targets, standards of performance, goals and objectives in respect of the Chief Executive. In consultation with the Department it sets the remuneration terms related to the performance of the Chief Executive, giving due weight to the proper management and use of public monies. It monitors the performance of the Chief Executive within the terms and conditions of the contract of employment. It reviews its own Terms of Reference annually to ensure it is operating to maximum effect and recommends any changes considered necessary to the Board for approval. During the year the Remuneration Committee reviewed the performance of the Chief Executive and her remuneration terms.

The Grants Committee comprises four members and is chaired by a member. It met once during the year. I attended this meeting along with the Director of Operations.

Its terms of reference include reviewing the programmes, policies and procedures relating to the payment of Exchequer and Lottery grants, and where appropriate, proposing changes to the above for approval by the Board; taking decisions on grant aid within delegated financial limits set by the Board; advising on decisions on National Lottery Distribution Fund (NLDF) balance policy matters.

The Board has delegated its grant-decision-making for grants under £25,000 to staff. All decisions made by staff and committees are reported to the Board.

Business Planning

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

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

A five year strategic plan for the arts in Northern Ireland 2013 – 2018, entitled "Ambitions for the Arts" has been developed by the Board and it elaborates on three key themes as follows:

- Champion the Arts;
- Promote Access; and
- Create a more Resilient Sector.

The Key Performance Indicators related to quicker turnaround of decisions and close out of grants after project end. The results for the year are:

Milestones achieved	100%	(1)
Milestones still progressing	88%	(1)
Milestones not achieved	-	-

Risk Management

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

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

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

- Inability to deliver the Business Plan in 2016-17 due to budget and staff cuts;
- Impact of economic downturn on arts organisations resulting in a loss of frontline services;
- Reduction in DfC (formerly DCAL) / National Lottery funding of the arts resulting in a loss of frontline services;
- An industrial dispute lodged by the trade union over the implementation of the Council's compulsory redundancy policy; and
- Requirement to relocate premises again before or on February 2017.

In 2011 DCAL completed an ALB sponsorship risk assessment for the Arts Council. The overall rating assigned to the Arts Council by that process was Medium/Low and remains unchanged.

Fraud Risk and Information Risk

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

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

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

Governance & Accountability within the Arts Council

The annual internal audit plan is created on a risk basis; KPMG our internal auditors were provided with a copy of the draft risk register for 2015 when preparing their plan. The Audit and Risk Committee reviewed and approved the internal audit plan. I ensured that there was sufficient flexibility in the plan to allow for changes to be made during the year to reflect any significant changes in the risk environment and the emergence of new risks. However, there were none.

All reports of the internal auditors were discussed by the Audit and Risk Committee with senior members of staff in attendance, including those whose departments were reported upon by the auditors. This gave me and members of the committee the opportunity to discuss, in detail, the findings, recommendations and proposed management actions. Directors that had failings identified by the internal auditors were required to devise corrective action and set a completion date for that action in consultation with the internal auditors. I receive regular reports from the auditors notifying me of the progress my Department Directors have achieved in clearing up points raised by both internal and external auditors in previous years.

Sources of Independent Assurance

KPMG is the Internal Auditor for the Arts Council. KPMG issued an internal audit assurance statement to the Audit and Risk committee of the Arts Council in respect of the year ended 31 March 2016. The internal audit assurance statement stated that on the basis of work performed during the year, KPMG can conclude that the Arts Council has established procedures that are adequate to meet management's control objectives in the systems audited and consequently KPMG provided a satisfactory level of assurance over the control environment at the organisation.

The Comptroller and Auditor General certifies the Arts Council of Northern Ireland Lottery Distribution Account and provides an opinion whether in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern the Arts Council.

Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors and senior management within the Arts Council who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. As a result of their work during the year, the internal auditors have produced an annual certificate of assurance with regard to the adequacy of the systems and the operation of internal controls within the Arts Council. In addition, I have considered the Report To Those Charged with Governance (RTTCWG) prepared by the external auditors following their audit of the accounts for the year ended 31 March 2016. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit and Risk Committee, and a plan to address weaknesses and ensure continuous improvement of the internal control system is in place.

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

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

Quality of Information

The Board has considered the quality of data used by the Board across all business areas and finds the information provided by management suitable for the purposes of making effective decisions. The Board is satisfied with the quality, timing and availability of information with which it is furnished. Appropriate members of the Executive attend Board meetings supported by other Arts Council staff upon request. This provides an additional tier of assurance enabling Board members to question further and test the quality, depth and accuracy of information presented. The work of the Audit and Risk Committee also provides additional assurance to the Board in terms of information with which it is presented. This Committee reviews many of the core assurance and governance documentation in advance of the Board and is able to confirm information via challenge and the work of internal and external audit.

Internal Governance Divergences – Current and New for 2015-16

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

Nine prior year issues highlighted in internal audit reports have been resolved and are no longer control issues in 2015-16

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

None

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

Internal auditors KPMG awarded the Arts Council a satisfactory level of assurance over its control environment in its assurance statement for 2015-16.

Internal Audit identified a number of areas where the Arts Council should put procedures in place to strengthen the existing processes and controls in order to fully meet management's control objectives. Internal Audit's observations and recommendations are graded in line with Head of Internal Audit (DFP) 1/12.

Priority 1: an issue that required urgent management decision and action without which there is a substantial risk to the achievements of key business/system objectives, to the reputation of the organisation, or to the regularity and propriety of funds.

Priority 2: An issue which requires prompt attention, as failure to do so could lead to more serious risk exposure.

Priority 3: Improvements that will enhance the existing control framework and/or represent best practice.

Overall, fifteen new recommendations have been identified in the current year, nine priority two and six priority three. Eleven of these recommendations have already been addressed and management have agreed a timescale for implementation of the remaining four recommendation and Nil prior year issues. These four recommendations consist of three Priority 2 recommendations and one Priority 3 recommendation.

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

Conclusion

As a result of the above, I believe that the Arts Council's internal control and governance framework provides me with the level of assurance that I require. There is nothing of which I am aware that leads me to believe that our systems for detecting and responding to inefficiency, for preventing conflicts of interest, for preventing and detecting fraud and for minimising losses of grant-in-aid are not adequate. I believe that the Arts Council's governance structure has operated successfully in 2015-16.

Remuneration and Staff Report

Remuneration report

Remuneration Policy

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

Mr Damien Coyle	(Chairman until 30 November 2015);
Dr Katy Radford	(Chairman from January 2016);
Mr Bob Collins;	
Ms Katherine McCloskey;	
Mr Brian Sore	(until 30 November 2015); and
Dr Leon Litvack	(from January 2016).

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

The Minister approved a restructured SCS pay settlement broadly in line with the Senior Salaries Review Board report which he commissioned in 2010. The Commitment to a Pay and Grading Review for SCS was the second phase of an equal pay settlement approved by the Executive.

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

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

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

Service Contracts

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

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

Officials	2015-16					2014-15				
	Salary	Bonus	Benefit-in-kind	Pension Benefits*	Total	Salary	Bonus Payments	Benefit-in-kind	Pension Benefits*	Total
	£	£	£	£	£	£	£	£	£	£
R McDonough (Chief Executive)	80-85	-	-	22	105-110	80-85	-	-	19	100-105
N McKinney (Director of Arts Development)	55-60	-	-	21	75-80	50-55	-	-	10	60-65
G Troughton (Director of Finance and Corporate Services)	45-50	-	-	22	70-75	45-50	-	-	11	55-60
N Livingston (Director of Strategic Development)	40-45	-	-	18	55-60	50-55	-	-	9	60-65
L McDowell (Director of Operations)	50-55	-	-	27	75-80	50-55	-	-	12	60-65
Band of Highest Paid Director's Total Remuneration	80-85					80-85				
Median Total Remuneration	29,554					23,948				
Ratio	2.8					3.4				

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

The movement on the median remuneration is due to the midpoint moving from the midpoint of the EOII scale to the midpoint of the EOI scale.

Staff remuneration in 2015-16, on an FTE basis, ranges from £23,084 to £84,912.

Salary

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

Benefits in Kind

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

Board Members' Honoraria (Audited Information)

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

The rate of honorarium 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 Chairman's actual Honorarium for 2015-16 is £8,880. The total cost of honoraria paid in 2015-16 was therefore £12,514 (2014-15: £13,498) as shown in staff costs. This includes £134 (2014-15: £248) of employer's National Insurance Contributions. The amounts received by the Chairman and Vice-Chairman are detailed below:

	Chairman	Vice-Chairman
	£	£
B Collins	8,880	
D Coyle (until 30 November 2015)		2,625
K Radford (from 1 December 2015)		1,167

Of the total cost of honoraria £6,632 (2014-15: £6,074) was apportioned to the Lottery Distribution Account. No emoluments were paid to other Board members in respect of Lottery activities. The Arts Council does not pay any pension contributions on behalf of the Chairman and Vice-Chairman. These individuals are not included, therefore, in the following pension note.

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

Bonuses (Audited Information)

The Special Bonus Scheme allows the Arts Council to reward exceptional performance in particularly demanding tasks or situations at any time in the year. In 2015-16 no staff received a performance bonus.

Median Remuneration (Audited Information)

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

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

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

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

The ratio is calculated as follows:

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

Pension Entitlements (Audited Information)

	Accrued pension at aged 65 as at 31 March 2016 and related lump sum £	Real increase in pension at age 65 and related lump sum £	CETV at 31 March 2016 £	Revised CETV at 31 March 2015 £	Employee Contribution 2015-2016	Real increase in CETV £
R McDonough	35-40 plus lump sum of 75-80	0-2.5 plus lump sum of (0-2.5)	707	700	7	0
N McKinney	20-25 plus lump sum of 40-45	0-2.5 plus lump sum of 0-2.5	388	362	4	22
G Troughton	5-10 plus lump sum of 0-5	0-2.5 plus lump sum of 0-2.5	128	109	4	15
N Livingston	20-25 plus lump sum of 50-55	0-2.5 plus lump sum of 0-2.5	511	489	3	19
L McDowell	20-25 plus lump sum of 55-60	0-2.5 plus lump sum of 0-2.5	539	521	4	14

Arts Council Pensions (Audited Information)

The pension benefits of all staff are provided through the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC). This is a funded scheme which provides benefits on a "final salary" basis at a normal retirement age of 65.

Benefits accrue at the rate of 1/60th of pensionable salary for each year of service (1/80th before 1 April 2009). In addition, a tax free lump sum may be payable on retirement. Members pay contributions of between 5.5% and 10.5% of pensionable earnings.

Pensions increase in payment in line with the Retail Prices Index. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of three times pensionable pay and also provides a service enhancement on computing the spouse's pension. Medical retirement is possible in the event of serious ill- health. In this case pensions are brought into payment early.

Members pay contributions of between 5.5% and 10.5% of pensionable earnings. For 2015-16 the rates were as follows:

Band	Range	Contribution Rate
1	Up to £14,000	5.5%
2	£14,001 to £21,300	5.8%
3	£21,301 to £35,600	6.5%
4	£35,601 to £43,000	6.8%
5	£43,001 to £85,000	8.5%
6	More than £85,000	10.5%

During the year the Arts Council made contributions for 57 (2014-15: 60) employees (not all 57 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 2016 the Arts Council contributed 20% (2014-15: 20%) of individual gross salary as directed by NILGOSC.

	2015-16	2014-15
Employer's Contribution	£165,883	£143,842

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.

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 compensation for loss of office during the year.

Staff Report

1 Number of Directors (Audited Information)

	2015-16	2014-15
	£	£
Director's Salary		
£45,000 - £50,000	1	1
£50,000 - £55,000	3	3
£55,000 - £60,000		
£60,000 - £65,000		
£65,000 - £70,000		
£70,000 - £75,000		
£75,000 - £80,000		
£80,000 - £85,000	1	1
Total Number of Directors	<u>5</u>	<u>5</u>

The Directors' salaries shown above are on a full-time equivalent basis based on salary grade. The salary information on page 27 is what the Directors actually earned including back dated pay awards and adjustments for any sick leave or reductions in hours during the year.

2 Staff Numbers and Costs (Audited Information)

a Staff Costs

	2015-16	2015-16	2015-16	2014-15
	Permanently employed staff	Others	Total	Total
	£	£	£	£
Wages and salaries	806,582	72,546	879,128	764,635
Social security costs	64,027	4,928	68,955	57,677
Other pension costs	154,206	11,677	165,883	143,842
Agency costs	—	62,576	62,576	41,307
	<u>1,024,815</u>	<u>151,727</u>	<u>1,176,542</u>	<u>1,007,461</u>

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

Staff remuneration in 2015-16, on an FTE basis, ranges from £23,084 to £84,912.

b Chief Executive's Remuneration (Audited Information)

The remuneration received by the Chief Executive, including back dated pay awards, during the year was £84,912 (2014-15: £83,801). The Chief Executive is an ordinary member of the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) pension scheme. A total of £59,001 (2014-15: £49,536) of the Chief Executive's employment costs (including employers national insurance contributions and employers pension) have been apportioned to the Lottery Distribution fund to cover time spent on Lottery activities.

c Pension Contributions

The NILGOSC Scheme is a defined benefits scheme, and the fund is invested in suitable investments, managed by the Committee. For 2015-16 the contribution rates were 20% employers and ranging between 5.5% and 10.5% employees (2014-15: 20% employers and ranging between 5.5% and 7.5% employees).

d 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.

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 £165,883 (2014-15: £143,842).

Details of this pension scheme are available within ACNI Exchequer accounts.

3 Average number of persons employed: (Audited Information)

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

Arts Council of Northern Ireland	Permanently Employed		2015-16 Total No.	2014-15 Total No.
	Staff No.	Others No.		
Directly employed	46	3	49	48
Other	–	3	3	8
Staff engaged on capital projects	–	–	–	–
Total	<u>46</u>	<u>6</u>	<u>52</u>	<u>56</u>

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

Lottery Distribution Account	Permanently Employed		2015-16 Total No.	2014-15 Total No.
	Staff No.	Others No.		
Directly employed	25	1	26	21
Other	–	1	1	4
Total	<u>25</u>	<u>2</u>	<u>27</u>	<u>25</u>

4 Staff Composition

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

	Male Directors	Male Employees	Female Directors	Female Employees
	2015-16			
Payroll	2	18	3	36
Board	–	2	–	1
Agency	–	3	–	2
Total	<u>2</u>	<u>23</u>	<u>3</u>	<u>39</u>

	Male Directors	Male Employees	Female Directors	Female Employees
2014-15				
Payroll	2	21	3	39
Board	–	2	–	–
Agency	–	5	–	3
Total	2	28	3	42

5 Sickness Absence Data

The number of sick days reported in 2015-16 was 494 (2014-15: 425). This equates to an average lost working days per employee of 10.07 days (2014-15: 7.6 days).

6 Staff Policies applied during the financial year

Employee Consultation

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

Policy on Disabled Persons

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

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

Equal Opportunity Policy

The Arts Council is committed to equality of opportunity between persons of different religious belief, political opinion, gender, marital status, disability, ethnic origin, age, dependants, sexual orientation or Trade Union membership. The 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.

Health and Safety

The Arts Council is committed to providing staff with an environment that is as far as possible, safe and free from risk to health. In accordance with this commitment, the Arts Council has complied with the relevant legislation.

7 Expenditure on Consultancy

	2015-16	2014-15
	£	£
Building Peace through the Arts – Programme Evaluation	23,377	–
Total Expenditure on Consultancy	23,377	–

8 Off Payroll Engagements

Off-payroll engagements are those where individuals, either self-employed or acting through a personal service company, are paid gross by the employer. Following the Review of Tax Arrangements of Public Sector Appointees published by the Chief Secretary to the Treasury on 23 May 2012, departments and their arm's length bodies must publish information on any highly paid and/or senior off-payroll engagements as at 31 March 2016, for more than £220 per day and that last longer than six months. The Arts Council has no off-payroll engagements as at 31 March 2015 or 31 March 2016.

9 Exit Packages (Audited Information)

	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band (prior year comparatives)
Exit package cost band			
< £10,000	–	–	– (-)
£10,000 - £25,000	–	3	3 (-)
£25,000 - £50,000	–	2	2 (-)
£50,000 - £100,000	–	2	2 (-)
£100,000 - £150,000	–	–	– (-)
£150,000 - £200,000	–	–	– (-)
Total number of exit packages	–	7	7 (-)
Total resource cost	–	£252,289	£252,289 (-)

Redundancy and other departure costs have been paid in accordance with the provisions of the Arts Council's Voluntary Exit Scheme. Exit costs are accounted for in full in the year of departure, including recognising liabilities as accruals at the point at which offers were accepted. Exit costs were fully processed through the Arts Council's Exchequer Account with the same amount received from government funding provided by the Department for Communities (formerly Department of Culture, Arts and Leisure). If the exit costs had been recharged to Lottery in line with other salary costs, £145,176 would have been charged and the same amount received from government funding.

Assembly Accountability and Audit Report

Assembly Accountability Disclosure Notes

Losses and special payments

There were no losses or special payments during the year which required disclosure in the accounts (31 March 2015: Nil).

Roisín McDonough
Accounting Officer

21 October 2016

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

I certify that I have audited the financial statements of the Arts Council of Northern Ireland Lottery Distribution Account for the year ended 31 March 2016 under the National Lottery etc. Act 1993. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in 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 and Staff Report and the Parliamentary Accountability disclosures within the Accountability 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 the Accounting Officer's Responsibilities, the Arts Council of Northern Ireland and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the National Lottery etc. Act 1993. I conducted my audit in accordance with 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 Lottery Distribution Account'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 Report accompanying the financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Arts Council of Northern Ireland Lottery Distribution Account's affairs as at 31 March 2016 and of the net income for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Lottery etc. Act 1993 and Secretary of State directions issued thereunder with the approval of HM Treasury.

Opinion on other matters

In my opinion:

- the part of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited has been properly prepared in accordance with Secretary of State directions made with HM Treasury approval under the National Lottery etc. Act 1993; and
- the information given in the Performance and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse KCB
Comptroller and Auditor General

14 November 2016

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

Statement of Comprehensive Net Expenditure for the year ended 31 March 2016

	Note	2015-16 £	2014-15 £
Proceeds from Lottery ticket sales	4	10,770,615	10,930,077
Lottery investment returns	4	43,953	44,191
Other operating income	4	32,634	4,000
Total Operating Income		<u>10,847,202</u>	<u>10,978,268</u>
New grants made in year	11	4,230,609	14,299,599
Grants de-committed in year	11	(613,654)	(203,301)
Grant Funding Cross Border Touring	3b	150,000	150,000
Grant Funding The Space	3c	25,000	–
Staff costs: direct costs	2	3,709	5,872
Staff costs: recharge	2	1,172,833	1,001,589
Other operating costs: direct costs	3a	128,788	166,383
Other operating costs: recharge	3a	346,039	374,009
Total Operating Expenditure		<u>5,443,324</u>	<u>15,794,151</u>
Net Income / (Expenditure) for the year		<u>5,403,878</u>	<u>(4,815,883)</u>
Other Comprehensive Net Expenditure			
Items that will not be reclassified to net operating costs:			
Net (gain)/loss on revaluation of investment – balance held in NLDF	7	–	–
Comprehensive Net Income / (Expenditure) for the year ended 31 March 2016		<u>5,403,878</u>	<u>(4,815,883)</u>

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

The notes on pages 43 to 52 form part of these accounts.

Statement of Financial Position as at 31 March 2016

	31 March 2016	31 March 2015
	Note	£
Non-current assets:		
Property, plant and equipment	5	–
Total non-current assets		<u>–</u>
Current assets:		
Investments – balance held in NLDF	7	4,669,394
Trade and other receivables	9	164,710
Cash and cash equivalents	8	188,461
Total current assets		<u>5,022,565</u>
Total assets		<u>5,022,565</u>
Current liabilities:		
Trade and other payables	10	111,395
Grant hard commitments	10	2,460,996
Total current liabilities		<u>2,572,391</u>
Total assets less current liabilities		<u>2,450,174</u>
Non-current liabilities:		
Grants payable	10	267,647
Total non-current liabilities		<u>267,647</u>
Total assets less total liabilities		<u>2,182,527</u>
Equity:		
General reserve		2,058,163
NLDF revaluation reserve		124,364
Total Equity		<u>(3,345,715)</u>

The financial statements on pages 39 to 52 were approved by the Board on the 5 October 2016 and were signed on its behalf by:

Roisín McDonough
Accounting Officer

21 October 2016

The notes on pages 43 to 52 form part of these accounts.

Statement of Cash Flows for the year ended 31 March 2016

		2014-15
	2015-16	Restated
Note	£	£
Cash flows from operating activities		
	5,403,878	(4,815,883)
Net surplus / Net Operating Cost		
(Increase) / Decrease in trade and other receivables	9 (115,783)	174,945
Increase / (Decrease) in payables < 1 year	10 (5,677,100)	5,116,849
Increase / (Decrease) in payables > 1 year	10 (493,353)	761,000
(Increase) / Decrease in balance held at NLDF	7 857,485	(1,426,705)
Net cash outflow from operating activities	(24,873)	(189,794)
	(24,873)	(189,794)
Net increase/(decrease) in cash and cash equivalents in the period		
Cash and cash equivalents at the beginning of the period	8 213,334	403,128
Net financing	8 188,461	213,334

Restatement – reclassification of figures to include Funds drawn down into the National Lottery Distribution Fund as part of the operating activities rather than as financing activities.

The notes on pages 43 to 52 form part of these accounts.

Statement of Changes in Equity for the year ended 31 March 2016

	Notes	General Reserve £	NLDF Revaluation Reserve £	Total Reserves £
Balance at 31 March 2014		1,470,168	124,364	1,594,532
Changes in Equity for 2014-15				
Comprehensive Net Expenditure for the Year		(4,815,883)	–	(4,815,883)
Net gain on revaluation of investment	7	–	–	–
Balance at 31 March 2015		<u>3,345,715</u>	<u>124,364</u>	<u>(3,221,351)</u>
Changes in Equity for 2015-16				
Comprehensive Net Income for the Year		5,403,878	–	5,403,878
Net gain on revaluation of investment	7	–	–	–
Balance at 31 March 2016		<u>2,058,163</u>	<u>124,364</u>	<u>2,182,527</u>

The notes on pages 43 to 52 form part of these accounts.

Notes to the Accounts

1 Statement of accounting policies

These financial statements have been prepared in a form directed by the Secretary of State with the consent of the Department of Finance (formerly Department of Finance and Personnel) in accordance with Section 35(3) of the National Lottery etc Act 1993 and Lottery Accounts Direction given by the Department for Communities (formerly Department of Culture, Arts and Leisure) on behalf of the Department for Culture, Media and Sport.

The financial statements have been prepared in accordance with the 2015-16 Government Financial Reporting Manual issued by HM Treasury. The accounting policies contained in the Government Financial Reporting Manual apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the Government Financial Reporting Manual permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Arts Council of Northern Ireland Lottery Distribution Account for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Arts Council of Northern Ireland Lottery Distribution Account for the distribution of public funding for the Arts in Northern Ireland are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

a Accounting convention

These accounts have been prepared under the historical cost convention, except in relation to balances held in the National Lottery Distribution Fund.

b Property, Plant and Equipment and Intangible Assets

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

c Balances held in the National Lottery Distribution Fund

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

As specified in the Lottery Accounts Direction, issued by the Department for Communities (formerly Department of Culture, Arts and Leisure), the National Lottery Distribution Fund balance is classified as investments in the Statement of Financial Position. This is in line with the Department for Culture, Media and Sport accounting policy. National Lottery Distribution Fund investments are therefore held at the lower of carrying amount and fair value less costs to sell, with any unrealised profit or loss recognised through the National Lottery Distribution Fund revaluation reserve.

d Grants Payable - Soft and Hard Commitments

A grant commitment is deemed to be a soft commitment once the Letter of Offer has been drawn up and sent to the grant client. The commitment then becomes a hard commitment once the grant client has sent back a Letter of Acceptance of the amount and terms of the grant award. The commitment will remain as hard provided the client continues to meet the conditions of grant. The commitments liability at 31 March 2016 for both hard and soft has been combined to give the total grants payable which is disclosed in Note 11 to the accounts and recognised as expenditure in the Statement of Comprehensive Net Expenditure.

e Recharge of Staff Costs and Apportionment of Other Operating Costs

Administrative overheads and salaries are incurred by the Arts Council of Northern Ireland and paid initially from Exchequer funds. An amount is then recharged to cover the costs of staff working on Lottery Grants. A Service Level Agreement on Recharging of Salaries and Overheads between Exchequer and Lottery was approved by the Board on the 24 June 2015.

f Pension Costs

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

The pension costs are assessed in accordance with the advice of independent qualified actuaries using the market led approach. The latest actuarial valuation of the scheme was at 31 March 2013.

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

All assets, liabilities and operating costs of the 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 £165,883 (2014-15: £143,842).

Details of this pension scheme are available within ACNI Exchequer accounts.

g Operating Income

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

h Financial Instruments

As the cash requirements of the Arts Council of Northern Ireland Lottery Distribution Fund are met through Lottery Funding, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body.

The majority of financial instruments relate to contracts to buy non-financial items in line with the Arts Council of Northern Ireland's expected purchase and usage requirements and the Arts Council of Northern Ireland is therefore exposed to little credit liquidity or market risk.

i Staff Costs

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

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

The Arts Council provides disclosure that there are no new relevant accounting standards which it has not yet applied.

k Operating Segments

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

I Reserves

General Reserve

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

Revaluation Reserve

This is the balance arising from any unrealised profit or loss on the revaluation of the National Lottery Distribution Fund investments as reported in the Statement of Other Comprehensive Net Expenditure for the year.

2 Staff Costs

	2015-16	2014-15
	Total	Total
	£	£
Wages and salaries	879,128	764,635
Social security costs	68,955	57,677
Other pension costs	165,883	143,842
Agency costs	62,576	41,307
Total	1,176,542	1,007,461

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

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

3*a Other Operating Costs*

	Direct	Recharge	2015-16 Total	2014-15 Total
	£	£	£	£
ACNI Administration, Apportionment	–	346,039	346,039	374,009
ACNI Administration	181	–	181	25
NI Screen Administration	52,433	–	52,433	84,450
Small Grants Administration	578	–	578	88
Arts and Older People Administration	1,915	–	1,915	458
Re-imaging Administration	41,667	–	41,667	34,489
Intercultural Arts Administration	-	–	-	4,776
SIAP Administration	-	–	-	1,000
Audit Fees – External Audit	26,000	–	26,000	27,000
Audit Fees – Internal Audit	-	–	-	3,600
External Monitoring	6,014	–	6,014	10,497
Total	128,788	346,039	474,827	540,392

Of the total operating expenses of £474,827 an amount of £346,039 (2014-15: £374,009) was incurred by the Arts Council of Northern Ireland and recharged to the Lottery Distribution Account at full economic cost.

The £346,039 (2014-15: £374,009) administrative overhead apportioned to the Lottery Distribution fund comprised administrative costs and expenses incurred by the Council from which the Lottery benefited indirectly. The apportionment was made at full economic cost and calculated on appropriate bases.

During the year Council purchased no non-audit services from its external auditor.

b Grant Funding Cross Border Touring

In 1999 an agreement was reached between Arts Council England, Creative Scotland, Arts Council of Wales and Arts Council of Northern Ireland to provide funding to enable companies and individuals to undertake cross border touring within the other Arts Council's territories. During 2010-11 a new agreement was drawn up to fund these activities from Lottery instead of Exchequer monies. During 2015-16 expenditure of £150,000 was incurred in respect of this agreement (2014-15: £150,000).

c Grant Funding The Space

In 2015-16 the Arts Council entered a one-year agreement with The Space; a not-for-profit company set up by the BBC and the Arts Council of England, to provide a free public service/space for artists and audiences around the world. The value of this agreement was £50,000 for the 2015-16 year (2014-15: nil).

In 2015-16 The Space received £25,000 from the Arts Council. Due to restructuring of their operations and other circumstances The Space was unable to spend these funds on the intended activities prior to the expiry of the agreement. The £25,000 has subsequently been refunded to the Arts Council in July 2016.

4 Income

	2015-16	2014-15
	£	£
NLDF Income:		
Investment Income	43,953	44,191
Realised Gain on Investment	—	—
Lottery Investment Returns	43,953	44,191
Proceeds from Lottery Ticket Sales	10,770,615	10,930,077
Total NLDF Income	10,814,568	10,974,268
Other Income:		
NI Screen Recoupment	32,634	4,000
Total Other Income:	32,634	4,000
Total Income	10,847,202	10,978,268

5 Property, plant and equipment

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

6 Financial Instruments

IAS 39 requires disclosure of the role which financial instruments have had during the year in creating or changing the risks the Fund faces in undertaking its role. As the cash requirements of the Arts Council of Northern Ireland Lottery Distribution Fund are met through Lottery Funding, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the Arts Council of Northern Ireland's expected purchase and usage requirements and the Arts Council of Northern Ireland is therefore exposed to little credit, liquidity or market risk.

Liquidity Risks

In 2015-16, £10.8 million or 99.29% (2014-15: £10.9 million or 99.56%) of the Arts Council's Lottery Fund's income derived from the National Lottery. The remaining income derived from investment returns from the balance held with the National Lottery Distributions Fund, £44,000 or 0.4% (2014-15: £44,000 or 0.4%), and from Sundry Income, £33,000 or 0.3% (2014-15: £4,000 or 0.04%). The Council considers that the Fund is not exposed to significant liquidity risks; it is satisfied that it has sufficient liquid resources within the NLDF and cash balances of £4.9 million as well as forecasted NLDF income to cover all current contracted commitments plus trade and other payables of £2.7 million. The forecasted NLDF income is based on quarterly projections received from DCMS. Current projections are to 2019-20.

Interest Rate Risks

The financial assets of the Fund are invested in the National Lottery Distribution Fund, which invests in a narrow band of low risk assets such as government bonds and cash. The Council has no control over the investment of Funds in the National Lottery Distribution Fund. At the Statement of Financial Position date the Market Value of investment in the National Lottery Distribution Fund was £4.7 million. In the year the rate of return declared by NLDF was 0.50% (2013-14: 0.50%). Cash balances which are drawn down from the Fund to pay grant commitments and operating costs are held in an instant access variable rate bank account which on average carried an interest rate of 0% (2014-15: 0%) in the year. The Arts Council Lottery fund bank account has an applicable credit interest rate of base less 1%. In March 2009 the Bank of England base rate dropped to 0.5%, hence no interest has been credited to the account from this date. The cash balance at the year-end was £188,461 (31 March 2015: £213,334). The Council considers that the Fund is not exposed to significant interest rate risks.

Foreign Currency Risk

The Fund is not exposed to any foreign exchange risks.

7 Reconciliation of Movement in National Lottery Distribution Fund

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

The closing market value of investments held at 31 March 2016 by NLDF under the National Lottery Act as amended on behalf of the Arts Council of Northern Ireland Lottery Distribution Account was £4,669,394 (31 March 2015: £5,526,879).

As specified in the Lottery Accounts Direction, issued by DCAL on behalf on DCMS, the NLDF balance is classified as investments in the Statement of Financial Position. This is in line with the DCMS accounting policy. NLDF investments are therefore held at the lower of carrying amount and fair value less costs to sell, with any unrealised profit or loss to be recognised through reserves.

	31 March 2016	31 March 2015
	£	£
Balances in NLDF		
Proceeds from Lottery	10,770,615	10,930,077
Investment Income	43,953	44,191
Drawn down in year by Arts Council	(11,672,053)	(9,547,563)
Total decrease in Funds	(857,485)	1,426,705
Realised Gain on Investment	-	-
Movement in Revaluation Reserve	-	-
Balance as at 1 April	5,526,879	4,100,174
Balance as at 31 March	4,669,394	5,526,879

8 Cash and cash equivalents

	31 March 2016	31 March 2015
	£	£
Balance at 1 April	213,334	403,128
Net change in cash and cash equivalent balances	(24,873)	(189,794)
Balance at 31 March	188,461	213,334

The following balances at 31 March were held at:

Net change in cash and cash equivalent balances	188,461	213,334
Balance at 31 March	188,461	213,334

9 Trade receivables, financial and other current assets

	31 March 2016	31 March 2015
	£	£
Amounts falling due within one year		
Trade Receivables	45,554	2,016
Prepayments & Accrued Income	119,156	46,911
	164,710	48,927
Amounts falling due after more than one year	-	-
Trade Receivables	-	-
Prepayments & Accrued Income	-	-

Trade receivables includes £45,554 (31 March 2015: £2,016) in respect of amounts due to the Lottery Distribution Account from the Arts Council of Northern Ireland.

10 Trade payables and other current liabilities

	31 March 2016	31 March 2015
	£	£
Amounts falling due within one year		
Accruals and deferred income	111,395	188,000
Grants payable (Note 11)	<u>2,460,996</u>	<u>8,061,491</u>
	<u>2,572,391</u>	<u>8,249,491</u>
Amounts falling due after more than one year		
Grants payable (Note 11)	267,647	761,000

Other Current Liabilities includes £84,304 (31 March 2015: £158,342) in respect of services and purchases rendered to or made on behalf of the Lottery Distribution Account by the Arts Council of Northern Ireland.

11 Grants Payable

	31 March 2016	31 March 2015
	£	£
Grants payable at 1 April	8,822,491	2,967,661
Grants paid during the year	(9,710,803)	(8,241,468)
Grant de-commitments	(613,654)	(203,301)
Grants made in the year	<u>4,230,609</u>	<u>14,299,599</u>
Grants payable at 31 March	<u>2,728,643</u>	<u>8,822,491</u>

Profile of Commitments over the next five years

Amounts falling due during 2015-16	–	8,061,491
Amounts falling due during 2016-17	2,460,996	761,000
Amounts falling due during 2017-18	267,647	–
Amounts falling due during 2018-19	–	–
Amounts falling due during 2019-20	–	–
	<u>2,728,643</u>	<u>8,822,491</u>

Current contracted commitments total £2.7 million. The Council considers that it has sufficient liquid resources within the NLDF and cash balances of £4.9 million as well as forecasted NLDF income to cover all current contracted commitments. The forecasted NLDF income is based on quarterly projections received from DCMS. Current projections are to 2019-20.

12 Grant commitments at year end which do not meet the criteria for being treated as a liability at 31 March 2016

In 2015-16 the Arts Council approved 104 awards under the Annual Funding Programme (AFP) totalling £4,693,715. These awards have not been included in the calculation of grants payable in the Statement of Financial Position. As the awards relate to the 2016-17 funding year the Letters of Offer were issued on the 1 April 2016. As a result the AFP decisions do not qualify as commitments and therefore do not meet the criteria for being treated as a liability until the 1 April 2016.

13 Capital commitments

There were no capital commitments as at 31 March 2016 (31 March 2015: Nil).

14 Commitments under leases

While the Lottery Fund has no direct lease commitments, the Exchequer account has £90,886 (2014-15: £212,849) lease commitments, of which a proportion will be recharged to the Lottery Fund as they are incurred.

15 Other financial commitments

There were no other financial commitments as at 31 March 2016 (31 March 2015: Nil).

16 Contingent liabilities disclosed under IAS 37

The Arts Council has no contingent liabilities as at 31 March 2016 (31 March 2015: Nil).

17 Related Party Transactions

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

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

The Arts Council of Northern Ireland Exchequer Account is also regarded as a related party to The Arts Council's National Lottery Distribution Account. At 31 March 2016 a net amount of £38,750 (2014-15: £158,342) was owed to the Exchequer Account in respect of salary and other administrative costs incurred.

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

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

Name	Nature of relationship	Organisation Name	Awarded in 2015-16	Paid in 2015-16*	Balance Outstanding as at 31 March 2016**
Board Members:					
Anna Carragher	Daughter Employee of Culture Night	Cathedral Quarter Trust	21,600	21,733	1,080
Noelle McAlinden	Board of Centre for Contemporary Art Derry - Londonderry	Centre for Contemporary Art Derry – Londonderry	-	14,140	2,135
Eibhlin Ni Dhochartaigh	An Gaelaras Employee	An Gaelaras Ltd	30,882	63,204	3,327
Paul Mullan	Wife Chairs All Set Traditional Music Group	All Set Cross Cultural Project	27,338	27,338	1,367
Paul Seawright	Chair of Belfast Photo Festival	Belfast Photo Festival	30,000	42,000	1,500
Conor Shields	Employed by Community Arts Partnership	Community Arts Partnership	203,283	212,627	28,279

Name	Nature of relationship	Organisation Name	Awarded in 2015-16	Paid in 2015-16*	Balance Outstanding as at 31 March 2016**
	Board Member of Cathedral Quarter Trust	Cathedral Quarter Trust	21,600	21,733	1,080
Brian Sore	Committee Member of Arts Care	Arts Care	87,876	127,420	4,394
	Member of RTPI (user of PLACE)	PLACE	90,157	90,853	4,508
Nisha Tandon	Director ArtsEkta	ArtsEkta	60,796	123,926	21,792
	Board Member of Cahoots	Cahoots	5,500	5,500	-
Siun Hanrahan	Board Member of the Void	The Void Art Centre	5,300	2,650	27,263
Staff Members:					
Ken Bartley	Brother was a Member of Queen Street Studios	QSS@Bedford Street	-	30,026	1,580
Vincent Crossey	Treasurer of Wheelworks	Wheelworks	-	82,450	4,123
Lizzie Devlin	Friend is a Project Co-ordinator in the Spectrum Centre	Greater Shankill Partnership Property Development Company	56,383	57,522	28,872
	Friends work for Community Arts Partnership	Community Arts Partnership	203,283	212,627	28,279
	Friend is a Board Member of Kabosh	Kabosh Ltd	66,125	68,498	3,000
David Gilliland	Director and Company Secretary of Arts for All	Arts for All	-	56,758	2,838
Roisin McDonough	Member of Cathedral Quarter Trust Group	Cathedral Quarter Trust	21,600	21,733	1,080
	Creative and Cultural Skills UK Board Member	Creative and Cultural Skills	-	29,471	341,259
Noirin McKinney	Spouse is Editor of Irish Pages	Irish Pages Ltd	29,000	29,000	1,450
	Friends with Directors of Panarts	Panarts	33,555	31,877	1,678
	Niece in Kids' Philharmonic Society	Belfast Philharmonic Society	18,720	21,439	9,360
Edel Murphy	Course Tutor is Director of McCracken Cultural Society	McCracken Cultural Society	16,940	17,765	-
Gavin O'Connor	Tutor for BelfastTrad Music Society	BelfastTrad	33,025	32,344	1,651
Deirdre Robb	Studio Member of Creative Exchange Studios	Creative Exchange	13,300	12,635	665
Ciaran Scullion	Wife is the Membership and Development Officer at the Ulster Youth Choir	Ulster Youth Choir	81,976	95,288	4,099
Fionnuala Walsh	Partner Chair of PLACE	PLACE	90,157	90,853	4,508

Name	Nature of relationship	Organisation Name	Awarded in 2015-16	Paid in 2015-16*	Balance Outstanding as at 31 March 2016**
	Partner Board Member of Digital Arts Studios	Digital Arts Studios	-	60,260	3,013
Ann Ward	Member of Accolade Community Choir	Accolade	-	7,260	-
Sonya Whitefield	Member of Wheelworks Board	Wheelworks	-	82,450	4,123
Debbie Young	Rents Workshop Space from Arts For All	Arts For All	-	56,758	3,298
	Facilitator at Duncairn Culture and Arts Centre	174 Trust	50,000	48,937	25,000

*Paid in 2015-16 includes payments relating to awards made in previous years.

**Balance outstanding as at 31 March 2016 includes all awards made in 2015-16 and previous years where an outstanding balance remains.

18 Third-party assets

There are no third-party assets as at 31 March 2016 (31 March 2015: Nil).

19 Events after the reporting period

The result of the referendum held on 23 June was in favour of the UK leaving the European Union. This is a non-adjusting event. A reasonable estimate of the financial effect of this event cannot be made.

Date of authorisation for issue

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

Appendix A

Revised Lottery Policy Directions to Arts Council of Northern Ireland

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

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

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

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

Paul Sweeney

16 April 2008

Appendix B

National Lottery Development Fund (NLDF) Balance – Policy Statement

1 Background

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

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

Cash Balances held by NLDF are invested on behalf of it by the National Investment and Loans Office and investment income earned by NLDF is apportioned between its distributors on the basis of the funds held by NLDF on behalf of individual distributors at the date of receipt of investment income.

Arts Council of Northern Ireland (ACNI) is the distributor for the Arts in Northern Ireland and is one of the Arts organisations funded by NLDF alongside: Arts Council England; Arts Council of Wales; Creative Scotland and the British Film Institute. ACNI is allocated 0.56% of NLDF's net income per annum until 2016-17.

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

2 ACNI NLDF Policy

2.1 Introduction

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

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

2.2 NLDF balances

ACNI's NLDF Balance comprises the following

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

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

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

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

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

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

CY	2015-16	£2.387 million
CY+1	2016-17	£3.821 million
CY+2	2017-18	£4.908 million

3 Management of NLDF balances –

ACNI manages its NLDF balance by using a range of management tools including:-

3.1 Management Accounts

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

Management Accounts will compare actual outturns with budget, including actual and budget NLDF balances. Variances against budget will be identified and explained.

3.2 Good practice

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

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

3.3 KPI s

ACNI will continue to use KPIs appropriate to the policies and targets adopted. These will include:-

The 'Quicker Turnaround KPI'

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

The 'Quicker Close Out KPI'

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

3.4 Costs of administering NLDF funding

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

Appendix 1

The position of the NLDF is monitored against the estimated share of the projected Lottery income available for distribution as communicated in the latest communication from DCMS on this, dated of 29 January 2014.

Estimated Income to good causes as per DCMS forecast 29 Jan 14	13-14	14-15	15-16	16-17	17-18	18-19
Non-investment income	1,800,000,000	1,800,000,000	1,800,000,000	1,800,000,000	1,800,000,000	1,800,000,000
Investment income	10,000,000	10,000,000	15,000,000	30,000,000	35,000,000	45,000,000
Total income	1,810,000,000	1,810,000,000	1,815,000,000	1,830,000,000	1,835,000,000	1,845,000,000
£2 game launch adjustments	55,000,000	10,000,000	10,000,000	10,000,000	5,000,000	5,000,000
Net income	1,755,000,000	1,820,000,000	1,825,000,000	1,840,000,000	1,840,000,000	1,850,000,000
Net income rounded to the nearest £50 million as per paper	1,750,000,000	1,800,000,000	1,800,000,000	1,850,000,000	1,850,000,000	1,850,000,000
Arts Council of Northern Ireland portion of 0.560%	9,828,000	10,192,000	10,220,000	10,304,000	10,304,000	10,360,000
Arts Council of Northern Ireland portion of 0.560% of the rounded figure	9,800,000	10,080,000	10,080,000	10,360,000	10,360,000	10,360,000

Appendix 2 NLDF - Monitoring Control Sheet

Arts Council of Northern Ireland Lottery budgets

	14-15	15-16	16-17	17-18	18-19
Surplus/deficit b/f	1,714,606	733,705	(764,857)	(1,191,783)	(685,277)
Estimated Income as per DCMS forecast 29 Jan 14	10,080,000	10,080,000	10,360,000	10,360,000	10,360,000
De-commitments (estimate at approx 1%)	100,000	100,000	100,000	100,000	100,000
Total Income	11,894,606	10,913,705	9,695,143	9,268,217	9,774,723
ACNI Apportionment re-charge and direct Lottery overhead costs	1,338,332	1,338,332	1,338,332	1,338,332	1,338,332
Available to grant programmes	10,556,274	9,575,373	8,356,811	7,929,885	8,436,391
Programme Expenditure					
Small Grants/Start up	500,000	500,000	500,000	500,000	500,000
Intercultural Programme	100,000	100,000	100,000	100,000	100,000
Annual Funding	4,611,874	4,335,162	4,335,162	4,335,162	4,335,162
Annual funding – potential new clients		250,000	250,000	250,000	250,000
Project Funding	1,500,000	1,750,000	1,750,000	1,750,000	1,750,000
Arts & Older People	100,000	100,000	100,000		
SIAP	400,000	700,000	700,000	700,000	700,000
NI Screen	844,502	720,068	628,432		
the Space	50,000	50,000	50,000		
UK Cross Border Touring	150,000	150,000	150,000	150,000	150,000
NI Music Touring	91,193	150,000	150,000	150,000	150,000
Re-Imaging	600,000	600,000			
Capacity Building/Feasibility studies/econ appraisals	100,000	100,000	100,000	100,000	100,000
Public Art	250,000	250,000	250,000	250,000	250,000
Mental Health & Wellbeing		100,000	100,000	100,000	100,000
Belfast flagship project	250,000	200,000			
Creative Apprenticeships	50,000	135,000	135,000	130,000	
Derry Legacy	150,000	150,000	150,000		
Visual Arts Dev Fund	75,000				
Community Arts Rural pilot programe			100,000	100,000	100,000
Total Programme Expenditure	9,822,569	10,340,230	9,548,594	8,615,162	8,485,162
Deficit/Surplus	733,705	-764,857	-1,191,783	-685,277	-48,771

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