

**THE ARTS COUNCIL OF NORTHERN IRELAND**  
**Annual Report and Accounts**  
**FOR THE YEAR ENDED 31 March 2018**

*Laid before the Northern Ireland Assembly  
Under Article 8 (2) (c) and Article 9 of the  
Arts Council (Northern Ireland) Order 1995  
by the Department for Communities  
on*

14 December 2018

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## Performance Report

The Performance Report focuses on matters relevant to all users of financial statements. Its purpose is to provide information on the Arts Council, its main objectives and strategies and the principal risks it faces. It has two sections: an 'Overview' and a 'Performance Analysis'.

### Overview

The purpose of the 'Overview' section of the Performance Report is to give the lay user a brief summary, which provides sufficient information to understand the Arts Council, its purposes, the key risks to the achievement of its objectives and how it has performed during the year. It consists of the Chair's foreword, Chief Executive's introduction, the purpose and activities of the Arts Council of Northern Ireland, key issues and risks which could affect the Arts Council in delivering its objectives, an explanation of going concern as it affects the Arts Council and a performance summary.

### Chair's Foreword

As Chairman of the Arts Council I want to ensure that artists have the opportunity to develop sustainable careers using their skills and creativity, and that the arts sector as a whole has the resources available to enable it to thrive.

Arts organisations generate income from a variety of sources. Research shows that earned income, generated through Box Office and Sales, accounts for 42% of total income for the Arts Council's annually funded clients. Other sources, including trusts, sponsorships, personal giving, local authority and other grants, deliver 29% and Arts Council support, comprising both Government and National Lottery funds, provides 28%. A spread of funding is an important part of risk reduction. The total funding generated by the arts sector in Northern Ireland is not enough, however, to ensure its stability and growth.

Northern Ireland, compared with other regions of the UK, has a less well-off population, a scarcity of major corporative headquarters from which large commercial sponsorship comes and few wealthy private philanthropists. Local government, despite its new responsibilities and a Community Planning process, that rightly identifies a key strategic role for the arts, has yet to commit the level of funding that the arts strategic positioning might reasonably command.

Government investment in the arts is lower in Northern Ireland than it is in the other UK regions and nations. While there may be many good reasons for this, the failure to recognise the benefits arising for society and the economy, as evidenced by the funding made available, ultimately means that Northern Ireland will miss out on great opportunities.

The past year was a difficult one financially and with the only prospect further cuts in years to come, the future is bleak unless new and innovative solutions to the funding challenge can be found.

## Arts Council of Northern Ireland

The Arts Council will continue to shape and focus a case for the arts to Government rooted in good and timely data on the economic and social benefits arising. Where local industry does not see the potential and where trusts and foundations don't know the good work and the excellent art that is produced here, we will aim to change that.

Sustainability, excellence and the optimum contribution to society are at the forefront of the Arts Council's aspirations for the arts. As the Arts Council embarks on the preparation of a new five-year strategy it gives this commitment, to work to ensure that the arts are recognised for their contribution to society and supported appropriately.



**John Edmund**  
Chair, Arts Council of Northern Ireland

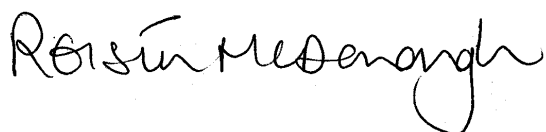
**Date: 07 November 2018**

## Chief Executive's Introduction

This year, as every year, a major concern for artists and arts organisations revolved around the level of public funding that would be made available to support the development and delivery of the range of arts activity across Northern Ireland. In June, somewhat later than usual due to the collapse of the Executive at Stormont, the Arts Council announced the 2017-18 allocation of funding to Northern Ireland's annually funded organisations. With the budget available from the Department for Communities, most clients received a 2-4% cut to their annual grant. In total, 107 organisations received £8.385 million exchequer funds through the Annual Funding Programme, to support core costs. Operational and programming costs are largely offset by Arts Council National Lottery funds.

The investment from the Department for Communities is set in the context of a wider picture of government disinvestment in the arts, which has resulted in a cumulative drop in arts funding of almost 40% in real terms over the last six years. This downward trajectory of investment has created a significant disparity and a widening gap between the level of support in Northern Ireland and that of the rest of the UK and the Republic of Ireland, where there has been a sustained period of reinvestment.

The achievements of artists and arts organisations, in the arts, in health and wellbeing, in education, in regeneration and in social development provide a compelling justification for investing in the arts. This year, with the support of exchequer funding through the Arts Council, Northern Ireland enjoyed a number of landmark events: The MAC hosted the first significant exhibition by Gilbert and George in Ireland in 20 years; Turner Prize-winning artist Jeremy Deller visited The Playhouse to discuss 'We're here because we're here', his nation-wide artwork involving thousands of volunteers and 23 theatres, including The Playhouse; Young at Art celebrated turning twenty with an enhanced Belfast Children's Festival; the John Hewitt International Summer School marked the 30th anniversary of the society and of the death of the eponymous poet and political commentator; the Millennium Forum welcomed its five millionth visitor since opening in 2001; the Lyric Theatre's co-production of 'Red' with Prime Cut Productions won four awards at the Irish Times Theatre Awards, making the Lyric winner of more ITTA awards since 2014 than any other theatre in Ireland; almost 130,000 people visited the 'Poppies: Weeping Window' art installation at the Ulster Museum as part of the 2017/18 Belfast International Arts Festival. These arts organisations, in common with all organisations funded by the Arts Council, have developed extensive associated outreach programmes, engaging harder-to-reach people and communities in their activities and ensuring that every citizen of Northern Ireland has the opportunity to share the benefits of the arts. Evidence, if more were needed, that investing in the arts yields big results for everyone, including tourism and business interests, and a taste of what more could be achieved through reinvestment.



**Roisín McDonough**  
Chief Executive

**Date: 07 November 2018**

## Purpose and Activities of the Arts Council

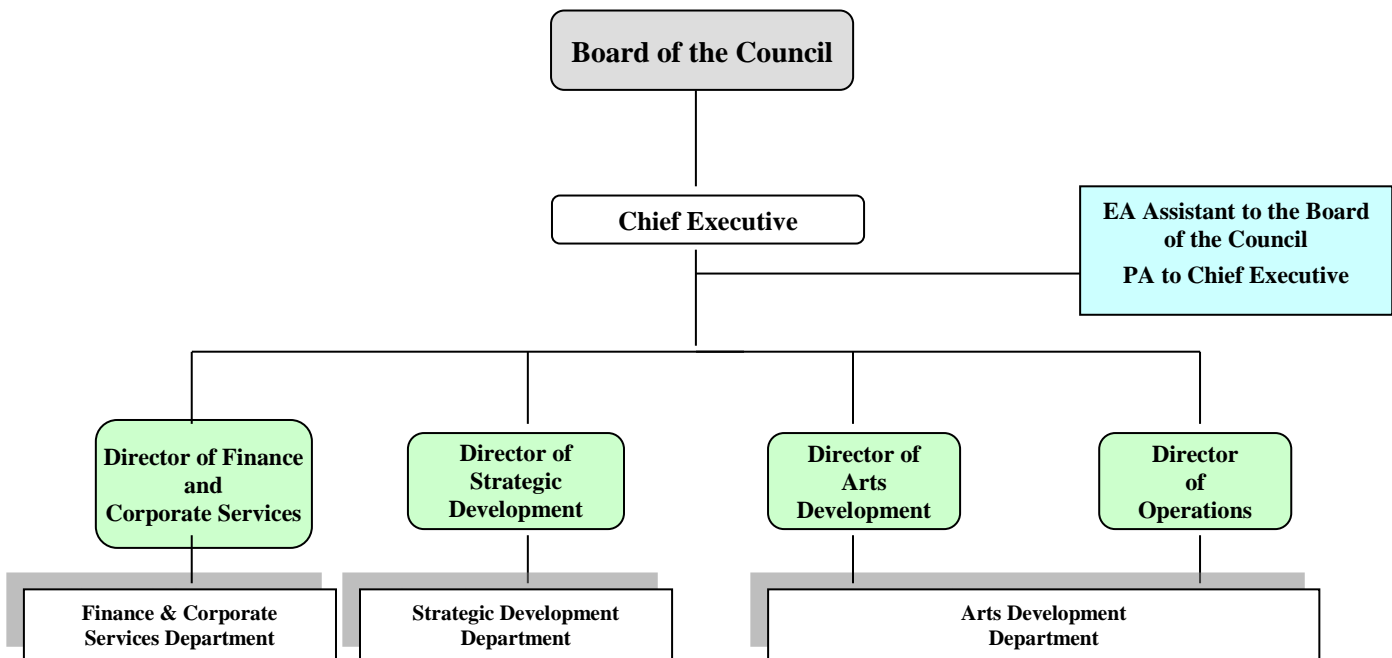
### Business model and environment

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

The 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.

### Organisational Structure

The affairs of the Arts Council are managed by a Board consisting of the members listed below in the Directors Report. The Arts Council has five executive directors: the Chief Executive, the Director of Finance and Corporate Services, the Director of Strategic Development, the Director of Arts Development and the Director of Operations. The Chief Executive, Roisin 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.



## **Principal Functions Related to Grant-in-Aid Activities**

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

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

## **Review of Grant-in-aid Activities**

During the year 2017-18, the Arts Council's Expenditure on the Arts totalled £9,850,577 (2016-17: £9,979,359). This represents a decrease of £0.129m on the previous year (2016-17: increase of £0.049m). Excluding in-year capital grants to arts organisations of £0.250m there is a decrease of £0.056m (2016-17: decrease of £0.229m) on the prior year. Regularly funded organisations were awarded £8.4m (2016-17: £8.8m) – a commendable achievement given the difficult funding environment.

## **Future Grant-in-aid Activities**

A further reduction of approximately 4% in Exchequer funding for the arts is anticipated in 2018-19. Having absorbed much of the budget reductions of 2017-18 and previous years through a programme of internal savings, it may not be possible for the Arts Council to protect the sector from the full impact of further budget reductions in 2018-19. The Arts Council held two sectoral meetings in 2017-18 to apprise annually funded organisations of the forecasts for 2018-19.

## **Objectives and Strategies**

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

In 2014 the Arts Council published its new five-year development plan, 2013-18, *Ambitions for the Arts*, following approval and endorsement of the document by the Minister for Culture, Arts and Leisure. The main themes of the plan and the themes which inform the Arts Council's Business Plan for 2017-18, are:

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



## **Key Issues and Risks that could affect the delivery of our Objectives**

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

The principal risks considered in the risk register are:

- Litigation: Personnel disputes including redundancy policy, pension reform and discrimination;
- Public perception of the Arts Council arising from Board conflict; and
- Loss of frontline services if inadequate funding is secured for arts organisations.

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

## **Going Concern Basis**

The financial statements of the Arts Council are produced on the 'Going Concern Basis'. This was formally considered by the Board at its meeting on Wednesday 7<sup>th</sup> November 2018. The Arts Council is not aware of any reason to adopt a different basis.

The Arts Council has a pension deficit of £4.2m as of 31<sup>st</sup> March 2018. The Head of Governance Support Unit at our sponsor Department confirmed in 2010 that in the event of closure of the Arts Council the funding for pension liabilities would be guaranteed by the Department.

DfC are currently undertaking a review of all arms-length bodies. The review will not be complete until financial year 2018-2019 at the earliest.

## **A Performance Summary**

The performance summary is reviewed under the three themes underpinning the five-year development plan 2013-18, and the business plan for 2017-18.

## **Champion the Arts**

In summary, this theme describes the Arts Council's objectives to place the arts at the heart of society.

Strengthening international opportunities for artists continued to be a priority area for artist development. Much of this work is carried out in close partnership with the British Council. Now in its sixth year, the Artists International Development Fund, a joint initiative between the British Council and the Arts Council offering grants of up to £5,000, continued to provide artists and arts organisations with opportunities to

bring their work to international audiences. In 2017-18, The Artists' International Development Fund benefitted 11 artists/organisations, including Echo Echo Dance Theatre Company, which expanded its international profile and networks in Sweden, and singer-songwriter Amanda St John, who undertook a promotional tour in the USA. Over the last three-year period, 49 awards have been made to artists and arts organisations across theatre, dance, literature, visual arts, music and traditional arts, with Arts Council and British Council's joint funding support of £150,000.

Through other international initiatives in 2017-18, five artists took advantage of residencies established in India, with film-maker Myrid Carten travelling to Sanskriti Delhi cultural centre, Glenn Patterson attending the Jaipur Literary Festival; craft maker Robyn Galway, visual artist Angela Hackett and playwright Alice Malseed completing residencies at Ramgarh Shekhawati.

Also in partnership with the British Council, the Arts Council supported bursaries for a fourth year of residencies and showcase opportunities at the Centre Culturel Irlandais in Paris. The Centre Culturel Irlandais provided the setting for Kabosh theatre company to present its powerful political production, Green & Blue; and for musician Anthony Toner and poet Frank Ormsby to premiere their latest collaborative work, The Kiss of Light, with Neil Martin and Linley Hamilton.

Three bursaries were awarded to singer-songwriters to showcase work at the world's largest gathering of the folk music industry, the Folk Alliance in Kansas, USA; and four bursaries were awarded to musicians to promote their work at the biggest gathering of the world music scene, Womex in Poland.

The Brussels Platform, now in its seventh year, is the result of collaboration between the Arts Council and the Northern Ireland Executive in Brussels, designed to promote the culture and creativity of Northern Ireland to an international audience of officials from the EU Institutions and the diplomatic community. The Platform events provide opportunities for artists from Northern Ireland, representing all art forms, to showcase their work. This year comedian Peter E Davidson performed at a special Culture Night event and rising young traditional folk band Connla showcased the quality of traditional music emerging from Northern Ireland at the Brussels Tradfest.

The Arts Council's Corporate Communications continued to promote and champion the arts through traditional and social media channels. Over the course of the year, Corporate Communications contributed to 851 pieces of newspaper coverage and 659 minutes of broadcast coverage. Social Media was again a priority development area for Arts Council communications and audience engagement across social media continued to increase. Audience growth was up by 8% on Facebook and by 15% on Twitter. The Arts Council website attracted 85,429 visitors. With an emphasis this year on producing short films to promote the work of the Arts Council and the sector, 47 short films were produced and total views increased by 155%.

## **Promote Access**

In summary, this theme describes the Arts Council's objectives, through its annual funding to arts organisations, to encourage more people and communities to become engaged in the arts, tackling barriers such as poverty and social exclusion.

Working with the Belfast International Arts Festival, the Arts Council continued its city-wide programme of participatory and learning activities. The 'Embrace' programme of free family and schools workshops, talks and opportunities to engage with festival artists is designed to enhance audience appreciation of the productions and encourage active participation in the arts.

The Arts Council of Northern Ireland maintained its funding partnership with the Arts Council/An Chomhairle Ealaíon through the Touring and Dissemination of Work Scheme. The scheme is designed to support touring of work by Northern Ireland companies to the Republic of Ireland, and vice versa, across a range of artforms and arts practices. Northern Ireland beneficiaries in 2017-18 included Kabosh, with their production, 'Lives in Translation' and Moving on Music's Sons of Kemet tour to regional cultural centres in Ireland.

The Musical Instruments for Bands programme provided grants of between £500 and £5,000, with a total allocation of £200,000 for the year. The programme is designed to increase the quality of music making in the community by helping bands to replace worn-out instruments and purchase new instruments. It is open to bands in Northern Ireland which are constituted, including accordion, brass, concert, flute, pipe and wind bands.

## **Create a Resilient Sector**

In summary, this theme describes the Arts Council's objectives for supporting artists, arts organisations and the physical infrastructure.

The Arts Council awarded £8.385 million Exchequer funds to 107 key arts organisations through its Annual Funding Programme, to support core costs.

Following sectoral meetings organised by the Arts Council in Belfast and Derry-Londonderry, at which arts organisations expressed their wish to respond as a group to the budget cuts forecast in the draft NI Budget for 2018-19, the Arts Council organised a major advocacy event at Stormont. More than 23 MLAs, representing all the main political parties in Northern Ireland, joined the arts sector, business leaders and public sector representatives for 'The Big Arts Debate' at Stormont. The debate, sponsored on behalf of the Arts Council by Mike Nesbitt MLA and Claire Hanna MLA, created the opportunity for the arts sector to highlight the disparity between funding levels in Northern Ireland and the rest of the UK and Republic of Ireland, and to strengthen awareness amongst MLAs and decision makers of the high level of contribution that the arts make to the economy, to society and to the health and wellbeing of citizens in Northern Ireland. Contributors included leading business entrepreneur and Managing Director of Beannchor, Bill Wolsey, and Head of Marketing and Communication at Allianz Ireland, Damien O'Neill.

## Performance Analysis

The purpose of the 'Performance Analysis' section is to provide a detailed performance summary of how the Arts Council measures its performance and a more detailed integrated performance analysis and long term income analysis.

### Key Performance Indicators, Risk and Uncertainty

The Arts Council has two main financial Key Performance Indicators (KPIs). The resource budget allocation was £10,620,000; the Arts Council spent £10,615,000, which is an outturn of almost 100%. The Arts Council is not allowed to over-spend its budget allocation but equally it is expected to spend its budget allocation. This is managed on a monthly basis by having month-end budget meetings and reporting on our expected year-end outturn to the Department in our monthly Resource Consumption. In this way we can manage under-spends and over-spends in various budget lines and deliver an acceptable year-end outcome.

The Capital out-turn was 45%. The Arts Council was unable to surrender £348,000 of the £643,000 capital money allocated by DfC for the MAC. This meant that our capital budget allocation was £643,000 instead of our internal capital budget of £295,000. We achieved a capital out-turn of 45% against the £643,000 capital allocation and a 98% return against our internal capital budget of £295,000. The reason for the capital under-spend was because the MAC project was delayed: the appointed contractor was unable to provide satisfactory insurance for the project and was consequently terminated.

Governance and Accountability	
Target	Outcome
98% of resource programme spend by year end	Resource out-turn 100%
97% of capital programme spend by year end	Capital out-turn 45%

### Financial Results

The Arts Council's key financial target is to operate within the allocated budget for the year. At the end of the year the Arts Council realised total net expenditure of £11,136,714 (2016-17: £11,230,854). The taxpayer equity at the year-end is in deficit of £3,158,165 (2016-17: -£2,933,419) which includes a pension reserve liability of £4,242,000 (2016-17: £3,952,000).

### Social and community issues

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

## **Political and Charitable Donations**

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

## **Non-Current Assets**

The movement on non-current assets is reported upon in Notes 4 and 5 of the accounts. Assets to the value of £55,702 (2016-17: £40,509) were purchased during the year.

## **Research and Development**

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

## **Interest rate and currency risk**

The Arts Council has no borrowing, relying primarily on Departmental grants for its cash requirements and is therefore not exposed to liquidity risks. It has also no material deposits. Therefore the Arts Council is not exposed to material interest rate risk and as all significant assets and liabilities are determined in sterling it is not exposed to material currency risk.

## **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 97% of the bills were paid within this standard. The comparative figure for 2016-17 was 97%. A review of payment of bills in 30 days from receipt of goods or services found that 100% of the bills were paid within 30 days (2016-17: 100%).

Overall, for the year, the average number of days taken to pay invoices was 4 days (2016-17: 4 days)

## **Pension Fund (Audited Information)**

All assets, liabilities and operating costs of the Arts Council's pension scheme are recorded in the accounts of the Arts Council Exchequer entity. The salary charges to Lottery in-year include a recharge of employer pension costs of £157,629 (2016-17: £142,983).

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 2018 was £15.481m (31 March 2017: £14.847m) and the present value of the Arts Council's share of the scheme liabilities was £19.723m (31 March 2017: £18.799m). The Arts

Council's share of the Scheme recorded net pension liabilities at 31 March 2018 was £4.242m (31 March 2017: £3.952m).

The accounting policy for pensions is disclosed in Note 1.15 in the accounts.

### **Accounts and Appointment of Auditors**

The Accounts of the Arts Council are prepared in a form directed by the Department for Communities with the consent of the Department of Finance in accordance with Article 8 of the Arts Council (Northern Ireland) Order 1995.

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

The fee for the audit of these financial statements is £19,000 (2016-17: £19,000). This cost is included in Note 2(a) Operating Expenditure in the financial statements. The Arts Council did not purchase any non-audit services from its auditor the Northern Ireland Audit Office during the year.

### **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>

Two reports were provided to the Board on the number of complaints received and the outcome within the period.

There were 0 direct complaints received in the 2017-18 financial year (5 in the 2016-2017 financial year).

### **Sustainability Report**

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

Our sustainable actions include:

- Reducing our waste and increasing recycling levels;
- Reducing our contribution to climate change in terms of energy consumption and related CO<sub>2</sub> 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.

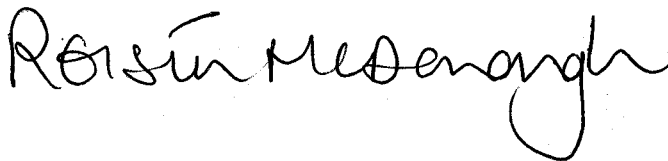
### **Respect for Human Rights**

It is the policy of the Arts Council that, during the course of their employment, no employee receives less favourable treatment or is discriminated against on the grounds of their sex including gender reassignment, pregnancy or maternity leave, marital or civil partnership status, sexual orientation, race or ethnic origin, religious belief, political opinion, national identity, age, or disability.

### **Anti-corruption, Anti-fraud and Anti-bribery Matters**

The Arts Council has a number of policies in place, designed to minimise the risk of fraud. These are; Anti-Fraud and Anti-Bribery Policy, Conflicts of Interest Policy, Whistleblowing Policy, Gifts and Hospitality Policy and Code of Conduct for Staff. Staff received training on Fraud Awareness, Bribery and Corruption during the course of the year.

During 2017-18 there were no incidents of fraud relating to Arts Council Exchequer.



**Roisín McDonough**  
**Accounting Officer**

**Date: 07 November 2018**

## Accountability Report

The Accountability Report has three sections: a Corporate Governance Report; a Remuneration and Staff report and a Parliamentary Accountability and Audit Report.

### Corporate Governance Report

The purpose of the Corporate Governance Report is to explain the composition and organisation of the Arts Council's governance structures and how they support the achievement of its objectives. The Corporate Governance Report includes the Director's Report; the Statement of Accounting Officer's responsibilities and the Governance Statement.

### Directors Report

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

The Arts Council performed its functions during the year ending on 31 March 2018 by making grants to organisations engaged in the arts either on an annual or a project basis; by granting awards and bursaries to individuals engaged in the arts; by organising tours of performing and creative artists; by organising and participating in the Forum for Local Government and the Arts; and by advising the Department for Communities and various other public and private bodies on a range of issues relating to the arts. The Arts Council is also one of the distributing bodies of National Lottery funding. Lottery distributing activities are reported upon separately under the National Lottery Etc. Act 1993. Appointments to the Board are made by the Minister for Communities. The Chair and members of the Board have individual and collective responsibility to the Minister as Head of Department:

The Chief Executive of the Arts Council of Northern Ireland is Roisin McDonough.

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 nine members (as at 31 March 2018) appointed by the DfC Minister, as set out in the Arts Council (Northern Ireland) Order 1995. Conor Shields and Nisha Tandon retired from the Board on the 30th April 2017 and Jarlath Kearney retired on the 6th October 2017. No other Board members were appointed or re-appointed during the year. The Board of the Arts Council for the year ended 31 March 2018 is shown below:

#### **Board: 1 April 2017 to 31 March 2018**

Mr John Edmund (Chair)  
Dr Katy Radford (Vice-Chair)  
Mr David Alderdice  
Ms Anna Carragher  
Ms Noelle McAlinden  
Ms Katherine McCloskey  
Mr Paul Mullan



Dr Leon Litvack  
Ms Siún Hanrahan  
Ms Roisin Erskine  
Mr Cian Smith  
Ms Nisha Tandon (until 30th April 2017)  
Mr Conor Shields (until 30th April 2017)  
Mr Jarlath Kearney (until 6th October 2017)

**The members of the Audit and Risk Committee for the year ended 31 March 2018 were:**

Ms Anna Carragher (Chair)  
Mr Paul Mullan  
Ms Roisin Erskine  
Mr Gerry Crossan (co-opted member)  
Mr Jarlath Kearney (until 6th October 2017)

**The members of the Grants Committee for the year ended 31 March 2018 were:**

Dr Katy Radford (Chair)  
Mr David Alderdice  
Mr Paul Mullan  
Ms Siún Hanrahan

**The members of the Finance and Capital Committee for the year ended 31 March 2018 were:**

Dr Leon Litvack (Chair)  
Ms Siún Hanrahan  
Ms Katherine McCloskey  
Mr Gerry Crossan (co-opted member)

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 12. 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.

**Personal Data**

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

## **Statement of the Accounting Officer's Responsibilities**

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

In preparing accounts the Arts Council is required to:

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

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

So far as I am aware as the Accounting Officer, there is no relevant audit information of which the Arts Council's auditors are unaware. I have taken all steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Arts Council's auditors are aware of that information.

As Accounting Officer, I confirm that the annual report and accounts as a whole is fair, balanced and understandable. I take personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

## **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 departmental 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.

I also combine my Accounting Officer role with my responsibilities to the Department including any Ministerial directions. There were no Ministerial directions in the 2017-18 financial year.

### **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 Department of Finance and Personnel (now Department of Finance (DoF)) under cover of their letter DAO (DFP) 06/13.

The Board reviewed and discussed the six principles of the code at a Board effectiveness day on Thursday 29 March 2018. The Board 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 because the DfC 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 2017-18 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 12. 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 activities 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 on-going process designed to identify and prioritise the risks to the achievement of departmental 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 2018 and up to the date of approval of the annual report and accounts, and accords with DoF guidance.

### **The 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 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 Management 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**

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;

## Arts Council of Northern Ireland

- to participate in the corporate planning process; and
- to appoint a Chief Executive.

The Board held ten meetings during the year to determine policy for the Arts Council and make decisions in line with that policy. Nine meetings were Board meetings and one meeting was for Board effectiveness training. I attended all the Board meetings. My Directors attended nearly all the ten Board meetings and produced papers and information to assist Board decision making. On Thursday 29th March 2018 the Board of the Arts Council of Northern Ireland met to review its effectiveness and consider governance and operational management according to the requirements of the Northern Ireland Audit Office (NIAO) Board Effectiveness Good Practice Guide. The meeting was facilitated by Ian Snowden, Deputy Secretary, Engaged Communities, DfC. The Board considered all of those matters prescribed by the Guide and where necessary approved the operational response. The Board considered Committee performance and the relevance of current structures and committee memberships, mindful that the Council is moving into a new planning phase as it develops a new corporate plan. The Board reviewed and approved its current work-plan and determined to establish a working group to deliver the next corporate plan. The Board considered positively its operational relationship with the Executive and noted the importance of having time to review the functioning of Arts Council Northern Ireland in light of the current environment within which the arts operates.

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 70%.

**2017/18 Board/Committee Attendance**

	Board Meetings			Committee Meetings			Total Meetings		
	Act	Poss	%	Act	Poss	%	Act	Poss	%
John Edmund (chair)	9	10	90	1	1	100	10	11	91
Katy Radford (vice Chair)	8	10	80	6	6	100	14	16	88
David Alderdice	7	10	70	2	6	33	9	16	56
Anna Carragher	7	10	70	5	5	100	12	15	80
Siún Hanranhan	5	10	50	8	10	80	13	20	65
Jarlath Kearney <sup>1</sup>	1	4	25	3	3	100	4	7	57
Leon Litvack	8	10	80	6	6	100	14	16	88
Noelle McAlinden	8	10	80	0	0	N/A	8	10	80
Katherine McCloskey	5	10	50	5	6	83	10	16	63
Roisin Erskine <sup>2</sup>	3	10	30	2	5	40	5	15	33
Paul Mullan	9	10	90	8	10	80	17	20	85
Cian Smyth	6	10	60	0	0	N/A	6	10	60
Gerry Crossan	0	0	N/A	6	10	60	6	10	60
Conor Shields <sup>3</sup>	1	1	100	N/A	N/A	N/A	1	1	100
Nisha Tandon <sup>3</sup>	1	1	100	N/A	N/A	N/A	1	1	100

<sup>1</sup> Jarlath Kearney retired from the Board on the 6th October 2017.

<sup>2</sup> Roisin Erskine was unable to attend any Board or Committee meetings after the 6th July 2017 through to the 31st March 2018 due to a pregnancy related illness

<sup>3</sup> Conor Shields and Nisha Tandon retired from the Board on the 30<sup>th</sup> April 2017.

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.

**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 five times during the year. I attended three meetings; the Director of Finance and Corporate Services attended all five meetings and the Operations Director attended four meetings. 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 the Board effectiveness meeting on Thursday 29th March 2018 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. This committee met five times during the year. The Director of Finance and Corporate Services and the Director of Operations attended all five meetings and I attended four meetings. Its terms of reference cover the proposal to the Board for 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 Statement of Cash Flow; 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 five members and is chaired by the Vice Chair. 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. The Committee carried out this review at the Board's effectiveness meeting on Thursday 29<sup>th</sup> March 2018. The Director of Finance and Corporate Services attended this meeting.



The Grants Committee comprises four members and is chaired by a member. It met five times during the year. I attended four meetings; the Director of Operations attended all five meetings and the Director of Arts Development attended two meetings. 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 and taking decisions on grant aid within delegated financial limits set by the Board. 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 DfC'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.

These key themes are discharged by a number of business areas with two key financial performance indicators. The results for the year are:

Milestones achieved	50%	(1) <sup>1</sup>
Milestones still progressing	-	-
Milestones not achieved	50%	(1) <sup>1</sup>

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<sup>1</sup>Financial Key Performance Indicators on Page 12.

## **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 Board 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:

- Litigation: Personnel disputes including redundancy policy, pension reform and discrimination;
- Public perception of the Arts Council arising from Board conflict; and
- Reduction in DfC / National Lottery funding of the arts resulting in a loss of frontline services.

All three matters pose a risk to the reputation of the Arts Council in respect of the potential additional work required and costs incurred which would divert precious staff time and funds away from front line services.

In 2011 the sponsoring Department completed an ALB sponsorship risk assessment of 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 NIAO 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. The Council's computer system is hosted on an ITAssist platform. 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. Grant Thornton our internal auditors prepared their plan based on information provided from the following sources:

- Discussions with the Arts Council's senior management;
- Discussions with the Chairman of the Audit and Risk Committee;
- The corporate Risk Register;
- Annual report and financial statements;
- Specific areas requested by the Department for inclusion;
- Prior internal audit recommendations; and
- Inclusion of core financial areas which form the basis of the system of internal control.

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 Directors have achieved in clearing up points raised by both internal and external auditors in previous years.

## **Evaluation of the Council's corporate governance, financial planning and control**

In January 2018 the Department for Communities commissioned an independent review of the Council's corporate governance, financial planning and control. The review followed various communications received by the Department with differing views about the financial management and governance systems and procedures. The report acknowledged significant issues with the working relationships between the Chairman, Board and the Executive and made a number of recommendations designed to underpin better Board working, while establishing closer communication between the Arts Council, its Board and the Department and improved understanding of each other's needs.

The review concluded in March 2018 and made the following five recommendations:

1. The Chair should appoint a facilitator to manage the strategy workshop for the Board which should have a clear purpose of initiating work towards an agreed strategic plan by Autumn 2018;
2. The Chair should invite a senior departmental representative to the strategy workshop;
3. The Board should debate and agree a code of conduct to which they will adhere and subsequently remind themselves prior to each meeting;
4. The Department should have a senior level observer at Council meetings (for the next few months); and
5. The departmental observer at the Audit and Risk Committee should ensure that the Department is well informed on the approach to and the subsequent Arts Council's monitoring of a client's budgetary position.

Work is underway to conclude these recommendations in the next financial year.

## **Sources of Independent Assurance**

Grant Thornton is the Internal Auditor for the Arts Council and issued an internal audit assurance statement to the Audit and Risk Committee of the Arts Council in respect of the year ended 31 March 2018. The internal audit assurance statement stated that on the basis of work performed during the year, Grant Thornton can conclude that the Arts Council has established procedures that are adequate to meet management's control objectives in the systems audited and consequently Grant Thornton provided a satisfactory level of assurance over the control environment at the organisation.

The Comptroller and Auditor General to the Northern Ireland Assembly certifies the accounts and provides an opinion whether, in all material respects, the expenditure and income have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern the Arts Council. The Comptroller and Auditor General also provides an opinion on the truth and fairness

of the attached financial statement for the year ended 31 March 2018, and their supporting notes.

### **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 2018. 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.

All policy papers put to the Board for decision 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 of the Arts Council has reviewed the quality of the information made available by the executive for the purpose of effective decision making. The Board considers that the accuracy, timing and availability of the financial information and the support given to ensure that the Audit and Risk Committee functions effectively is satisfactory. The Board values the reports on art forms, organisational performance and the Council's development programmes for their insights into the challenges and opportunities facing the arts in Northern Ireland. The Board notes the challenge with regard to information, analysis and assessment facing the executive in determining the most beneficial distribution of arts funding in the current financial environment. Looking to the future and the requirement to prepare a new five-year corporate plan, the Board recognises that the pattern and the nature and extent of information provision on the functioning of the arts in Northern Ireland will change during the planning process and to support the delivery of the future plan. The Board looks

forward to participating with the executive in the definition of this new information regime.

### **Internal Governance Divergences – Current and New for 2017-18**

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

Seventeen prior year issues highlighted in internal audit reports have been resolved and are no longer control issues in 2017/18.

#### **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 Grant Thornton awarded the Arts Council a satisfactory level of assurance over its control environment in its assurance statement for 2017-18.

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 DAO (DoF) 07/16 which was implemented with immediate effect on sight of the guidance:

Priority 1: Failure to implement the recommendation is likely to result in a major failure of a key organisational objective, significant damage to the reputation of the organisation or the misuse of public funds.

Priority 2: Failure to implement the recommendation could result in the failure of an important organisational objective or could have some impact on a key organisational objective.

Priority 3: Failure to implement the recommendation could lead to an increased risk exposure.

Internal Audit also assign an assurance rating to reviews. Three evaluations are used. One evaluation, Satisfactory, is considered to be "above the line" in terms of governance, risk management and control. The remaining two audit opinions are considered "below the line".

The three assurance ratings are defined, in line with DAO (DoF) 07/16, as:

Satisfactory: Overall there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified, this should not significantly impact on the achievement of system objectives;

Limited: There are significant weaknesses within the governance, risk management and control framework which, if not addressed, could lead to the system objectives not being achieved; and

Unacceptable: The system of governance, risk management and control has failed or there is a real and substantial risk that the system will fail to meet its objectives.

Nine reviews were issued during the year with assurance ratings; one review was limited and the remaining eight reviews were satisfactory. The limited internal audit review was titled key financial controls and had six recommendations (one priority 1, one priority 2 and four priority 3). These six recommendations were

- Posting Manual journals (Priority 1);
- Policies and procedures (Priority 2)
- Payments (Priority 3)
- Bank and Cash (Priority 3)
- Debtors and Creditors (Priority 3); and
- Fixed Assets (Priority 3).

Management agreed a timescale for implementation of these recommendations and one recommendation was noted as outstanding (Fixed Assets (priority 3)) in the follow up report undertaken by Internal Audit at year end.

Overall, twenty eight new recommendations have been identified in the current year, one priority 1, nine priority 2 and eighteen priority 3. Of these recommendations fifteen have already been addressed and management have agreed a timescale for implementation of the remaining thirteen recommendations. There are no prior year issues. The one priority 1 recommendation was fully implemented by the year end and verified by internal audit during their year-end follow up review.

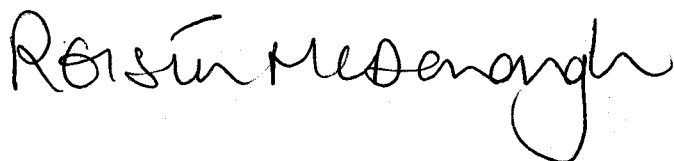
I am pleased to report that recommendations were satisfactorily progressed to allow internal audit to award a satisfactory level of assurance in its assurance statement.

### **Events after the Reporting Period**

None.

### **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 2017-18.



**Roisín McDonough**  
**Accounting Officer**

**Date: 7 November 2018**

# 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 five Board members as follows:

Dr Katy Radford (Chair);  
Dr Leon Litvack;  
Mr John Edmund;  
Ms Katherine McCloskey and  
Mr David Alderdice.

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.

The pay remit (for the NI public sector and SCS) is normally approved by the Minister of Finance but in the absence of an Executive the Department of Finance (DoF) Permanent Secretary has set the 2017-18 NI public sector pay policy in line with the overarching HM Treasury parameters and in a manner consistent with the approach taken by the previous Finance Minister in 2016-17.

The Remuneration Committee is responsible for assessing the Chief Executive's performance and making recommendations on achievement to DfC. The Chief Executive has a staff appraisal meeting with the Chairman on the basis of objectives set the previous year in consultation with DfC. The appraisal meeting also includes discussion of objectives for the incoming year. These are further discussed by the Chairman with DfC. 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 Deputy Principal 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<sup>th</sup> October 2000. This position is permanent within the definition above as are the executive director positions.

## Salary

'Salary' includes gross salary and performance pay or bonuses, to the extent that they are subject to UK taxation. This report is based on payments made by the Arts Council 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 and is £3,500 per annum for the Vice Chairman. The total cost of honoraria paid in 2017-18 was £13,500 (2016-17: £11,494). There was £256 (2016-17: £314) of employer's National Insurance Contributions. The amounts received by the Chairman and Vice-Chairman are detailed below:

	Chairman £	Vice- Chairman £
J Edmund	10,000	
K Radford		3,500

Of the total cost of honoraria £7,717, (2016-17: £6,092) 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; therefore, they are not included in the following pension note.

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

## Bonuses

The Special Bonus Scheme allows the Arts Council to reward exceptional performance in particularly demanding tasks or situations at any time in the year. No staff received a performance bonus in 2017-18 (2016-17:4).

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

	2017-18					Restated* 2016-17				
	Salary	Bonus	Benefit in kind (to nearest £100)	Pension Benefits** (to nearest £1,000)	Total	Salary	Bonus	Benefit in kind (to nearest £100)	Pension Benefits** (to nearest £1,000)	Total
	£'000	£'000			£'000	£'000	£'000			£'000
<b>Officials</b>										
R McDonough (Chief Executive)***	70-75	-	-	32	105-110	80-85*	-	-	40	120-125
N McKinney (Director of Arts Development)	55-60	-	-	3	60-65	55-60	-	-	12	60-65
G Troughton (Director of Finance and Corporate Services)	50-55	-	-	10	60-65	50-55	-	-	16	65-70
N Livingston (Director of Strategic Development)	55-60	-	-	1	60-65	55-60	-	-	12	70-75
L McDowell (Director of Operations)****	40-45	-	-	14	55-60	40-45	-	-	14	55-60
<b>Band of Highest Paid Director's Total Remuneration</b>		80-85					80-85			
<b>Median Total Remuneration</b>		£30,608					£29,554			
<b>Ratio</b>		2.7					2.8			

\* Reanalysis of salary elements resulted in a drop in salary band from £85-90k to £80-85k.

\*\* 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.

\*\*\* This employee took flexible retirement on 31 August 2017. The pension lump sum received from the flexible retirement is in the band range £100-105k. The annual pension received in year is in the band range £35-40k (2016-2017: £0k). FTE salary is in the band range £80-85.

\*\*\*\* This employee took flexible retirement on 31 December 2015. The pension lump sum received from the flexible retirement is in the band range £55-60k. The annual pension received in year is in the band range £20-25k (2016-2017: £20-25k). FTE salary is in the band range £55-60k.

### **Fair pay disclosure (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 banded remuneration of the highest-paid director in the organisation in the financial year 2017-18 was £80-85k (2016-17, £80-85k). This was 2.7 times (2016-17, 2.8) the median remuneration of the workforce, which was £30,608 (2017-18, £29,554). In 2017-18, 0 (2016-17, 0) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £22,739 to £84,640 (2016-2017, £22,739-£84,537).

The ratio is calculated as follows:

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

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.

### **Arts Council Pensions (Audited Information)**

The pension benefits of all staff are provided through the Northern Ireland Local Government Officers' Superannuation Committee. This is a funded scheme which provides benefits on a "final salary" basis at a normal retirement age of 65. Benefits accrue at the rate of 1/60<sup>th</sup> of pensionable salary for each year of service (1/80<sup>th</sup> before 1 April 2009). For membership of the Scheme from April 2015 your pension will be based on your average earnings while a member of the Scheme. Each year, if you are in the main section of the Scheme 1/49<sup>th</sup> of your pensionable pay is added to your pension account PLUS a revaluation amount so that your pension keeps up with the cost of living. 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 Consumer Price 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.

During the year the Arts Council made contributions for 47 (2016-17: 53) employees (not all 47 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 2018 the Arts Council contributed 18% of gross salary (2016-17: 20%) plus an annual payment of £25,500, which is called a ‘pension deficit recovery contribution’.

	<b>2017-18</b>	<b>2016-17</b>
	<b>£</b>	<b>£</b>
Employer’s Contribution	531,472	423,367

**Pension Entitlements (Audited Information)**

	ACCRUED PENSION AT PENSION AGE AT 31/03/18 AND RELATED LUMP SUM	REAL INCREASE IN PENSION AT RETIREMENT AGE AND RELATED LUMP SUM	CETV AT 31/03/2018	CETV AT 31/03/2017	REAL INCREASE IN CETV
	£’000	£’000	£’000	£’000	£’000
R McDonough*	0-5 plus lump sum of 0-5	0-2.5 plus lump sum of 0-2.5	13	732	29
N McKinney	20-25 plus lump sum of 40-45	0-2.5 plus lump sum of (0-2.5)	433	408	9
G Troughton	10-15 plus lump sum of 0-5	0-2.5 plus lump sum of (0-2.5)	161	145	8
N Livingston	25-30 plus lump sum of 50-55	0-2.5 plus lump sum of (0-2.5)	526	517	(11)
L McDowell**	0-5 plus lump sum of 0-5	0-2.5 plus lump sum of 0-2.5	30	16	11

\*As stated on page 34 this employee took flexible retirement on 31 August 2017. The decrease in CETV value in the year to 31 March 2018 is primarily explained by this event. The real increase in CETV includes the movement on both pension records.

\*\* As stated on page 34 this employee took flexible retirement on 31 December 2015.

### **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 2008 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)

Director's Salary	2017-18	2016-17
£45,000 - £50,000	-	-
£50,000 - £55,000	1	1
£55,000 - £60,000	3	3
£60,000 - £65,000	-	-
£65,000 - £70,000	-	-
£70,000 - £75,000	-	-
£75,000 - £80,000	-	-
£80,000 - £85,000	1	1
<b>Total Number of Directors</b>	<b>5</b>	<b>5</b>

The Directors' salaries shown above are on a full-time equivalent basis: Whereas the salary information on page 34 is what the Directors actually earned, including back dated pay awards and adjustments for any sick leave or reduction in hours during the year.

### 2) Staff Numbers and Costs

#### 2a) Staff Costs: (Audited Information)

	2017-18 Permanently employed staff £	2017-18 Others £	2017-18 Total £	2016-17 Total £
Wages and salaries	1,357,437	115,715	1,473,152	1,370,121
Social security costs	139,834	10,685	150,519	139,343
Agency costs	-	63,825	63,825	184,131
Other pension costs	501,567	29,905	531,472	423,367
Voluntary exit scheme	47,724	-	47,724	28,034
<b>Total Costs</b>	<b>2,046,562</b>	<b>220,130</b>	<b>2,266,692</b>	<b>2,144,996</b>
<b>Recharge:</b>				
Expenditure on the Arts	-	(51,457)	(51,457)	(52,649)
CIIF Secondment Recovery	-	(40,819)	(40,819)	(40,923)
<b>Total net Costs</b>	<b>2,046,562</b>	<b>127,854</b>	<b>2,174,416</b>	<b>2,051,424</b>

Staff remuneration in 2017-2018, on an FTE basis, ranges from £22,739 to £84,640.

## **2b) Pension Costs and Commitments**

The Arts Council makes employer contributions to the NILGOSC Scheme which is a funded scheme of the defined benefit type. Benefits earned up to 31 March 2015 are linked to Final Salary and benefits from 01 April 2015 onwards are based on a Career Average Revalued Earnings Scheme. Past and present employees are covered by the provisions of the NILGOSC Scheme. The funded nature of the Local Government Pension Scheme (Northern Ireland) (the LGPS) requires the Arts Council and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets.

The defined benefit obligation is linked to yields on the AA-rated corporate bonds, while a significant proportion of the assets of the scheme are invested in equities. Changing markets in conjunction with discount rate volatility will lead to volatility in the funded status of the pension plan and thus to volatility in the net pension asset on the Arts Council's Statement of Financial Position and Other Comprehensive Expenditure. It will also lead to volatility in the IAS 19 pension expense in the Arts Council Statement of Comprehensive Net Expenditure.

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

The increase in the present value of the liabilities of the Arts Council's defined benefit pension scheme arising from employee service in the period is charged to the Statement of Comprehensive Net Expenditure so as to recognise the cost of pensions over the employees' working lives.

A revised version of IAS 19 came into effect for accounting periods commencing on or after 1 January 2013. The figures in the accounts have been calculated under the revised IAS 19. The Arts Council is no longer required to recognise an expected return on assets item in the Statement of Comprehensive Net Expenditure (SoCNE). This is now replaced with a net financing charge which is based on the discount rate assumption.

Actuarial gains and losses are recognised in Other Comprehensive Net Expenditure.

The fund is invested in suitable investments, managed by the Committee. For 2017-18 the contribution rates were 18% employers contribution plus an annual payment of £25,500, and ranging between 5.5% and 10.5% for employees (2016-17: 20% employers and between 5.5% and 10.5% employees).

The total employer pension cost under the Scheme was a debit of £531,472 (2016-17 debit of £423,367). It is now possible to define the Arts Council's share of the funds, assets/liabilities and as a result the following disclosures are provided in line with IAS 19.

The latest actuarial valuation of the Arts Council's liabilities took place as at 31 March 2016. The calculation of the defined benefit obligation involves projecting

future cash-flows from the Fund many years into the future. This means that the assumptions used can have a material impact on the Statement of Financial Position and the charge to the Statement of Changes in Net Expenditure. Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method. The principal assumptions used by the actuary in updating the latest valuation of the Fund for IAS 19 purposes were:

**(i) Principal Financial Assumptions**

	<b>31 March 2018</b>	<b>31 March 2017</b>
	<b>Years</b>	<b>Years</b>
Duration of liabilities (years) <sup>(1)</sup>	18.2	18.2
	<b>% PA</b>	<b>% PA</b>
Discount Rate	2.6	2.6
RPI Price Inflation	3.2	3.1
CPI Price Inflation (Pension increases) <sup>(2) (3)</sup>	2.1	2
General Salary increase rate <sup>(4)</sup>	3.6	3.5

- (1) The duration of the liabilities is the average period between the calculation date and the date at which benefit payments fall due. Durations will be calculated to the nearest 0.1 years based on the output of the most recent valuation exercise of the Employers liabilities. The assumptions are rounded to the nearest 0.1% p.a.
- (2) Pension increases on pension in excess of Guaranteed Minimum Pension in payment where appropriate.
- (3) We recommend the assumption for the revaluation rate of pension accounts is set equal to the assumption for pension increases.
- (4) The assumed rate of general salary increases has been set as 1.5% above the CPI inflation assumption which is consistent with the assumption used at the 2016 Valuation.

**(ii) Mortality Assumptions**

Our proposed mortality table and allowances for future improvements in longevity at the accounting date are set out below.



**Post retirement mortality (retirement in normal health)**

**31 March 2018**

**Males**

Year of Birth base table	Standard SAPS S2P Tables
Rating to above base table* (years)	0
Scaling to above base table rates	95%
Improvements to base table rates	CMA 2014 core projections with a long term rate of improvement of 1.5% p.a.
Future lifetime from age 65 (aged 65 at accounting date)	23.3
Future lifetime from age 65 (aged 45 at accounting date)	25.5

**Females**

**31 March 2018**

Year of Birth base table	Standard SAPS S2P Tables
Rating to above base table* (years)	0
Scaling to above base table rates	90%
Improvements to base table rates	CMA 2014 core projections with a long term rate of improvement of 1.5% p.a.
Future lifetime from age 65 (aged 65 at accounting date)	25.9
Future lifetime from age 65 (aged 45 at accounting date)	28.2

\* A rating of x years means that members of the Fund are assumed to follow the mortality pattern of the base table for an individual x years older than them. The mortality tables shown apply to normal health retirements. Different rates may apply to retirements in ill health.

Each member is assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2009 service) is 75% of the permitted maximum.

**(iii) Asset Allocation**

The approximate split of assets for the Fund as a whole (based on data supplied by the Fund Administering Authority) is shown in the table below. The assets allocated to the Arts Council in the Fund are notional and the assets are assumed to be invested in line with the investments of the Fund set out below for the purposes of calculating the return to be applied to those notional assets. The Fund is large and largely liquid and as a consequence there will be no significant restriction on realising assets if a large payment is required to be paid (e.g. bulk transfer value payment).

The Administering Authority may invest a small proportion of the Fund's investments in the assets of some of the employers participating in the Fund if it forms part of their balanced investment strategy.

Arts Council of Northern Ireland

			<b>Asset Split at 31 March 2018</b>	<b>Asset Split at 31 March 2017</b>
	<b>% Quoted</b>	<b>% Unquoted</b>	<b>% Total</b>	<b>%</b>
Equities	71.3	0.1	71.4	74.5
Property	0.0	10.0	10.0	10.5
Government Bonds	5.2	0.0	5.2	5.4
Corporate Bonds	7.2	0.0	7.2	6.1
Cash	4.5	0.0	4.5	2.6
Other	0.1	1.6	1.7	0.9
<b>Total</b>	<b>88.3</b>	<b>11.7</b>	<b>100.0</b>	<b>100.0</b>

**(iv) Reconciliation of Funded status to Statement of Financial Position**

	<b>Value as at 31 March 2018 £'000</b>	<b>Value as at 31 March 2017 £'000</b>
Fair Value of assets	15,481	14,847
Present value of funded defined benefit obligation	<u>(19,723)</u>	<u>(18,799)</u>
Funded status	(4,242)	(3,952)
Impact of minimum funding requirement/asset ceiling	-	-
Asset/(Liability) recognised on the SoFP	<u>(4,242)</u>	<u>(3,952)</u>

The split of the liabilities at the last valuation between the various categories of members is as follows:

Active members	41%
Deferred Pensioners	14%
Pensioners	45%

**(v) Breakdown of amounts recognised in the Statement of Comprehensive Net Expenditure (SoCNE) and Other Comprehensive Expenditure (OCE)**

	Year Ending 31 March 2018	Year Ending 31 March 2017
	£'000	£'000
<b>Operating Cost</b>		
Current service cost*	419	327
Past service cost (including curtailments)	-	35
Settlement cost	-	-
<b>Financing Cost</b>		
Interest on net defined benefit liability/(asset)	100	96
Pension expense recognised in SoCNE	<u>519</u>	<u>458</u>
<b>Re-measurements in OCE</b>		
Return on plan assets in excess of recognised in net interest	(375)	(1,436)
Actuarial losses/(gains) due to change in financial assumptions	323	3,286
Actuarial losses/(gains) due to changes in demographic assumptions	-	55
Actuarial (gains)/losses due to liability experience	92	(1,100)
Total amount recognised in OCE	<u>40</u>	<u>805</u>
<b>Total Amount recognised</b>	<u><b>559</b></u>	<u><b>1,263</b></u>

\* The current service cost includes an allowance for the administration expenses of £0.005m.

**(vi) Movement in Deficit during the year**

	2017-18	2016-17
	£'000	£'000
Deficit in scheme at beginning of year	(3,952)	(2,992)
<b>Movement in the year</b>		
Current service costs	(419)	(327)
Past service costs (including curtailments)	-	(35)
Contributions	269	303
Net charge on Assets	(100)	(96)
Actuarial (loss)/gain	(40)	(805)
<b>Deficit in Scheme at End of Year</b>	<u><b>(4,242)</b></u>	<u><b>(3,952)</b></u>

**(vii) Changes to the present value of defined benefit obligation during the accounting period**

	Year Ending 31 March 2018	Year Ending 31 March 2017
	£'000	£'000
Opening defined benefit obligation	18,799	16,049
Current Service cost	419	327
Interest expense on defined benefit obligation	484	539
Contribution by participants	91	88
Actuarial losses/(gains) on liabilities -due to change in financial assumptions	323	3,286
Actuarial gains on liabilities - due to changes in demographic assumptions	-	55
Actuarial (gains)/losses on liabilities due to liability experience	92	(1,100)
Net benefits paid out	(485)	(480)
Past service costs (including curtailments)	-	35
Net increase in liabilities from disposals/acquisitions	-	-
Settlements	-	-
Closing defined benefit obligation	<u>19,723</u>	<u>18,799</u>

**(viii) Changes to the fair value of assets during the accounting period**

	Year ending 31 March 2018	Year ending 31 March 2017
	£'000	£'000
Opening fair value	14,847	13,057
Interest income on assets	384	443
Re-measurement gains on assets	375	1,436
Contributions by the employer	269	303
Contributions by the participants	91	88
Net benefits paid out	(485)	(480)
Net increase in assets from disposals/acquisitions	-	-
Settlements	-	-
<b>Closing fair value of assets</b>	<u>15,481</u>	<u>14,847</u>

**(ix) Actual return on assets**

	Year ending 31 March 2018	Year ending 31 March 2017
	£'000	£'000
Interest income on assets	384	443
Re-measurement gain on assets	375	1,436
<b>Actual return on assets</b>	<b>759</b>	<b>1,879</b>

**(x) Sensitivity analysis**

The results shown above are sensitive to the assumptions used. The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2018 and the projected service cost for the year ending 31 March 2019 are set out below.

In each case, only the assumption mentioned is altered; all other assumptions remain the same and are summarised in the notes above. Sensitivity of unfunded benefits is not included on materiality grounds.

**Funded LGPS benefits**

**Discount Rate Assumption**

	<b>+0.1% p.a.</b>	<b>-0.1% p.a.</b>
Adjustment to discount rate		
Present value of total obligation (£M's)	19.367	20.085
% change in present value of total obligation	-1.8%	1.8%
Projected service cost (£M's)	0.434	0.458
Approximate % change in projected service cost	-2.7%	2.8%

**Rate of general increase in salaries**

	<b>+0.1% p.a.</b>	<b>-0.1% p.a.</b>
Adjustment to salary increase rate		
Present value of total obligation (£M's)	19.802	19.645
% change in present value of total obligation	0.4%	-0.4%
Projected service cost (£M's)	0.446	0.446
Approximate % change in projected service cost	0.0%	0.0%

**Rate of increase to pensions in payment and deferred pensions assumption and rate of revaluation of pension accounts assumption**

	<b>+0.1% p.a.</b>	<b>-0.1% p.a.</b>
Adjustment to pension increase rate		
Present value of total obligation (£M's)	20,006	19,445
% change in present value of total obligation	1.4%	-1.4%
Projected service cost (£M's)	0.458	0.434
Approximate % change in projected service cost	2.8%	-2.7%

**Post retirement mortality assumption\***

	<b>-1 year</b>	<b>+1 year</b>
Adjustment to mortality age rate assumption		
Present value of total obligation (£M's)	20,307	19,142
% change in present value of total obligation	3.0%	-2.9%
Projected service cost (£M's)	0.462	0.430
Approximate % change in projected service cost	3.6%	-3.6%

\* A rating of +1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them.

**(xi) Estimated Profit and Loss/Surplus or Deficit in future periods**

The figures below are provided based on the assumption as at 31 March 2018 outlined above. The Arts Council's regular contributions to the Fund for the accounting period ended 31 March 2019 are estimated to be £0.292M

**Funded LGPS benefits – Expected amounts charged to SoCNE**

	<b>Year ending 31 March 2019 £'000</b>
Current service cost*	446
Interest on the net defined benefit liability/(asset)	107
<b>Total</b>	<b>553</b>

\* The Projected Service Cost includes an allowance for the administration expenses of £0.006m in the period ending 31 March 2019.

The pension cost shown in next year's accounts might be different to that shown above. Reasons why the pension cost may change include:

- A) Actual increase in payroll being different to that used in the calculations. The difference in payroll will particularly affect the current service cost;
- B) Past service costs may not be zero (this cost is that resulting from benefit augmentations or early retirement of individual members before age 60 or on the grounds of efficiency);
- C) Curtailment/settlement events may occur; and
- D) Actual cash-flows over the next year may differ from those assumed.

**(xii) Funded benefits**

The following data has been used in evaluating the figures noted above.

**Active Members as at 31 March 2016**

	<b>Number</b>	<b>£'000</b>
Total	49	1,418

**Pensioner & deferred pensioner members as at 31 March 2016**

<b>Type</b>	<b>Number</b>	<b>Total Pension £'000</b>
Deferred members	55	116
Pensioners and dependants	50	396

**Funded Cash-flows (Regular)**

	<b>Months Provided</b>	<b>Amount Provided £'000</b>	<b>Amount Used £'000</b>
Employer – Normal contributions	10	203	-
Employer – Additional capital contributions	12	26	-
Employer – Early retirement strain on fund payments	10	-	-
<b>Total Contributions by the Employer</b>	-	-	<b>269</b>
Employee – Normal contributions	10	75	-
Employee – Additional years contributions	10	-	-
<b>Total Contributions by participants</b>	-	-	<b>91</b>
Death in service lump sums*	-	-	-
Benefits paid (i.e. pension paid)	-	-	-
<b>Net benefits paid out**</b>	-	-	<b>485</b>

\*Calculated over the year to be £0.003M

\*\* Figure includes an allowance for expenses of £0.005M

**Annualised pensionable payroll over the accounting period £(000's)\***

	<b>Amount £'000*</b>
Period ending 31 March 2018	1,354
Period ending 31 March 2017	1,338

\* These figures have been derived from the contributions paid over the relevant accounting period.

The capital cost of early retirement occurring in the accounting period is £0.

**(xiii) Fund Return**

The investment return used to roll forward the notional share of assets from the last formal valuation of the fund to the accounting date has been calculated using returns provided by the Fund Administering Authority, where known. Where necessary, index returns appropriate to the mix of assets have been used for any remaining period to obtain an estimate of the total return over the period to the accounting date.

To that return, a deduction of 0.3% p.a. has been made to allow for investment management expenses based on the Fund's experience.

The overall Fund return over the accounting period has been calculated as 5.1%. This includes an adjustment to reflect the difference between Fund returns and estimated index returns used over the last accounting period, where appropriate.

### 2c) Chief Executive's Remuneration (Audited Information)

The remuneration received by the Chief Executive, including back dated pay awards and adjustments for reduction in hours during the year was £74,452 (2016-17 Restated: £84,079). The Chief Executive is an ordinary member of the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) pension scheme. A total of £57,990 (2016-17: £58,995) of the Chief Executive's employment costs (including employers national insurance contributions and employers pension) have been apportioned to the Lottery Distribution fund to cover time spent on Lottery activities.

### 3) Average number of persons employed: (Audited Information)

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

	<b>2017-18 Permanently Employed Staff No.</b>	<b>2017-18 Others No.</b>	<b>2017-18 Total No.</b>	<b>2016-17 Total No.</b>
Directly employed	39	2	41	41
Other	-	2	2	4
<b>Total</b>	<b>39</b>	<b>4</b>	<b>43</b>	<b>45</b>

All of the staff were employed by the Arts Council and the proportion in relation to the Lottery Distribution Account is on the basis of average Lottery caseload from the Arts Development Department and on other appropriate bases from the rest of the Arts Council



#### 4) Staff Composition (Audited Information)

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

	Male Directors	Male Employees	Female Directors	Female Employees
<b>2017-18</b>				
Payroll	2	13	3	29
Board	-	1	-	1
Agency	-	2	-	2
<b>Total</b>	<b>2</b>	<b>16</b>	<b>3</b>	<b>32</b>
<b>2016-17</b>				
Payroll	2	16	3	33
Board	-	2	-	1
Agency	-	2	-	5
<b>Total</b>	<b>2</b>	<b>20</b>	<b>3</b>	<b>39</b>

Staff composition shows the number of people employed by the Arts Council. Two of the Board Members are classified as 'employed' (Chairman and Vice Chairman) as they are on the Arts Council payroll to facilitate payment of their honorarium. The reason that three are disclosed in the prior year was due to the existing chairman's tenure finishing and a new chairman taking up post during the year.

#### 5) Sickness Absence Data (Audited Information)

The number of sick days reported in 2017-18 was 474 (2016-17: 480). This equates to an average lost working days per employee of 11.95 days (2016-17: 11.90 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.

##### Policy on Disabled Persons and Equality of Opportunity

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 Arts Council has

implemented equality legislation and codes of practice to ensure that procedures and policies are fair and lawful. The Arts Council actively encourages this within its client / partner network.

## 7) Other Employee Matters

### Health and Safety at Work

The Arts Council is committed to providing staff and customers with a working environment that is as safe as possible and free from risk to health. In accordance with this commitment, the Arts Council complies with relevant health and safety legislation, holds regular committee meetings and delivers relevant training.

### Trade Union Relationships

The Arts Council liaises with local trade union representatives on an ongoing basis and also regularly holds formal JNCC (Joint Negotiating and Consultative Committee) meetings. The Arts Council and the trade union (NIPSA Northern Ireland Public Service Alliance) have a Recognition and Procedural Agreement in place.

### Human Capital Management

The Arts Council is committed to creating a diverse workforce as we recognise the value this brings to the organisation. We value and develop our staff through a broad range of training programmes.

## 8) Expenditure on Consultancy

	2017-18 £	2016-17 £
Creative Industries Innovation Fund Programme Evaluation	-	9,000
<b>Total Expenditure on Consultancy</b>	<b>-</b>	<b>9,000</b>

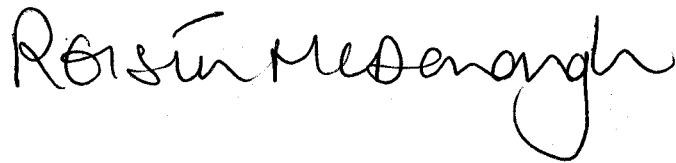
## 9) Off Payroll Disclosures (Audited Information)

Off-payroll engagements are those where individuals, either self-employed or acting through a personal service company, are paid gross by the employer. In line with HM Treasury requirements, the Department of Finance requires disclosure of such engagements that were in place during 2017-18 costing over £58,200. The Arts Council had no off-payroll engagements commencing, ending or operating during 2016-17 or 2017-18.

**10) Exit Packages (Audited Information)**

<b>Exit package cost band</b>	<b>Number of compulsory redundancies</b>	<b>Number of other departures agreed</b>	<b>Total number of exit packages by cost band (prior year comparatives)</b>
< £10,000	-	-	- (-)
£10,000 - £25,000	-	-	- (-)
£25,000 - £50,000	-	1	1 (1)
£50,000 - £100,000	-	-	- (-)
£100,000 - £150,000	-	-	- (-)
£150,000 - £200,000	-	-	- (-)
<b>Total number of exit packages</b>	-	<b>1</b>	<b>1 (1)</b>
<b>Total resource cost</b>	-	<b>£47,724</b>	<b>£47,724 (£28,034)</b>

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.



**Roisín McDonough**  
Accounting Officer

**Date: 07 November 2018**

# Assembly Accountability and Audit Report

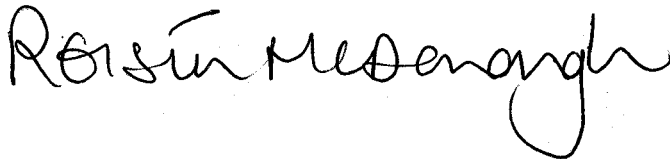
## Assembly Accountability Disclosure Notes

### Losses and special payments (Audited Information)

A specific bad debt provision was created in 2013-14 to provide for the full amount of a loan (which was converted to a charge in 2013-14 year) to a client where there is a high risk of non-repayment. Further details are outlined in Note 10 to the Accounts.

### Regularity of Expenditure (Audited Information)

All expenditure incurred by the Arts Council is regular; it is in accordance with the expressed wishes of the sponsoring department and has been approved by the senior management team.



**Roisín McDonough**  
Accounting Officer

**Date: 07 November 2018**

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

### **Opinion on financial statements**

I certify that I have audited the financial statements of the Arts Council of Northern Ireland for the year ended 31 March 2018 under the Arts Council (Northern Ireland) Order 1995. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' 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 Accountability Report that is described in that report as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of the Arts Council of Northern Ireland's affairs as at 31 March 2018 and of the Arts Council of Northern Ireland's net expenditure for the year then ended; and
- have been properly prepared in accordance with the Arts Council (Northern Ireland) Order 1995 and Department of Communities directions issued thereunder.

### **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 the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### **Basis of opinions**

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of this certificate. My staff and I are independent of the Arts Council of Northern Ireland in accordance with the ethical requirements of the Financial Reporting Council's Revised Ethical Standard 2016, and have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinions.

### **Other Information**

The Board and the Accounting Officer are responsible for the other information included in the annual report. The other information comprises the information included in the annual report other than the financial statements, the parts of the Accountability Report described in the report as having been audited, and my audit certificate and report. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the

audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### **Opinion on other matters**

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with the Department for the Communities directions made under the Arts Council (Northern Ireland) Order 1995; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Responsibilities of the Board and Accounting Officer for the financial statements**

As explained more fully in the Statement of Accounting Officer Responsibilities, the Board 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.

### **Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit, certify and report on the financial statements in accordance with the Arts Council (Northern Ireland) Order 1995.

I am required to obtain 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my certificate.

In addition, 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 the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### **Matters on which I report by exception**

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

- adequate accounting records have not been kept; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or

- the Governance Statement does not reflect compliance with the Department of Finance's guidance.

## Report

I have no observations to make on these financial statements.



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

22 November 2018

## Statement of Comprehensive Net Expenditure for the year ended 31 March 2018

	Note	2017-18 £	2016-17 £
Other Operating income	3	1,492,749	1,439,339
<b>Total Operating Income</b>		<b>1,492,749</b>	<b>1,439,339</b>
Staff Costs		(2,174,416)	(2,051,424)
Expenditure on the Arts	2(b)	(9,850,577)	(9,979,359)
Depreciation and impairment charges	2(a)	(21,353)	(42,641)
Other Operating Expenditure	2(a)	(583,116)	(596,769)
<b>Total Operating Expenditure</b>		<b>(12,629,462)</b>	<b>(12,670,193)</b>
<b>Net expenditure for the year</b>		<b>(11,136,713)</b>	<b>(11,230,854)</b>
<b>OTHER COMPREHENSIVE NET EXPENDITURE</b>			
Items that will not be reclassified to net operating costs:			
Net gain/(loss) on revaluation of Property Plant and Equipment	4(a)	1,165	46,694
Net gain/(loss) on revaluation of Intangible Assets	5	-	550
Actuarial (loss) /gain on pension scheme		(40,000)	(805,000)
<b>Comprehensive net expenditure for the year</b>		<b>(11,175,548)</b>	<b>(11,988,610)</b>

The notes on pages 61 to 82 form part of these accounts.

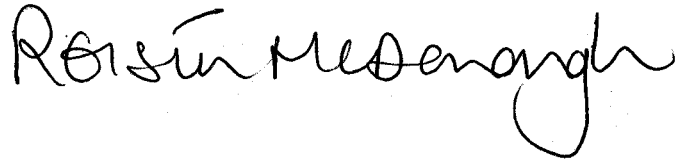


**Statement of Financial Position as at 31 March 2018**

	Note	31 March 2018	31 March 2017
		£	£
<b>Non-current assets:</b>			
Property, plant and equipment	4(a)	59,407	71,951
Operational heritage assets	4(a)	130,000	130,000
Non- operational heritage assets	4(a)	867,646	810,994
Intangible Assets	5	-	8,800
<b>Total non-current assets</b>		<u><b>1,057,053</b></u>	<u><b>1,021,745</b></u>
<b>Current assets:</b>			
Trade and other receivables	7	164,637	173,582
Cash and cash equivalents	6	915,766	668,430
<b>Total current assets</b>		<u><b>1,080,403</b></u>	<u><b>842,012</b></u>
<b>Total assets</b>		<u><b>2,137,456</b></u>	<u><b>1,863,757</b></u>
<b>Current liabilities</b>			
Trade and other payables	8	(1,053,621)	(845,176)
<b>Total current liabilities</b>		<u><b>(1,053,621)</b></u>	<u><b>(845,176)</b></u>
<b>Total assets less current liabilities</b>		<u><b>1,083,835</b></u>	<u><b>1,018,581</b></u>
<b>Non-current liabilities</b>			
Pension liabilities	8	(4,242,000)	(3,952,000)
<b>Total non-current liabilities</b>		<u><b>(4,242,000)</b></u>	<u><b>(3,952,000)</b></u>
<b>Total assets less total liabilities</b>		<u><b>(3,158,165)</b></u>	<u><b>(2,933,419)</b></u>
<b>Taxpayer's equity and other reserves</b>			
Revaluation reserve		152,478	135,509
General Reserve		931,357	883,072
Pension reserve		(4,242,000)	(3,952,000)
<b>Total equity</b>		<u><b>(3,158,165)</b></u>	<u><b>(2,933,419)</b></u>

The notes on pages 61 to 82 form part of these accounts.

The financial statements on pages 56 to 82 were approved by the Board on the 7<sup>th</sup> November 2018 and were signed on its behalf by:

A handwritten signature in black ink, reading "Roisín McDonough". The signature is written in a cursive style with a large, prominent 'R' at the beginning and a long, sweeping tail that loops back under the 'h'.

**Roisín McDonough**  
Chief Executive

**Date: 07 November 2018**

## Statement of Cash Flows for the year ended 31 March 2018

	Note	2017-18	2016-17
		£	£
<b>Cash flows from operating activities</b>			
Net Expenditure		(11,136,713)	(11,230,854)
Adjustment for non-cash transactions			
Depreciation	2(a)	21,353	42,641
Loss on disposal of asset	2(a)	207	148
Decrease in trade and other receivables	7	8,945	59,993
Increase/(Decrease) in trade payables	8	208,445	(351,970)
Less movements in payables relating to items not passing through the Net Expenditure Account		19,113	20,007
Use of pension liability		250,000	155,000
<b>Net cash (outflow) from operating activities</b>		<b>(10,628,650)</b>	<b>(11,305,035)</b>
<b>Cash flows from investing activities</b>			
Purchase of non-operational Heritage Assets		(59,014)	(38,843)
Purchase of property, plant and equipment		-	(21,672)
<b>Net cash (outflow) from investing activities</b>		<b>(59,014)</b>	<b>(60,515)</b>
<b>Cash flows from financing activities</b>			
Grants from DfC		10,935,000	11,269,000
<b>Net financing</b>		<b>10,935,000</b>	<b>11,269,000</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period</b>			
		247,336	(96,550)
<b>Cash and cash equivalents at the beginning of the period</b>	6	668,430	764,980
<b>Cash and cash equivalents at the end of the period</b>	6	<b>915,766</b>	<b>668,430</b>

The notes on pages 61 to 82 form part of these accounts.

## Statement of Changes in Taxpayers' Equity for the year ended 31 March 2018

Note	Pension Reserve £	General Reserve £	Revaluation Reserve £	Taxpayers' Equity £
<b>Balance at 31 March 2016</b>	<b>(2,992,000)</b>	<b>689,925</b>	<b>88,265</b>	<b>(2,213,810)</b>
Grants from DfC	-	11,269,000	-	11,269,000
Comprehensive net expenditure for the Year	(155,000)	(11,056,853)	47,244	(11,164,609)
Auditors Remuneration	-	(19,000)	-	(19,000)
Actuarial gains and losses	(805,000)	-	-	(805,000)
<b>Balance at 31 March 2017</b>	<b>(3,952,000)</b>	<b>883,072</b>	<b>135,509</b>	<b>(2,933,419)</b>
Grants from DfC	-	10,935,000	-	10,935,000
Comprehensive Net Expenditure for the Year	(250,000)	(10,867,715)	16,969	(11,100,746)
Auditors Remuneration	-	(19,000)	-	(19,000)
Actuarial gains and losses	(40,000)	-	-	(40,000)
<b>Balance at 31 March 2018</b>	<b>(4,242,000)</b>	<b>931,357</b>	<b>152,478</b>	<b>(3,158,165)</b>

The notes on pages 61 to 82 form part of these accounts.

## **Notes to the Accounts**

### **1. Statement of Accounting Policies**

The financial statements have been prepared in accordance with the 2017-18 Government Financial Reporting Manual (FReM) issued by the Department of Finance. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Arts Council for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Arts Council for the distribution of public funding for the arts in Northern Ireland are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

#### **1.1 Accounting Convention**

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

The accounting policies for all material items are outlined below:

#### **1.2 Property, Plant and Equipment**

The minimum level for capitalisation as an individual or grouped non-current asset or bulk purchase of small similar assets is £1,000 with the exception of IT equipment which is £500. Items below the threshold of £1,000 or £500 for IT equipment are written off to the Statement of Comprehensive Net Expenditure.

Plant & Machinery comprises one musical instrument, which was valued by the Head of Music in the 2017-18 financial year. Other property, plant and equipment have been re-valued at 31 March 2017 using the latest available indices published in 'Price Index Numbers for Current Cost Accounting' prepared by the Office for National Statistics.

#### **1.3 Heritage Assets**

The Arts Council's Art Collection is regarded as a non-operational heritage asset and is capitalised in the Statement of Financial Position.

All non-operational heritage assets are shown at valuation. Some individual purchased heritage assets may be below the threshold of £1,000 but are capitalised because they are part of the overall addition to the Collection for the year. The Arts Council believes that its staff are qualified to perform the valuation and to test and analyse valuations. The Arts Council staff involved in the on-going revaluation are the Director of Arts Development and the Head of Visual Arts.

The operational heritage asset relates to a violin the Arts Council owns which was manufactured by Joseph Gagliano between 1780 and 1782. The violin was donated

to the Arts Council in 1980. This is classed as an operational heritage asset as it is on loan as an award to an outstanding young violinist from Northern Ireland, through the Ulster Youth Orchestra and is therefore shown in the non-current asset note. The violin was re-valued to £130,000 on 25 January 2017, by J & A Beare Ltd.

Operational and non-operational heritage assets are included with property plant and equipment and are shown at fair value. Operational and non-operational heritage assets are not depreciated as they are considered to have an infinite useful life.

#### **1.4 Intangible Assets**

Purchased and internally generated websites and purchased software are capitalised as intangible assets where expenditure of £1,000 or more is incurred. Websites and software have been re-valued at 31 March 2018 using the latest available indices published in 'Price Index Numbers for Current Cost Accounting' prepared by the Office for National Statistics.

#### **1.5 Depreciation**

Property, plant and equipment and intangible assets are depreciated at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives. Depreciation is calculated on a monthly basis from month of acquisition. No depreciation is charged in the month of disposal.

The rates of depreciation in use are as follows:

Furniture & Fittings	5-25 years
Plant & Machinery	25-30 years
Information Technology	3-5 years
Websites	3-5 years
Software	3-5 years
Heritage Assets	N/A

Impairment reviews are performed for all non-current assets if and when indications of impairment are identified.

#### **1.6 Operating Income**

##### *Government Grants*

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

##### *Lottery Recharges*

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

### *Other Operating Income*

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

## **1.7 Leases**

### **Finance Leases:**

The Arts Council has £nil disclosure for finance leases.

### **Operating Leases:**

Leases where substantially all of the risks and rewards are held by the lessor are classified as operating leases. Rentals paid under operating leases are charged to the Statement of Comprehensive Net Expenditure on a straight line basis over the period of the lease. Operating leases have been split between Land, Buildings and Other with all future commitments reported in Note 9.

## **1.8 Financial Instruments**

### **Risk Management**

The Arts Council is not exposed to the same degree of financial risk faced by business entities. This is due to the organisation being essentially a non-trading entity and financed as a Non-Departmental Public Body. It has no powers to borrow or invest in surplus funds and has limited year-end flexibility. It is therefore exposed to little liquidity, currency or market risks. The Arts Council does not hold any complex financial instruments and there is no impact on the financial risk of the organisation.

### **1.8.1 Financial Assets**

#### **Trade and other receivables**

Financial Assets within trade and other receivables are recognised and retained at invoiced cost which is considered to equate to fair value as the contractual obligations are short term. Provisions are made specifically where there is objective evidence of a dispute or inability to pay.

#### **Cash and Cash Equivalents**

Cash and cash equivalents comprise cash in hand and current balance with banks which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less.

### **1.8.2 Financial Liabilities**

#### **Trade and Other Payables**

Financial liabilities within trade and other payables are recognised and retained at invoiced cost which is considered to equate to fair value as all such liabilities are short term in nature.

The Arts Council pays grants in accordance with the terms and conditions inherent in the respective funding agreement, letter of offer or grant scheme. Grants payable

are recorded as expenditure in the period that the underlying event or activity giving entitlement to the grant occurs.

### **1.9 Payment of Grants**

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

### **1.10 Provisions**

The Arts Council provides for legal or constructive obligations as a result of a past event which are of uncertain timing or amount at the Statement of Financial Position date on the basis of the best estimate of the expenditure required to settle the obligation. The Arts Council has £nil disclosure for provisions.

### **1.11 Contingent Liabilities**

Contingent Liabilities are disclosed in accordance with IAS 37. In addition to the contingent liabilities disclosed in accordance with IAS 37, the Arts Council discloses for Assembly reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefits is remote, but which have been reported to the Assembly in accordance with the requirements of Managing Public Money Northern Ireland.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to the Assembly separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to the Assembly.

### **1.12 Critical Accounting Estimates and Key Judgements**

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Arts Council's accounting policies. We continually evaluate our estimates, assumptions and judgements based on available information and experience. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates. The estimates and assumptions which have the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below:

- **Depreciation of Property, Plant and Equipment**

Depreciation is provided in the accounts so as to write down the respective assets to their residual values over their expected residual lives and as such the selection of the estimated useful lives and the expected residual values of the assets require the use of estimates and judgements. Details of the estimated useful lives are shown above in Note 1.5.



- **Impairment of Property, Plant and Equipment**

Where there is an indication that the carrying values of items of property, plant and equipment may have been impaired through events or changes in circumstances, a review will be undertaken of the recoverable amount of that asset.

- **Pension and Other Post Retirement Benefits**

The Arts Council accounts for Pensions and other post-retirement benefits in line with IAS 19. In determining the pension cost and the defined benefit obligation of the pension scheme, a number of assumptions are used by the Actuary. These include the discount rate, salary growth, price inflation, the expected return on the schemes investments and mortality rates. Further details are contained in Note 2(b) of the Staff Report.

- **Bad debt provision**

The Arts Council created a bad debt provision for an outstanding loan which was converted to a charge during the 2013-14 year. The Arts Council assess there is a high risk of not receiving this money. Therefore the Arts Council has created a provision for the full amount of the charge. Further details are contained in Note 10.

### **1.13 Value Added Tax**

The Arts Council is not registered for Value Added Tax (VAT). All transactions are therefore stated inclusive of VAT.

### **1.14 Employee Benefits**

Under IAS 19 an employing entity should recognise the undiscounted amount of short term employee benefits expected to be paid in exchange for the Service. The Arts Council has recognised annual leave entitlements that have been earned by year end but not yet taken. These are included in current liabilities.

### **1.15 Pension Costs**

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

In accordance with IAS 19 the Scheme Managers / trustees are required to undertake a sensitivity analysis for each significant actuarial assumption as at the end of the reporting period, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date. This analysis, including details of the methods and assumptions used in preparing the sensitivity analysis, the limitation of these methods, and the reasons for any changes in methods and assumptions used in preparing the sensitivity analysis.

The pension costs are assessed in accordance with the advice of independent qualified actuaries using the market led approach. The latest actuarial valuations of the scheme were at 31 March 2017.

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

The increase in the present value of the liabilities of the Arts Council's defined benefit pension scheme arising from employee service in the period is charged to the Statement of Comprehensive Net Expenditure so as to recognise the cost of pensions over the employees' working lives.

A revised version of IAS 19 came into effect for accounting periods commencing on or after 1 January 2013. The figures in the accounts have been calculated under the revised IAS 19. The Arts Council is no longer required to recognise an expected return on assets item in the Statement of Comprehensive Net Expenditure. This is now replaced with a net financing charge which is based on the discount rate assumption.

Actuarial gains and losses are recognised in Other Comprehensive Net Expenditure.

#### **1.16 Early Departure Costs**

The Arts Council is required to recognise the actuarial liability for the cost of paying pensions of employees who retire early from the date of their retirement until the pension is no longer due to the individuals or their spouses. Given projected life spans, this liability will be payable over a number of years. The Arts Council makes a provision each year based on the projected liability.

Each year the provision is recalculated and restated if necessary with any under or over provision charged or credited to the Statement of Comprehensive Net Expenditure. This is part of the IAS 19 Actuarial valuation and it is shown in Pensions Costs and Commitments within the Staff Report.

#### **1.17 Reserves**

##### **General Reserve**

This is the balance arising from recurrent grants provided by sponsor department DfC through grant-in-aid and the net expenditure as reported in the Statement of Comprehensive Net Expenditure for the year.

##### **Revaluation Reserve**

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments to assets.

##### **Pension Reserve**

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

#### **1.18 Accounting standards, interpretations and amendments to published standards adopted in the year ended 31 March 2018**

Additional or revised accounting standards and new (or amendments to) interpretations contained within FReM 2017-18 have been considered. The adoption of these standards has not had a significant impact on the Arts Council's financial position or results.

**1.19 Accounting standards, interpretations and amendments to published standards not yet effective**

The Arts Council has reviewed new accounting standards that have been issued but are not yet effective, nor adopted early for these accounts. The Arts Council considers that these are unlikely to have a significant impact on the accounts in the period of initial application.

<b>2(a) Operating Expenditure</b>	<b>2017-18</b>	<b>2016-17</b>
	<b>£</b>	<b>£</b>
Staff Costs:		
Wages and Salaries	1,401,114	1,298,251
Social Security Costs	143,125	131,795
Other Pension Costs	518,628	409,214
Agency Costs	63,825	184,130
Voluntary Exit Scheme	47,724	28,034
	<hr/>	<hr/>
Staff Costs:	2,174,416	2,051,424
IT costs and equipment	191,438	134,362
Rentals Under Operating Leases	121,766	156,262
Other Premises Costs	56,157	79,653
Marketing and Communications	47,214	48,523
Expenses and Hospitality	43,640	29,197
Legal and Consultancy Fees	38,000	34,621
Non-cash items:		
Depreciation	21,353	42,641
Loss on disposal of property plant and equipment	207	148
Telephone and Postage	20,432	29,572
Auditors Remuneration	19,000	19,000
Insurances	13,596	13,851
Other Core Expenses	11,539	20,401
Stationery	9,156	6,451
Training	8,783	9,353
Advertising	2,188	7,785
Premises Move Costs	-	7,590
	<hr/>	<hr/>
<b>Total Operating Expenditure</b>	<b>2,778,885</b>	<b>2,690,834</b>

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

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The Arts Council did not purchase any non-audit services from its auditor, the Northern Ireland Audit Office during the year.

The above costs are gross costs to the Exchequer account and £308,837 (2016-17: £310,692) of these operating costs and £1,103,975 (2016-2017: £1,042,082) salary costs have been recharged to the Lottery Distribution account and are shown as Other Operating Income in Note 3 below.

Operating Expenditure includes travel, subsistence and hospitality costs for staff, Council and Committee members. The total spent in the year on travel, subsistence and hospitality is as follows:

			2017-18	2016-17
	T&S	Hospitality	Total	Total
	£	£	£	£
<b>Expenses &amp; Hospitality</b>				
Artform Officers	24,588	18	24,606	17,866
Council & Committee				
Members	4,690	5,020	9,710	5,608
Administrative Staff	8,920	404	9,324	5,723
	<b>38,198</b>	<b>5,442</b>	<b>43,640</b>	<b>29,197</b>

<b>2(b) Expenditure on the Arts</b>	2017-18	2016-17
	£	£
Annual Funding Programme	8,384,632	8,772,845
In year funding	715,398	401,625
Support for Individual Artists		
Programme	259,601	363,832
Capital Programme	250,184	322,491
Arts Development Fund	188,135	44,278
Young People & Well-Being	25,809	-
Arts and Older People Programme	25,648	52,644
Strategy	984	19,384
Central Advisors	186	2,207
Creative Europe	-	48
Re-Imaging Communities	-	5
<b>Total</b>	<b>9,850,577</b>	<b>9,979,359</b>

**3 Income**

	<b>2017-18</b>	<b>2016-17</b>
	<b>£</b>	<b>£</b>
National Lottery Recharge – salaries	1,103,975	1,042,082
National Lottery Recharge – administration	308,837	310,692
Recharge to DfC	41,423	42,034
Administrative & miscellaneous	33,319	36,470
Grant refunded	4,129	4,296
Creative Europe	1,066	3,765
<b>Total</b>	<b><u>1,492,749</u></b>	<b><u>1,439,339</u></b>

**4(a) Property, plant, equipment and heritage assets**

<b>2017-18</b>	<b><u>Furniture &amp; Fittings</u></b> £	<b><u>Plant &amp; Machinery</u></b> £	<b><u>Information Technology</u></b> £	<b><u>Operational Heritage Assets</u></b> £	<b><u>Non Operational Heritage Assets</u></b> £	<b><u>Total</u></b> £
<b><u>Cost or Valuation</u></b>						
At 1 April 2017	26,432	48,000	173,019	130,000	810,994	1,188,445
Additions	-	-	-	-	55,702	55,702
Donations	-	-	-	-	-	-
Revaluations	160	-	438	-	950	1,548
Gifted	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
De-recognition	-	-	(53,240)	-	-	(53,240)
At 31 March 2018	26,592	48,000	120,217	130,000	867,646	1,192,455
<b><u>Depreciation</u></b>						
At 1 April 2017	14,004	4,800	156,696	-	-	175,500
Charge in year	1,043	2,400	9,109	-	-	12,552
Revaluation	89	-	294	-	-	383
Transfers	-	-	-	-	-	-
De-recognition	-	-	(53,033)	-	-	(53,033)
At 31 March 2018	15,136	7,200	113,066	-	-	135,402
<b><u>Carrying amount</u></b>						
At 31 March 2018	11,456	40,800	7,151	130,000	867,646	1,057,053
<b><u>Carrying amount</u></b>						
At 31 March 2017	12,428	43,200	16,323	130,000	810,994	1,012,945
<b><u>Asset Financing</u></b>						
Owned	11,456	40,800	7,151	130,000	867,646	1,057,053
<b><u>Carrying amount</u></b>						
At 31 March 2018	11,456	40,800	7,151	130,000	867,646	1,057,053

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<b>2015-16</b>	<b><u>Furniture &amp; Fittings</u></b>	<b><u>Plant &amp; Machinery</u></b>	<b><u>Information Technology</u></b>	<b><u>Operational Heritage Assets</u></b>	<b><u>Non Operational Heritage Assets</u></b>	<b><u>Total</u></b>
	£	£	£	£	£	£
<b><u>Cost or Valuation</u></b>						
At 1 April 2016	28,931	48,000	188,069	110,000	745,185	1,120,185
Additions	-	-	-	-	40,509	40,509
Donations	-	-	-	-	-	-
Revaluations	868	-	2,157	20,000	25,300	48,325
Gifted	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
De-recognition	(3,367)	-	(17,207)	-	-	(20,574)
At 31 March 2017	26,432	48,000	173,019	130,000	810,994	1,188,445
<b><u>Depreciation</u></b>						
At 1 April 2016	15,751	2,400	158,853	-	-	177,004
Charge in year	1,020	2,400	13,871	-	-	17,291
Revaluation	452	-	1,179	-	-	1,631
Transfers	-	-	-	-	-	-
De-recognition	(3,219)	-	(17,207)	-	-	(20,426)
At 31 March 2017	14,004	4,800	156,696	-	-	175,500
<b><u>Carrying amount</u></b>						
At 31 March 2017	12,428	43,200	16,323	130,000	810,994	1,012,945
<b><u>Carrying amount</u></b>						
At 31 March 2016	13,180	45,600	29,216	110,000	745,185	943,181
<b><u>Asset Financing</u></b>						
Owned	12,428	43,200	16,323	130,000	810,994	1,012,945
<b><u>Carrying amount</u></b>						
At 31 March 2017	12,428	43,200	16,323	130,000	810,994	1,012,945

Plant & Machinery is made up of one musical instrument, a Steinway Model D Grand Piano which was externally valued on 25 January 2013, by Steinway & Sons Ltd. It has subsequently been revalued by the Head of Music.

Furniture & Fittings, and Information Technology have been re-valued at 31 March 2018 using the February indices published in 'Price Index Numbers for Current Cost Accounting' prepared by the Office for National Statistics.

#### **4(b) Heritage Assets**

The Arts Council's Art Collection is considered to be a non-operational heritage asset. The Arts Council's historic collection, following Departmental approval, was gifted to registered museums in Northern Ireland in 2013, resulting in over 1,100 works of art totalling £3m now in museum ownership.

The Arts Council's contemporary collection dates from 2003 and in 2018 it comprises more than 600 works in all media. The Arts Council's Acquisitions Policy states that:

*The Arts Council recognises the importance of purchasing contemporary work as a means of supporting artists, stimulating the art market and developing a culture in which visual art is appreciated.*

*Priority is given to artists whose work is challenging and innovative. We look for the work of emerging as well as established artists.*

*Works in all media are considered, including painting, sculpture, crafts, print, photography and newer art forms such as digital and video work.*

*Works are considered against the criteria of:*

- Quality, innovation and the challenging nature of the piece;*
- Evidence of the artist's achievements;*
- The artist's contribution to the arts in Northern Ireland;*
- The relevance of the purchase to the furtherance of the artist's career;*
- and*
- The relevance of the purchase to the Arts Council's funding objectives.*

*The Arts Council will consider accepting gifts to the collection although such work is assessed against the same criteria as works considered for purchase.*

With capital funding from DfC the Arts Council allocated £55,702 for the acquisition of art work for 2017/18 (2016-17: £40,509).

There is only one operational heritage asset, a Gagliano violin, which is on loan as an award to an outstanding young violinist from Northern Ireland, who is the leader of the Ulster Youth Orchestra.



**Summary of transactions relating to non-operational heritage assets, for the current accounting period and each of the previous four accounting periods**

	<b>2017- 2018</b>	<b>2016- 2017</b>	<b>2015- 2016</b>	<b>2014- 2015</b>	<b>2013- 2014</b>
B'fwd non-operational heritage assets	810,994	745,185	695,328	597,600	498,589
Revaluation	950	25,300	1,765	40,142	2,996
Gifted	-	-	-	-	-
Impairment	-	-	-	-	-
Donation	-	-	-	-	3,000
Cost of additional assets	55,702	40,509	48,092	57,586	93,015
C'fwd non-operational heritage assets	<u>867,646</u>	<u>810,994</u>	<u>745,185</u>	<u>695,328</u>	<u>597,600</u>

**Summary of transactions relating to operational heritage assets, for the current accounting period and each of the previous four accounting periods**

	<b>2017- 2018</b>	<b>2016- 2017</b>	<b>2015- 2016</b>	<b>2014- 2015</b>	<b>2013- 2014</b>
B'fwd operational heritage assets	130,000	110,000	110,000	110,000	110,000
Revaluation	-	20,000	-	-	-
Gifted	-	-	-	-	-
Impairment	-	-	-	-	-
Donation	-	-	-	-	-
Cost of additional assets	-	-	-	-	-
C'fwd operational heritage assets	<u>130,000</u>	<u>130,000</u>	<u>110,000</u>	<u>110,000</u>	<u>110,000</u>

**5 Intangible assets**

<b><u>2017-18</u></b>	<b><u>Websites</u></b>	<b><u>Software</u></b>	<b><u>Total</u></b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b><u>Cost or Valuation</u></b>			
At 1 April 2017	117,934	127,970	245,904
Transfers	-	-	-
Additions	-	-	-
Revaluations	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 March 2018	117,934	127,970	245,904
<b><u>Amortisation</u></b>			
At 1 April 2017	115,730	121,374	237,104
Transfers	-	-	-
Charge in year	2,204	6,596	8,800
Revaluation	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 March 2018	117,934	127,970	245,904
<b><u>Carrying amount</u></b>			
At 31 March 2018	-	-	-
<b><u>Carrying amount</u></b>			
At 31 March 2017	2,204	6,596	8,800
<b><u>Asset Financing</u></b>			
Owned	-	-	-
<b><u>Carrying amount</u></b>			
At 31 March 2018	-	-	-

Intangible Assets have been re-valued at 31 March 2018 using the latest available indices published in 'Price Index Numbers for Current Cost Accounting' prepared by the Office for National Statistics.

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<b><u>2016-17</u></b>	<b><u>Websites</u></b>	<b><u>Software</u></b>	<b><u>Total</u></b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b><u>Cost or Valuation</u></b>			
At 1 April 2016	117,263	126,660	243,923
Transfers	-	-	-
Additions	-	-	-
Revaluations	671	1,310	1,981
At 31 March 2017	117,934	127,970	245,904
<b><u>Amortisation</u></b>			
At 1 April 2016	97,764	112,560	210,324
Transfers	-	-	-
Charge in year	17,438	7,912	25,350
Revaluation	528	902	1,430
At 31 March 2017	115,730	121,374	237,104
<b><u>Carrying amount</u></b>			
At 31 March 2017	2,204	6,596	8,800
<b><u>Carrying amount</u></b>			
At 31 March 2016	19,499	14,100	33,599
<b><u>Asset Financing</u></b>			
Owned	2,204	6,596	8,800
<b><u>Carrying amount</u></b>			
At 31 March 2017	2,204	6,596	8,800

**6 Cash and cash equivalents**

	<b>31 March 18</b>	<b>31 March 17</b>
	£	£
Balance at 1 April	668,430	764,980
Net change in cash and cash equivalent balances	247,336	(96,550)
Balance at 31 March	<u>915,766</u>	<u>668,430</u>

The following balances at 31 March were held at:

Commercial banks and cash in hand	<u>915,766</u>	<u>668,430</u>
Balance at 31 March	<u>915,766</u>	<u>668,430</u>

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

In line with the MSFM, the Department makes available in the current financial year (subject to approval by the Assembly of the relevant estimates provision) any such grant-in-aid required to meet any liabilities at year end, such as accruals.

The balance of cash at 31 March 2018 was £915,766 (2016-17: £668,430).

**7 Trade receivables, financial and other assets**

	<b>31 March 18</b>	<b>31 March 17</b>
	£	£
<b>Amounts falling due within one year:</b>		
Trade receivables	5,708	87,151
Other receivables	218	-
Prepayments and accrued income	158,711	86,431
	<u>164,637</u>	<u>173,582</u>

**8 Trade payables, financial and other liabilities**

	<b>31 March 18</b>	<b>31 March 17</b>
	£	£
<b>Amounts falling due within one year:</b>		
Other payables	747,425	513,973
Accruals and deferred income	306,196	331,203
	<u>1,053,621</u>	<u>845,176</u>

**Amounts falling due after more than one year:**

Pension deficit	4,242,000	3,952,000
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Details of the pension scheme are outlined in the Staff Report.

## 9 Leases

### *Operating Leases*

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

	<b>31 March 18</b>	<b>31 March 17</b>
	<b>£</b>	<b>£</b>
Obligations under operating leases for the following periods comprise:		
<i>Buildings:</i>		
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	-	-
	<u>-</u>	<u>-</u>
<i>Other:</i>		
Not later than one year	584	584
Later than one year and not later than five years	1,753	2,337
Later than five years	-	-
	<u><b>2,337</b></u>	<u><b>2,921</b></u>

The lease for the Arts Council at the Sidings, Lisburn expired on 12 February 2017. The Arts Council is currently in temporary accommodation at the Sidings, Lisburn under licence from the Department of Finance until 31st March 2019 and is subject to a three-month notice period. The Arts Council pays the Department of Finance annual rent of £85,000.

## 10 Other Financial Commitments

The Arts Council gave a loan to a client, An Gaelaras in 2008-09, the repayment of which was dependent on the sale of a building belonging to the client. The loan amount of £75,000 has been carried and included in Other Receivables at Note 7 above. In 2013-14 the loan was converted to a charge to secure the financial assistance advanced to An Gaelaras by the Arts Council. The charge is to subsist for a term of 10 years. Due to the uncertainty in the property market and the fact that the Arts Council will have only second priority, the Arts Council assessed that there was a high risk of non-repayment, therefore, the full value of the loan has been provided for in 2013-14 and is netted off the loan amount in Note 7 above. The amount of this provision will be reassessed annually and adjustment made as necessary.

The payments to which the Arts Council are committed during 2017-18 analysed by the period during which the commitment expires are as follows:

	<b>31 March 18</b>	<b>31 March 17</b>
	<b>£</b>	<b>£</b>
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	-	-
	<hr/>	<hr/>
	<hr/>	<hr/>

## **11 Contingent liability disclosed under IAS 37**

The Arts Council is respondent in a tribunal case which has not fully progressed for further disclosure to be made.

## **12 Related-party transactions**

The Arts Council is a Non-Departmental Public Body sponsored by the Department for Communities. DfC is regarded as a related party and during the year the Arts Council had various material transactions with DfC as referred to in Note 3 above and as shown in the Statement of Changes in Taxpayers Equity.

The Arts Council's National Lottery Distribution Account is also regarded as a related party to the Arts Council Exchequer Account. At 31 March 2018 a net amount of £108,585 (2016-17: £113,250) was owed by the National Lottery Distribution Account to this account in respect of salary and other administrative costs incurred. These amounts are included in the Trade Receivables and other Current Assets figure of £164,637 (2016-17: 173,582) shown in Note 7 above and the Trade Payables and other Current Liabilities balance of £1,053,621 (2016-17: £845,176) in Note 8 above.

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

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<b>Name</b>	<b>Nature of relationship</b>	<b>Organisation Name</b>	<b>Awarded in 2017-18</b>	<b>Paid in 2017-18 *</b>	<b>Balance Outstanding as at 31 March 2018 **</b>
<b>Board Members</b>					
John Edmund	Chair of Grand Opera House	Grand Opera House	264,287	261,567	16,451
	Private consultancy work	The Playhouse	159,759	158,115	9,944
		The Nerve Centre	31,976	31,647	1,990
		Derry Theatre Trust	57,494	56,902	3,579
David Alderdice	Chair of Eastside Arts	Eastside Arts	60,311	59,691	3,754
Siún Hanrahan	Board Member of Belfast Exposed	Belfast Exposed	103,418	102,353	6,438
	Board Member of The Void	The Void	127,777	126,461	7,954
Jarlath Kearney (until 06/10/17)	Family member on Board of Feile an Phobail	Feile an Phobail	114,061	111,274	7,779
Leon Litvack	Professor at Queen's University	The Queen's Foundation	5,000	5,000	-
Noelle McAlinden	Board of CCA	Centre for Contemporary Art	76,284	75,499	4,748
Roisin Erskine	Co-Chair of Beyond Skin	Beyond Skin	5,000	4,500	500
	Site Manager with Belfast Community Circus School	Belfast Community Circus School	98,204	97,193	6,113

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Name	Nature of relationship	Organisation Name	Awarded in 2017-18	Paid in 2017-18 *	Balance Outstanding as at 31 March 2018 **
<b>Board Members</b>					
Paul Mullan	Wife is Chair of All Set Traditional Music Group	All Set Cross Cultural Project	18,772	18,579	1,168
Katy Radford	Family / Close Connection	Artichoke Trust	10,000	10,000	-
		Ulster Orchestra Society	1,703,487	1,689,510	84,424
		David Lyttle	400	400	-
	Employer has working relationship	ArtsEkta	35,572	34,936	2,328
		Kabosh	42,421	42,005	2,516
		The John Hewitt Society	24,276	24,029	1,487
		Denise Ferran	250	250	-
Conor Shields (until 30/04/17)	Employee of Community Arts Partnership	Community Arts Partnership	111,208	110,064	6,922
Cian Smyth	Freelance for Belfast International Arts Festival	Belfast International Arts Festival	93,498	90,836	5,820
Nisha Tandon (until 30/04/17)	Director ArtsEkta; Family member is Events and Marketing Manager on a freelance basis for ArtsEkta	ArtsEkta	35,572	34,936	2,328



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<b>Name</b>	<b>Nature of relationship</b>	<b>Organisation Name</b>	<b>Awarded in 2017-18</b>	<b>Paid in 2017-18*</b>	<b>Balance Outstanding as at 31 March 2018 **</b>
<b>Staff Members</b>					
Vincent Crossey	Treasurer of Wheelworks	Wheelworks	64,434	63,770	4,012
Lizzie Devlin	Friends work for Community Arts Partnership	Community Arts Partnership	111,208	110,064	6,922
	Friend is board member of Kabosh	Kabosh Ltd	42,421	42,005	2,516
Matthew Hendry	Spouse is board member of Seacourt Print Workshop	Seacourt Print workshop	61,053	60,425	3,800
Nick Livingston	Daughter employed by Arts & Business NI	Arts & Business NI	155,894	154,213	9,704
Noirin McKinney	Spouse is Editor of Irish Pages	Irish Pages Ltd	13,474	13,335	839
	Friends with Directors of Panarts	Panarts	22,135	21,908	1,377
Gavin O'Connor	Tutor for Belfast Trad Music Society	Belfast Trad	21,197	20,979	1,319
Deirdre Robb	Studio member of Creative Exchange Studios	Creative Exchange	12,800	12,668	797
Ciaran Scullion	Spouse is the Membership and Development Officer at the Ulster Youth Choir	Ulster Youth Choir	18,855	18,661	1,174
Anne Shipton	Brother is a member of the Armagh Rhymers	The Armagh Rhymers Society	35,802	35,433	2,229

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<b>Name</b>	<b>Nature of relationship</b>	<b>Organisation Name</b>	<b>Awarded in 2017-18</b>	<b>Paid in 2017-18*</b>	<b>Balance Outstanding as at 31 March 2018**</b>
<b>Staff Members</b>					
Fionnuala Walsh	Spouse is Chair of PLACE	PLACE	57,060	56,472	3,552
	Board Member of Digital Arts Studios	Digital Arts Studios	41,236	40,811	2,567
Roisin McDonough	Director of the Chief Executives Forum NI	Chief Executive's Forum NI	720	720	-
Debbie Young	Artist with Community Arts Partnership	Community Arts Partnership	111,208	110,064	6,922

\*Paid in 2017-18 includes payments relating to awards made in previous years.

\*\*Balance as at 31 March 2018 includes all awards made in 2017-18 and previous years where an outstanding balance remains.

### 13 Third Party Assets

In 2010 the Arts Council received a bequest of £579,000 upon Trust to administer "The Rosy James Bursary" on behalf of the Rosemary James Trust. The Rosemary James Trust is managed by an independent financial advisor. The objective of the Trust is to provide funding assistance to individual artists/designers and makers to pursue their careers by developing a new body of work. The annual value of the award is up to £15,000. The closing balance at the financial year end 31 March 2018 was £609,931 made up of listed securities £607,718 and cash at bank £2,213.

### 14 Events after the Reporting Period

Events after the balance sheet date are those material events, both favourable and adverse, that occur between the end of the reporting period and the date when the accounts are authorised for issue. There have been no such events.

### Date of authorisation for issue

The Accounting Officer authorised the issue of these financial statements on the date of certification by the Comptroller and Auditor General.