

The ARTS COUNCIL of NORTHERN IRELAND
Annual Report and Accounts
For the year ended 31 MARCH 2020

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

22 April 2021

© Arts Council of Northern Ireland copyright 2021

The text of this document (this excludes, where present, the Royal Arms and all departmental or agency logos) may be reproduced free of charge in any format or medium provided that it is reproduced accurately and not in a misleading context.

The material must be acknowledged as Arts Council of Northern Ireland copyright and the document title specified. Where third party material has been identified, permission from the respective copyright holder must be sought.

Any enquiries related to this publication should be sent to us at:

Arts Council of Northern Ireland,
4th Floor,
Linen Hill House,
23 Linenhall Street,
Lisburn,
BT23 1FJ.

Contents	Page
Performance Report:	
• Overview	4
- Chair's Foreword	4
- Chief Executive's Introduction	7
- Purpose and Activities of the Arts Council of Northern Ireland	10
• Performance Analysis	16
Accountability Report:	
• Corporate Governance Report	20
- Director's Report	20
- Statement of the Accounting Officer's Responsibilities	23
- Governance Statement	24
• Remuneration and Staff Report	39
- Remuneration Report	39
- Staff Report	46
• Assembly Accountability and Audit Report	59
- Assembly Accountability Disclosure Notes	59
- Certificate and Report of the Comptroller and Auditor General to the Northern Ireland Assembly	60
Financial Statements:	
• Statement of Comprehensive Net Expenditure	63
• Statement of Financial Position	64
• Statement of Cash Flows	66
• Statement of Changes in Taxpayers' Equity	67
• Notes to the Arts Council of Northern Ireland's Accounts	68

Performance Report

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

Overview

The purpose of the Overview section of the Performance Report is to give the lay user a brief summary, which provides sufficient information to understand the Arts Council, its purposes, the key risks to the achievement of its objectives and how it has performed during the year. It consists of the Chair's Foreword, Chief Executive's Introduction, the Purpose and Activities of the Arts Council, Key Issues and Risks which could affect the Arts Council in delivering its objectives, an explanation of going concern as it affects the Arts Council and a Performance Summary.

Chair's Foreword

At the time of writing, the world continues its struggle with the unprecedented challenges presented by the COVID-19 pandemic. Faced with this global crisis and its impact on mental as well as physical wellbeing, as well as the threat to jobs and economies, we find ourselves having to re-evaluate priorities.

In Northern Ireland, the response of the arts sector confronting its problems while recognizing its responsibilities to inform, challenge, entertain and support the community has been inspirational. During lockdown, against a background of theatre and venue closures and disengagement from the vast majority of live public-facing interactions given the demands of social distancing, artists have found innovative ways to reach old and engage new audiences, lifting the nation's spirits by bringing their own unique, creative take on the present while reminding us all of past joys and what has yet to come.

Virtual engagement – be that through digitizing exhibitions, broadcasting recorded performances or capitalizing on the opportunities to engage with audiences through social media – has not been the arts sector's only response. However, the rate of uptake of new offers on the many digital platforms that have been employed, has demonstrated just how much culture and creativity contributes to everyone's lives; perhaps more so now than ever before. On-line or socially distanced, the work that has been delivered has allowed us all to connect in a more personal way with the artist and to see close up the contribution the artist makes every day.

Vital as these new means of delivering work to the arts audience have been, they have not been able to fill the economic void for the arts workforce. With little prospect of a return any time soon to traditional forms of popular live engagement with the arts, the massive loss of box office and other earned income will continue: As the organization responsible for managing support to and promoting the arts, the Arts Council will have to find new ways to support artists, performers and creative freelancers. Society too will, in the medium term need to open up to the fact that the

new work we are likely to see will be very different as it reflects the reality for the artist in a lockdown/socially-distanced world. We have to embrace this new reality and stand by to be amazed as the creativity of artists, performers and the whole of the support structure that enables them to work settles in to connecting to a more remote audience.

The Arts Council's immediate concern over these past months has been to support the arts workforce so that, when we do emerge from the present crisis, the sector will be able to play its full role in rebuilding our society and our economy. To this end, and recognizing the cash flow problems that were about to engulf the arts sector with the arrival of lockdown back in March, the Council in April, released 50 percent of funding up-front to Annually Funded clients. Later that month, we co-designed a significant funding support package with our parent department, the Department for Communities.

That package (the first of many, all administered by Arts Council staff) comprised two strands of emergency funding, one for organisations and another for individual artists. The initial budget was £1.5m (£1m exchequer funds, supplemented by £500,000 Arts Council National Lottery funds) but this was subsequently increased to £5.5m thanks to a further £4m subvention from the Northern Ireland Executive. In the months following (to November 2020) to help mitigate the worst impact of the Coronavirus crisis on the arts and cultural sector, the Department for Communities would allocate a further £10.765m for distribution by the Arts Council from its £29m Culture, Languages, Arts and Heritage Support Programme 2020-21. Further funding programmes for Council owned arts venues and individual artists are expected.

Inevitably responding to COVID-19 has become the focus of our year but there are other important developments that should be noted. It seems a long time ago now, but future planning for the arts sector moved on a pace when the Council introduced a new framework for sectoral development over the coming five-year period, 2019-24. The framework defines the direction of strategy and is supported, operationally by an annual Business Plan, which sets out in detail the actions we will take that year to deliver our objectives. Business plans are directly linked to the current Programme for Government and its associated outcomes, as well as the related priorities of the Department for Communities. The ambitions of the new arts framework are for Arts Council Northern Ireland to: Inspire, Connect, and Lead the arts sector as it develops creatively and in the contribution it makes to society.

Thinking in more detail about how we might best interpret this ambition, we clearly recognised the need to enhance partnership working with other bodies and agencies. A new partnership agreement signed in 2020 with Tourism NI offers a good example of how artists can bring new dimensions to the work of other agencies, in this case growing Northern Ireland's tourism offering. In August 2019, we jointly launched 'Embrace the Place', a new arts initiative designed to animate four key tourism sites, creating compelling visitor experiences which reflect the heritage of each area. Dumbworld, Kabosh, The Armagh Pipers and Snow Water were commissioned to create original art work at Belfast's Maritime Mile, Seamus Heaney HomePlace in Bellaghy, Navan Fort in Armagh and The Ulster American Folk Park in Omagh.

Another outcome of the Framework's priorities has been the introduction of a number of new or modified funding streams with funds from the Department for Communities, which are targeting areas of newly identified need. These programmes, which augmented our familiar package of funding programmes in 2019-2020, included a Rural Needs Small Grants programme; a Pilot Premium Payments programme; a greatly expanded version of our Musical Instruments scheme, offering funding to a broad range of organisations, schools, individual musicians and bands to replace or buy new musical instruments and a Creative Industries Seed Fund and Commissioning Programme for creative innovation.

The strategic framework was designed to be flexible and responsive against a background of ongoing uncertainty caused by Brexit, increased pressures on public spending and the absence of a sitting Assembly and Executive in Northern Ireland (reopened in January 2020 after a three-year hiatus). No one suspected just how profoundly uncertain that future would become as we approached the end of the financial year.

The implications of COVID-19 for the arts as we now know have been catastrophic but from this vantage point, we have cause to be hopeful, not least, because our experience has been opened up include a new understanding of the future of communications and audience engagement.

A handwritten signature in blue ink, appearing to read 'John Edmund', with a horizontal line underneath the name.

John Edmund
Chair
Arts Council of Northern Ireland

Chief Executive's Introduction

From today's perspective, when minds and resources are concentrated on mitigating against the worst impacts of the Coronavirus, it seems hard to relate to the fact that just over a year ago artists, along with everyone else, were engaged in their usual, daily, activities. It may take some time for life to return to what we knew as 'normal', if indeed it does; this makes it all the more important to record the major creative achievements that took place in the year under review, before everything became so completely overshadowed by the pandemic.

In April 2019, the Arts Council and Faber Members in association with the Lyric Theatre were honoured to host a special reception for Anna Burns, the first Northern Ireland writer to win the Man Booker Prize. This was Ms Burns' first public appearance in Ireland since winning the 2018 prize for her extraordinary novel, *Milkman*, and a full house at the Lyric enjoyed readings and conversation with her and fellow Booker winner, Anne Enright.

The literary celebrations continued when, one month later, we staged the first annual JLF Festival on this island. Hosted in partnership with the British Council Northern Ireland and producers, Teamwork Arts, JLF Belfast brought a true spirit of the original Jaipur Literature Festival, hailed as one of the greatest literary shows on earth, to Northern Ireland. The international celebration of literature, creativity and music brought together a wealth of distinguished speakers and cultural thinkers from across the globe, with panel discussions and readings packing houses at the Lyric Theatre and Seamus Heaney HomePlace. One undoubted highlight was our very special guest, Tara Gandhi Bhattacharjee, distinguished granddaughter of India's founding father, Mahatma Gandhi, who gave an emotive and uplifting speech at Seamus Heaney Homeplace, speaking of her pilgrimage to "the soil of south Derry which nourished Seamus Heaney". Regrettably, JLF Belfast 2020 has been postponed due to necessary COVID-19 public gathering restrictions.

On a very sad literary note, we also marked the death of Ciaran Carson, the highly acclaimed Belfast poet, writer, musician, and former Traditional Music and Literature Officer at the Arts Council of Northern Ireland. At a special tribute event at the Lyric Theatre in December, organised by the Arts Council, Seamus Heaney Centre at Queen's University and the Irish Secretariat in Belfast, a host of artists gathered before of an appreciative public audience to pay tribute to the distinguished poet's life and work.

Where JLF Belfast signalled a new phase in the creative and cultural partnerships built between the Arts Council and creative institutions in India, this year also saw a strengthening of Chinese links with Northern Ireland, with a series of cultural events taking place throughout September. We were proud to help facilitate the China Cultural Programme, which launched at the Ulster Hall with the Chinese Consul General, key figures from Northern Ireland government and performances by renowned Chinese artists, including internationally acclaimed Pipa virtuoso, Ms Zhang Hongyan's first performance in the UK.

In addition to the opportunities that artists from Northern Ireland have enjoyed in recent years with Arts Council support, promoting their work at leading international industry

events such as WOMEX, South by South West and the Folk Alliance, this year we placed greater emphasis on supporting our participating artists at the Edinburgh International Festival and the International Performing Arts for Youth (IPAY) showcase in Philadelphia. In partnership with the British Council Northern Ireland, we supported Prime Cut Productions and Oona Doherty with her contemporary dance piece, 'Hard to be Soft; A Belfast Prayer' at the Edinburgh International Festival and the Kabosh and the Lyric Theatre/Traverse Theatre productions of, respectively, 'Green and Blue' and 'Crocodile Fever', at the Edinburgh Fringe. Northern Ireland participation was celebrated for the first time at a special showcase reception. At IPAY, five of Northern Ireland's leading theatre and dance companies which create work for children and young people – Young at Art, Prime Cut Productions, Replay Theatre Company, Maiden Voyage Dance and Cahoots NI – participated in the first all-island Cultural Spotlight event to promote both the Republic of Ireland and Northern Ireland's theatre and dance for young people. The showcase event and the participation was supported by a partnership of Culture Ireland, the Arts Council and British Council Northern Ireland.

In the closing month of the 2019-20 financial year, it rapidly became obvious that the Coronavirus pandemic was about to catastrophically affect life in Northern Ireland, as elsewhere. In March we, along with many other government bodies, closed our doors to the public (we had relocated to new premises in Lisburn earlier in the year) and introduced remote working for staff. We immediately set about reviewing our existing funding programmes to design the most effective response possible to meet current need under these radically changed circumstances for artists, performers, creative practitioners and arts organisations. At the same time, we surveyed the sector to learn at first-hand about the full nature of the impact of the Coronavirus on their ability to continue working. We ramped up communications with the sector, sharing up-to-date information about government support and other emergency funding sources via our website and social media channels.

Our Annually Funded Programme, which we announced at the start of April 2020, enabled for the first time the immediate draw down of up-to 50 percent of the value of award, to ease cash flow issues for organisations. The Minister for Communities announced an emergency funding package for the sector, to be co-designed and administered by the Arts Council, and we ensured that this intervention would, given the enormously challenging circumstances, be flexible and managed with a light touch. The first strand of this package opened for applications from artists in April 2020. The second strand, earmarked for organisations, opened in May 2020. The Department for Communities contributed £5m to these programmes. In July the Chancellor of the Exchequer announced a £1.57bn Culture Recovery Fund. As a result of the Barnett consequential, the NI Executive received £33m, of which the Department for Communities was allocated £29m to fund a Creative Support Programme for the culture, arts, languages and heritage sectors. To date, the Department for Communities has allocated a total of £22m in the form of Covid-19 emergency funding to the Arts Council, with which we have administered seven emergency funding programmes.

The final word must be reserved for our arts community and their tremendous response to the Coronavirus crisis. Artists and arts organisations have demonstrated remarkable ingenuity and enterprise under exceptionally difficult circumstances,

adapting their work in new, creative ways for virtual audiences. Artists have truly stepped up to the mark: from the Duncairn's Virtual Cabaret, live streaming performances from some of Ireland and the UK's finest musicians, poets and artists; to Streetwise Community Circus' online lessons for people to learn circus skills while observing social distancing rules at home; to the Lyric Theatre/BBC NI's 'Splendid Isolation Lockdown Drama', currently nominated for a Royal Television Society award for Best Drama. They continue to develop and deliver life-enriching work so that, even – perhaps especially - in these extraordinary times, we can continue to enjoy many of the benefits of a creative and cultural life.



Roisín McDonough
Chief Executive
Arts Council of Northern Ireland

Date: 31/03/2021

Purpose and Activities of the Arts Council of Northern Ireland

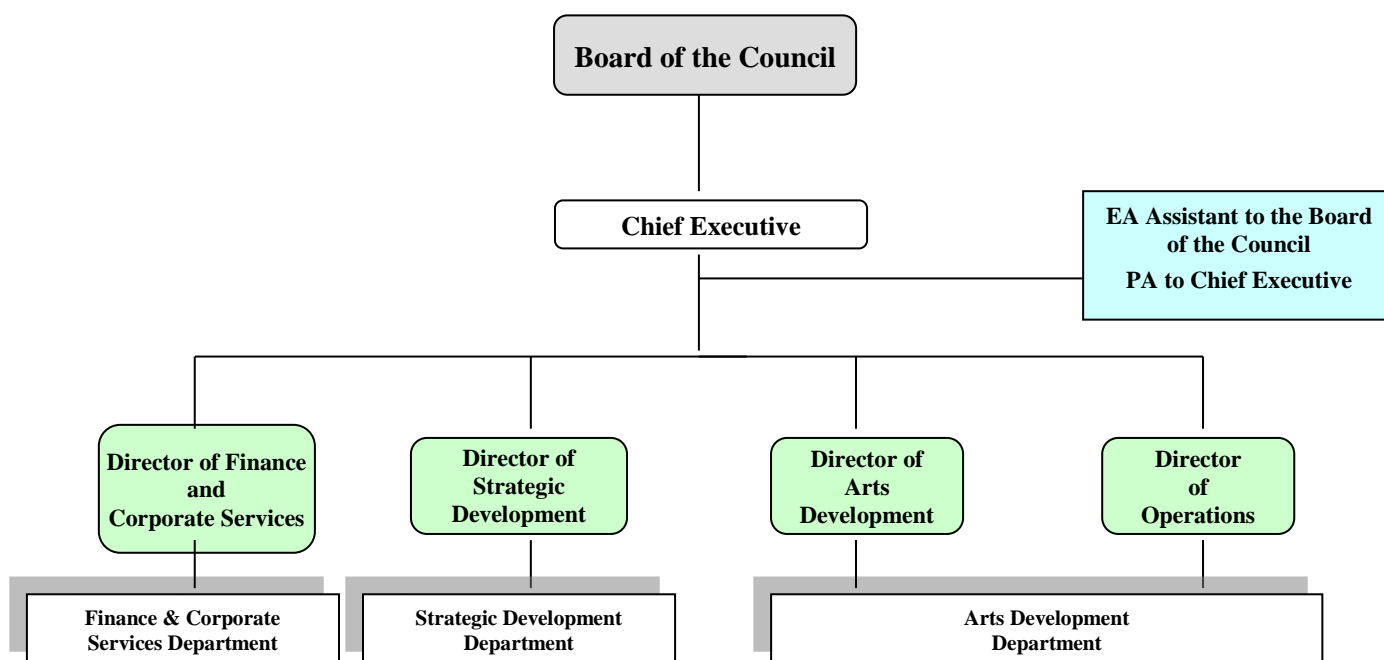
Business model and environment

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

The origins of the Arts Council date from 1943 when the Council for the Encouragement of Music and the Arts in Northern Ireland was set up. Initially funds were provided by the Pilgrim Trust and matched by the Ministry of Education for Northern Ireland. At the present time, the Arts Council is funded via grant-in-aid by the Department for Communities.

Organisational Structure

The affairs of the Arts Council are managed by a Board consisting of the members listed in the Directors Report. The Arts Council has five executive directors: the Chief Executive, the Director of Finance and Corporate Services, the Director of Strategic Development, the Director of Arts Development and the Director of Operations. The Chief Executive, Roisin McDonough is the Principal Executive Officer of the Arts Council and is supported by a professional staff responsible for subject and functional areas of the Arts Council's programme.



Principal Functions Related to Grant-in-Aid Activities

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

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

Review of Grant-in-aid Activities

During the year 2019-20, the Arts Council's Expenditure on the Arts totalled £11,647,026 (2018-19: £10,923,640). This represents an increase of £0.723m on the previous year (2018-19: increase of £1.073m). Excluding in-year capital grants to arts organisations of £1.616m there is an increase of £0.675m (2018-19: decrease of £0.244m) on the prior year. Regularly funded organisations were awarded £8.5m (2018-19: £8.6m) – a commendable achievement given the difficult funding environment.

Future Grant-in-aid Activities

Exchequer funding for 20-21 is currently £32.792m. It includes £22m of emergency COVID funding.

Objectives and Strategies

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

In 2020, the Arts Council introduced its new five-year framework for the development of the arts, 2019-2024. The main themes of the framework, which also informed the Arts Council's Business Plan for 2019-20, are:

- Inspire;
- Connect; and
- Lead.

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

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

The principal risks considered in the risk register are:

- Staffing: Challenges recruiting senior staff;
- Board membership and conflict;
- High Court ruling that may apply to the Arts Council, challenging staff decision making for Exchequer funding; and
- Loss of frontline services from Coronavirus and structural underfunding of the Arts if future funding secured for arts organisations is inadequate.

The COVID-19 pandemic has also caused disruption with many staff working from home. The Arts sector has been adversely affected by COVID restrictions with venues closing and income lost. The Arts Council has amended its Business plan for 2020-21 to support the Department of Communities and NI Executive's response to COVID-19.

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

Going Concern Basis

The financial statements of the Arts Council are produced on the 'Going Concern Basis'. This was formally considered by the Board. The Arts Council is not aware of any reason to adopt a different basis.

The Arts Council has a pension deficit of £4.4m as of 31st March 2020. The Head of Governance Support Unit at our sponsor Department confirmed in 2010 that in the event of closure of the Arts Council the funding for pension liabilities would be guaranteed by the Department.

The Department for Communities are currently undertaking a review of all arms-length bodies. The review will not be complete until financial year 2021-2022 at the earliest.

A Performance Summary 2019-20

The performance summary is reviewed under the three themes (Inspire, Connect and Lead) underpinning the five-year framework for the development of the arts, 2019-24, and the accompanying business plan for 2019-20.

Inspire

'Great art inspires us, nurtures our understanding of who we are and the world around us, and brings us together.'

At the start of April 2019, the Arts Council announced annual funding of £12.8 million for 97 key arts organisations from its exchequer and National Lottery resources. Government funds of £8.5 million will maintain the core costs of 97 arts organisations while £4.3 million of National Lottery funding will support their programming costs. The Arts Council's Annual Funding Programme is the most significant allocation of public funding for the arts in Northern Ireland each year. We were relieved to have received

standstill funding on our budget from the Department for Communities, as 4% reductions had been anticipated. Nevertheless, pressure on the fund meant that the Board had to again make difficult strategic funding decisions to protect the balance of art forms across Northern Ireland, and the number of arts organisations supported by AFP in 2019-20 was reduced from 102 to 97.

During the year, we introduced a number of new or modified funding programmes to enable organisations to target areas of identified need. These programmes included a Rural Needs Small Grants programme, offering grants of up-to £10,000 for arts organisations to deliver arts programmes to rurally-based communities; a Pilot Premium Payments programme, with grants of up-to £5,000 to enable arts organisations to access support to assist Section 75 accessibility in their programming.

A greatly expanded Musical Instruments scheme in 2019-20 provided funding to help upgrade worn out instruments and purchase new ones for bands, including marching and brass bands; professional and non-professional groups, including schools groups and community choirs; and individual performing musicians.

The government signalled its commitment to the Creative Industries with a new £290,000 programme funded by the Department for Communities and Future Screens NI and supported by Digital Catapult. The Creative Industries Seed Fund, which opened for applications in December 2019, is administered by the Arts Council and aims to assist entrepreneurs, creative businesses and arts organisations to undertake projects that contribute to the growth of the creative industries and unlock future income generation. Alongside the Seed fund, we opened a Commissioning Programme for creative innovation, offering grants of up-to £20,000 to support the commissioning of new creative work.

In March 2020, the Minister for Communities announced a support package for the arts sector in response to the impact of COVID-19. The package, comprising an emergency fund for artists and an emergency fund for organisations, is co-designed and administered by the Arts Council. Both strands of the Emergency Support Fund opened in May 2020. Currently the Department of Communities has allocated £22m in Emergency funding to support individual artists and organisations.

Connect

‘The Arts are without boundaries. They connect communities, help build creative places, define a new sense of identity, help us tell our stories, seek out and engage wider audiences. We want to reach out and reach further.’

Strengthening international opportunities for artists continues to be a priority area for artist development, with much of this work being facilitated with partner-organisations, including the British Council, Culture Ireland, PRS Foundation and the Northern Ireland Executive Office in Brussels.

Northern Ireland artists and promoters continued to attend showcase and industry events at WOMEX and, in North America, South by Southwest and the Folk Alliance. Also in the USA, six playwrights and two directors from Northern Ireland showcased

newly-commissioned work at the 12th annual Origin 1st Irish Theatre Festival in New York. With partnership support from Culture Ireland and the British Council, Young at Art, Prime Cut Productions, Replay Theatre Company, Maiden Voyage Dance and Cahoots NI participated in the first Cultural Spotlight covering the island of Ireland, at the 2020 International Association of Performing Arts for Youth event in Philadelphia. Also in a partnership arrangement, the British Council and Arts Council set out to increase the profile of Northern Ireland arts at the Edinburgh festivals in August, with additional promotional support for the participation of Prime Cut Productions and Oona Doherty at the International Festival, and Kabosh and the Lyric Theatre at the Fringe Festival.

Local singer-songwriters Brigid O'Neill and Joshua Burnside brought the spirit of Culture Night Belfast to Brussels in September with a special showcase performance for diplomats and officials from the EU Institutions, as part of the Arts Council's Brussels Platform. In February 2020, c21 Theatre Company became the latest local arts organisation selected to travel to Brussels to promote Northern Ireland's arts and culture with their new black comedy, 'May the Road Rise Up'.

Visual artist Kathryn Graham attended the Shruti Foundation Vedaaranya residency in Ramgarh Shekhawati, Rajasthan in January 2020 and ceramic sculptor Eleanor Wheeler attended the Sanskriti Foundation Residency in February 2020, although this residency was curtailed following the outbreak of COVID-19. Stephen Sexton and Executive Producer of the Lyric Theatre, Jimmy Fay, represented Northern Ireland at the Jaipur Literature Festival.

In addition to outward-bound opportunities for Northern Ireland's artists, as a result of strong partnerships formed in recent times in India, local audiences enjoyed a spectacle of Indian and international culture when the Arts Council, in partnership with Teamworks Arts and the British Council, hosted the inaugural JLF Festival of literature in Northern Ireland, welcoming a global cast of leading writers, artists and cultural commentators to a two-day festival in Belfast and Bellaghy in June 2019.

All such international activities serve to promote Northern Ireland's creative and cultural profile. Capitalising on the ability of arts and culture to create compelling visitor experiences, Tourism NI partnered with the Arts Council on a new tourism programme in 2019, 'Embrace the Place', through which local arts organisations Dumbworld, Kabosh, the Armagh Pipers and Snow Water were commissioned to animate the heritage of some of Northern Ireland's key tourist attractions at Belfast's Maritime Mile, Seamus Heaney HomePlace in Bellaghy, Navan Fort in Armagh and The Ulster American Folk Park in Omagh.

Lead

'We see our role as enabling and empowering the sector to achieve its ambitions, and to speak out for the arts; but we won't be able to do that alone – we will need to work together with other stakeholders to deliver on this promise.'

Following a lengthy and extensive period of public consultation and an independent review of the outgoing strategy, *Ambitions for the Arts*, the Arts Council introduced a new strategic framework for the development of the arts over the five-year period,

2019-24. In developing the framework we were mindful of the wider context and of the many uncertainties affecting the arts and society as a whole – constraints on public spending, Brexit, lack of a sitting Assembly and Executive in Northern Ireland at that time – and the need for a flexible approach to planning in uncertain times. An accompanying business plan will be produced each year, setting out in detail the actions we will take in order to deliver our strategic objectives. The business plans will be linked to the Programme for Government and its associated outcomes, and to the priorities of the Department for Communities. The tenets of the framework are: Inspire, Connect, Lead.

Work commenced on developing joint plans for the future of music making by people under the age of 26 in Northern Ireland, with the Education Authority, Higher and Further education, the voluntary sector and the arts sector. As part of this process, the Arts Council undertook an audit in November of musicians, funded organisations and venues, community and voluntary arts groups and independent music teachers, to gain clarity on what is going on, where it is happening, who is doing it and who is taking part.

The Arts Council of Northern Ireland also affirmed its commitment to ensuring fair access to the arts for all with the publication in February 2020 of two new documents – the Disability Action Plan and the Equality Action Plan. The plans were produced following widespread consultation with arts and cultural organisations, individual artists and members of the public. The documents set out a range of measures the Arts Council will take to encourage increased access and participation in the arts, as well as enhance the role the arts can play in creating a move towards a fairer and more inclusive society. These include the continuation of the existing Arts and Older People Programme and Young People’s Health and Wellbeing Arts Programme. A range of new measures are also outlined, including: a new lending programme to place artworks in schools; a Premium Payments Programme to help arts organisations remove barriers to engagement by disabled people; and a commitment to enable greater participation by disabled people in policy-making groups, to better reflect the needs of underrepresented audiences and participants.

The Arts Council’s Corporate Communications continued to promote and champion the arts through traditional and social media channels. Over the course of the year, Corporate Communications contributed to 1,395 pieces of newspaper coverage, 217 pieces of online newspaper coverage and 672 minutes of broadcast coverage. A further 6 x 45 minutes shows related specifically to JLF Belfast were broadcast multiple times on Northern Visions TV. Social Media was again a priority development area for Arts Council communications and audience engagement across social media channels continue to increase. Audience growth was up by 5% on Facebook and 6.4% on Twitter. The Arts Council website attracted 95,139 visitors, a 12% increase. 66 short films were produced to promote the work of the arts sector, which were viewed over 563,829 times, a 30% increase on the prior year.

Performance Analysis

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

Key Performance Indicators, Risk and Uncertainty

The Arts Council has two main financial Key Performance Indicators: Resource out-turn and Capital out-turn. The resource budget allocation was £11,620,000; the Arts Council spent £11,018,957, which represents a resource out-turn of 94.8%, which is less than our key performance target indicator of 98.0%.

The Arts Council is not allowed to over-spend but equally it is expected to spend its budget allocation. This is managed on a monthly basis by having month-end budget meetings and reporting on our expected year-end outturn to the Department in our monthly Resource Consumption. In this way, we can manage under-spends and over-spends in various budget lines and deliver an acceptable year-end outcome.

The Arts Council capital budget was £1,740,000; the Arts Council spent £1,680,431, which represents a capital out-turn of 96.6%, which is less than our key performance target indicator of 97.0%.

Governance and Accountability	
Key Performance Indicator (KPI)	Outcome
At least 98.0% of resource programme spend by year-end.	Resource out-turn 94.8%. KPI not met
At least 97.0% of capital programme spend by year-end.	Capital out-turn 96.6%. KPI not met.

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 £12,995,197 (2018-19: £12,636,593). The taxpayer equity at the year-end is in deficit of £3,055,488 (2018-19: (£3,173,069)) which includes a pension reserve liability of £4,403,000 (2018-19: £4,397,000).

Social and community issues

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

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 £64,416 (2018-19: £137,816) were purchased during the year.

Interest rate and currency risk

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

Payment of Suppliers

The Arts Council is committed to the prompt payment of bills for goods and services in accordance with the Confederation of British Industry's Prompt Payment Code. The target for payment of bills is 10 days from receipt of goods or services, or presentation of a valid invoice or similar demand, whichever is later. A review conducted at the end of the year to measure how promptly the Arts Council paid its bills found that 97% of the bills were paid within this standard. The comparative figure for 2017-18 was 97%. A review of payment of bills in 30 days from receipt of goods or services found that 100% of the bills were paid within 30 days (2018-19: 100%).

Overall, for the year, the average number of days taken to pay invoices was 4 days (2018-19: 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 £155,133 (2018-19: £155,101).

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 2020 was £15.242m (31 March 2019: £16.461m) and the present value of the Arts Council's share of the scheme liabilities was £19.645m (31 March 2019: £20.858m). The Arts Council's share of the Scheme's recorded net pension liabilities at 31 March 2020 was £4.403m (31 March 2019: £4.397m).

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

Accounts and Appointment of Auditors

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

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

The fee for the audit of these financial statements is £20,000 (2018-19: £19,000). This cost is included in Note 2(a) Operating Expenditure in the financial statements. The Arts Council did not purchase any non-audit services from its auditor the Northern Ireland Audit Office during the year.

Complaints Handling

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

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

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

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

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

There was four direct complaints received in the 2019-20 financial year (one in the 2018-19 financial year).

Impact of the Arts Council's business on the environment

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

Our sustainable actions include:

- Reducing our waste and increasing recycling levels;
- Reducing our contribution to climate change in terms of energy consumption and related CO₂ emissions;
- Reducing paper by use of tablet pcs and encouraging duplex printing and printing two pages on A4 paper;
- Participating in the Governments "Cycle to work" scheme;
- Reducing business travel, where possible, through greater use of video/teleconferencing; and
- Encouraging all tendered Arts Council suppliers to devise and implement Social Clauses / Corporate Social Responsibility (CSR) policies.

Respect for Human Rights

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

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

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

During 2019-20 there were no incidents of fraud relating to the Arts Council.



Roisín McDonough
Accounting Officer
Arts Council of Northern Ireland

Date: 31/03/2021

Accountability Report

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

Corporate Governance Report

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

Directors Report

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

The Arts Council performed its functions during the year ending on 31 March 2020 by making grants to organisations engaged in the arts either on an annual or a project basis; by granting awards and bursaries to individuals engaged in the arts; by organising tours of performing and creative artists; by organising and participating in the Forum for Local Government and the Arts; and by advising the Department for Communities and various other public and private bodies on a range of issues relating to the arts. The Arts Council is also one of the distributing bodies of National Lottery funding. Lottery distributing activities are reported upon separately under the National Lottery Etc. Act 1993.

Appointments to the Board are made by the Minister for Communities. The Chair and members of the Board have individual and collective responsibility to the Minister as Head of Department.

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

The Arts Council is vested in and administered by a body corporate known as the Board of the Arts Council, consisting of a Chair, Vice-Chair and two members (as at 31 March 2020) appointed by the Department for Communities Minister, as set out in the Arts Council (Northern Ireland) Order 1995. The Board of the Arts Council for the year ended 31 March 2020 is shown below:

Board: 1 April 2019 to 31 March 2020

Mr John Edmund (Chair)
Dr Katy Radford (Vice-Chair)
Dr Siún Hanrahan (to 30 June 2020)
Mr Cian Smyth
Mr David Alderdice (to 30 November 2019)
Ms Anna Carragher (to 30 November 2019)
Dr Leon Litvack (to 30 November 2019)

Ms Noelle McAlinden (to 30 November 2019)
Ms Katherine McCloskey (to 30 November 2019)
Mr Paul Mullan (to 30 November 2019)
Ms Roisin Erskine (to 24 June 2019)

At 30 November 2019, the terms of all Board members, with the exception of the Chairman expired. Three Board members have received temporary extensions of appointment by the Department for Communities to 30 June 2020: Dr Katy Radford, Dr Siún Hanrahan and Mr Cian Smyth. In June 2020, the Department for Communities Minister offered a further extension to 31 December 2020. Dr Katy Radford and Mr Cian Smyth accepted the extension. Dr Siún Hanrahan did not accept the extension. Six new Board members were appointed from 1st July 2020 for four years.

Board: as at 1st December 2020

Mr John Edmund (Chair);
Dr Katy Radford (Vice-Chair);
Mr Cian Smyth;
Ms Julie Andrews (from 1st July 2020);
Mrs Lynne Best (from 1st July 2020);
Mr Liam Hannaway (from 1st July 2020);
Mr Sean Kelly (from 1st July 2020);
Ms Una McRory (from 1st July 2020); and
Mr Máirtín ÓMuilleoir (from 1st July 2020).

Committee Membership

Details of the structure and roles for each committee are given in the Governance Statement starting on page 29.

The members of the Audit and Risk Committee for the year ended 31 March 2020 were:

Dr Katy Radford (Chair);
Mr Cian Smyth (Interim Member from 13th January 2020);
Ms Anna Carragher (to 30th November 2019);
Ms Roisin Erskine (to 24th June 2019);
Mr Paul Mullan (to 30th November 2019); and
Mr Gerry Crossan (co-opted member to 9th May 2019).

The members of the Audit and Risk Committee as at 1st December 2020 were:

Dr Katy Radford (Chair);
Ms Julie Andrews (from 1st July 2020);
Mr Sean Kelly (from 1st July 2020); and
Mr Liam Hannaway (from 1st July 2020).

Mr Cian Smyth was an interim member from January 2020 to June 2020.

The members of the Grants Committee for the year ended 31 March 2020 were:

Dr Katy Radford (Chair)
Dr Siún Hanrahan (to 30th June 2020)

Mr Paul Mullan (to 30th November 2019)
Mr David Alderdice (to 30th November 2019)

The members of the Grants Committee as at 1st December 2020 were:

Mr Lám Hannaway (Chair from 1st July 2020);
Ms Una McRory (from 1st July 2020);
Mr Cian Smyth;
Dr Katy Radford; and
Mrs Lynne Best (from 1st November 2020).

The members of the Finance and Capital Committee for the year ended 31 March 2020 were:

Dr Leon Litvack (Chair to 30th November 2019);
Dr Siún Hanrahan (Interim Chair from January 2020 to 30th June 2020);
Mr Cian Smyth; and
Mr Gerry Crossan (co-opted member to 9th May 2019).

The members of the Finance and Capital Committee as at 1st December 2020 were:

Mr Máirtín ÓMuilleoir (Chair from 1st July 2020);
Mr Cian Smyth;
Mr Sean Kelly (from 1st July 2020); and
Ms Julie Andrews (from 1st July 2020).

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 because 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 13. The Register of Interests is also online on the Arts Council website. All of the transactions relating to the organisations were conducted at arm's length by the Arts Council.

Personal Data

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

Statement of the Accounting Officer's Responsibilities

Under Section 8 of The Arts Council (Northern Ireland) Order 1995 the Arts Council is required to prepare a statement of accounts for each financial year in the form and on the basis set out in the Accounts Direction determined by the Department for Communities with the approval of the Department of Finance. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Arts Council and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

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

- Observe the Accounts Direction issued by the Department for Communities including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the financial statements;
- Prepare the financial statements on a going concern basis; and
- Confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgments required for determining that it is fair, balanced and understandable.

The Accounting Officer of the Department for Communities has designated the Chief Executive of the Arts Council as Accounting Officer of the Arts Council. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Arts Council's assets are set out in *Managing Public Money Northern Ireland*.

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

Governance Statement

Scope of Responsibility

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

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

I also combine my Accounting Officer role with my responsibilities to the Department including any Ministerial directions. There were no Ministerial directions in the 2019-20 financial year.

Corporate Governance Code

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

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

Two principles were less relevant to the Arts Council:

- (a) Board composition because the Department for Communities 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 2019-20 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. The Arts Council has a conflict of interest policy, which was updated and approved by the Board in June 2019.

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 13. 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 2020 and up to the date of approval of the annual report and accounts, and accords with Department of Finance guidance.

The Governance Framework

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

1. Identifying and communicating the Arts Council's vision of its purpose and intended outcomes;
2. Reviewing the Arts Council's vision and its implications for the Arts Council's governance arrangements;

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

The Arts Council has a Board Code of Conduct Policy, which was updated and approved by the Board in June 2019.

Board

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

- Provide effective leadership for the Arts Council, in particular in defining and developing its strategic direction and in setting challenging objectives;
- Act in a way that promotes high standards of public finance, including the promotion of regularity, propriety and value for money;
- Ensure that the Arts Council's activities are conducted in an efficient and effective manner;
- Ensure that strategies are developed for meeting the Arts Council's overall objectives in accordance with the policies and priorities established by the Minister;
- Monitor the Arts Council's performance to ensure that it fully meets its aims, objectives and performance targets;
- 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;
- Participate in the corporate planning process; and
- Appoint a Chief Executive.

Arts Council of Northern Ireland

The Board held eleven meetings during the year to determine policy for the Arts Council and make decisions in line with that policy. Ten meetings were Board meetings and there was one extraordinary Board meeting. The Director of Finance and Corporate Services was the only Director to attend the Extraordinary Board meeting. I attended nine Board meetings, as did the Director of Finance and Corporate Services. He produced papers and information to assist Board decision making. The Director of Strategy was on sick leave prior to his retirement in August 2019 and did not attend any Board meetings. The Director of Arts Development attended five Board meetings.

The annual Board effectiveness session in March 2020 was cancelled due to the COVID-19 restrictions. The previous Board effectiveness review in March 2019 was largely satisfactory.

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 68%.

2019/20 Board / Committee Attendance

	Board Meetings*			Committee Meetings			Total Meetings		
	Actual	Possible	%	Actual	Possible	%	Actual	Possible	%
Board Members									
John Edmund (Chair)	9	10	90	0	0	0	9	10	90
Katy Radford (Vice Chair)	7	11	64	2	5	40	9	16	56
David Alderdice	3	9	33	1	1	100	4	10	40
Anna Carragher	9	9	100	1	2	50	10	11	91
Siún Hanranhan	9	11	82	4	6	67	13	17	76
Leon Litvack	6	9	67	3	3	100	9	12	75
Noelle McAlinden	9	9	100	1	1	100	10	10	100
Katherine McCloskey	2	9	22	0	1	0	2	10	20
Roisin Erskine	0	3	0			N/A	0	3	0
Paul Mullan	5	9	56	3	3	100	8	12	67
Cian Smyth	9	11	82	4	5	80	13	16	81
Gerry Crossan (co-opted)			N/A			N/A			N/A
Chief Executive & Directors									
Chief Executive	9	10	90	8	8	100	17	18	94
Director of Finance & Corporate Services	9	10	90	7	7	100	16	17	94
Director of Arts Development	5	10	50	1	1	100	6	11	55
Director of Strategy**			N/A			N/A			N/A
Director of Operations***			N/A			N/A			N/A

* Including one N/S plenary & one Extraordinary Board meeting.

** Director of Strategy was on sick leave prior to his retirement in August 2019.

*** Director of Operations joined the Arts Council in March 2020.

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

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

Audit and Risk Committee

The membership of the Audit and Risk Committee during the year and as at December 2020 is outlined on page 21. It met three times during the year. I attended all three meetings 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.

It is considered good practice that the accounting officer and Board should be supported by an Audit and Risk committee comprising of at least three members (Audit and Risk assurance Handbook (NI) April 2018, page 3 refers). Following the expiry of the terms of Board members in November 2019, there were only two Board members on the Audit and Risk Committee for its meeting on 13 January 2020. The risk posed by insufficient members was mitigated by the experience of the members present and Management's support to the Committee. A third board member was appointed for the Audit and Risk Committee for its meeting on 24 April 2020. Following Ministerial appointments made on 1 July 2020 the Audit and Risk Committee has four members.

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) 03/18, 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 Board has formally considered these 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 membership of the Finance and Capital Committee during the year and as at December 2020 is outlined on page 22. This Committee met four times during the year. The Director of Finance and Corporate Services and I attended all four meetings. Its terms of reference cover the proposal to the Board for the annual budget of the Arts Council; ensuring comprehensive financial advice is provided to the Board; reviewing the detailed information relating to the financial resources including the Statement of Comprehensive Net Expenditure, Statement of Financial Position and Statement of Cash Flow; monitoring financial expenditure against targets set throughout the year; making recommendations as necessary; reviewing the programmes, policies and procedures relating to the payment of capital grants and where appropriate, to propose changes to the above for Board approval; and to advise on policy and the strategic deployment of capital resources.

The membership of the Grants Committee during the year and as at December 2020 is outlined on page 21 and 22. I attended the meeting along with the Director of Arts Development. Its terms of reference include reviewing the programmes, policies and procedures relating to the payment of Exchequer and Lottery grants, and where appropriate, proposing changes to the above for approval by the Board and taking decisions on grant aid within delegated financial limits set by the Board. The Board has delegated its grant-decision-making for grants under £25,000 to staff. However, following a High Court ruling by Madam Justice McBride¹ against the Charities Commission for Northern Ireland all grant decisions are either approved by the Grants Committee acting for the Board or by the Board. All decisions made by staff and committees are reported to the Board.

The Remuneration Committee comprises five members and is chaired by the Vice Chair. The Committee did not meet in the 2019-2020 financial year.

Business Planning

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

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

¹ The background to this case is that in May 2019 Madam Justice McBride held, in *McKee & Others v Charity Commission for Northern Ireland and Department for Communities* [2019] NICH 6, that the Commission can only make decisions when the organisation meets as a whole body, and such decisions cannot be discharged by employees.

A five-year framework plan for the arts in Northern Ireland 2019 – 2024, has been developed by the Board. It elaborates on three key themes:

- Inspire;
- Connect; and
- Lead.

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

Milestones achieved	100% (-)
Milestones still progressing	- -
Milestones not achieved	100% (2)

Target	Outcome
At least 98.0% of resource programme spend by year-end.	Resource out-turn 94.8%. Milestone not achieved.
At least 97.0% of capital programme spend by year-end.	Capital out-turn 96.6%. Milestone not achieved.

The Capital out-turn was not achieved because a number of funded clients were unable to incur expenditure by the end of the financial year due to COVID-19 restrictions.

Risk Management

In May 2020, the Department of Finance in Northern Ireland informed Departments and NDPBs of the new edition of HM Treasury’s Orange Book, Management of Risk – Principles and Concepts (under cover of DAO (DoF) 04/20). The core processes at the heart of the risk management framework are unchanged and involve identifying risks, assessing the risks, designing and operating risk treatment activities (including controls), monitoring these and reporting on success or otherwise of the risk management. The primary shift was to position risk management as more than a process, but rather as an essential part of good governance, decision-making and performance management at all levels of an organisation.

Comply or Explain: The revised Orange Book required organisations to disclose compliance or to explain their reason for departure to the five main risk principles in the Governance Statement. The Arts Council applies with the five Orange book principles, which reflects an increased emphasis on:

- 1) Leadership, culture, values and behaviours as a part of effective risk management;
- 2) Embedding risk management in decision-making – within planning, policy development, prioritisation and performance management – not as something separate;

- 3) The need to have an informed view of all risks based on the best information and expertise, including the critical role that functions and professions play in providing expert judgements on risks and their management;
- 4) Structured risk management processes and
- 5) Learning from experience to continually improve the successful deliver of outcomes.

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

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

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

- Staffing: Challenges recruiting senior staff;
- Board membership and conflict;
- High Court ruling that may apply to the Arts Council, challenging staff decision making for Exchequer funding; and
- Loss of frontline services from Coronavirus and structural underfunding of the Arts if future funding secured for arts organisations is inadequate.

All four matters pose a risk to the reputation of the Arts Council in respect of the potential additional work required and costs incurred which would divert precious staff time and funds away from front line services. Reduction in Arts funding has resulted in financial pressure on Arts Organisations and the Arts Council assesses financial capability as part of the grant award process. The Audit and Risk Committee also scrutinised management and budgetary information on Arts Organisations flagged at financial risk. This oversight included the commissioning of three third-party organisation reviews undertaken by Internal Audit and reported to the Committee on 28 October 2019. This allowed scrutiny and challenge of the organisations' financial capability and provides assurance that public funds are not at risk. However, following the request for additional funding by one of these organisations in November 2019, as

well as highlighting a forecast deficit position for 2019/20, a second third party organisation review was undertaken in the funded organisation focussing on the financial position 2019/20, the implementation of the previous recommendations and the 2018/19 financial outturn. Following the second third party review the Board met on 28 February 2020 and agreed deficit funding on condition of a total organisational and business review of the funded client. The draft terms of reference for the total organisational and business review was presented to the Audit and Risk Committee on 24 April 2020. The Arts Council is working in partnership with the Department for Communities and Belfast City Council to procure the review, which is planned to report in Spring 2021.

In May 2019, the Arts Council settled litigation in respect to age discrimination and victimisation, without admission of liability, for the sum of £12,000.

COVID-19 pandemic: On Monday 23 March 2020, the Prime Minister in a public address to the nation said the public would not be allowed to leave their homes except for a few specific reasons. All non-essential businesses were closed including theatres and other arts venues. The Arts Council invoked its business continuity plan and introduced homeworking for all staff. There will be adverse repercussions to the economy including the Arts Sector and some funded clients may face solvency and going concern issues. Covid-19 has resulted in the closure of arts and culture venues to the public. There is a risk that many artists and creative practitioners will not be able to sustain their career, and vital cultural organisations will not be able to remain solvent through and after this crisis.

Since the end of the 2019-20 financial year the Arts Council has been entrusted with additional funding of £22m to develop and implement emergency support packages for individuals and organisations. We have made this emergency delivery our main priority and developed emergency programmes in partnership with the Department of Communities. We have also increased our staff complement to resource this extra work and collect data on the impact of Covid-19 to support decision making by the Department and the NI Executive.

We are also working with the Department, the sector and other key stakeholders on plans for resilience as the arts emerge from the crisis. We recognise that social distancing is a threat to the business model of arts organisations and developed a manual which provides the latest guidance on how to re-open safely when the Executive gives authority to re-open venues alongside a Health and Safety Capital programme to mitigate this risk. We have also considered how we deliver our five year framework in the wake of Covid-19 and this has been approved by the Minister for Communities.

We also recognise that the new support programmes and increased demographic of grantees will increase our monitoring and control and it is planned to employ a verification and information officer in 2021.

Covid-19 is a non-adjusting event. A reasonable estimate of the financial effect of this event cannot be made.

Fraud Risk and Information Risk

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

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

All staff have been provided with a copy of the Arts Council Information and IT Security Policy to ensure that they are aware of best practice on how to protect the data and assets held by the organisation. The Council’s computer system is hosted on an ITAssist platform. Additionally, to gain access to the Arts Council’s computer network, staff are required to acknowledge acceptance of IT policies when they log into their workstations. Staff were also required to undertake mandatory GDPR training in March 2020 to support information security when COVID-19 pandemic restrictions mandated homeworking. However, an internal audit review on 25 June 2020 provided limited assurance on GDPR, details of which are found on page 38 of this governance report.

Governance & Accountability within the Arts Council

The annual internal audit plan is created on a risk basis and is based on information provided from the following sources:

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

The Audit and Risk Committee reviewed and approved the internal audit plan. I ensured that there was sufficient flexibility in the plan to allow for changes to be made during the year to reflect any significant changes in the risk environment and the emergence of new risks. The internal audit plan included a review into the Arts Council’s response to COVID-19. The internal audit review was completed on 27 November 2020 and provided a satisfactory assurance

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

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

The Department for Communities commissioned an Independent Governance / Board Effectiveness Review to assess the Council's corporate governance, financial planning and control. The review reported in September 2019 and identified significant issues between the Chair, Board and Executive Team. The final report has been given an Official Sensitive classification. Recommendations have been made in relation to the Board and the Department and work is underway to address these. A revised Conflicts of Interest policy and Board Code of Conduct was approved by the Board. A new partnership agreement between ACNI and the Department is being agreed and other measures are also being put in place by the Department to assist the operation of the Board. Board members attended a mediation session facilitated by the Vice Chair in February 2020.

Sources of Independent Assurance

The Internal Auditors reported that based on the work performed during the year, the Arts Council has established procedures that are adequate to meet management's control objectives in the systems audited. Consequently, the Internal Auditors provided a satisfactory level of assurance over the control environment for 2019-2020.

The Comptroller and Auditor General to the Northern Ireland Assembly certifies the accounts and provides a regularity opinion on whether, 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 the Arts Council. The Comptroller and Auditor General also provides an opinion on the truth and fairness of the attached financial statement for the year ended 31 March 2020, and their supporting notes.

Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors and senior management within the Arts Council who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. As a result of their work during the year, the internal auditors have produced an annual certificate of assurance with regard to the adequacy of the systems and the operation of internal

controls within the Arts Council. In addition, I have considered the Report To Those Charged with Governance (RTTCWG) prepared by the external auditors following their audit of the accounts for the year ended 31 March 2020. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit and Risk Committee, and a plan to address weaknesses and ensure continuous improvement of the internal control system is in place.

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

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

Quality of Information

The Board of the Arts Council has reviewed the quality of the information made available by the executive for effective decision-making. The Board considers that the accuracy, timing and availability of the financial information and the support given to ensure that the Board and its Committees function effectively is satisfactory. The Board values the reports on art forms, organisational performance and the Council's development programmes for their insights into the challenges and opportunities facing the arts in Northern Ireland. The Board notes the challenge with regard to information, analysis and assessment facing the executive in determining the most beneficial distribution of arts funding in the current financial environment. Looking to the future the Board recognises that the pattern and the nature and extent of information provision on the functioning of the arts in Northern Ireland will change during the planning process, and to support the delivery of the five-year framework. The Board looks forward to participating with the executive in the definition of this new information regime.

Internal Governance Divergences – Current and New for 2019-20

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

Eight prior year issues highlighted in internal audit reports have been resolved and are no longer control issues in 2019/20.

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

Two prior year Priority 2 issues brought forward have not been resolved to the satisfaction of Internal Audit. Management are engaged with Internal Audit to close out these issues.

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

In respect of last year's audit, which was completed this year, external audit noted that "for future years a time-table should be set for verification visits to ensure that all are complete before the accounts are approved". This has not yet been achieved for 2019-20, with three outstanding verifications as at the end of March 2021. We intend to complete the 20-21 verification visits by the end of September 2021. To date, no significant issues have arisen from those verification visits, which have been completed

Internal Audit identified a number of areas where the Arts Council should put procedures in place to strengthen the existing processes and controls in order to fully meet management's control objectives. Internal Audit's observations and recommendations are graded in line with DAO (DoF) 07/16, which was implemented with immediate effect on sight of the guidance:

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

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

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

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

The Satisfactory and Limited assurance ratings as defined, in line with DAO (DoF) 07/16:

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

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

Nine internal audit reviews were issued during the year, one with a limited assurance rating and eight with satisfactory assurance ratings. Management agreed a timescale for implementation of the recommendations arising from the reviews.

Of the twenty-two new recommendations, four had a finding of priority 1, eight priority 2 and ten priority 3.

Twenty-two of the recommendations were “not due” at year-end and all of the twenty two recommendations and two advice to management recommendations (total 24) were brought forward at year end. Management have agreed a timescale for implementation of the recommendations.

The Limited Assurance related to the appropriateness of documented plans, timetables and action plans in place to monitor and enable compliance with the General Data Protection Regulation, the GDPR review. This review was the last review of the 2019-20 Annual Internal Audit plan, dated 25 June 2020. Therefore, none of the fourteen recommendations (including the aforementioned “advices to management”) could be completed at year-end. The four Priority 1 recommendations were in the following areas:

1. Conditions for consent (personal images) form
2. Development of a privacy notice for employees
3. Documenting a formal Data Breach Management procedure, and,
4. Developing a Data Protection Policy

I am pleased to report that overall Internal Audit awarded 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 2019-20.



Roisín McDonough
Accounting Officer
Arts Council of Northern Ireland

Date: 31/03/2021

Remuneration and Staff Report

The Remuneration Report sets out the remuneration policy for directors. More specifically, it details remuneration (including pension and benefits in kind) of staff key to its operation and where relevant, the link between performance and remuneration. There is a presumption that information on named individuals will be given in all circumstances.

The Staff Report element provides additional information including:

- Number of senior civil service staff by band;
- Staff numbers and costs;
- Average number of persons employed;
- Staff composition by gender
- Sickness absence data;
- Staff Policies applied during the financial year;
- Consultancy expenditure;
- Off Payroll Disclosures; and
- Exit packages.

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 during the year was as follows:

Dr Katy Radford (Chair);
Mr David Alderdice (to 30 November 2019);
Mr John Edmund;
Dr Leon Litvack (to 30 November 2019); and
Ms Katherine McCloskey (to 30 November 2019).

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

The pay remit (for the NI public sector and SCS) is normally approved by the Minister of Finance. In the absence of an Executive, at the time the remit was being finalised, the Department of Finance (DoF) Permanent Secretary set the 2019-20 NI public sector pay policy in line with the overarching HM Treasury parameters and in a manner consistent with the approach taken by the previous Finance Minister in 2016-17.

The Remuneration Committee is responsible for assessing the Chief Executive's performance and making recommendations on achievement to the Department for Communities. The Chief Executive has a staff appraisal meeting with the Chairman on the basis of objectives set the previous year in consultation with the Department. The appraisal meeting also includes discussion of objectives for the

incoming year. These are further discussed by the Chairman with the Department. Subsequent proposed objectives approved by the Remuneration Committee are discussed and agreed with the Chief Executive as appropriate for the year.

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

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

Service Contracts

Appointments in the Arts Council are made with reference to the Equality Commission's Advice and Guidance. Policy relating to notice periods and termination payments are contained in individual terms and conditions of employment. Unless otherwise stated below, the employees covered by this report hold appointments, which are open-ended until they reach retirement age. The Chief Executive (Roisin McDonough) was appointed on 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 Chair and Vice-Chair.

The annual rate of honorarium for the Chair is £10,100 and £3,535 per annum for the Vice-Chair. The actual honoraria paid in 2019-20 was £13,635 (2018-19: £13,725). There was £204 (2018-19: £240) of employer's National Insurance Contributions.

	Chair	Vice- Chair
	£	£
J Edmund	10,100	
K Radford		3,535

Of the total cost of honoraria £7,334 (2018-19: £7,402) was apportioned to the Lottery Distribution Account. No emoluments were paid to other Board members in respect of Lottery activities. The Arts Council does not pay any pension contributions on behalf of the Chairman and Vice-Chairman; therefore, they are not included in the following pension note. All Board members are recompensed for their vouched expenses incurred in carrying out their duties.

Bonuses

The Special Bonus Scheme allows the Arts Council to reward exceptional performance in particularly demanding tasks or situations at any time in the year. During the 2019-20 year £4,500 (2018-19: £0) was distributed as a performance bonus between eight staff members (2018-19: 0 staff members).

Remuneration and Pension Entitlements- Senior Staff (Audited Information)

Single total figure of remuneration										
Directors	Salary* (£'000)		Bonus Payments (£'000)		Benefit in kind (to nearest £100)		Pension Benefits (to nearest £1,000) **		Total (£'000)	
	2019- 20	2018- 19	2019- 20	2018- 19	2019- 20	2018- -19	2019- 20	2018- 19	2019- 20	2018- 19
R McDonough (Chief Executive) ***	70-75	70-75	-	-	-	-	22	22	90-95	90-95
N McKinney (Director of Arts Development)	55-60	55-60	-	-	-	-	16	16	70-75	70-75
G Troughton (Director of Finance and Corporate Services)	50-55	55-60	-	-	-	-	17	26	70-75	80-85
N Livingston (Director of Strategic Development) ****	5-10	40-45	-	-	-	-	6	17	10-15	55-60
P Harron (Director of Operations) *****	0-5	-	-	-	-	-	1	-	5-10	-

* 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.

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

*** This employee took flexible retirement on 31 August 2017. The FTE salary is in the band range £80-85k.

**** This employee retired on 13 August 2019. The FTE salary is in the band range £55-60k.

***** This employee joined on 02 March 2020. The FTE salary is in the band range £45-50k.

Fair pay disclosure (Audited Information)

	2019-20	2018-19
Band of Highest Paid Director's Total Remuneration* (£000)	80-85	80-85
Median Total Remuneration* (£)	32,157	31,760
Ratio	2.6	2.6

* Total remuneration is the FTE figure, which includes salary, non-consolidated performance-related pay, and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

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

The banded remuneration of the highest-paid director in the organisation in the financial year 2019-20 was £80,000-£85,000 (2018-19: £80,000-£85,000). This was 2.6 times (2018-19: 2.6) the median remuneration of the workforce, which was £32,157 (2018-19: £31,760).

In 2019-20 no employees (2018-19: 0) received remuneration in excess of the highest-paid director.

Actual remuneration ranged from £22,739 to £85,698 (2018-19: £22,739 to £84,640). This reflects a contribution for employee pension.

The ratio is calculated as follows:

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

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

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

Arts Council Pensions (Audited Information)

The pension benefits of all staff are provided through the Northern Ireland Local Government Officers' Superannuation Committee. This is a funded scheme which provides benefits on a "final salary" basis at a normal retirement age of 65. Prior to April 2015, benefits accrue at the rate of 1/60th of pensionable salary for each year of service (1/80th before 1 April 2009). For membership of the Scheme from April 2015 members pension will be based on members average earnings while a member of the Scheme. Each year, if members are in the main section of the Scheme 1/49th of pensionable pay is added to the members pension account plus a revaluation amount so that members pension keeps up with the cost of living. In addition, a tax-free lump sum may be payable on retirement. Members pay contributions of between 5.5% and

10.5% of pensionable earnings. Pensions increase in payment in line with the Consumer Price Index. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of three times pensionable pay and also provides a service enhancement on computing the spouse's pension. Medical retirement is possible in the event of serious ill- health. In this case pensions are brought into payment early.

During the year the Arts Council made contributions for 47 (2018-19: 47) employees (not all 47 were employed throughout the year). The NILGOSC scheme is a "multi-employer", defined benefit scheme, which provides members of participating employers with the benefits related to pay and services at rates which are defined under statutory regulations. To finance these benefits, assets are accumulated in the scheme and are held separately from the assets of the employers. The scheme is funded by employers participating in the NILGOSC scheme who pay contributions at rates determined by an independent professionally qualified actuary on the basis of regular valuations using the projected unit method. During the year ended 31 March 2020 the Arts Council contributed 20% of gross salary (2018-19: 19%) plus an annual payment of £25,500, which is called a 'pension deficit recovery contribution'.

	2019-20	2018-19
	£	£
Employer's Contribution	655,822	880,288

Pension Entitlements - Directors (Audited Information)

	ACCRUED PENSION AT PENSION AGE AT 31/03/20 AND RELATED LUMP SUM	REAL INCREASE IN PENSION AND RELATED LUMP SUM AT PENSION AGE	CETV AT 31/03/2020	CETV AT 31/03/2019	REAL INCREASE IN CETV
	£'000	£'000	£'000	£'000	£'000
Ms Roisin McDonough Chief Executive*	0-5 plus lump sum of 0-5	0-2.5 plus lump sum of 0-2.5	59	37	16
Ms Noirin McKinney Director	25-30 plus lump sum of 45-50	0-2.5 plus lump sum of (0-2.5)	543	507	23
Mr Geoffrey Troughton Director	15-20 plus lump sum of 0-5	0-2.5 plus lump sum of (0-2.5)	230	208	14
Mr Nick Livingston Director**	25-30 plus lump sum of 50-55	0-2.5 plus lump sum of (0-2.5)	588	583	2
Dr Paul Harron Director***	0-5 plus lump sum of 0-5	0-2.5 plus lump sum of 0-2.5	1	0	1

* As stated on page 41 this employee took flexible retirement on 31 August 2017. The real increase in CETV is for the new pension scheme.

**This employee retired on 13 August 2019. The pro rata inflation rate used is 0.63%.

***This employee joined on 02 March 2020. The pro rata inflation rate used is 0.63%.

Lorraine McDowell was a Director until she retired on 31 December 2018. During the 19/20 financial year, only arrears of £462 were paid. Thus, no disclosure is applicable.

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 members' 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 because 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 because of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

Exit Packages

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

Staff Report

1) Analysis of Directors Salaries (Audited Information)

Director's Salary	2019-20	2018-19
£45,000 - £50,000	1	-
£50,000 - £55,000	-	1
£55,000 - £60,000	3	3
£60,000 - £65,000	-	-
£65,000 - £70,000	-	-
£70,000 - £75,000	-	-
£75,000 - £80,000	-	-
£80,000 - £85,000	1	1
Total Number of Directors	5	5

The Directors' salaries shown above are on a full-time equivalent basis: Whereas the salary information on page 41 is what the Directors actually earned, including back dated pay awards and adjustments for any sick leave or reduction in hours during the year.

2) Staff Numbers and Costs

2a) Analysis of Staff Costs: (Audited Information)

	Permanently employed staff	Others	2019-20 £ Total	2018-19 £ Total
Wages and salaries	1,301,748	60,846	1,362,594	1,373,231
Social security costs	130,662	4,401	135,063	137,061
Agency costs	-	176,091	176,091	126,837
Other pension costs	645,513	10,309	655,822	880,288
Total gross costs	2,077,923	251,647	2,329,570	2,517,417
Expenditure on the Arts Recovery Secondment Recovery	(28,150)	-	(28,150)	(50,800)
	(26,438)	-	(26,438)	-
Total net costs	2,023,335	251,647	2,274,982	2,466,617

Actual staff remuneration in 2019-2020, on an FTE basis, ranges from £22,739 to £85,698.

2b) Pension Costs and Commitments

The Arts Council makes employer contributions to the NILGOSC Scheme, which is a defined benefit funded scheme. 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 liability 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.

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 2019-20 the contribution rates were 20% employers contribution plus an annual payment of £25,500, and ranging between 5.5% and 10.5% for employees (2018-19: 19% employers plus an annual payment of £25,500 and ranging between 5.5% and 10.5% for employees).

The total employer pension cost under the Scheme was a debit of £655,822 (2018-19 debit of £880,288). 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 2019. 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) Key assumptions

	31 March 2020	31 March 2019
	Years	Years
Duration of liabilities (years) ⁽¹⁾	17.5	18.2
	% p.a.	% p.a.
Discount Rate	2.3%	2.4%
CPI Price Inflation (Pension increases) ^{(2) (3)}	2.0%	2.2%
General Salary increase rate ⁽⁴⁾	3.5%	3.7%

- (1) The duration of the liabilities is the average period between the calculation date and the date at which benefit payments fall due. Durations will be calculated to the nearest 0.1 years based on the output of the most recent valuation exercise of the Employers liabilities. The assumptions are rounded to the nearest 0.1% p.a.
- (2) Pension increases on pension in excess of Guaranteed Minimum Pension in payment where appropriate.
- (3) We recommend the assumption for the revaluation rate of pension accounts is set equal to the assumption for pension increases.
- (4) The assumed rate of general salary increases has been set as 1.5% above the CPI inflation assumption, which is consistent with the assumptions used at the 2019 Valuation.

(ii) Mortality Assumptions

The mortality assumptions at the accounting date are based on the actual mortality experience of members within the Fund based on analysis carried out as part of the 2019 Actuarial Valuation, and allows for expected future mortality improvements. Sample life expectancies at age 65 and 45 in normal health resulting from these mortality assumptions are shown below.

Post retirement mortality (retirement in normal health)

	31 March 2020
Males	
Pensioner Member aged 65 at accounting date.	21.8
Active Member aged 45 at accounting date.	23.2

31 March 2020

Females

Pensioner Member aged 65 at accounting date.	25.0
Active Member aged 45 at accounting date.	26.4

(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.

			Asset Allocation at 31 March 2020 Total	Asset Allocation at 31 March 2019 Total
	Quoted	Unquoted		
Equities	42.6%	0.0%	42.6%	59.5%
Property	0.0%	10.0%	10.0%	11.2%
Government Bonds	26.1%	0.0%	26.1%	16.5%
Corporate Bonds	12.6%	0.0%	12.6%	7.0%
Cash	4.7%	0.0%	4.7%	2.7%
Other	<u>0.6%</u>	<u>3.4%</u>	<u>4.0%</u>	<u>3.1%</u>
Total	86.6%	13.4%	100.0%	100.0%

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

	Value as at 31 March 2020 (£M)	Value as at 31 March 2019 (£M)
Fair Value of assets	15.242	16.461
Present value of funded defined benefit obligation	<u>(19.645)</u>	<u>(20.858)</u>
Funded status	(4.403)	(4.397)
Impact of minimum funding requirement/asset ceiling	-	-
Asset/(Liability) recognised on the Statement of Financial Position	<u>(4.403)</u>	<u>(4.397)</u>

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

Active members	35%
Deferred Pensioners	24%
Pensioners	41%

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

	Year Ending 31 March 2020 (£M)	Year Ending 31 March 2019 (£M)
Operating Cost		
Current service cost*	0.541	0.441
Past service cost (including curtailments)	0.000	0.331
Settlement cost	-	-
Financing Cost		
Interest on net defined benefit liability/(asset)	0.102	0.106
Pension expense recognised in Statement of Comprehensive Net Expenditure (SoCNE)	0.643	0.878
Re-measurements in Other Comprehensive Expenditure		
Return on plan assets in excess of that recognised in net interest	1.430	(0.712)
Actuarial losses/(gains) due to change in financial assumptions	(0.388)	1.080
Actuarial losses/(gains) due to changes in demographic assumptions	(0.690)	(0.836)
Actuarial (gains)/losses due to liability experience	(0.705)	0.029
Total amount recognised in Other Comprehensive Expenditure	(0.353)	(0.439)
Total Amount recognised in the Statement of Comprehensive Net Expenditure and Other Comprehensive Expenditure	0.290	0.439

* The current service cost includes an allowance for the administration expenses of £0.006m.

(vi) Movement in Deficit during the year

	Year Ending 31 March 2020	Year Ending 31 March 2019
	(€M)	(€M)
Deficit in scheme at beginning of year	(4.397)	(4.242)
Movement in the year		
Current service costs	(0.541)	(0.441)
Past service costs (including curtailments)	(0.000)	(0.331)
Contributions	0.284	0.284
Net charge on Assets	(0.102)	(0.106)
Actuarial (loss)/gain	0.353	0.439
Deficit in Scheme at End of Year	(4.403)	(4.397)

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

	Year Ending 31 March 2020	Year Ending 31 March 2019
	(€M)	(€M)
Opening defined benefit obligation	20.858	19.723
Current Service cost	0.541	0.441
Interest expense on defined benefit obligation	0.495	0.507
Contribution by participants	0.085	0.082
Actuarial losses/(gains) on liabilities -due to change in financial assumptions	(0.388)	1.080
Actuarial gains on liabilities - due to changes in demographic assumptions	(0.690)	(0.836)
Actuarial (gains)/losses on liabilities due to liability experience	(0.705)	0.029
Net benefits paid out	(0.551)	(0.499)
Past service costs (including curtailments)	0.000	0.331
Net increase in liabilities from disposals/acquisitions	-	-
Settlements	-	-
Closing defined benefit obligation	19.645	20.858

(viii) Changes to the fair value of assets

	Year ending 31 March 2020 (£M)	Year ending 31 March 2019 (£M)
Opening fair value	16.461	15.481
Interest income on assets	0.393	0.401
Re-measurement gains on assets	(1.430)	0.712
Contributions by the employer	0.284	0.284
Contributions by the participants	0.085	0.082
Net benefits paid out	(0.551)	(0.499)
Net increase in assets from disposals/acquisitions	-	-
Settlements	-	-
Closing fair value of assets	15.242	16.461

(ix) Actual return on assets

	Year ending 31 March 2020 (£M)	Year ending 31 March 2019 (£M)
Interest income on assets	0.393	0.401
Re-measurement gain on assets	(1.430)	0.712
Actual return on assets	(1.037)	1.113

(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 2020 and the projected service cost for the year ending 31 March 2021 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. The sensitivity of unfunded benefits (where applicable) 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)	19.304	19.992
% change in present value of total obligation	-1.7%	1.8%
Projected service cost (£M)	0.503	0.535
Approximate % change in projected service cost	-3.1%	3.2%

Rate of general increase in salaries

Adjustment to salary increase rate	+0.1%	-0.1%
	p.a.	p.a.
Present value of total obligation (£M)	19.692	19.598
% change in present value of total obligation	0.2%	-0.2%
Projected service cost (£M)	0.519	0.519
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%	-0.1%
	p.a.	p.a.
Present value of total obligation (£M)	20.007	19.290
% change in present value of total obligation	1.8%	-1.8%
Projected service cost (£M)	0.535	0.503
Approximate % change in projected service cost	3.2%	-3.1%

Post retirement mortality assumption

Adjustment to mortality age rating assumption*	-1 year	+1 year
Present value of total obligation (£M)	20.279	19.017
% change in present value of total obligation	3.2%	-3.2%
Projected service cost (£M)	0.539	0.500
Approximate % change in projected service cost	3.8%	-3.8%

* 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 pension expense in future periods

The figures below are provided based on the assumption as at 31 March 2020 outlined above. The Arts Council's regular contributions to the Fund for the accounting period ended 31 March 2021 are estimated to be £0.261M.

Funded Benefits

Analysis of amount charged to Statement of Comprehensive Net Expenditure	Year ending 31 March 2021
	(£M)
Current service cost	0.519
Interest on the net defined benefit liability	0.098
Total	0.617
Allowance for administration expenses included in Current Service Cost (£M)	0.007
Estimated pensionable payroll over the period (£M)	1.338

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

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

(xii) Funded benefits

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

Active Members as at 31 March 2020

	Number	Total Pay (£M)
Total	41	1.326

Pensioner & deferred pensioner members as at 31 March 2020

Type	Number	Total Pension (£M)
Deferred members	69	0.189
Pensioners and dependants	51	0.441

Funded cash-flow data provided

	Months Provided	Amount Provided (£M)	Amount Used (£M)
Employer – Normal contributions	11	0.237	-
Employer – Additional capital contributions	12	0.026	-
Employer – Early retirement strain on fund payments	11	-	-
Total contributions by the Employer	-	-	0.284
Employee – Normal contributions	11	0.078	-
Employee – Added years contributions	11	-	-
Total contributions by participants	-	-	0.085
Death in service lump sums*	-	-	-
Benefits paid (i.e. pension paid)	-	-	-
Net benefits paid out**	-	-	0.551

* Calculated the expected death in service lump sums over the year to be £2k

** The 'Net benefits paid out' figure includes an allowance for expenses of £6k

Annualised pensionable payroll over the accounting period	Amount (£M)*
Period ending 31 March 2020	1.293
Period ending 31 March 2019	1.359

* The annualised pensionable payroll has been derived from the contributions paid over the relevant accounting period.

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

(xiii) Fund Return

The investment return used to roll forward the notional share of assets from the last formal valuation of the fund to the accounting date has been calculated using returns provided by the Fund Administering Authority, where known. Where necessary, index returns appropriate to the mix of assets have been used for any remaining period to obtain an estimate of the total return over the period to the accounting date. To that return, a deduction of 0.3% p.a. has been made to allow for investment management expenses based on the Fund's experience.

The overall annualised Fund return from the 2020 Valuation date is -2.5% and this return has been used to roll forward the assets notionally allocated to the Employer at the 2020 Valuation.

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

The remuneration received by the Chief Executive, including back dated pay awards and adjustments for reduction in hours during the year was £70,057 (2018-19 Restated: £70,671). The Chief Executive is an ordinary member of the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) pension scheme. A total of £48,628 (2018-19: £48,694) of the Chief Executive's employment costs (including employers national insurance contributions and employers pension) have been apportioned to the Lottery Distribution fund to cover time spent on Lottery activities.

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

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

	Permanently Employed Staff	Others	2019-20 Total	2018-19 Total
Directly employed	38	0	38	40
Other	-	5	5	3
Total	38	5	43	43

All of the staff were employed by the Arts Council and the proportion in relation to the Lottery Distribution Account is on the basis of average Lottery caseload from the Arts

Development Department and on other appropriate bases from the rest of the Arts Council.

4) Staff Composition by Gender (Audited Information)

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

	Male Directors	Male Employees	Female Directors	Female Employees	Total Employees
2019-20					
Payroll	3	11	2	31	47
Board	-	1	-	1	2
Agency	-	2	-	7	9
Total	3	14	2	39	58

	Male Directors	Male Employees	Female Directors	Female Employees	Total Employees
2018-19					
Payroll	2	12	3	30	47
Board	-	1	-	1	2
Agency	-	1	-	4	5
Total	2	14	3	35	54

Staff composition shows the number of people employed by the Arts Council. Two of the Board Members are classified as 'employed' (Chairman and Vice Chairman) as they are on the Arts Council payroll to facilitate payment of their honorarium.

5) Sickness Absence Data (Audited Information)

The number of sick days reported in 2019-20 was 410 (2018-19: 392). This equates to an average lost working days per employee of 10.76 days (2018-19: 10.48 days).

6) Staff Policies applied during the financial year

Employee Consultation

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

Policy on Disabled Persons and Equality of Opportunity

The Arts Council is committed to equality of opportunity between persons of different religious belief, political opinion, gender, marital status, disability, ethnic origin, age, dependants, sexual orientation or trade union membership. The Arts Council has implemented equality legislation and codes of practice to ensure that procedures and policies are fair and lawful. The Arts Council actively encourages this within its client / partner network.

7) Other Employee Matters

Health and Safety at Work

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

Trade Union Relationships

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

Human Capital Management

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

8) Expenditure on Consultancy

There was no consultancy expenditure in 2019-20 nor in the prior year 2018-19.

9) Off Payroll Disclosures (Audited Information)

Off-payroll engagements are those where individuals, either self-employed or acting through a personal service company, are paid gross by the employer. In line with HM Treasury requirements, the Department of Finance requires disclosure of such engagements that were in place during 2019-20 costing over £58,200. The Arts Council had no off-payroll engagements commencing, ending or operating during 2019-20 or 2018-19.

10) Exit Packages (Audited Information)

There were no exit packages in the current financial year nor in the previous financial year.

Redundancy and other departure costs are 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
Arts Council of Northern Ireland

Date: 31/03/2021

Assembly Accountability and Audit Report

The Assembly Parliamentary Accountability and Audit Report brings together the key Assembly accountability documents. It includes:

- Regularity of expenditure;
- Assembly Accountability Disclosure Notes; and
- The Certificate and Report of the Comptroller and Auditor General to the Northern Ireland Assembly.

Assembly Accountability Disclosure Notes

Losses and special payments (Audited Information)

Losses Statement

A specific bad debt provision of £75,000 was created in 2013-14 to provide for the full amount of a loan of £75,000 (which was converted to a charge in the 2013-14 year) to a client where there is a high risk of non-repayment. Further details are outlined in Note 11 to the Accounts.

Special Payments

A legal case was settled without admission of liability in May 2019, by the Arts Council paying the claimant £12,000.

Regularity of Expenditure (Audited Information)

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

Remote Contingent Liabilities (Audited)

In addition to liabilities reported within the meaning of IAS37, the Arts Council also reports liabilities for which the likelihood of transfer of economic benefit in settlement is too remote to meet the definition of contingent liability. The Arts Council has no remote contingent liabilities.



Roisín McDonough
Accounting Officer
Arts Council of Northern Ireland

Date: 31/03/2021

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

Opinion on financial statements

I certify that I have audited the financial statements of the Arts Council of Northern Ireland for the year ended 31 March 2020 under the Arts Council (Northern Ireland) Order 1995. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes including significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of Arts Council of Northern Ireland's affairs as at 31 March 2020 and of Arts Council of Northern Ireland's net expenditure for the year then ended; and
- have been properly prepared in accordance with the Arts Council (Northern Ireland) Order 1995 and Department of Communities directions issued thereunder.

Opinion on regularity

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

Basis of opinions

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

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs(UK) require me to report to you where:

- the Arts Council of Northern Ireland's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the Arts Council of Northern Ireland have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about Arts Council of Northern Ireland's ability to continue to adopt the going concern basis.

Other Information

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

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

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

Responsibilities of the Board and Accounting Officer for the financial statements

As explained more fully in the Statement of the Accounting Officer Responsibilities, the Board and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

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

My objectives are to obtain evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial

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

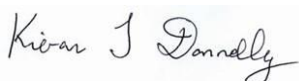
A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

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

Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with the Department of Finance's guidance.



KJ Donnelly

Comptroller and Auditor General

Northern Ireland Audit Office

106 University Street

Belfast

BT7 1EU

1 April 2021

Statement of Comprehensive Net Expenditure for the year ended 31 March 2020

	Note	2019/20 £	2018/19 £
Other Operating Income	3	1,657,998	1,413,204
Total Operating Income		1,657,998	1,413,204
Staff Costs		(2,274,982)	(2,466,617)
Seconded Staff Costs		(26,438)	-
Expenditure on the Arts	2(b)	(11,647,026)	(10,923,640)
Depreciation and impairment charges	2(a)	(1,225)	(8,202)
Other Operating Expenditure	2(a)	(703,524)	(651,338)
Total Operating Expenditure		(14,653,195)	14,049,797
Net Operating Expenditure		(12,995,197)	(12,636,593)
Other comprehensive net expenditure			
Items that will not be reclassified to net operating expenditure:			
- Net gain / (loss) on revaluation of Property Plant and Equipment	4(a)	(222)	5,206
- Net gain / (loss) on revaluation of Intangible Assets	5	-	-
- Actuarial gain / (loss) on pension scheme liabilities		353,000	439,000
Comprehensive net expenditure for the year		(12,642,419)	(12,192,387)

The notes on pages 68 to 90 form part of these accounts.

Statement of Financial Position as at 31 March 2020

	Note	2020 £	2019 £
Non-current assets:			
Property, plant and equipment	4(a)	50,157	51,452
Operational heritage assets	4(a)	130,000	130,000
Non-operational heritage assets	4(a)	1,069,378	1,010,422
Intangible assets	5	5,308	-
Total non-current assets		1,254,843	1,191,874
Current assets			
Trade and other receivables	7	782,482	384,315
Cash and cash equivalents	6	386,115	693,955
Total current assets		1,168,957	1,078,270
Total assets		2,423,800	2,270,144
Current liabilities			
Trade and other payables	8	(1,076,288)	(1,046,213)
Total current liabilities		(1,076,288)	(1,046,213)
Total assets less current liabilities		1,347,512	1,223,931
Non-current liabilities			
Retirement Benefit Obligations	9	(4,403,000)	(4,397,000)
Total non-current liabilities		(4,403,000)	(4,397,000)
Total assets less total liabilities		(3,055,488)	(3,173,069)
Taxpayers' equity and other reserves			
General reserve		1,190,050	1,066,247
Revaluation reserve		157,462	157,684
Pension reserve		(4,403,000)	(4,397,000)
Total equity		(3,055,488)	(3,173,069)

The notes on pages 68 to 90 form part of these accounts.

Arts Council of Northern Ireland

The financial statements on pages 63 to 90 were approved by the Board on the 16/12/2020 and were signed on its behalf by:



Roisín McDonough
Accounting Officer
Arts Council of Northern Ireland

Date: 31/03/2021

Statement of Cash Flows for the year ended 31 March 2020

	Note	2019-20	2018-19
		£	£
Cash flows from operating activities			
Net Operating Expenditure		(12,995,197)	(12,636,593)
Adjustment for non-cash transactions:			
- Depreciation	2(a)	1,225	8,202
- Loss on disposal of asset	2(a)	-	-
- (Increase) / Decrease in trade and other receivables	7	(398,527)	(219,678)
- Increase / (Decrease) in trade and other payables	8	30,075	(7,408)
- Movement ((increase) / decrease) in payables relating to items not passing through the Statement of Comprehensive Net Expenditure.		45,295	(41,273)
- Use of pension liability		359,000	594,000
Net cash (outflow) from operating activities		(12,958,129)	(12,302,750)
Cash flows from investing activities			
Purchase of non-operational heritage assets		(109,711)	(87,061)
Net cash (outflow) from investing activities		(109,711)	(87,061)
Cash flows from financing activities			
Grants from Department for Communities		12,760,000	12,168,000
Net financing		12,760,000	12,168,000
Net increase / (decrease) in cash and cash equivalents in the period		(307,840)	(221,811)
Cash and cash equivalents at the beginning of the period	6	693,955	915,766
Cash and cash equivalents at the end of the period	6	386,115	693,955

The notes on pages 68 to 90 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2020

	Pension Reserve £	General Fund £	Revaluation Reserve £	Taxpayers' Equity £
Balance at 31 March 2018	(4,242,000)	931,357	152,478	(3,158,165)
Grants from Department for Communities	-	12,168,000	-	12,168,000
Comprehensive Net Expenditure for the Year	(594,000)	(12,023,593)	5,206	(12,612,387)
Auditors Remuneration	-	(19,000)	-	(19,000)
Actuarial gains and losses	439,000	-	-	439,000
Other reserves movements	-	9,483	-	9,483
Balance at 31 March 2019	(4,397,000)	1,066,247	157,684	(3,173,069)
Grants from Department for Communities	-	12,760,000	-	12,760,000
Comprehensive Net Expenditure for the year	(359,000)	(12,616,197)	(222)	(12,975,419)
Auditors Remuneration	-	(20,000)	-	(20,000)
Actuarial gains and losses	353,000	-	-	353,000
Other reserves movements	-	-	-	-
Balance at 31 March 2020	(4,403,000)	1,190,050	157,462	(3,055,488)

The notes on pages 68 to 90 form part of these accounts.

Notes to the Arts Council of Northern Ireland's Accounts

1. Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2019-20 Government Financial Reporting Manual (FReM) issued by the Department of Finance. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Arts Council for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Arts Council for the distribution of public funding for the arts in Northern Ireland are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

The Arts Council has a negative Statement of Financial Position at 31 March 2020 of (£3.055m) due to recognition of a net pension deficit of £4.403m. As this deficit is projected to gradually decrease by future employer contributions and the Arts Council has adequate funding to meet its liabilities as they fall due then the accounts have been prepared on a going concern basis.

1.1 Accounting Convention

These accounts have been prepared in accordance with the historical cost convention, modified to account 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. Items below the threshold of £1,000 are written off to the Statement of Comprehensive Net Expenditure.

Plant & Machinery comprises one musical instrument, which was valued by Steinway in January 2019. Other property, plant and equipment have been re-valued at 31 March 2020 using the latest available indices published in 'Price Index Numbers for Current Cost Accounting' prepared by the Office for National Statistics.

1.3 Heritage Assets

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

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

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

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

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

1.4 Intangible Assets

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

1.5 Depreciation

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

The rates of depreciation in use are as follows:

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

There is one asset in Plant & Machinery, which is a Steinway piano. It was not depreciated in the current financial year because its book value is at the lower range of its estimated market value by Steinway and Sons Ltd on 22 January 2019.

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

1.6 Operating Income

Government Grants

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

Lottery Recharges

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

Other Operating Income

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

1.7 Leases

Finance Leases:

The Arts Council has no disclosure for finance leases.

Operating Leases:

Leases where substantially all of the risks and rewards are held by the lessor are classified as operating leases. Rentals paid under operating leases are charged to the Statement of Comprehensive Net Expenditure on a straight line basis over the period of the lease. Operating leases have been split between Land, Buildings and Other with all future commitments reported in Note 10.

1.8 Financial Instruments

Risk Management

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

1.8.1 Financial Assets

Trade and other receivables

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

Cash and Cash Equivalents

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

1.8.2 Financial Liabilities

Trade and Other Payables

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

The Arts Council pays grants in accordance with the terms and conditions inherent in the respective funding agreement, letter of offer or grant scheme. Grants payable are recorded as expenditure in the period that the underlying event or activity giving entitlement to the grant occurs.

1.9 Payment of Grants

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

1.10 Provisions

The Arts Council provides for legal or constructive obligations as a result of a past event which are of uncertain timing or amount at the Statement of Financial Position date on the basis of the best estimate of the expenditure required to settle the obligation. The Arts Council has no disclosure for provisions.

1.11 Contingent Liabilities

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

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

1.12 Critical Accounting Estimates and Key Judgements

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

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

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

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

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

- **Pension and Other Post Retirement Benefits**

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

- **Bad debt provision**

The Arts Council created a bad debt provision for an outstanding loan which was converted to a charge during the 2013-14 year. The Arts Council assess there is a high risk of not receiving this money. Therefore, the Arts Council has created a provision for the full amount of the charge. Further details are contained in Note 11.

1.13 Value Added Tax

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

1.14 Employee Benefits

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

1.15 Pension Costs

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

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

preparing the sensitivity analysis, the limitation of these methods, and the reasons for any changes in methods and assumptions used in preparing the sensitivity analysis.

The pension costs are assessed in accordance with the advice of independent qualified actuaries using the market led approach. The last full actuarial valuation of the scheme was at 31 March 2019.

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

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

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

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

1.16 Early Departure Costs

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

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

1.17 Reserves

General Reserve

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

Revaluation Reserve

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

Pension Reserve

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

1.18 Accounting standards, interpretations and amendments to published standards adopted in the year ended 31 March 2020

Additional or revised accounting standards and new (or amendments to) interpretations contained within FReM 2019-20 have been considered. The adoption of these standards has not had a significant impact on the Arts Council's financial position or results.

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

The Arts Council has reviewed new accounting standards that have been issued but are not yet effective, nor adopted early for these accounts. IFRS 16 Leases has been issued but will not be effective in the public sector until 1 April 2022. The Arts Council considers that IFRS 16 will not have a material impact on the accounts in the period of initial application. This is because the Arts Council's temporary accommodation at Linen Hill House is under licence. Therefore, the only obligation under the operating lease is a franking machine, which is immaterial in value.

2 Expenditure**2 (a) Operating Expenditure**

	2019-20	2018-19
	£	£
Staff Costs ² :		
Wages and Salaries	1,320,413	1,334,192
Social Security Costs	130,980	132,837
Other Pension Costs	647,499	872,751
Agency Costs	<u>176,090</u>	<u>126,837</u>
Total Staff Costs:	<u>2,274,982</u>	<u>2,466,617</u>
IT costs and equipment	168,001	180,412
Rentals Under Operating Leases	150,427	121,817
Other Premises Costs	75,854	90,556
Legal and Consultancy Fees	67,939	42,962
Expenses and Hospitality	58,987	50,472
Marketing and Communications	58,510	50,977
Other Core Expenses	30,186	40,288
Auditors Remuneration	20,000	19,000
Telephone and Postage	19,948	20,617
Insurances	14,904	13,866
Premises Move Costs	14,182	-
Stationery	10,529	8,473
Training	8,062	6,252
Advertising	5,995	5,646
Non-cash items:		
Depreciation	<u>1,225</u>	<u>8,202</u>
Total Operating Expenditure	<u>2,979,731</u>	<u>3,126,157</u>

² Further analysis of staff costs is located in the Staff Report on page 46.

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

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

The above costs are gross costs to the Exchequer account and £334,800 (2018-19: £313,398) of these operating costs and £1,027,314 (2018-19: £1,039,592) salary costs have been recharged to the Lottery Distribution account and are shown as Other Operating Income in Note 3 below.

2(b) Expenditure on the Arts

	2019-20	2018-19
	£	£
Annual Funding Programme	8,516,691	8,620,137
Capital Programme	1,616,016	1,567,627
In-Year Project Funding	976,942	266,570
Support for Individual Artists Programme	262,375	331,931
Arts Development Fund	213,853	62,169
Strategy	32,999	24,405
Arts and Older People	14,075	25,379
Young People & Well-Being	14,075	25,422
Total Expenditure on the Arts	<u>11,647,026</u>	<u>10,923,640</u>

3 Income

Other Operating Income	2019-20	2018-19
	£	£
	Total	Total
National Lottery Recharge – Salaries	1,027,314	1,039,592
National Lottery Recharge –Administration	334,800	313,398
Administrative & Miscellaneous	269,126	54,116
Grant Refunded	320	6,098
Recharge to NIPF	26,438	-
Total	<u>1,657,998</u>	<u>1,413,204</u>

4 Property, Plant and Equipment

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

2019-20	<u>Furniture & Fittings</u> £	<u>Plant & Machinery</u> £	<u>Information Technology</u> £	<u>Operational Heritage Assets</u> £	<u>Non Operational Heritage Assets</u> £	<u>Total</u> £
<u>Cost or Valuation</u>						
At 1 April 2019	27,209	48,000	113,927	130,000	1,010,422	1,329,558
Additions	-	-	-	-	58,956	58,956
Revaluation & Indexation	(617)	-	-	-	-	(617)
At 31 March 2020	26,592	48,000	113,927	130,000	1,069,378	1,387,897
<u>Depreciation</u>						
At 1 April 2019	16,557	7,200	113,927	-	-	137,684
Charge in year	1,073	-	-	-	-	1,073
Revaluation & Indexation	(395)	-	-	-	-	(395)
At 31 March 2020	17,235	7,200	113,927	-	-	138,362
<u>Carrying amount</u>						
At 31 March 2020	9,357	40,800	-	130,000	1,069,378	1,249,535
<u>Carrying amount</u>						
At 31 March 2019	10,652	40,800	-	130,000	1,010,422	1,191,874
<u>Asset Financing</u>						
Owned	9,357	40,800	-	130,000	1,069,378	1,249,535
<u>Carrying amount</u>						
At 31 March 2020	9,357	40,800	-	130,000	1,069,378	1,249,535

Arts Council of Northern Ireland

<u>2018-19</u>	<u>Furniture & Fittings</u> £	<u>Plant & Machinery</u> £	<u>Information Technology</u> £	<u>Operational Heritage Assets</u> £	<u>Non Operational Heritage Assets</u> £	<u>Total</u> £
<u>Cost or Valuation</u>						
At 1 April 2018	26,592	48,000	120,217	130,000	867,646	1,192,455
Additions	-	-	-	-	137,816	137,816
Revaluation & Indexation	617	-	-	-	4,960	5,577
De-recognition	-	-	(6,290)	-	-	(6,290)
At 31 March 2019	27,209	48,000	113,927	130,000	1,010,422	1,329,558
<u>Depreciation</u>						
At 1 April 2018	15,136	7,200	113,066	-	-	135,402
Charge in year	1,051	-	7,151	-	-	8,202
Revaluation & Indexation	370	-	-	-	-	370
De-recognition	-	-	(6,290)	-	-	(6,290)
At 31 March 2019	16,557	7,200	113,927	-	-	137,684
<u>Carrying amount</u>						
At 31 March 2019	10,652	40,800	-	130,000	1,010,422	1,191,874
<u>Carrying amount</u>						
At 31 March 2018	11,456	40,800	7,151	130,000	867,646	1,057,053
<u>Asset Financing</u>						
Owned	10,652	40,800	-	130,000	1,010,422	1,191,874
<u>Carrying amount</u>						
At 31 March 2019	10,652	40,800	-	130,000	1,010,422	1,191,874

Plant & Machinery is made up of one musical instrument, a Steinway Model D Grand Piano which was externally valued on 22 January 2019, by Steinway & Sons Ltd.

Furniture & Fittings, and Information Technology have been re-valued at 31 March 2020 using the February indices published in 'Price Index Numbers for Current Cost Accounting' prepared by the Office for National Statistics.

4(b) Heritage Assets

The Arts Council's 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 Art Collection is considered to be a non-operational heritage asset. The Arts Council's contemporary collection dates from 2003 and in 2018 it comprises almost 800 works in all media. The Arts Council's Acquisitions Policy states that:

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

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

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

Works are considered against the criteria of:

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

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

The Art Collection Management Handbook deals with the preservation, management and disposal of artwork, which are referred to as Non-Operational Heritage Assets in the accounts.

Access to the artworks in the collection is through exhibition and loans to galleries, museums and schools and requests to see works. The records of the individual artworks are maintained on EMu – a collection management system. It is also possible to have online access to EMu, which allows members of the public to see what is in the collection from their own home or school.

Arts Council of Northern Ireland

With capital funding from the Department for Communities the Arts Council allocated £58,956 for the acquisition of art work for 2019-20 (2018-19: £137,816).

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

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

	2019- 2020	2018- 2019	2017- 2018	2016- 2017	2015- 2016
	£	£	£	£	£
B'fwd non-operational heritage assets	1,010,422	867,646	810,994	745,185	695,328
Revaluation	-	4,960	950	25,300	1,765
Gifted	-	-	-	-	-
Impairment	-	-	-	-	-
Donation	-	-	-	-	-
Cost of additional assets	58,956	137,816	55,702	40,509	48,092
C'fwd non-operational heritage assets	1,069,378	1,010,422	867,646	810,994	745,185

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

	2019- 2020	2018- 2019	2017- 2018	2016- 2017	2015- 2016
	£	£	£	£	£
B'fwd operational heritage assets	130,000	130,000	130,000	110,000	110,000
Revaluation	-	-	-	20,000	-
Gifted	-	-	-	-	-
Impairment	-	-	-	-	-
Donation	-	-	-	-	-
Cost of additional assets	-	-	-	-	-
C'fwd operational heritage assets	130,000	130,000	130,000	130,000	110,000

5 Intangible assets

<u>2019-20</u>	<u>Websites</u>	<u>Software</u>	<u>Total</u>
	£	£	£
<u>Cost or Valuation</u>			
At 1 April 2019	-	55,073	55,073
Disposal	-	-	-
Additions	-	5,460	5,460
Revaluations	-	-	-
	-	60,533	60,533
At 31 March 2020	-	60,533	60,533
<u>Amortisation</u>			
At 1 April 2019	-	55,073	55,073
Transfers	-	-	-
Charge in year	-	152	152
Revaluation	-	-	-
	-	55,225	55,225
At 31 March 2020	-	55,225	55,225
<u>Carrying amount</u>			
At 31 March 2020	-	5,308	5,308
<u>Carrying amount</u>			
At 31 March 2019	-	-	-
<u>Asset Financing</u>			
Owned	-	5,308	5,308
<u>Carrying amount</u>			
At 31 March 2020	-	5,308	5,308

Arts Council of Northern Ireland

<u>2018-19</u>	<u>Websites</u>	<u>Software</u>	<u>Total</u>
	£	£	£
<u>Cost or Valuation</u>			
At 1 April 2018	117,934	127,970	245,904
Disposal	(117,934)	(72,897)	(190,831)
Additions	-	-	-
Revaluations	-	-	-
At 31 March 2019	-	55,073	55,073
<u>Amortisation</u>			
At 1 April 2018	117,934	127,970	245,904
Transfers	(117,934)	(72,897)	(190,831)
Charge in year	-	-	-
Revaluation	-	-	-
At 31 March 2019	-	55,073	55,073
<u>Carrying amount</u>			
At 31 March 2019	-	-	-
<u>Carrying amount</u>			
At 31 March 2018	-	-	-
<u>Asset Financing</u>			
Owned	-	-	-
<u>Carrying amount</u>			
At 31 March 2019	-	-	-

6 Cash and cash equivalents

	2019-20	2018-19
	£	£
Balance at 1 April	693,955	915,766
Net change in cash and cash equivalent balances	<u>(307,840)</u>	<u>(221,811)</u>
Balance at 31 March	<u>386,115</u>	<u>693,955</u>

The following balances at 31 March were held at:

Commercial banks and cash in hand	<u>386,115</u>	<u>693,955</u>
Balance at 31 March	<u>386,115</u>	<u>693,955</u>

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

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

The balance of cash at 31 March 2020 was £386,115 (2018-19: £693,955).

The Arts Council has no borrowings and no financing activities, relying primarily on Exchequer funding for its cash requirements.

7 Trade receivables, financial and other assets

	2019-20	2018-19
	£	£
Amounts falling due within one year:		
Trade receivables	166,206	307,753
Other receivables	-	-
Grant Prepayments	541,258	-
Other Prepayments	17,277	36,229
Accrued Income	<u>58,101</u>	<u>40,333</u>
Total	<u>782,842</u>	<u>384,315</u>

8 Trade payables, financial and other liabilities

	2019-20	2018-19
	£	£
Amounts falling due within one year:		
Trade payables	444,297	8,743
Grant payables	380,360	597,079
Accruals	251,631	290,391
Deferred Income	-	150,000
Total	<u>1,076,288</u>	<u>1,046,213</u>

9 Retirement Benefit Obligations

Amounts falling due after more than one year:	2019-20	2018-19
	£	£
Pension deficit	4,403,000	4,397,000

Details of the pension scheme are outlined in the Staff Report. The net pension liability has increased by £6,000 to £4,403,000 (2018-2019: £4,397,000).

The Fund is valued every three years by the Fund’s actuary and the last valuation was carried out as at 31 March 2019 and set the employer rates from 1 April 2020. The Arts Council contribution rates are currently 19.5% for the next three years. Due to the impact of measures being taken to limit the COVID-19 pandemic on economic activity and asset values all employer contributions for 2021/22 and 2022/23 are subject to review and may be increased to avoid a higher increase being necessary in April 2023.

The pension deficit is currently £4,403,000.

McCloud / Sargeant Judgement

In December 2018, the Court of Appeal ruled in the 'McCloud / Sargeant' judgement that the transitional protection arrangements put in place when the Firefighters' and Judges' pension schemes were reformed were age discriminatory. The Government applied to the Supreme Court for permission to appeal this judgement, however the Supreme Court rejected the request on 27/06/19. The next stage is for the case to be referred to the Employment Tribunal to agree the remedy, following appropriate consultation.

While the judgement was not in relation to members with Local Government Pension Scheme (NI) benefits it would be reasonable to assume that the Government will now seek remedy for all public sector schemes, including Local Government Pension Scheme (NI). The UK Government announced in a written Ministerial Statement on 15 July 2019 that “the government believes that the difference in treatment will need to be remedied across all main public sector schemes”.

The actuaries have allowed for the impact of the McCloud judgment in these figures. The Current Service Cost includes a prospective allowance for McCloud liabilities of 3.20% of Pensionable Pay over the accounting period

GMP Indexation and Equalisation

Guaranteed Minimum Pension (GMP) is a portion of pension that is payable to members who were contracted out of the State Second Pension and accrued benefits in the scheme between 6 April 1978 and 5 April 1997. The LGPS (NI) was contracted out.

The GMP was intended to approximately replace the State Pension, which members were giving up. However, the payment terms of GMP are different between men and women, which was a consequence of the state pension itself being unequal at that time. On 26/10/18 the High Court ruled in the Lloyds Bank case that equalisation for the effect of unequal GMPs is required.

The year-end liability includes allowance for full pension increases to be paid on GMPs to individuals reaching State Pension Age after 6 April 2016.

10 Leases

Operating Leases

Excluding buildings, £584 (2018-19: £584) was included as an expense on operating leases in the Statement of Comprehensive Net Expenditure.

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

	2019-20	2018-19
	£	£
Obligations under operating leases for the following periods comprise:		
<i>Buildings:</i>		
Not later than one year	110,816	35,582
Later than one year and not later than five years	-	-
Later than five years	-	-
Present value of obligations	<u>110,816</u>	<u>35,582</u>
<i>Other:</i>		
Not later than one year	584	584
Later than one year and not later than five years	585	1,169
Later than five years	-	-
Present value of obligations	<u>1,169</u>	<u>1,753</u>
Total Present Value of Obligations	<u>111,985</u>	<u>37,335</u>

11 Other Financial Commitments

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

for in 2013-14 and is netted off the loan amount in Note 7 above. The amount of this provision will be reassessed annually and adjustment made as necessary.

The payments to which the Arts Council are committed during 2018-19 analysed by the period during which the commitment expires are as follows:

	2019-20	2018-19
	£	£
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	-	-
Total	<u>-</u>	<u>-</u>

12 Contingent Liability disclosed under IAS 37

None

13 Related-Party Transactions

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

The Arts Council's National Lottery Distribution Account is also regarded as a related party to the Arts Council Exchequer Account. At 31 March 2020 a net amount of £132,022 (2018-19: £188,780) 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 £782,842 (2018-19: £384,315) shown in Note 7 above and the Trade Payables and other Current Liabilities balance of £1,076,288 (2018-19: £1,046,213) in Note 8 above.

Several Board members of the Arts Council and staff members are also involved with other arts organisations in Northern Ireland either directly or indirectly because 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.

Arts Council of Northern Ireland

Name	Nature of relationship	Organisation Name	Awarded in 2019-20 £	Paid in 2019-20 * £	Balance Outstanding as at 31 March 2020 ** £
Board Members					
John Edmund	Careers Pathway Assignment ***	The Nerve Centre	31,457	29,745	2,690
David Alderdice	Chair of Eastside Arts	Eastside Arts	63,315	66,192	0
Noelle McAlinden	Board Member Centre for Contemporary Art	Centre for Contemporary Art	76,175	79,940	0
Roisin Erskine	Works with Belfast Community Circus School	Belfast Community Circus School	113,963	112,763	5,902
Cian Smyth	Freelancer (ceased December 2018)	Belfast International Arts Festival	127,293	96,908	35,000
	Chair of Outburst Arts	Outburst Arts Festival	12,000	11,900	600

Arts Council of Northern Ireland

Name	Nature of relationship	Organisation Name	Awarded in 2019-20 £	Paid in 2019-20 * £	Balance Outstanding as at 31 March 2020 ** £
Board Members					
Katy Radford	Family / Close Connection	Ulster Orchestra Society	1,759,240	1,837,592	8,168
	Employer (Institute for Conflict Research) has a working relationship ****	ArtsEkta	36,977	38,476	-
		Kabosh	97,975	98,841	955
		The John Hewitt Society	29,478	29,693	1,199
		Mariusz Smiejek	500	500	-
		Big Telly Theatre Company	117,290	117,905	3,500
		174 Trust	12,393	-	12,393
		Royal Ulster Academy	-	500	-
		NI Opera	416,568	428,331	4,500
		Play Resource Warehouse	48,589	51,018	-
		Eleanor Wheeler	1,285	1,285	-
	Eastside Arts	63,315	66,192	-	
	Spanner in the Works	21,158	22,018	-	
	David Lyttle	600	600	-	

Arts Council of Northern Ireland

Name	Nature of relationship	Organisation Name	Awarded in 2019-20 £	Paid in 2019-20 * £	Balance Outstanding as at 31 March 2020 ** £
Staff Members					
Lizzie Devlin	Friend work for Duncairn Arts Centre	174 Trust	12,393	-	12,393
Anne Shipton	Friend works for Duncairn Arts Centre	174 Trust	12,393	-	12,393
Matthew Hendry	Wife was joint Chair Seacourt Print Workshop (ceased December 2018).	Seacourt Print Workshop	68,962	70,689	-
	Daughter works at Strand Arts Centre	Strand Arts Centre	5,436	5,391	45
Patricia Lavery	Worked on "Twilight" project with Arts Care	Arts Care	76,488	43,668	35,549
Noirin McKinney	Husband is Editor of Irish Pages	Irish Pages Ltd	13,300	13,965	-
	Friends with Directors of Panarts	Panarts	21,850	22,943	-
Gavin O'Connor	Tutor for Belfast Trad Music Society	Belfast Trad Music Society	21,524	22,570	-
Roisin Murray	Freelance employment with ArtsEkta	ArtsEkta	36,977	38,477	-
	Member of working group for Feile an Phobail	Feile an Phobail	79,822	83,813	-
Ciaran Scullion	Wife is the Membership and Development Officer at the National Youth Choir of Northern Ireland	National Youth Choir of Northern Ireland	18,612	19,543	-

Arts Council of Northern Ireland

Name	Nature of relationship	Organisation Name	Awarded in 2019-20 £	Paid in 2019-20 * £	Balance Outstanding as at 31 March 2020 ** £
Staff Members					
Jacqueline Barker	Friend works for Millennium Court Arts Centre. Executive Director at Millennium Court Arts Centre (Ceased October 2019).	Millennium Court Arts Centre	5,487	5,761	-
Lisa Birkholz	Employee of Grand Opera House (Ceased November 2018).	Grand Opera House	200,880	210,924	-
	Friend of NI Opera General Manager.	NI Opera	416,568	428,331	4,500
	Friend of Pintsized Production's Artistic Director.	Pintsized Productions	1,623	1,587	-
Roisin McDonough	UK Trustee of Creative & Cultural Skills (CCS) Chair of CCS NI	Creative & Cultural Skills	122,500	122,500	-
Caoileann Curry Thompson	Participant - Prime Cut Productions Artist Development Programme. PrimeCut Productions applying to the Arts Council for funding to produce her play.	Prime Cut Productions	108,080	114,252	1,100
	Received bursaries from Theatre NI.	Theatre NI	49,127	51,164	189
	Friend works for Wheelworks.	Wheelworks	77,155	77,843	2,340

* Paid in 2019-20 includes payments relating to awards made in previous years.

** Balance as at 31 March 2020 includes all awards made in 2019-20 and previous years where an outstanding balance remains.

*** Nerve Centre: The Chair carried out an assignment for the Nerve Centre, which ended in August 2018 and did not cross into areas that are the purview of the Arts Council.

****The Vice-Chair ceased employment with the Institute for Conflict Research on 31st March 2020.

14 Third Party Assets

In 2010, the Arts Council received a bequest of £579,000 upon Trust to administer “The Rosy James Bursary” on behalf of the Rosemary James Trust. The Rosemary James Trust is managed by an independent financial advisor. The objective of the Trust is to provide funding assistance to individual artists/designers and makers to pursue their careers by developing a new body of work. The closing balance at the financial year-end 31 March 2020 was £540,878 made up of listed securities £532,867 (2018-19: £609,451) and cash at bank £8,011 (2018-19: £2,353). The annual value of the award is up to £15,000. No award was issued in 2019-2020.

Rosy James Portfolio Performance summary 2019-20

	31 March 2020	31 March 2019
	£	£
Cash at bank	8,011	2,353
Listed securities	<u>532,867</u>	<u>609,451</u>
Total	<u>540,878</u>	<u>611,804</u>
Opening portfolio value	<u>611,804</u>	
Bursary	-	
Realised Losses	-	
Unrealised Losses	(76,586)	
Income	12,473	
Charges and rebates	<u>(6,813)</u>	
Closing portfolio value	<u>540,878</u>	

15 Events after the Reporting Period

Events after the balance sheet date are those material events, both favourable and adverse, that occur between the end of the reporting period and the date when the accounts are authorised for issue.

COVID-19 Pandemic

A significant event this year has been the COVID-19 outbreak. The Department for Communities has provided an additional £22m funding in the 20-21 financial year to develop and implement emergency support packages. This had no material impact on the 2019-20 financial statements. This is a non-adjusting event.

Date of authorisation for issue

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