THE ARTS COUNCIL OF NORTHERN IRELAND
Annual Report and Accounts
FOR THE YEAR ENDED 31 March 2016

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 (formerly Department of Culture, Arts and Leisure)

30 June 2016

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Performance Report

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

Overview

Chairman's Foreword

It is a testament to the commitment and indefatigable spirit of the arts in Northern Ireland that so much was achieved in a year dominated by the most challenging financial pressures in a decade. Following the latest in a succession of cuts to departmental budgets intended to reduce Northern Ireland's spending deficit, the Arts Council's annual Exchequer budget was cut by 11.2 percent. A reduction of £1.38 million to £10.9 million compelled the Arts Council to implement some very difficult funding decisions. We took a strategic approach to our annual funding allocation to organisations, designed to protect the future balance of arts provision. Those decisions reflected the goals of our Five-Year Strategic Plan, which themselves echo the Executive's wider priorities on access, participation, social inclusion and equality. We were concerned to ensure that our investment would continue to enhance community benefit, ensure a fair geographic spread across Northern Ireland, and widen the opportunity for everyone in Northern Ireland, including the most marginalised and hard to reach communities, to engage with excellence in the arts.

We had previously warned Government that the reality of passing on such a sizeable cut to an already overstretched budget would mean that we would be left inevitably in 2015-16 with a smaller arts sector with reduced capacity. This would mean fewer performances, exhibitions, staff and opportunities for people to engage with the arts, and reduced capacity to deliver important education and outreach programmes. As the arts make a wider contribution to many other areas of society, this latest round of cuts would be felt not only directly in arts provision but across tourism, health, community regeneration, social cohesion and, as arts organisations are forced to retract services to concentrate on core activities, the very Government priorities designed to promote equality and tackle poverty and social exclusion.

With great reluctance we removed six organisations from the Annual Funding Programme, reduced funding to umbrella bodies in order to protect front-line services, and reduced funding for several of our major arts venues that would have the capacity to generate additional income through programming and ticketing. The Arts Council itself continued its strict regime of internal savings, committing this year to savings of £224,000 in staffing and overheads.

In August we had to prepare the sector for a further in-year cut of 2.1 percent and, in October, a cut of almost 9 percent. This represented an overall disinvestment by the Executive in 2015-16 of approximately 20 percent. It came as great relief to the sector when, in November, the DCAL Minister announced that she had found sufficient funds from her departmental budget to reinstate all but £250,000 of the in-year cuts; a sum that was additionally absorbed by the Arts Council.

Towards the end of the year the Arts Council was advised by DCAL to expect further reductions to our budget in 2016-17. We hope and expect that, having taken the really difficult strategic decisions in 2015-16 to protect the core elements of each art form, we have prepared the sector as best we can for the future, so that in better times they will be able to grow again.

A sustained period of disinvestment in the arts has seen the Arts Council's annual Exchequer fund fall by almost one quarter over the last four years. A priority must now be to maximise the opportunities presented by the reform of central and local government in Northern Ireland to reposition the arts at the heart of government and instigate a new period of reinvestment.

Bob Collins
Chairman

Date: 27 June 2016

Chief Executive's Introduction

The shape of the governmental landscape in Northern Ireland is undergoing radical change, with the phased introduction of the 11 new local councils in 2015-16, down from 26, and planning well underway for the reforming of central government departments early in 2016-17. Both of these developments exerted a significant impact on the work of the Arts Council in the year under review.

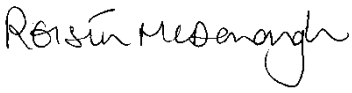
The Arts Council has a longstanding partnership with local councils, supporting the development of capital provision and funding individual artists and arts organisations in their catchment areas. The Arts Council endeavoured in this pivotal year to play as full a part as possible in the development of the new community plans that the local councils are developing as a consequence of the powers conferred upon them through the Review of Public Administration. In October we held a symposium to discuss local arts and cultural needs with the new councils and how we could strengthen our partnership. This included a well-received proposal by the Arts Council to establish a Local Government Challenge Fund for each council area, with the proviso that our investment is matched and is additional to the current levels of funding provided by each council.

At central government level, the new departments that will come into effect early in 2016-17 were announced. Under the reconfiguration the Arts Council will become part of a new Department for Communities (DfC). Whilst much of the detail of the transfer of powers has yet to be clarified, the new dispensation certainly presents an opportunity to reposition the arts at the heart of government. Our efforts to influence the repositioning of the arts got well underway in 2015-16.

In February the Arts Council published a digest of research illustrating the value of the arts to government priorities, for presentation by DCAL to the nascent Department for Communities. The Arts Digest highlights the education and outreach activities undertaken by publicly-funded arts organisations and details how the sector is helping to tackle disadvantage and promote health and well-being. It provides an overview of the growing impact of the Creative Industries on employment and the economy and of the contribution the arts make to community regeneration. The digest also supported a series of face-to-face meetings with senior politicians in the run up to the local elections. These discussions advanced our position on persuading the Northern Ireland Executive of the wisdom of enshrining the arts in the next Programme for Government.

Also in February the Arts Council contributed to the consultation, launched in November by the DCAL Minister, Carál Ní Chuilín, on a new ten-year strategy for the arts. The task of developing the submissions into a coherent, deliverable strategy will fall to the new Department for Communities from May 2016.

During a busy year, marked by the challenges of responding to a substantially reduced arts budget and the reconfiguration of central and local government, the Arts Council relocated in October from Belfast to new premises in Lisburn City. The move is temporary, for a period of 18 months or thereabouts, before the Arts Council is relocated once again to suitable permanent premises.



Roisín McDonough
Chief Executive

Date: 27 June 2016

Strategic Report

Background Information

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 (formerly Department of Culture, Arts and Leisure). The affairs of the Arts Council are managed by a Board consisting of the members listed in the Directors Report. The Chief Executive, 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.

Nature of Business

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

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 of Culture, Arts and Leisure and other government departments, district councils and other bodies on matters relating to the arts; and,
(d) Such other functions as are conferred on the Arts Council by any other statutory provision.

Review of Grant-in-aid Activities

During the year 2015-16, the Arts Council's Expenditure on the Arts totalled £9,930,626 (2014-15: £13,321,741). This represents a decrease of £3.4m on the previous year (2014-15: increase of £0.3m). Excluding in-year capital grants to arts organisations, the decrease falls to £2.8m (2014-15: increase falls to £0.1m) on the prior year. Regularly funded organisations were awarded £8.8m (2014-15: £9.7m) – a commendable achievement given the difficult funding environment.

Future Grant-in-aid Activities

A further reduction in Exchequer funding for the arts is anticipated in 2016-17, subject to Ministerial decisions in the new NI Assembly mandate. In taking exceptionally difficult funding decisions in 2015-16 and absorbing further costs through a programme of internal savings, the Arts Council has endeavoured to protect the core elements of each art form and mitigate as best as is possible against future budget reductions.

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 2015-16, are:

- Champion the Arts
- Promote Access
- Create a Resilient Sector

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 from Northern Ireland continued to be a priority area for artist development.

Twenty-three international artists, including seven artists from Northern Ireland, gathered in Belfast in October to present a series of nine free events at the 'Corners Showcase' at the Ulster Bank Belfast International Arts Festival, in partnership with the Arts Council. The transnational 'Corners' programme, funded by EU/Creative Europe and local partners, including the Arts Council, creates opportunities for artists working on the fringes of Europe to collaborate on multidisciplinary arts projects.

Now in its fifth year, the Arts Council in collaboration with the Northern Ireland Executive, ran the 'Brussels Platform' in Brussels, promoting the Culture and Creativity of Northern Ireland and providing opportunities for artists representing all art forms to showcase their work at a series of monthly events at the capital of the European Union. Highlights of this year's Brussels Platform were an evening of music and poetry with Alice McCullough and Ursula Burns, opera with Dawn Burns & Sinead O'Kelly, 'NewBliss', a one-man play by Keith Donald, and a St Patrick's Day music concert by Arts Council ACES (Artist Career Enhancement Scheme) awardee, Jason O'Rourke.

The Artists International Development Fund, now in its fourth year, 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 2015-16 the Oh Yeah Music Centre was able to develop its relationship with similar organisations in Berlin, strengthening opportunities for local talent to perform in Germany; songwriter VerseChorusVerse travelled to the US to build networks ahead of a proposed tour from New York to Nashville and Los Angeles; Malojian recorded a ten track album at Electrical Audio in Chicago; and Una Monaghan, accomplished harpist, composer and sound engineer, became Artist in Residence at the Institute for the Public Life of Arts and Ideas in Montreal.

Also in partnership with the British Council, the Arts Council provided bursaries for a second year of residencies and showcase opportunities at the Centre Culturel Irlandais in Paris. In January/February the Centre hosted a major exhibition of paintings, 'Silent Testimony', by acclaimed artist Colin Davidson. Previous participants have included poet Sinead Morrissey, pianist Michael McHale and composer Philip Hammond.

During the year the Arts Council published a digest of research illustrating the value of the arts in relation to government priorities. The Arts Digest is an advocacy tool that supports the promotion of the arts within the new Department for Communities, which will assume responsibility for the arts from the former Department of Culture, Arts and Leisure in 2016-17. The Arts Council also embarked on a series of high-level discussions with senior politicians in the run up to the local elections, with the goal of getting the arts included in party manifestoes and, ultimately, of persuading the Executive to directly reference to arts in its next Programme for Government.

In addition to raising the case for the arts through face-to-face advocacy, over the course of the year the Arts Council's Corporate Communications contributed to 1,814 pieces of newspaper coverage and 812 minutes of broadcast coverage. This represents a decrease in media coverage obtained over the previous year and is the result of the reduction in communications staff and budget as consequence of external financial pressures on the Arts Council. News releases and social media output covered the full range of funded activity. Social Media was again a priority development area for the Arts Council communications and audience engagement across social media continued to increase. Audience growth on Facebook was up by 29% and there was a 31% increase of new followers on Twitter.

In January the DCAL Minister announced appointments to the Board of the Arts Council. After an open competition, Katy Radford MBE was appointed as the new Vice-Chair, while Jarlath Kearney, Roisin Mohan and Cian Smyth were appointed as new Board Members. All of the appointments are for a term of up to four years.

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 newly-formed Ulster Bank Belfast International Arts Festival, the Arts Council continued its city-wide programme of participatory and learning activities which it had introduced as part of the former festival programme. 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.

In May'15 the Arts Council in association with Audiences Northern Ireland conducted an audit of the capabilities and resource requirements of arts organisations in respect of Digital Technologies and audience development. The audit assesses the digital resources currently in place, attitudes towards digital technologies, and digital practices employed by arts organisations in Northern Ireland. This assessment is informing the Digital Strategies of both the Arts Council and Audiences Northern Ireland.

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 £8.823 million to 32 arts organisations to cover their year-round running and programming costs for 2015-2016. Eighty-one of the existing Annually Funded Organisations were maintained on standstill funding or received small uplifts; 27 received reduced funding; 6 were declined funding (POBAL, Green Shoot Productions, Guildhall Press, Blackstaff Press, Musical Theatre for Youth and the McCracken Cultural Society); 1 new client was admitted to the programme (East Belfast Partnership Board for funding towards three festivals that are part of the wider East Belfast Arts Strategy supported by the Arts Council, DCAL and Belfast City Council). In order to protect arts organisations delivering front line services to the community, annual funding was reduced to a number of venues capable of generating additional income through box office and programming: the MAC, Lyric, Grand Opera House and Playhouse. The Arts Council implemented internal savings of over £500,000 in 2015-16. It is hoped and expected that the strategic funding decisions taken in 2015-16 will help to protect the sector as a whole against any future cuts.

With the reconfiguration of the district councils, reduced from 26 to 11 in 2015-16, the Arts Council is endeavouring to play as full a part as possible in the development of the new community plans that the local councils are developing as a consequence of the powers conferred upon them through the Review of Public Administration. In October the Arts Council held a symposium to discuss local arts and cultural needs with the new councils and how we could strengthen our partnership.

The Arts Council continued to host information sessions during the year for artists and arts organisations on accessing EU funding and opportunities. The Creative Europe Desk UK-Northern Ireland, a free advice desk to support the cultural, creative and audio-visual sectors in accessing Creative Europe funding, began operating out of the Arts Council in 2014-15. Creative Europe is the European Union's new funding programme to support and strengthen the cultural, creative and audio-visual sectors and runs from 2014-2020 with a budget of €1.46 billion.

Principal Risks

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 organisational and business planning.

The principal risks considered in the risk register are:

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

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

Social and community issues

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

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 Board meeting on Wednesday 23th March 2016. The Arts Council is not aware of any reason to adopt a different basis.

Performance Analysis

Key Performance Indicators (Audited Information)

The Arts Council has two main financial Key Performance Indicators (KPIs) and both were met. They were:

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 99%

Financial Results

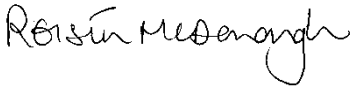
The Arts Council's key financial target is to operate within the allocated Budget for the year. At the end of the year the Arts Council realised total net expenditure of £11,352,874 (2014-15: £13,999,320). The taxpayer equity at the year-end is in deficit of £2,213,810 (2014-15: £2,508,561) which includes a pension reserve liability of £2,992,000 (2014-15: £3,506,000).

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:

- Sustainable development: Sustainable development is a guiding principle of the Architecture and Build policy published by DCAL in 2006. Consistent with this policy our Capital programmes complied with the Government's Achieving Excellence in Construction Initiative which promoted design quality and sustainability in construction, while achieving best value for money.
- Reducing our waste and increasing recycling levels.
- Reducing our contribution to climate change in terms of energy consumption and related CO_2 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.
- Encouraging all tendered Arts Council suppliers to devise and implement Social Clauses/Corporate Social Responsibility (CSR) policies.



Roisín McDonough
Accounting Officer

Date: 27 June 2016

Accountability Report

Corporate Governance Report

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 2016 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 former Department of Culture, Arts and Leisure 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 (formerly Minister of Culture, Arts and Leisure). The Chair and members of the Board have individual and collective responsibility to the Minister as Head of Department:

The Board of the Arts Council for the year ended 31 March 2016 is shown below.

Board: 1 April 2015 to 31 March 2016

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

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

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

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

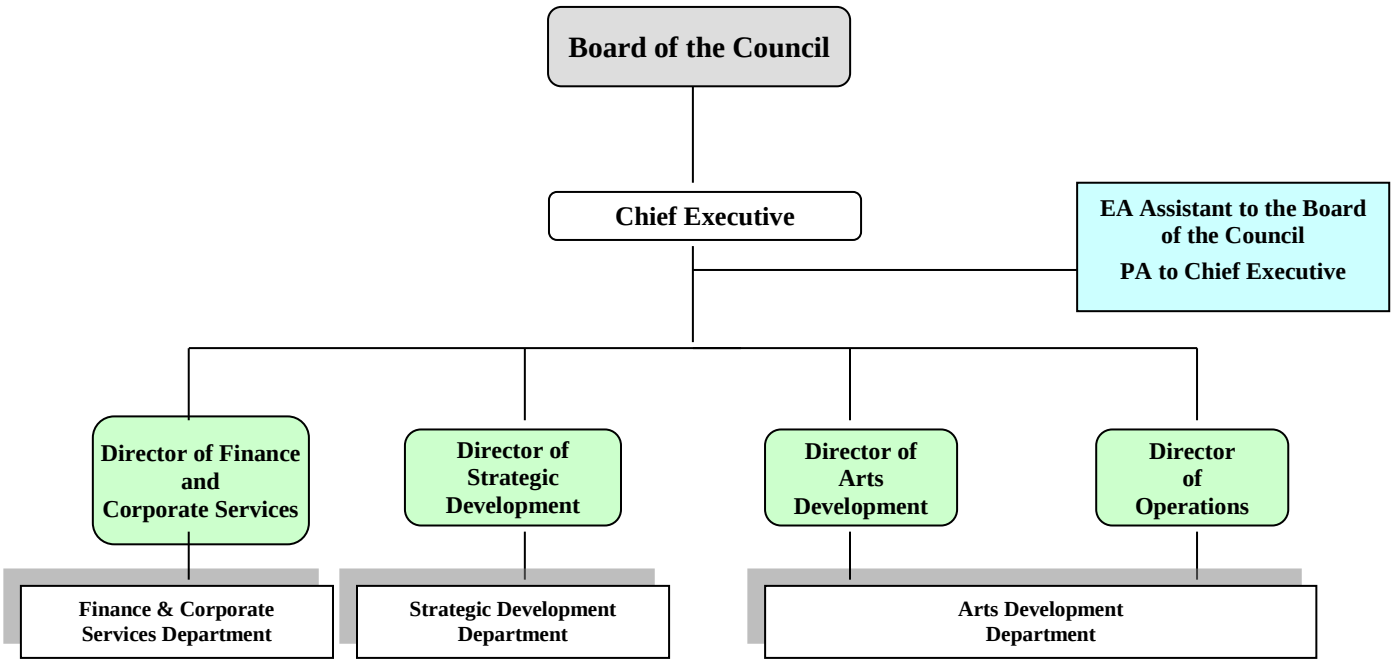
Mr Damien Coyle (Chairman until 30 November 2015)
Dr Katy Radford (Chairman from January 2016)
Ms Katherine McCloskey
Mr Paul Mullan
Prof Paul Seawright (until 30 November 2015)

The members of the Finance and Capital Committee until 31 March 2016 were:

Mr Brian Sore (Chairman until 30 November 2015)
Dr Leon Litvack (Chairman from 1 December 2015)
Mr Damien Coyle (until 30 November 2015)
Prof Ian Montgomery (until 30 November 2015)
Mr Gerry Crossan (co-opted member from 24 June 2015)

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 14. The Register of Interests is also online on the Arts Council website. All of the transactions relating to the organisations were conducted at arm's length by the Arts Council.

Organisational Structure



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 £69,765 (2014-15: £104,822) were purchased during the year. The harpsichord which had a value of £1,000 was gifted to a client 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. As all significant assets and liabilities are determined in sterling, it is not exposed to material interest rate or currency risk.

Political and Charitable Donations

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

Personal Data

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

Payment of Suppliers (Audited Information)

The Arts Council is committed to the prompt payment of bills for goods and services in accordance with the Confederation of British Industry's Prompt Payment Code. The target for payment of bills is 10 days from receipt of goods or services, or presentation of a valid invoice or similar demand, whichever is later. A review conducted at the end of the year to measure how promptly the Arts Council paid its bills found that 95% of the bills were paid within this standard. The comparative figure for 2014-15 was 95%. A review of payment of bills in 30 days from receipt of goods or services found that 99.7% of the bills were paid within 30 days (2014-15: 99.6%).

Overall, for the year, the average number of days taken to pay invoices was 4 days (2014-15: 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 £151,865 (2014-15: £143,842).

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

The accounting policy for pensions is disclosed in Note 1.16 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 (formerly Department of Culture, Arts and Leisure) with the consent of the

Department of Finance (formerly Department of Finance and Personnel) in accordance with Article 8 of the Arts Council (Northern Ireland) Order 1995.

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

The fee for the audit of these financial statements is £13,000 (2014-15: £13,000). This cost is included in other operating expenditure Note 2(b) in the financial statements. The Arts Council did not purchase any non-audit services from its auditor, the Northern Ireland Audit Office or its subcontractors during the year.

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

Complaints Handling

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

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

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

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

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

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

Events after Reporting Period

There have been no events after the reporting period outside the ordinary course of business that would materially affect the Arts Council since 31 March 2016.

Statement of the Council's and 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 (formerly Department of Culture, Arts and Leisure) with the approval of the Department of Finance (formerly Department of Finance and Personnel). 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 (formerly Department of Culture, Arts and Leisure) including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;

- observe the current version of the Government Financial Reporting Manual (FReM);

- make judgements and estimates on a reasonable basis;

- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements; and

- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the body will continue in operation.

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

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 (formerly Department of Culture, Arts and Leisure).

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

Corporate Governance Code

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

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

Two principles were less relevant to the Arts Council:

(a) Board composition as the DfC (formerly DCAL) Minister makes appointments to the Board. However, the Board has the authority to co-opt to its committees where it deems a skill or experience is required.

(b) Arm's Length Bodies (ALBs). This principle has negligible relevance as it was directed towards Departments and their governance arrangements with ALB Boards.

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

Conflicts of Interest

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

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

A list of awards made to the organisations concerned and details of who made the declaration of interest is detailed in Note 14. 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 2016 and up to the date of approval of the annual report and accounts, and accords with DoF (formerly DFP) guidance.

Governance Framework

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

1. Identifying and communicating the Arts Council's vision of its purpose and intended outcomes;
2. Reviewing the Arts Council's vision and its implications for the Arts Council's governance arrangements;
3. Measuring the quality of service, ensuring delivery in accordance with the Arts Council's objectives and for ensuring that they represent the best use of resources;

4. Defining and documenting the roles and responsibilities of the Executive, Non-Executive, scrutiny and Officer functions, with clear delegation arrangements and protocols for effective communication;
5. Developing, communicating and embedding Codes of Conduct, defining the standards of behaviour for members and staff;
6. Reviewing and updating the Management Statement and Financial Memorandum, Financial Instructions, Scheme of Delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks;
7. Undertaking the core functions of an Audit and Risk 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;
11. Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

Board Membership

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

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

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

The Board held 13 meetings during the year to determine policy for the Arts Council and make decisions in line with that policy. These meetings were held in my presence and that of my colleagues in senior management who produced papers and information to assist

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

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

2015/16 Board/Committee Attendance

	Board Meetings			Committee Meetings			Total Meetings		
	Act	Poss	%	Act	Poss	%	Act	Poss	%
David Alderdice	10	13	77	N/A	N/A	N/A	10	13	77
Anna Carragher	10	13	77	4	4	100	14	17	82
Bob Collins	13	13	100	1	1	100	14	14	100
Damien Coyle #	4	8	50	3	6	50	7	14	50
Siún Hanrahan	9	13	69	N/A	N/A	N/A	9	13	69
Jarlath Kearney ~	4	5	80	N/A	N/A	N/A	4	5	80
Leon Litvack	9	13	69	4	4	100	13	17	76
Noelle McAlinden	10	13	77	N/A	N/A	N/A	10	13	77
Katherine McCloskey	12	13	92	6	6	100	18	19	95
Roisin Mohan ~	2	5	40	N/A	N/A	N/A	2	5	40
Ian Montgomery #	2	8	25	1	4	25	3	12	25
Paul Mullan	8	13	62	4	5	80	12	18	66
Eibhlín Ní Dhochartaigh	3	13	23	N/A	N/A	N/A	3	13	23
Katy Radford ~	1	5	20	N/A	N/A	N/A	1	5	20
Paul Seawright #	6	8	75	0	1	0	6	9	67
Conor Shields	8	13	62	N/A	N/A	N/A	8	13	62
Cian Smyth ~	4	5	80	N/A	N/A	N/A	4	5	80
Brian Sore #	8	8	100	4	5	80	12	13	92
Nisha Tandon	6	13	46	N/A	N/A	N/A	6	13	46

Board members who completed term on 30 November 2015

~ New Board members from 1 December 2015

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

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

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

Audit and Risk Committee

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

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

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

Principle 1: Membership, independence, objectivity and understanding;
Principle 2: Skills;
Principle 3: The role of the Audit and Risk Assurance Committee;
Principle 4: Scope of work; and
Principle 5: Communication and reporting.

The Audit and Risk Committee formally considered these principles at its meeting 04 April 2016 and confirmed it complied with the principles.

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

Other Committees

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

Its terms of reference cover the proposal to the Board of the annual budget of the Arts Council; ensuring comprehensive financial advice is provided to the Board; reviewing the

detailed information relating to the financial resources including the Statement of Comprehensive Net Expenditure, Statement of Financial Position and cash flow statements; monitoring financial expenditure against targets set throughout the year making recommendations as necessary; reviewing the programmes, policies and procedures relating to the payment of capital grants and where appropriate, to propose changes to the above for Board approval; and to advise on policy and the strategic deployment of capital resources.

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

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

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

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

Business Planning

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

The draft business plan is submitted to the Department as early as possible, but no later than 31 January each year. The Arts Council's plans are submitted to the Department for approval and include measures of performance and annual targets in respect of each of those measures and the proposed annual efficiency. Progress against targets is reported quarterly to the Board and bi-annually to DfC's (formerly DCAL'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	100%	(2)[1]
Milestones still progressing	-	-
Milestones not achieved	-	-

Risk Management

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

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

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

- Inability to deliver the Business Plan in 2016/17 due to budget and staff cuts;
- Impact of economic downturn on arts organisations resulting in a loss of frontline services;
- Reduction in DfC (formerly DCAL) / National Lottery funding of the arts resulting in a loss of frontline services;

[1] Financial Key Performance Indicators on Page 13

- An industrial dispute lodged by the trade union over the implementation of the Council's compulsory redundancy policy, and,
- Requirement to relocate premises again before or on February 2017.

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

Fraud Risk and Information Risk

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

The Arts Council maintains a register of related party transactions in order to ensure that opportunities for conflict of interest are avoided. The register is maintained centrally and is updated regularly. It features as a supplementary report in the decision making process on relevant grants, to ensure the exclusion of parties with a perceived conflict of interest. The 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. Additionally, to gain access to the Arts Council's computer network, staff are required to acknowledge acceptance of IT policies when they log into their workstations.

Governance & Accountability within the Arts Council

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

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

Sources of Independent Assurance

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

The Comptroller and Auditor General 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.

Review of Effectiveness

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

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

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

Quality of Information

The Board has considered the quality of data used by the Board across all business areas and finds the information provided by management suitable for the purposes of making effective decisions. The Board is satisfied with the quality, timing and availability of information with which it is furnished. Appropriate members of the Executive attend Board meetings

supported by other Arts Council staff upon request. This provides an additional tier of assurance enabling Board members to question further and test the quality, depth and accuracy of information presented. The work of the Audit and Risk Committee also provides additional assurance to the Board in terms of information with which it is presented. This Committee reviews many of the core assurance and governance documentation in advance of the Board and is able to confirm information via challenge and the work of internal and external audit.

Internal Governance Divergences – Current and New for 2015-16

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

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

Update on prior year control issues, which are still considered to be control issues
None

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

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

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

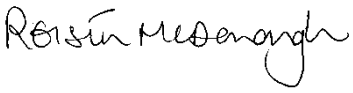
> Priority 1: an issue that required urgent management decision and action without which there is a substantial risk to the achievements of key business/system objectives, to the reputation of the organisation, or to the regularity and propriety of funds.
> Priority 2: an issue which requires prompt attention, as failure to do so could lead to more serious risk exposure.
> Priority 3: Improvements that will enhance the existing control framework and/or represent best practice.

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

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

Conclusion

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



Roisín McDonough **Date:** 27 June 2016
Accounting Officer

Remuneration and Staff Report

Remuneration Report

Remuneration Policy

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

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

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

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

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

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

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

Service Contracts

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

Salary

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

Benefits in Kind

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

Board Members' Honoraria (Audited Information)

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

The rate of honorarium for the Chairman is £10,000 per annum with effect from 1 July 2007 and the Vice Chairman is £3,500 per annum with effect from 1 December 2007. The Chairman's actual Honorarium for 2015-16 is £8,880. The total cost of honoraria paid in 2015-16 was therefore £12,514 (2014-15: £13,498) as shown in staff costs. This includes £134 (2014-15: £248) of employer's National Insurance Contributions. The amounts received by the Chairman and Vice-Chairman are detailed below:

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

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

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

Bonuses

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

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

	2015-16					2014-15				
Officials	**Salary £'000**	**Bonus £'000**	**Benefit in kind £'000**	**Pension Benefits* £'000**	**Total £'000**	**Salary £'000**	**Bonus £'000**	**Benefit in kind £'000**	**Pension Benefits* £'000**	**Total £'000**
R McDonough (Chief Executive)	80-85	-	-	22	105-110	80-85	-	-	19	100-105
N McKinney (Director of Arts Development)	55-60	-	-	21	75-80	50-55	-	-	10	60-65
G Troughton (Director of Finance and Corporate Services)	45-50	-	-	22	70-75	45-50	-	-	11	55-60
N Livingston (Director of Strategic Development)	40-45	-	-	18	55-60	50-55	-	-	9	60-65
L McDowell (Director of Operations)	50-55	-	-	27	75-80	50-55	-	-	12	60-65
Band of Highest Paid Director's Total Remuneration		80-85							80-85	
Median Total Remuneration		29,554							23,948	
Ratio		2.8							3.4	

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

Median Remuneration

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

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

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

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

The ratio is calculated as follows:

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

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 1/60th of pensionable salary for each year of service (1/80th before 1 April 2009). In addition, a tax free lump sum may be payable on retirement. Members pay contributions of between 5.5% and 10.5% of pensionable earnings. Pensions increase in payment in line with the Retail Prices Index. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of three times pensionable pay and also provides a service enhancement on computing the spouse's pension. Medical retirement is possible in the event of serious ill- health. In this case pensions are brought into payment early.

During the year the Arts Council made contributions for 57 (2014-15: 60) employees (not all 57 were employed throughout the year). The NILGOSC scheme is a "multi-employer", defined benefit scheme, which provides members of participating employers with the benefits related to pay and services at rates which are defined under statutory regulations. To finance these benefits, assets are accumulated in the scheme and are held separately from the assets of the employers. The scheme is funded by employers participating in the NILGOSC scheme who pay contributions at rates determined by an independent professionally qualified actuary on the basis of regular valuations using the projected unit method. During the year ended 31 March 2016 the Arts Council contributed 20% (2014-15: 20%) of gross salary.

	2015-16	**2014-15**
	£	**£**
Employer's Contribution	486,532	512,723

Pension Entitlements (Audited Information)

	ACCRUED PENSION AT AGED 65 AS AT 31/03/16 AND RELATED LUMP SUM	REAL INCREASE IN PENSION AT AGE 65 AND RELATED LUMP SUM	CETV AT 31/03/2016	REVISED CETV AT 31/03/2015	EMPLOYEE CONTRIBUTION 2015-2016	REAL INCREASE IN CETV
	£'000	£'000	£'000	£'000	£'000	£'000
R McDonough	35-40 plus lump sum of 75-80	0-2.5 plus lump sum of (0-2.5)	707	700	7	0
N McKinney	20-25 plus lump sum of 40-45	0-2.5 plus lump sum of 0-2.5	388	362	4	22
G Troughton	5-10 plus lump sum of 0-5	0-2.5 plus lump sum of 0-2.5	128	109	4	15
N Livingston	20-25 plus lump sum of 50-55	0-2.5 plus lump sum of 0-2.5	511	489	3	19
L McDowell	20-25 plus lump sum of 55-60	0-2.5 plus lump sum of 0-2.5	539	521	4	14

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include

the value of any pension benefit in another scheme or arrangement which the individual has transferred to the pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

Exit Packages

No executive directors of the Arts Council received any compensation for loss of office during the year.

Staff Report

1) Number of Directors (Audited Information)

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

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.

2) Staff Numbers and Costs (Audited Information)

2a) Staff Costs

	2015-16	2015-16	2015-16	2014-15
	Permanently employed staff £	Others £	Total £	Total £
Wages and salaries	1,512,138	110,858	1,622,996	1,752,355
Social security costs	120,082	7,345	127,427	132,729
Agency costs	-	113,014	113,014	92,371
Other pension costs	458,427	28,105	486,532	512,723
Voluntary exit scheme	252,289	-	252,289	-
Recharge: Expenditure on the Arts	(14,019)	(82,454)	(96,473)	(172,623)
CIIF Secondment Recovery	-	(40,289)	(40,289)	-
	2,328,917	**136,579**	**2,465,496**	**2,317,555**

Staff remuneration in 2015-2016 on an FTE basis, ranges from £22,291 to £78,275, which is the same as 2014-2015.

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 2015-16 the contribution rates were 20% employers and ranging between 5.5% and 10.5% employees (2014-15: 20% employers and between 5.5% and 7.5% employees).

The total employer pension cost under the Scheme was a debit of £486,532 (2014-15 debit of £512,723). 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 2013. 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

	31 March 2016	31 March 2015
	Years	**Years**
Duration of liabilities (years)*	17.5	18.4
	% PA	**% PA**
Discount Rate	3.4	3.2
RPI Price Inflation	2.9	2.9
CPI Price Inflation	1.8	1.8
Pension increases**	1.8	1.8
Pension accounts revaluation rate***	1.8	1.8
General Salary increase rate****	3.3	3.3

* The duration of the Fund's liabilities is the average period between the calculation date and the date at which benefit payments fall due.

** On pension in excess of Guaranteed Minimum Pension in payment where appropriate.

*** This is set equal to the assumption for pension increase.

**** This has been set as 1.5% above the CPI inflation assumption which is consistent with the assumption used at the 2013 Valuation

(ii) Mortality Assumptions

The mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for expected future mortality improvements.

Post retirement mortality (retirement in normal health)

	31 March 2016
Males	
Year of Birth base table	Standard SAPS Normal Health All Amounts (S1NMA)
Rating to above base table* (years)	0
Scaling to above base table rates	110%
Improvements to base table rates	CMI 2012 with a long term rate of improvement of 1.5% p.a.
Future lifetime from age 65 (aged 65 at accounting date)	22.3
Future lifetime from age 65 (aged 45 at accounting date)	24.5

	31 March 2016
Females	
Year of Birth base table	Standard SAPS Normal Health All Amounts (S1NFA)
Rating to above base table* (years)	0
Scaling to above base table rates	110%
Improvements to base table rates	CMI 2012 with a long term rate of improvement of 1.5% p.a.
Future lifetime from age 65 (aged 65 at accounting date)	24.8
Future lifetime from age 65 (aged 45 at accounting date)	27.1

* 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 ratings shown apply to normal health retirements. Different rates may apply to retirements in ill health.

Each member was 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.

	% Quoted	% Unquoted	Asset Split at 31 March 2016 % Total	Asset Split at 31 March 2015 %
Equities	71.7	0.2	71.9	73.0
Property	13.2	0.0	13.2	12.6
Government Bonds	5.7	0.0	5.7	5.7
Corporate Bonds	6.4	0.0	6.4	6.5
Cash	2.3	0.0	2.3	2.0
Other	0.0	0.5	0.5	0.2
Total	**99.3**	**0.7**	**100.0**	**100.0**

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

	Value as at 31 March 2016 £'000	Value as at 31 March 2015 £'000
Fair Value of assets	13,057	12,676
Present value of funded defined benefit obligation	(16,049)	(16,182)
Funded status	(2,992)	(3,506)
Impact of minimum funding requirement/asset ceiling	-	-
Asset/(Liability) recognised on the SoFP	(2,992)	(3,506)

The split of defined benefit obligation at the last valuation date between the various categories of members was as follows:

Active members	44%
Deferred Pensioners	13%
Pensioners	43%

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

	Year Ending 31 March 2016 £'000	Year Ending 31 March 2015 £'000
Operating Cost		
Current service cost*	391	390
Past service cost (including curtailments)	-	-
Settlement cost	-	-
Financing Cost		
Interest on net defined benefit liability/(asset)	107	120
Pension expense recognised in SoCNE	498	510
Remeasurements in OCE		
Return on plan assets in excess of recognised in net interest	46	(985)
Actuarial losses/(gains) due to change in financial assumptions	(604)	1,438
Actuarial losses/(gains) due to changes in demographic assumptions	-	-
Actuarial (gains)/losses due to liability experience	(135)	(80)
Total amount recognised in OCE	(693)	373
Total Amount recognised	**(195)**	**883**

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

(vi) Movement in Deficit during the year

	2015-16	2014-15
	£'000	**£'000**
Deficit in scheme at beginning of year	(3,506)	(2,951)
Movement in the year		
Current service costs	(391)	(390)
Past service costs (including curtailments)	-	-
Contributions	319	328
Net charge on Assets	(107)	(120)
Actuarial (loss)/gain	693	(373)
Deficit in Scheme at End of Year	**(2,992)**	**(3,506)**

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

	Year Ending 31 March 2016	Year Ending 31 March 2015
	£'000	**£'000**
Opening defined benefit obligation	16,182	14,124
Current Service cost	391	390
Interest expense on defined benefit obligation	513	601
Contribution by participants	106	109
Actuarial losses/(gains) on liabilities -due to change in financial assumptions	(604)	1,438
Actuarial gains on liabilities - due to changes in demographic assumptions	-	-
Actuarial (gains)/losses on liabilities due to liability experience	(135)	(80)
Net benefits paid out	(404)	(400)
Past service costs (including curtailments)	-	-
Net increase in liabilities from disposals/acquisitions	-	-
Settlements	-	-
Closing defined benefit obligation	16,049	16,182

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

	Year ending 31 March 2016	Year ending 31 March 2015
	£'000	£'000
Opening fair value	12,676	11,173
Interest income on assets	406	481
Remeasurement gains on assets	(46)	985
Contributions by the employer	319	328
Contributions by the participants	106	109
Net benefits paid out	(404)	(400)
Net increase in assets from disposals/acquisitions	-	-
Settlements	-	-
Closing fair value of assets	13,057	12,676

(ix) Actual return on assets

	Year ending 31 March 2016	Year ending 31 March 2015
	£'000	£'000
Interest income on assets	406	481
Remeasurement gain on assets	(46)	985
Actual return on assets	**360**	**1,466**

(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 2016 and the projected services cost for the year ending 31 March 2016 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

Adjustment to discount rate	**+0.1% p.a.**	**-0.1% p.a.**
Present value of total obligation (£M's)	15.771	16.332
% change in present value of total obligation	-1.7%	1.8%
Projected service cost (£M's)	0.371	0.393
Approximate % change in projected service cost	-2.8%	2.9%

Rate of general increase in salaries

Adjustment to salary increase rate	**+0.1% p.a.**	**-0.1% p.a.**
Present value of total obligation (£M's)	16.116	15.982
% change in present value of total obligation	0.4%	-0.4%
Projected service cost (£M's)	0.382	0.382
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

Adjustment to pension increase rate	**+0.1% p.a.**	**-0.1% p.a.**
Present value of total obligation (£M's)	16.264	15.837
% change in present value of total obligation	1.3%	-1.3%
Projected service cost (£M's)	0.393	0.371
Approximate % change in projected service cost	2.9%	-2.8%

Post retirement mortality assumption*

Adjustment to mortality age rate assumption	**-1 year**	**+1 year**
Present value of total obligation (£M's)	16.469	15.629
% change in present value of total obligation	2.6%	-2.6%
Projected service cost (£M's)	0.395	0.369
Approximate % change in projected service cost	3.4%	-3.4%

* 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 2016 outlined above.

The Arts Council's regular contributions to the Fund for the accounting period ended 31 March 2017 are estimated to be £0.329M

Funded LGPS benefits – Expected amounts charged to SoCNE

	Year ending 31 March 2017 £'000
Current service cost*	382
Interest on the net defined benefit liability/(asset)	96
Total	**478**

***** The Projected Service Cost includes an allowance for the administration expenses of £0.005m in the period ending 31 March 2017.

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;
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 2013

	Number	**£'000**
Total	58	1,595

Pensioner & deferred pensioner members as at 31 March 2013

Type	**Number**	**Total Pension £'000**
Deferred members	49	102
Pensioners and dependants	44	349

Funded Cash-flows (Regular)

	Months Provided	**Amount Provided £'000**	**Amount Used £'000**
Employer – Normal contributions	12	319	
Employer – Additional capital contributions		-	
Employer – Early retirement strain on fund payments	12	-	
Total Contributions by the Employer			**319**
Employee – Normal contributions	12	106	
Employee – Additional years contributions		-	
Total Contributions by participants			**106**
Death in service lump sums*		-	
Benefits paid (i.e. pension paid)		-	
Net benefits paid out**			**404**

*****Calculated over the year to be £0.004M
** Figure includes an allowance for expenses of £0.005M

Annualised pensionable payroll over the accounting period £(000's)*	**Amount £'000***
Period ending 31 March 2016	1,593
Period ending 31 March 2015	1,639

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

(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 2.8%. This includes an adjustment to reflect the difference between Fund returns and estimated index returns used over the last year.

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

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

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

3a) Arts Council Exchequer

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

	2015-16 Permanently Employed Staff No.	2015-16 Others No.	2015-16 Total No.	2014-15 Total No.
Directly employed	46	3	49	48
Other	-	3	3	8
Staff engaged on capital projects	-	-	-	-
Total	**46**	**6**	**52**	**56**

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.

3b) Lottery Distribution Account

The table below gives the average number of full time equivalent staff working on the Lottery Distribution Account during the year:

	2015-16 Permanently Employed Staff No.	2015-16 Others No.	2015-16 Total No.	2014-15 Total No.
Directly employed	25	1	26	21
Other		1	1	4
Total	**25**	**2**	**27**	**25**

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
2015-16				
Payroll	2	18	3	36
Board		2		1
Agency		3		2
Total	**2**	**23**	**3**	**39**
2014-15				
Payroll	2	21	3	39
Board		2		
Agency		5		3
Total	**2**	**28**	**3**	**42**

5) Sickness Absence Data (Audited Information)

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

6) Staff Policies applied during the financial year

Employee Consultation

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

Policy on Disabled Persons 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.

Health and Safety

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

7) Expenditure on Consultancy (Audited Information)

	2015-16 £	2014-15 £
Creative Industries Innovation Fund Programme Evaluation	11,354	-
Intercultural Arts Programme Evaluation	3,938	4,500
Arts and Older People Evaluation	17,755	7,020
Arts and Older People Impact Research	4,698	
Traditional Arts Audit	-	9,445
Development of Literature Strategy	-	9,480
Shared Ticketing Research	-	9,750
Building Peace through the Arts Evaluation	-	23,376
Total Expenditure on Consultancy	**37,745**	**63,571**

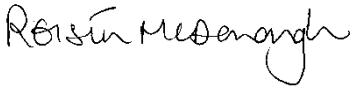
8) Off Payroll Engagements (Audited Information)

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 (formerly Department of Finance and Personnel) requires disclosure of such engagements that were in place during 2015-16 costing over £58,200. The Arts Council had no off-payroll engagements commencing, ending or operating during 2014-15 or 2015-16.

9) Exit Packages (Audited Information)

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

Redundancy and other departure costs have been paid in accordance with the provisions of the Arts Council's Voluntary Exit Scheme. Exit costs are accounted for in full in the year of departure, including recognising liabilities as accruals at the point at which offers were accepted.



Roisín McDonough
Accounting Officer

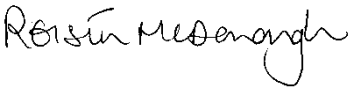
Date: 27 June 2016

Assembly Accountability and Audit Report

Assembly Accountability Disclosure Notes

Losses and special payments

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 12 within the Notes to the Accounts.



Roisín McDonough
Accounting Officer

Date: 27 June 2016

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

I certify that I have audited the financial statements of the Arts Council of Northern Ireland for the year ended 31 March 2016 under the Arts Council (Northern Ireland) Order 1995. These 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.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on regularity

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

Opinion on financial statements
In my opinion:

- the financial statements give a true and fair view of the state of Arts Council of Northern Ireland's affairs as at 31 March 2016 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Arts Council (Northern Ireland) Order 1995 and Department for Communities (formerly Department of Culture, Arts and Leisure.) directions issued thereunder.

Opinion on other matters
In my opinion:

- the parts of the Remuneration and Staff Report and those parts of the Accountability Report to be audited have been properly prepared in accordance with Department for 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.

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 Department of Finance's (formerly Department of Finance and Personnel's) guidance.

Report
I have no observations to make on these financial statements.

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

30th June 2016

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

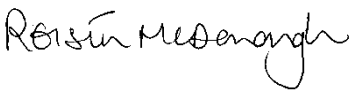
	Note	2015-16 £	2014-15 £
Operating income	4(a)	1,713,792	2,435,790
Total Operating Income		**1,713,792**	**2,435,790**
Staff Costs		(2,465,496)	(2,317,555)
Expenditure on the Arts	3(a)	(9,930,626)	(13,321,741)
Depreciation	5&6	(89,701)	(145,325)
Other Operating Expenditure	3(b)	(580,843)	(650,489)
Total Operating Expenditure		**(13,066,666)**	**(16,435,110)**
Net Expenditure for the year		**(11,352,874)**	**(13,999,320)**
OTHER COMPREHENSIVE NET EXPENDITURE			
Items that will not be reclassified to net operating costs:			
Net (loss)/gain on revaluation of Property Plant and Equipment	5	2,049	49,918
Net gain/(loss) on revaluation of Intangible Assets	6	576	913
Actuarial (loss) /gain on pension scheme		693,000	(373,000)
Items that may be reclassified to net operating costs:			
Net gain/(loss) on revaluation of investments		-	-
Comprehensive net expenditure for the year		(10,657,249)	(14,321,489)

The notes on pages 59 to 80 form part of these accounts.

Statement of Financial Position as at 31 March 2016

	Note	31 March 2016	31 March 2015
		£	£
Non-current assets:			
Property, plant and equipment	5	87,996	106,168
Operational heritage assets	5	110,000	110,000
Non- operational heritage assets	5	745,185	695,328
Intangible Assets	6	33,599	89,028
Total non-current assets		**976,780**	**1,000,524**
Current assets:			
Trade and other receivables	9	233,576	1,309,258
Cash and cash equivalents	8	764,980	1,064,354
Total current assets		**998,556**	**2,373,612**
Total assets		**1,975,336**	**3,374,136**
Current liabilities			
Trade and other payables	10	(1,197,146)	(2,376,697)
Total current liabilities		**(1,197,146)**	**(2,376,697)**
Total assets less current liabilities		**778,190**	**997,439**
Non-current liabilities			
Pension liabilities	10	(2,992,000)	(3,506,000)
Total non-current liabilities		**(2,992,000)**	**(3,506,000)**
Total assets less total liabilities		**(2,213,810)**	**(2,508,561)**
Taxpayer's equity and other reserves			
General Reserve		689,925	911,799
Revaluation reserve		88,265	85,640
Pension reserve		(2,992,000)	(3,506,000)
Total equity		**(2,213,810)**	**(2,508,561)**

The financial statements on pages 55 to 80 were approved by the Board on the 27th June 2016 and were signed on its behalf by:



Roisin McDonough **Date:** 27 June 2016
Chief Executive

The notes on pages 59 to 80 form part of these accounts.

Statement of Cash Flows
for the year ended 31 March 2016

	Note	2015-16	2014-15
		£	£
Cash flows from operating activities			
Net Expenditure		(11,352,874)	(13,999,320)
Adjustment for non-cash transactions			
Depreciation	5&6	89,701	145,325
Impairment		-	-
Loss on gifting of asset		1,000	-
Loss on disposal of asset		5,432	880
Decrease in trade and other receivables	9	1,075,682	(600,312)
Increase/(Decrease) in trade payables	10	(1,179,551)	1,207,893
Less movements in payables relating to items not passing through the Net Expenditure Account		(17,789)	5,530
Use of pension liability		179,000	182,000
Net cash outflow from operating activities		**(11,199,399)**	**(13,058,004)**
Cash flows from investing activities			
Purchase of property, plant and equipment		-	(14,836)
Purchase of Non-operational Heritage Assets		(46,445)	(57,586)
Intangible Assets		(5,530)	(37,930)
Net cash outflow from investing activities		**(51,975)**	**(110,352)**
Cash flows from financing activities			
Grants from DCAL		10,952,000	13,610,800
Net financing		**10,952,000**	**13,610,800**
Net increase/(decrease) in cash and cash equivalents in the period		(299,374)	442,444
Cash and cash equivalents at the beginning of the period	8	1,064,354	621,910
Cash and cash equivalents at the end of the period	8	**764,980**	**1,064,354**

The notes on pages 59 to 80 form part of these accounts.

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

	Note	Pension Reserve	General Reserve	Revaluation Reserve	Taxpayers' Equity
		£	£	£	£
Balance at 31 March 2014		**(2,951,000)**	**1,118,319**	**98,429**	**(1,734,252)**
Grants from DCAL		-	13,610,800	-	13,610,800
Comprehensive net expenditure for the Year		(182,000)	(13,817,320)	-	(13,999,320)
Revaluation gains and losses		-	-	50,831	50,831
Actuarial gains and losses		(373,000)	-	-	(373,000)
Gifted assets		-	-	(63,620)	(63,620)
Balance at 31 March 2015		**(3,506,000)**	**911,799**	**85,640**	**(2,508,561)**
Grants from DCAL		-	10,952,000	-	10,952,000
Comprehensive net expenditure for the Year		(179,000)	(11,173,874)	-	(11,352,874)
Revaluation gains and losses		-	-	2,625	2,625
Actuarial gains and losses		693,000	-	-	693,000
Balance at 31 March 2016		**(2,992,000)**	**689,925**	**88,265**	**(2,213,810)**

The notes on pages 59 to 80 form part of these accounts.

Notes to the Accounts

1. Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2015-16 Government Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the 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 includes musical instruments that were independently valued in the 2012-13 year. Other property, plant and equipment have been re-valued at 31 March 2016 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. 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 Arts Development Director and the Head of Visual Arts.

The Operational Heritage Asset relates to a violin the Arts Council possesses 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 valued on 5 February 2013, by J & A Beare Ltd, and is shown in the accounts at fair value.
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 have been re-valued at 31 March 2016 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
Leasehold Improvements	5-10 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 Foreign Exchange

Transactions which are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the date the transaction occurs in the Arts Council bank account. If rates fluctuated significantly average rate for the period would be used.

1.8 Leases

Finance Leases:
Leases of property, plant and equipment where the Arts Council holds substantially all the risks and rewards of ownership would be classified as finance leases. The Arts Council did not hold any finance leases during 2015-16. If finance leases were to exist, the assets would be capitalised at the commencement of the lease term at the fair value of the leased asset. The corresponding lease commitments would be shown as finance leases obligations within liabilities. Depreciation on capitalised leased assets would be charged in line with the depreciation policy for similar assets.

Operating Leases:
Leases where substantially all of the risks and rewards are held by the lessor are classified as operating leases. The building occupied by the Arts Council is considered to be an operating lease. 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 11.

1.9 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.

1.9.1 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.

1.9.2 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.

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

1.11 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.

1.12 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.

1.13 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 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 12.

1.14 <u>Value Added Tax</u>

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

1.15 <u>Employee Benefits</u>

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.

1.16 <u>Pension Costs</u>

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 2013.

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.

1.17 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.

1.18 Operating Segments

In line with the provisions of IFRS 8: Operating Segments, the Arts Council does not analyse its net expenditure by operating segment as it has concluded that it has no separately identifiable operating segments. This conclusion is based on the Arts Council's current system/format of internal management reporting to the Chief Executive, Directors and Board who consider financial performance at Board level. It is therefore considered that no further analysis is required to meet the requirements of IFRS 8.

1.19 Reserves

General Reserve
This is the balance arising from recurrent grants provided by sponsor department DfC (formerly DCAL) 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.

1.20 Accounting standards, interpretations and amendments to published standards adopted in the year ended 31 March 2015

Additional or revised accounting standards and new (or amendments to) interpretations contained within FReM 2015-16 have been considered. The adoption of these standards has not had a significant impact on the Arts Council's financial position or results.

1.21 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.

2. Staff Costs

	2015-16	2014-15
	Total £	Total £
Wages and salaries	1,622,996	1,752,355
Social security costs	127,427	132,729
Agency costs	113,014	92,371
Other pension costs	486,532	512,723
Voluntary exit scheme	252,289	-
Sub Total	2,602,258	2,490,178

Recharge:

Expenditure on the Arts	(96,473)	(172,623)
CIIF Secondment Recovery	(40,289)	-
	2,465,496	**2,317,555**

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

Recharge: Expenditure on the Arts is the staff cost reapportioned and also included within the costs declared in Note 3(a) Expenditure on the Arts for specifically funded projects.

3 (a) Expenditure on the Arts

	2015-16	**2014-15**
	£	**£**
Annual Funding Programme	8,822,583	9,695,487
Arts Development Fund	207,372	283,735
Visual Arts Development	-	(1,011)
Support for Individual Artists Programme	638,567	384,050
Re-Imaging Communities	41,428	918,529
Creative Industries Innovation Fund	52,496	578,379
Arts and Older People Programme	84,459	76,705
Capital Programme	44,400	678,376
In year funding	3,000	652,416
Central Advisors	5,751	2,477
Creative Europe	15,210	15,721
Strategy	15,360	36,877
Total	**9,930,626**	**13,321,741**

3 (b) Other Operating Costs

	2015-16 £	2014-15 £
Rentals under Operating Leases	182,539	210,000
Other Premises Costs	73,066	85,569
Marketing and Communications	47,100	81,289
Expenses and Hospitality		
Artform Officers	18,941	18,266
Council and Panel Members	5,486	6,331
Administrative Staff	7,419	6,795
Other Core Expenses	13,229	18,901
Loss on disposal / gifting of assets	6,432	879
Insurances	16,544	16,426
Telephone and Postage	23,761	23,708
IT costs and equipment	99,052	122,098
Legal and Consultancy Fees	31,790	61,688
Audit Fee	13,000	13,000
Stationery	6,112	11,612
Training	10,522	14,466
Advertising	3,196	4,787
Premises Move Costs	30,631	-
Recharge to Expenditure on the Arts	(7,977)	(45,326)
Total	**580,843**	**650,489**

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

Recharge to Expenditure on the Arts is the Other Expenditure reapportioned and included within the costs declared in Note 3(a) Expenditure on the Arts for specifically funded projects. £7,977 (2014-15: £45,326) of operating costs have been recharged to Expenditure on the Arts and are included in Note 3(a) above.

The above costs are gross costs to the Exchequer account and £346,039 (2014-15: £374,009) of these operating cost and salaries costs have been recharged to the Lottery Distribution account and are shown as Other Operating Income in Note 4(a) below.

Other 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:

	T&S £	Hospitality £	2015-16 Total £	2014-15 Total £
Expenses & Hospitality				
Artform Officers	18,600	341	18,941	18,266
Council & Committee Members	3,200	2,286	5,486	6,331
Administrative Staff	6,648	771	7,419	6,795
	28,448	**3,398**	**31,846**	**31,392**

4 (a) Income

	2015-16	2014-15
	£	£
National Lottery Recharge – administration	346,039	374,009
National Lottery Recharge – salaries	1,172,794	1,001,589
Building Peace through the Arts - Re-Imaging Communities	(7,937)	894,867
Grant refunded	7,560	10,004
Grant refunded – Building Peace through the Arts - Reimaging Communities	5,315	10,643
Administrative & miscellaneous	88,425	38,903
Creative & Cultural Skills	3,000	12,000
Arts and Older People Programme	32,036	76,705
Creative Europe	25,703	17,070
Recharge to DCAL	40,857	-
Total	**1,713,792**	**2,435,790**

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

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

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

The balance of cash at 31 March 2016 was £764,980 (2014-15: £1,064,354).

5 (a) Property, plant, equipment and heritage assets

2015-16	Furniture & Fittings £	Plant & Machinery £	Information Technology £	Operational Heritage Assets £	Non Operational Heritage Assets £	Total £
Cost or Valuation						
At 1 April 2015	52,981	49,000	235,638	110,000	695,328	1,142,947
Additions	-	-	21,673	-	48,092	69,765
Donations	-	-	-	-	-	-
Revaluations	255	-	1,018	-	1,765	3,038
Gifted	-	(1,000)	-	-	-	(1,000)
Transfers	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
De-recognition	(24,305)	-	(70,260)	-	-	(94,565)
At 31 March 2016	28,931	48,000	188,069	110,000	745,185	1,120,185
Depreciation						
At 1 April 2015	37,040	-	194,411	-	-	231,451
Charge in year	1,630	2,400	29,667	-	-	33,697
Revaluation	123	-	866	-	-	989
Transfers	-	-	-	-	-	-
De-recognition	(23,042)	-	(66,091)	-	-	(89,133)
At 31 March 2016	15,751	2,400	158,853	-	-	177,004
Carrying amount						
At 31 March 2016	13,180	45,600	29,216	110,000	745,185	943,181
Carrying amount						
At 31 March 2015	15,941	49,000	41,227	110,000	695,328	911,496
Asset Financing						
Owned	13,180	45,600	29,216	110,000	745,185	943,181
Carrying amount						
At 31 March 2016	13,180	45,600	29,216	110,000	745,185	943,181

2014-15	Furniture & Fittings £	Plant & Machinery £	Information Technology £	Operational Heritage Assets £	Non Operational Heritage Assets £	Total £
Cost or Valuation						
At 1 April 2014	52,754	113,500	214,514	110,000	597,600	1,088,368
Additions	-	-	14,836	-	57,586	72,422
Donations	-	-	-	-	-	-
Revaluations	227	-	1,198	-	40,142	41,567
Gifted	-	(64,500)	-	-	-	(64,500)
Transfers	-	-	5,090	-	-	5,090
Impairment	-	-	-	-	-	-
De-recognition	-	-	-	-	-	-
At 31 March 2015	52,981	49,000	235,638	110,000	695,328	1,142,947
Depreciation						
At 1 April 2014	33,375	-	128,887	-	-	162,262
Charge in year	3,540	9,251	63,618	-	-	76,409
Revaluation	125	(9,251)	775	-	-	(8,351)
Transfers	-	-	1,131	-	-	1,131
De-recognition	-	-	-	-	-	-
At 31 March 2015	37,040	-	194,411	-	-	231,451
Carrying amount						
At 31 March 2015	15,941	49,000	41,227	110,000	695,328	911,496
Carrying amount						
At 31 March 2014	19,379	113,500	85,627	110,000	597,600	926,106
Asset Financing						
Owned	15,941	49,000	41,227	110,000	695,328	911,496
Carrying amount						
At 31 March 2015	15,941	49,000	41,227	110,000	695,328	911,496

Plant & Machinery is now made up of one musical instrument:

- One Steinway Model D Grand Piano which was valued on 25 January 2013, by Steinway & Sons Ltd.

One Harpsichord which was valued on 26 January 2013, by C Nobbs at £1,000, was gifted to a client during the 2015-16 year.

Furniture & Fittings, and Information Technology have been re-valued at 31 March 2016 using the latest available indices published in 'Price Index Numbers for Current Cost Accounting' prepared by the Office for National Statistics.

5 (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 2016 it comprises more than 500 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
• 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 DCAL the Arts Council allocated £48,092 for the acquisition of art work for 2015/16 (2014-15: £57,586).

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.

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

	2015-2016	2014-2015	2013-2014	2012-2013	2011-2012
B'fwd non-operational heritage assets	695,328	597,600	498,589	3,323,793	3,293,900
Revaluation	1,765	40,142	2,996	44	
Gifted				(2,843,204)	(135,930)
Impairment				(50,514)	
Donation			3,000		25,800
Cost of additional assets	48,092	57,586	93,015	68,470	140,023
C'fwd non-operational heritage assets	745,185	695,328	597,600	498,589	3,323,793

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

	2015-2016	2014-2015	2013-2014	2012-2013	2011-2012
B’fwd operational heritage assets	110,000	110,000	110,000	100,000	100,000
Revaluation				10,000	
Gifted					
Impairment					
Donation					
Cost of additional assets					
C'fwd operational heritage assets	110,000	110,000	110,000	110,000	100,000

6. Intangible assets

2015-16	Websites	Software	Total
	£	£	£
Cost or Valuation			
At 1 April 2015	115,925	125,603	241,528
Transfers	-	-	-
Additions	-	-	-
Revaluations	1,338	1,057	2,395
At 31 March 2016	117,263	126,660	243,923
Amortisation			
At 1 April 2015	64,894	87,606	152,500
Transfers	-	-	-
Charge in year	31,864	24,140	56,004
Revaluation	1,006	814	1,820
At 31 March 2016	97,764	112,560	210,324
Carrying amount			
At 31 March 2016	19,499	14,100	33,599
Carrying amount			
At 31 March 2015	51,031	37,997	89,028
Asset Financing			
Owned	19,499	14,100	33,599
Carrying amount At 31 March 2016	19,499	14,100	33,599

2014-15	Websites	Software	Total
	£	£	£
Cost or Valuation			
At 1 April 2014	76,538	135,899	212,437
Transfers	27,422	(32,512)	(5,090)
Additions	10,978	21,422	32,400
Revaluations	987	794	1,781
At 31 March 2015	115,925	125,603	241,528
Amortisation			
At 1 April 2014	27,032	56,815	83,847
Transfers	1,114	(2,245)	(1,131)
Charge in year	36,284	32,632	68,916
Revaluation	464	404	868
At 31 March 2015	64,894	87,606	152,500
Carrying amount			
At 31 March 2015	51,031	37,997	89,028
Carrying amount			
At 31 March 2014	49,506	79,084	128,590
Asset Financing			
Owned	51,031	37,997	89,028
Carrying amount At 31 March 2015	51,031	37,997	89,028

Intangible Assets have been re-valued at 31 March 2016 using the latest available indices published in 'Price Index Numbers for Current Cost Accounting' prepared by the Office for National Statistics.

7. Financial Instruments

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

The Arts Council does not hold any complex financial instruments and there is no impact on the financial risk of the organisation.

8. Cash and cash equivalents

	31 March 16 £	31 March 15 £
Balance at 1 April	1,064,354	621,910
Net change in cash and cash equivalent balances	(299,374)	442,444
Balance at 31 March	764,980	1,064,354
The following balances at 31 March were held at:		
Commercial banks and cash in hand	764,980	1,064,354
Short term investments		-
Balance at 31 March	764,980	1,064,354

9. Trade receivables, financial and other assets

	31 March 16 £	31 March 15 £
Amounts falling due within one year:		
Trade receivables	91,600	706
Other receivables	333	-
Prepayments and accrued income	141,643	1,308,552
	233,576	1,309,258

10. Trade payables and other current liabilities

	31 March 16 £	31 March 15 £
Amounts falling due within one year:		
Other payables	710,637	2,226,737
Accruals and deferred income	291,509	149,960
Voluntary Exit Scheme	195,000	-
	1,197,146	2,376,697
Amounts falling due after more than one year:		
Pension deficit	2,992,000	3,506,000

Details of the pension scheme are outlined in the Staff Report.

11. Capital commitments

There were no contracted capital commitments as at 31 March not otherwise included in these financial statements (2014-15: £Nil)

12. Commitments under leases

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

	31 March 16 £	31 March 15 £
Obligations under operating leases for the following periods comprise:		
Buildings:		
Not later than one year	83,125	210,000
Later than one year and not later than five years	-	-
Later than five years	-	-
	83,125	**210,000**
Other:		
Not later than one year	2,917	2,697
Later than one year and not later than five years	4,844	152
Later than five years	-	-
	7,761	**2,849**

The building lease for the Arts Council at the Sidings, Lisburn expires on 12 February 2017.

13. 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 9 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 9 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 2015-16 analysed by the period during which the commitment expires are as follows:

	31 March 16	**31 March 15**
	£	**£**
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	-	-
	-	-

14. Contingent liability disclosed under IAS 37

Arts Council has entered into the following unquantifiable contingent liabilities.

Premises: On 28 July 2014 DFP removed delegated limits for office accommodation leases as a property control of the Northern Ireland Executive's Asset Management Strategy. The Arts Council's current lease for 1 The Sidings expires on 12 February 2017 and the Council will be required to vacate the property. There is a possible obligation on the Arts Council which may give rise to a liability. The liability will be for removing IT-equipment, artwork and folders and for minor repairs to the building subsequent to the Arts Council vacating the building. It is not possible, at the balance sheet date, to quantify what this potential liability may be.

15. Related-Party Transactions

The Arts Council is a Non Departmental Public Body sponsored by the Department for Communities (formerly Department of Culture, Arts and Leisure - DCAL). DfC (formerly DCAL) is regarded as a related party and during the year the Arts Council had various material transactions with DfC (formerly DCAL) as referred to in Note 3(b) 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 2016 a net amount of £93,689 (2014-

15: £156,326) 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 £233,576 (2014-15: £1,309,258) shown in Note 9 above and the Trade Payables and other Current Liabilities balance of £1,197,146 (2014-15: £2,376,697) in Note 10 above.

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

Name	**Nature of relationship**	**Organisation Name**	**Awarded in 15-16**	**Paid in 15-16**	**Balance as at 31 March 2016***
Board Member					
Siun Hanrahan	Board Member of Belfast Exposed	Belfast Exposed	2,800	146,777	7,484
	Board Member of The Void	The Void	202,768	179,145	23,623
Leon Litvack	Queens University	Belfast Festival at Queens	-	217,795	-
Noelle McAlinden	Board of CCA	Centre for Contemporary Art	121,956	115,899	6,050
	Volunteer Wilde Festival and Becket Festival	Happy Days International Beckett Festival	115,000	57,500	57,500
Ian Montgomery	Senior Executive team member of University of Ulster	University of Ulster	-	10,750	-
Eibhlin Ni Dhochartaigh	An Gaelaras Employee	An Gaelaras Ltd	139,535	139,535	6,977
Paul Seawright	Employee of University of Ulster	University of Ulster	-	10,750	-
Conor Shields	Employee of Community Arts Partnership	Community Arts Parnership	-	9,966	-
Nisha Tandon	Cahoots Board Member	Cahoots	132,164	131,164	7,088

Name	Nature of relationship	Organisation Name	Awarded in 15-16	Paid in 15-16	Balance as at 31 March 2016**
Staff Member					
Ken Bartley	Brother former member of QSS	QSS @ Bedford Street	-	1,580	-
Vincent Crossey	Treasurer at Wheelworks	Wheelworks	3,500	199,800	350
Lizzie Devlin	Friend of Employees of Community Arts Partnership	Community Arts Partnership	-	9,966	-
	Friend of Arts Co-ordinator of Spectrum Centre	Greater Shankill Partnership Property Development Company	-	1,126	128
	Friend of Board Member of Kabosh Theatre	Kabosh Theatre Ltd	9,315	8,384	932
Roisin McDonough	Board Member of Creative and Cultural Skills UK	Creative and Cultural Skills	-	970	-
Deirdre Robb	Member of Creative Exchange artists' studios	Creative Exchange	-	665	-
Angela Warren	Works with Belfast Festival at Queens	Belfast Festival at Queens	-	217,795	-
Sonya Whitefield	Board Member of Wheelworks	Wheelworks	3,500	199,800	350

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

16. Non-Controlling Structured Entity

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.

17. Events after the Reporting Period

There have been no events after the reporting period outside the ordinary course of business that would materially affect the Arts Council since 31 March 2016.

Date for authorisation for issue

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