

**The ARTS COUNCIL of NORTHERN IRELAND
Annual Report and Accounts
For the year ended 31 MARCH 2021**

*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*

16 December 2021

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| Contents | Page |
|--------------------------------------------------------------------------------------------------|-------------|
| Performance Report: | |
| • Overview | 4 |
| - Chair's Foreword | 4 |
| - Chief Executive's Introduction | 6 |
| - Purpose and Activities of the Arts Council of Northern Ireland | 8 |
| • Performance Analysis | 15 |
| Accountability Report: | |
| • Corporate Governance Report | 19 |
| - Director's Report | 19 |
| - Statement of the Accounting Officer's Responsibilities | 22 |
| - Governance Statement | 23 |
| • Remuneration and Staff Report | 38 |
| - Remuneration Report | 38 |
| - Staff Report | 46 |
| • Assembly Accountability and Audit Report | 60 |
| - Assembly Accountability Disclosure Notes | 60 |
| - Certificate and Report of the Comptroller and Auditor General to the Northern Ireland Assembly | 61 |
| Financial Statements: | |
| • Statement of Comprehensive Net Expenditure | 66 |
| • Statement of Financial Position | 67 |
| • Statement of Cash Flows | 69 |
| • Statement of Changes in Taxpayers' Equity | 70 |
| • Notes to the Arts Council of Northern Ireland's Accounts | 71 |

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

My appointment as Chair of the Arts Council coincides with a time of unprecedented challenge for the arts. Social distancing restrictions introduced by Government in March 2020 as a result of the Covid-19 pandemic, placed in-person arts and cultural activities largely on hold. Core arts practice and services could no longer be delivered, and this posed an existential threat to several arts organisations and many practitioners and freelance arts workers.

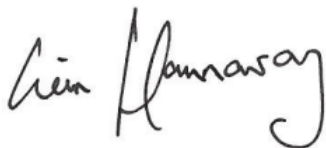
The Arts Council responded with urgency to this abruptly changed environment, surveying the sector to identify critical need and presenting a bid to the Department for Communities for emergency financial support. The Department responded positively in April with its initial £1m Emergency Support Package, subsequently increased to £5.5m. In the interim period, we took immediate steps to mitigate against the worst impact of the pandemic on our Annually Funded Organisations, by introducing, for the first time, the option to draw down up-to 50 percent of the value of the award, to ease cash flow concerns. With the Department's emergency funds, we opened an Artists Emergency Programme and an Organisations Emergency Programme, in April and June respectively. The Chancellor of the Exchequer announced a £1.57bn rescue package for the UK arts in July; with Barnett consequentials, this equated to £33m for Northern Ireland. Following the decision by the Northern Ireland Executive in September to allocate £29m of this money to a Culture, Languages, Arts and Heritage Support Programme, the Arts Council co-designed and administered a range of Emergency Funding Programmes over the remaining months of the financial year, tailored to the immediate needs of individuals and organisations during lockdown. These programmes, their specific intentions and their impact, are described in the Chief Executive's Introduction.

I would like to acknowledge, on behalf of myself and the Board, the commitment and diligence of the staff at the Arts Council, as they responded to the increased workload resulting from these exceptional circumstances.

The Arts Council's primary objective throughout 2020-21 has of necessity been to ensure the survival of the sector, so that it retains the core strength to rebuild itself after the pandemic. The resilience shown by artists and arts organisations themselves during these exceptional times has been an inspiration and an example to us all. They have shown their determination to continue throughout to create and innovate, developing new ways to engage with audiences, old and new. From online circus skills lessons and virtual exhibitions to live streaming of performances by musicians and screenings of recorded theatre productions, the arts continued to entertain, inspire and lift everyone's spirits. Of particular note, the Lyric Theatre partnered in June 2020 with BBC NI and BBC Arts, supported by the Arts Council as part of BBC Arts 'Culture in Quarantine' initiative, to produce 'Splendid Isolation: Lockdown Drama', a collection of short theatrical pieces exploring life in lockdown. 'Splendid Isolation' featured leading writing, acting and directing talent from Northern Ireland and went on to be nominated for an award by the Royal Television Society.

An initial 'needs-must' adoption of online and digital platforms has had some happy consequences, as it opened up new vistas of possibility for artists and arts organisations. Embracing these platforms, artists have made their work accessible to many more people, locally and even globally. We are now sharing our culture and creativity with wider and more diverse 'virtual' audiences than we could previously have dreamed of reaching. Although few would not welcome the return of live, in-person arts experiences, we have been witness this year to a shift in how the arts are consumed, and the Arts Council will continue to work with the sector to develop the successful inroads that our enterprising sector has made into enhancing online access and participation.

The successful rollout of the vaccination programme and consequent relaxing of lockdown regulations means that we are finally able to transition from survival mode to reopening mode. The road back to 'normality' will undoubtedly be challenging for all sectors of society; however, the arts face particular challenges in rebuilding the confidence of audiences to return to indoor venues. On top of this, whilst international opportunities for artists took a back seat in 2020-21, as international borders reopen once more for creative exchange, we will have the additional complexities of BREXIT to negotiate. Regardless, one thing everyone will agree upon is that the year ahead will feel garlanded with the possibilities that were lost to us for an entire year.



Liam Hannaway
Chair
Arts Council of Northern Ireland

Date: 1 December 2021

Chief Executive's Introduction

Friday 20th March 2020 was a defining date, as the UK Government instructed cafes, bars, restaurants, nightclubs, theatres, venues, cinemas, gyms and leisure centres to close, in response to the Covid-19 pandemic. The Arts Council, along with other government bodies, closed the doors to our premises and introduced remote working for staff. Ahead of us lay one of the busiest, most productive and essential, years in our long history.

We immediately set about reviewing our funding programmes to formulate the most effective response possible to the radically changed circumstances in which the sector found itself. This included enabling 97 Annually Funded Organisations, announced in April 2020, to draw down up-to half of the value of their award, to assist with cash flow at this time of huge loss of box office and other sources of earned income.

We surveyed our Annually Funded Organisations and worked with the audience development agency, Thrive, to ascertain the full impact of lockdown on the sector's ability to continue working, to generate income, and to reconnect with audiences. This vital research assisted us in building a robust case for additional support, which we presented to the Department for Communities. Research continued throughout the year, with commissioned research aimed at: exploring new ways of working for freelance theatre and dance practitioners; determining what digital knowledge, skills and equipment would be of benefit to meet the sector's future ambitions; establishing arts and culture engagement levels in Northern Ireland during the pandemic; and, in May 2021, we launched a survey of individuals and organisations to evaluate the impact of our emergency funding programmes on the sector.

The Arts Council's communications and advocacy functions also played heightened roles, sharing relevant information, helping to pinpoint additional sources of funding and support, publishing guidance on the safe reopening of venues, and promoting the work of the sector as it adjusted its working practices for online audiences.

The Department for Communities announced in April 2020 an initial £1.5m emergency support package; this Creative Support Fund was subsequently increased in June 2020 to £5.5m. The Arts Council co-designed with the Department and administered four support programmes: the Artists Emergency Programme and the Individuals Emergency Resilience Programme 1 (part-funded and moderated by Future Screens NI), awarding more than 1,200 grants to individuals, including freelancers, working in the creative and cultural sector; and two Organisations Emergency Programmes, awarding more than 120 grants to organisations, including those working in the wider creative industries.

The Chancellor of the Exchequer's Culture Recovery Fund of £1.57bn, announced in July, represented, via the Barnett consequential, £33m to the Northern Ireland Executive and resulted in an investment, via the Department for Communities, of £29m in the arts, culture, heritage and language sectors. The Arts Council subsequently opened a further four emergency support programmes: the Health and Safety Capital Programme awarded 53 grants to enable organisations to adapt their spaces to Covid-19-related challenges; the Small Capital Programme awarded 69

grants for minor work or equipment purchases; the Stability and Renewal Programme for Organisations awarded grants to 168 organisations working in the arts and wider creative industries; a second Individuals Emergency Resilience Programme, awarded more than 1,500 grants to individuals working in the arts and the wider creative industries.

It is worth noting that the emergency funding programmes successfully engaged with areas of the creative and cultural sector with which we may not previously have been closely associated. The programmes supported many applications from individuals and organisations, including DJs, concert promoters and other freelancer creative workers.

Northern Ireland's arts and cultural sector starts from a lower funding base than that of our counterparts in the UK and the Republic of Ireland. Therefore, the emergency funding package provided a truly vital lifeline for our artists and organisations. It has maintained many livelihoods and kept organisations afloat. However, it is simply not possible for this sector to experience such an extreme reduction in how it operates, without long-term consequences. The path to recovery will be challenging indeed, with the Arts Council estimating that it could take up to a year-and-a-half for the sector to recalibrate itself after the crisis.



Roisin McDonough
Chief Executive
Arts Council of Northern Ireland

Date: 1 December 2021

Purpose and Activities of the Arts Council of Northern Ireland

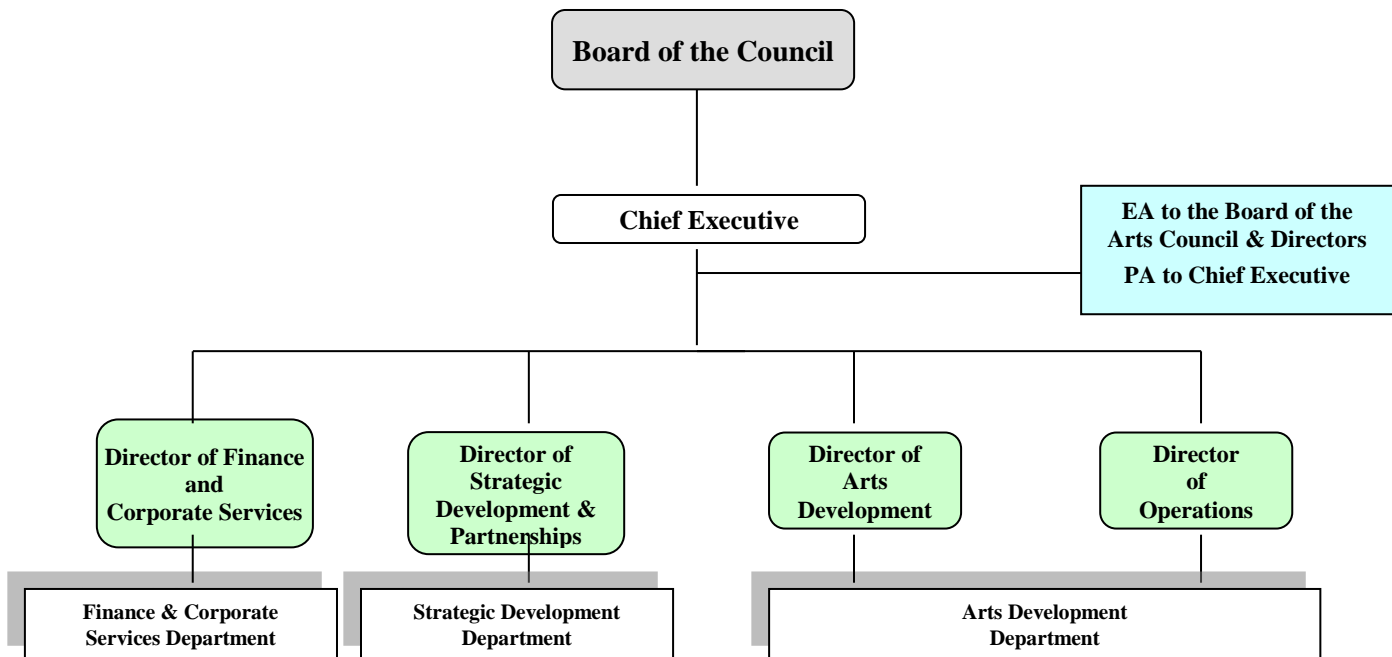
Business model and environment

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 2020-21, the Arts Council's Expenditure on the Arts totalled £35,729,178 (2019-20: £11,647,026). This represents an increase of £24.082m on the previous year (2019-20: increase of £0.723m). Excluding in-year capital grants to arts organisations of £2.320m there is an increase of £23.378m (2019-20: increase of £0.675m) on the prior year. Regularly funded organisations were awarded £8.6m (2019-20: £8.5m) – a commendable achievement given the difficult opening funding environment.

Future Grant-in-aid Activities

Opening exchequer funding for Financial Year 2021-22 was £10.197m and unchanged for the third year in succession.

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 2020-21, 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:

- 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. COVID-19 had a considerable impact with an extra £24m of funding for Arts Organisations by the Arts Council.

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 £5.5m as of 31st March 2021. 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 New Decade New Approach (NDNA) agreement provided the basis for restoration of the devolved institutions in Northern Ireland following a three-year period without an Executive or functioning Assembly. The agreement committed the NI Executive to carrying out a review of Arm's Length Bodies (ALBs) with a view to their rationalisation, and consideration as to their efficiency and effectiveness. The Executive, at its meeting on the 18 June 2020, agreed that this review should be taken forward by the Department of Finance (DoF). Intentions to cease operations is a consideration of going concern. As rationalisation is a stated aim of this review it has been considered in the context of going concern.

DoF advised that they intended to carry out the review in two stages; the first stage, which was completed in 2020, was engagement with Departments to identify a list of ALBs and gather factual background information.

The second stage will be completed by DoF, involved an assessment as to the rationale for the ALB including efficiency and effectiveness. It is proposed that conclusions will be brought to the NI Executive for comment and consideration.

UK's Exit from the EU – BREXIT

There was no material impact of the EU Exit on the Arts Council's goals, strategic objectives and priority outcomes for 2020-21. The UK's departure from the EU had no

material impact on the Arts Council's financial statements in 2020-21. The Arts Council continues to consult with the NI Arts sector to provide evidence to the Department of Communities and Department of Media Culture and Sport on impacts of BREXIT on the NI Arts and Culture sector.

A Performance Summary 2020-21

The performance summary is reviewed under the three themes underpinning the five-year Framework for the development of the arts, 2019-24, and accompanying Business Plan for 2020-21.

Inspire

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

In a year dominated by the Coronavirus pandemic, the Arts Council and the creative and cultural sector adapted quickly to the crippling impact of lockdown and social distancing restrictions on the livelihoods of those working in the sector.

At the start of April 2020, the Arts Council announced annual funding of £12.9 million for 97 key arts organisations from its Exchequer and National Lottery resources. Government funds of £8.57 million maintained the core and programming costs of 41 arts organisations, while Lottery supported the other 56 organisations. 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 pleased to be able to offer standstill funding and make immediate payments of 50 percent to assist with cash flow at this time of huge loss of income from box office and other earned income and grants.

Due to the pandemic, we had to suspend the majority of our 'routine' programmes as we concentrated throughout the year on co-designing, with the Department of Communities, and administering the following Emergency Funding Programmes:¹

- Artists Emergency Programme: 77 awards totalling £155,622
- Health & Safety Capital Programme: 53 awards totalling £776,950
- Individuals Emergency Resilience Programmes I: 1,082 awards totalling £3,834,200
- Organisation Emergency Programme I: 150 awards totalling £1,949,113
- Organisation Emergency Programme II: 62 awards totalling £900,859
- Small Capital Programme: 69 awards totalling £658,877
- Sustainability & Renewal Programme for Organisations: 167 awards totalling £10,457,126
- Individuals Emergency Resilience Programme II: 1,563 awards totalling £6,917,794

¹ These are the amounts of money, which were awarded. Note 2(b) Expenditure on the Arts is for the amounts of money, which were actually paid out.

- Major Organisations Support Scheme: 4 awards totalling £619,764

In May 2021, we surveyed artists and organisations that received emergency funding in 2020-21 to evaluate the impact of the funding on the sector. The report was completed in September 2021 and was published on our website. It provides firm evidence to support a case for future investment in the sector.

The Musical Instruments scheme, which we had expanded in 2019-20 to include bands, professional and non-professional performing groups and professional musicians, made ninety-five awards to schools groups, community choirs, marching and brass bands, and individual professional musicians. The awards, totalling £581,438, will support players at all stages of the musical journey to reach their full potential and will benefit many performers across a broad range of genres, including classical, jazz, traditional, contemporary and electronic music.

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.’

The growing reliance on online and digital output during lockdown has dramatically expanded the reach of our arts organisations. Locally-produced arts have never before been so widely accessible to so many people, from all walks of life and from all parts of Northern Ireland, and beyond. Although in-person international opportunities for artists have not been possible due to the pandemic, Northern Ireland arts and culture has reached new levels of global exposure via online platforms. The following is a snapshot of the remarkable work that Northern Ireland’s artists and arts organisations have produced during and in response to the pandemic, with the support of Arts Council Emergency Programme funding through the Department for Communities.

- **Culture in Quarantine**

A collaboration between BBC Arts, the Lyric Theatre and BBC NI, with support from the Arts Council, Culture in Quarantine commissioned six new short dramas from some of Northern Ireland’s biggest names in writing and acting, including Lisa McGee (Derry Girls), David Ireland (Cyprus Avenue) and Conleth Hill (Game of Thrones). ‘Splendid Isolation: Lockdown Drama’, broadcast on BBC NI in June and available thereafter on BBC iPlayer, explored the positive and negative aspects of social isolation and lockdown caused by the Covid-19 pandemic. It was nominated for a Royal Television Society award for Best Drama.

- **The Broads**

Actress and writer Maria Connolly transformed herself into Judy Garland for her new musical show ‘The Broads’, one of the first live, outdoor, socially distanced performances to take place in Northern Ireland since the start of the pandemic. ‘The Broads’ was designed to appeal to older people living in isolation and Maria, accompanied by Christina Nelson as Bette Midler and Roisin Gallagher as Marilyn Monroe, took the show to hospitals and care homes, where they

entertained and improved the mental wellbeing of more than 500 patients and staff.

- **Immersive theatre for vulnerable children**

Replay Theatre Company took a converted transit van on the road to bring a special performance to children across Northern Ireland, shielding at home. Created for children with profound and multiple learning disabilities and complex needs, 'COCO' created a full sensory experience through its use of sound, colour and texture. Written and performed by Mary McGurk and directed by Andrew Stanford, each performance was tailored to just one child and their family, creating a very different and intimate theatre experience.

- **Ryan McMullan tribute to NHS**

Rising international star Ryan McMullan collaborated with the Ulster Orchestra to record a fittingly poignant new song, written and performed in tribute to the commitment and contribution of the NHS and its staff during the Covid19 pandemic. 'If This Is The End', which was commissioned by the Arts Council and released in December 2020, is a eulogy for those who have lost someone during 2020 and have been unable to mourn their loved ones in the usual way.

- **Under a Christmas Sky**

Many of Northern Ireland's finest musicians, poets and storytellers performed in a special cultural highlight, 'Under a Christmas Sky', produced by Snow Water and filmed live at the Ulster Folk Museum. One cultural treat was revealed online each day in the lead up to Christmas, and on Christmas Eve the full programme was broadcast locally and showcased internationally to digital audiences across Europe and North America.

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.'

The Arts Council reacted quickly to the Covid-19 crisis, prioritising its digital channels for all stakeholder communications. This included the use of all of its social media platforms to communicate the latest guidance on Covid-19 to the sector; regular updates on government advice and regulations and on available emergency funding via a weekly e-newsletter; a 'What's On' compendium, initiated at the start of the pandemic, which promotes activities and events organised by arts organisations and an internal staff e-newsletter created to keep staff, now working remotely, in the loop. Subscription to the external weekly e-newsletter grew in the space of the year from a pre-Covid basis of around 3,000 to more than 12,000.

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 increased the volume of traditional news/media coverage by 77 percent, increased audiences on our social media channels (e.g., Facebook 10%; Twitter 5%; YouTube 15%) and visitors to the website by 42 percent.

The Arts Council conducted dedicated surveys and published a series of research reports assessing the impact of the Coronavirus pandemic on the arts and cultural sector in Northern Ireland. Surveys of ticketed cultural organisations and the wider arts sector helped to inform 'Curtain Call', the business case to the Department for additional resources required to support the sector through the crisis.

The following surveys, conducted in 2020-21, aided the assessment of need, skills shortages, infrastructural needs, and health and safety requirements during and in the immediate aftermath of the pandemic:

- Box Office Survey
- Impact of Coronavirus on the NI Arts Organisations
- Arts & Cultural Engagement Levels in NI during the Covid-19 Pandemic
- 2019/20 Annual Funding Survey
- Digital ambitions of the arts sector
- New ways of working for theatre and dance practitioners

In August 2020, The Arts Council published 'In the bubble of our making: reopening the arts in Northern Ireland', a comprehensive guidance manual to support the safe reopening of arts performance venues, in full compliance with current government guidelines and regulations, closed as a result of the Covid-19 pandemic.

The information gathered through surveys and research contributed to the Arts Council developing appropriate policy responses and our advocating the value of the arts and the need for greater support from government. Senior Management reported twice in the year to the Committee for Communities, updating members on the immediate and long-term impact of the pandemic on the sector, and illustrating successes in the arts in their individual constituencies.

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 £34,765,000; the Arts Council spent £33,976,000, which represents a resource out-turn of 97.7%, which is below 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 £2,615,000; the Arts Council spent £2,374,000, which represents a capital out-turn of 90.8%, which does not meet our key performance target indicator of 97.0%.

At year-end, the Arts Council reconciled its final accounts figures with the final outturn (Resource outturn and Capital outturn) figures, which was provided to the Department for Communities.

| Governance and Accountability | |
|---------------------------------------------------------|-----------------------------------------|
| Key Performance Indicator (KPI) | Outcome |
| At least 98.0% of resource programme spend by year-end. | Resource out-turn 97.7%. KPI not met |
| At least 97.0% of capital programme spend by year-end. | Capital out-turn 90.8%. 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 £37,257,608 (2019-20: £12,995,197). The taxpayer equity at the year-end is in deficit of £3,259,653 (2019-20: £3,055,488) which includes a pension reserve liability of £5,466,000 (2019-20: £4,403,000).

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 £60,288 (2019-20: £58,956) 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 2019-20 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 (2019-20: 100%).

Overall, for the year, the average number of days taken to pay invoices was 4 days (2019-20: 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 £134,125 (2019-20: £155,133).

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 2021 was £18.376m (31 March 2020: £15.242m) and the present value of the Arts Council's share of the scheme liabilities was £23.842m (31 March 2020: £19.645m). The Arts Council's share of the Scheme's recorded net pension liabilities at 31 March 2021 was £5.466m (31 March 2020: £4.403m).

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 £25,000 (2019-20: £20,000). 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 six direct complaints received in the 2020-21 financial year (four in the 2019-20 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 2020-21 there were no incidents of fraud relating to the Arts Council.



Roisín McDonough
Accounting Officer
Arts Council of Northern Ireland

Date: 1 December 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 2021 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 2021) 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 2021 is shown below:

Board: 1 April 2020 to 31 March 2021

Dr Siún Hanrahan (to 30 June 2020);
Mr John Edmund (Chair to 31 December 2020);
Dr Katy Radford (Vice-Chair to 31 December 2020);
Mr Cian Smyth (to 31 December 2020);
Ms Julie Andrews (from 01 July 2020);
Mrs Lynne Best (from 01 July 2020);
Mr Sean Kelly (from 01 July 2020);

Ms Una McRory (from 01 July 2020);
Mr Máirtín Ó Muilleoir (from 01 July 2020).
Mr Liam Hannaway (from 01 July 2020, Chair from 01 February 2021);
Mr William Leathem (Vice-Chair from 01 February 2021);
Mr Paul Boyle (from 01 February 2021);
Mr Paul Brolly (from 01 February 2021);
Mr Joe Dougan (from 01 February 2021);
Ms Laura McCorry (from 01 February 2021); and
Dr Gearóid Trimble (from 01 February 2021).

Six new Board members were appointed from 01 July 2020 for four years. Another six new Board members were appointed from 01 February 2021 for four years. The Chair was appointed from 01 February 2021 for four years over-riding his appointment as a Member of the Board on 01 July 2020. Mr Máirtín Ó Muilleoir resigned from the Board on 30 June 2021. Ms Una McRory resigned from the Board on 01 August 2021. Mr Ray Hall was appointed to the Board and the Finance & Capital Committee on 01 September 2021.

Committee Membership

Details of the structure and roles for each committee are given in the Governance Statement starting on page 23.

The members of the Audit and Risk Committee for the year ended 31 March 2021 were:

Dr Katy Radford (Chair to 30 December 2020);
Mr Cian Smyth (Member to 30 June 2020);
Dr Siún Hanrahan (Member to 30 June 2020);
Ms Julie Andrews (Member from 01 July 2020, Chair from 01 January 2021);
Mr Sean Kelly (Member from 01 July 2020);
Mr Liam Hannaway (Member from 01 July 2020 to 31 January 2021);
Mr William Leathem (Member from 01 February 2021); and
Dr Gearóid Trimble (Member from 01 February 2021).

The members of the Grants Committee for the year ended 31 March 2021 were:

Dr Katy Radford (Chair to 30 June 2020)
Dr Siún Hanrahan (Member to 30 June 2020)
Mr Liam Hannaway (Chair from 01 July 2020 to 31 January 2021);
Mr William Leathem (Chair from 01 February 2021);
Ms Una McRory (Member from 01 July 2020 to 31 January 2021);
Mr Cian Smyth (Member from 01 July 2020 to 31 December 2020);
Mrs Lynne Best (Member from 01 November 2020).
Mr Joe Dougan (Member from 01 February 2021)
Ms Laura McCorry (Member from 01 February 2021)

The members of the Finance and Capital Committee for the year ended 31 March 2021 were:

Dr Siún Hanrahan (Interim Chair to 30 June 2020);
Mr Cian Smyth (Member to 31 December 2020);
Mr Máirtín Ó Muilleoir (Chair from 01 July 2020 to 30 June 2021);

Mr Sean Kelly (Member from 01 July 2020);
Ms Julie Andrews (Member from 01 July 2020); and
Mr Paul Boyle (Member from 01 February 2021, Chair from 01 July 2021).

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, link [here](#). 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 the Arts Council (Northern Ireland) Order 1995, Section 8, the Department for Communities has directed the Arts Council to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. 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 Department for Communities has appointed the Chief Executive 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 2020-21 financial year. On 30 March 2021 the Department's Accounting Officer directed that awards proposed under the Arts Council's Stability and Renewal programme for organisations (made under the wider Culture, Arts and Heritage Covid 19 programme) be reduced by amounts made under the Localised Restrictions Support scheme and Wet Pubs Business Support scheme.

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 2020-21 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 applies to Board and Staff was updated and approved by the Board in June 2019. The Arts Council is not aware of any non-compliance with the management of interests sections of the Code.

The Board also considered Conflict of Interests at their Board meeting May 2021 following a letter from the Department's Permanent Secretary on the topic.

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 2021 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;

Arts Council of Northern Ireland

- 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.

The Board held eleven meetings during the year to determine policy for the Arts Council and make decisions in line with that policy. I attended eleven Board meetings, as did the Director of Finance and Corporate Services. The Director of Strategic Development and Partnerships attended all four Board meetings after her appointment in November 2020. The Director of Operations attended nine Board meetings. The Director of Arts Development attended ten Board meetings.

The annual Board effectiveness session in March 2020 was cancelled due to the COVID-19 restrictions. The Board effectiveness session 2021 was postponed to Autumn 2021. The N/S Plenary due in May 2020 was postponed due to COVID-19.

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 94%, which is a testament to the commitment and dedication of the Board.

2020/21 Board / Committee Attendance

| | Board Meetings* | | | Committee Meetings | | | Total Meetings | | |
|---------------------------------------------------------------------|------------------------|-----------------|----------|---------------------------|-----------------|----------|-----------------------|-----------------|----------|
| | Actual | Possible | % | Actual | Possible | % | Actual | Possible | % |
| Board Members | | | | | | | | | |
| John Edmund (Chair to 31 Dec 2020) | 9 | 9 | 100 | 0 | 0 | 0 | 9 | 9 | 100 |
| Katy Radford (Vice Chair to 31 Dec 2020) | 7 | 9 | 78 | 8 | 12 | 67 | 15 | 21 | 71 |
| Cian Smyth (to 31 Dec 2020) | 9 | 9 | 100 | 10 | 10 | 100 | 19 | 19 | 100 |
| Siún Hanranhan (to 30 June 2020) | 3 | 3 | 100 | 5 | 6 | 83 | 8 | 9 | 89 |
| Liam Hannaway (Member from 01 July 2020, Chair from 01 Feb 2021) | 8 | 8 | 100 | 7 | 7 | 100 | 15 | 15 | 100 |
| Julie Andrews (from 01 July 2020) | 7 | 8 | 88 | 3 | 4 | 75 | 10 | 12 | 83 |
| Lynne Best (from 01 July 2020) | 7 | 8 | 88 | 5 | 6 | 83 | 12 | 14 | 86 |
| Sean Kelly (from 01 July 2020) | 8 | 8 | 100 | 4 | 4 | 100 | 12 | 12 | 100 |
| Una McRory (from 01 July 2020) | 8 | 8 | 100 | 6 | 6 | 100 | 14 | 14 | 100 |
| Mairtin O'Muilleoir (from 01 July 2020) | 8 | 8 | 100 | 3 | 3 | 100 | 11 | 11 | 100 |
| William Leathem (Vice Chair from 01 Feb 2021) | 1 | 2 | 50 | 2 | 2 | 100 | 3 | 4 | 75 |
| Paul Boyle (from 01 Feb 2021) | 2 | 2 | 100 | 1 | 1 | 100 | 3 | 3 | 100 |
| Paul Brolly (from 01 Feb 2021) | 2 | 2 | 100 | 0 | 0 | 0 | 2 | 2 | 100 |
| Joe Dougan (from 01 Feb 2021) | 2 | 2 | 100 | 2 | 2 | 100 | 4 | 4 | 100 |
| Laura McCorry (from 01 Feb 2021) | 2 | 2 | 100 | 2 | 2 | 100 | 4 | 4 | 100 |
| Gearoid Trimble (from 01 Feb 2021) | 2 | 2 | 100 | 0 | 0 | 0 | 2 | 2 | 100 |

| Chief Executive & Directors | | | | | | | | | |
|-----------------------------------------------------------------------|-----------------------|-----------------|----------|---------------------------|-----------------|----------|-----------------------|-----------------|----------|
| | Board Meetings | | | Committee Meetings | | | Total Meetings | | |
| | Actual | Possible | % | Actual | Possible | % | Actual | Possible | % |
| Chief Executive | 11 | 11 | 100 | 16 | 19 | 84 | 27 | 30 | 90 |
| Director of Finance & Corporate Services | 11 | 11 | 100 | 7 | 7 | 100 | 18 | 18 | 100 |
| Director of Arts Development | 10 | 11 | 91 | 0 | 1 | 0 | 10 | 12 | 83 |
| Director of Strategic Development & Partnerships (from November 2020) | 4 | 4 | 100 | 0 | 0 | 0 | 4 | 4 | 100 |
| Director of Operations | 9 | 11 | 82 | 17 | 18 | 94 | 26 | 29 | 90 |

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 is outlined on page 20. It met three times during the year. I attended two of the three meetings along with the Director of Finance and Corporate Services and the Director of Operations. 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). At the beginning of the financial year there were only two members however 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 had four members which remained the position as at 31 March 2021.

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 is outlined on page 20. This Committee met four times during the year. The Director of Finance and Corporate Services and I attended all four meetings. The Director of Operations attended three 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 is outlined on page 20. This Committee met eleven times during the year. I attended nine meetings. The Director of Operations attended all eleven meetings. Its terms of reference include reviewing the programmes, policies and procedures relating to the payment of Exchequer and Lottery grants, and where appropriate, proposing changes to the above for approval by the Board and taking decisions on grant aid within delegated financial limits set by the Board. The Board has delegated its grant-decision-making for grants under £25,000 to staff. However, following a High Court ruling by Madam Justice McBride² 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 Director of Operations provided detailed context papers to Grants Committee members pertaining to each programme, accompanied by Guidance Notes and FAQs for each scheme, both routine and emergency. The Grants Committee has delegation from the Board to make decisions on awards up to £50,000. The programme documentation for the Stability and Renewal Programme for

² 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.

Organisations (SRPO) was approved by the Board and the recommendations for SRPO awards were made by the Board.

The Remuneration Committee (see page 38) comprises six members and is chaired by William Leathem from 01 February 2021. The main work of the Remuneration Committee is to (i) set the CEOs goals, targets and monitor performance and (ii) set remuneration terms.

During 2020-21 the CEOs goals, targets and performance were set and monitored through the appraisal process with the Chair rather than through the Remuneration Committee as is the Chairs prerogative.

The CEOs pay is set centrally through the NICS SCS (senior civil service) pay settlement which is the CEOs contractual position with her contract of employment. As its main work was achieved in these ways the Remuneration Committee did not meet in the 2020-2021 financial year.

The Board have now decided to widen the scope of the Remuneration Committee and the Committee has met on 29 November 2021 to consider an amendment to its terms of reference and other associated business.

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.

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 97.7%. KPI not met |
| At least 97.0% of capital programme spend by year-end. | Capital out-turn 90.8%. KPI not met. |

The capital expenditure was KPI was not met as grantees had challenges incurring delivery expenditure by year-end due to COVID restrictions and BREXIT delivery delays.

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 complies 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 delivery 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:

- 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.

Both 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 scrutinises 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 Audit and Risk Committee. This allows scrutiny and challenge of the organisations' financial capability and provides assurance that public funds are not at risk.

Risk Appetite

The engagement of a broad spectrum of the Council's internal and external stakeholders provides an understanding of the appetite for risk within the organisation. In general, the Council has to be risk averse in its stewardship of public funds and its systems and processes while at the same time encouraging a greater degree of risk in the development and introduction of progressive arts policies and programmes. The dominant issue for the year has been the pandemic. This necessitated increasing risk appetite and resetting controls for a period to ensure assistance could be made available to the Arts sector.

One large Arts Organisation faced insolvency in 2019/20. 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 worked in partnership with the Department for Communities and Belfast City Council to procure the review which was reported to the Arts Council Board on 30 June 2021. The next stage is to employ a small change management team to work with the organisation. It is envisaged this team will be in place by 2022.

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.

During the 2020-21 financial year the Arts Council has been entrusted with additional funding of £24m 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 recognised that the new support programmes and increased demographic of grantees increased our monitoring and control. A verification and information officer was employed on a full time basis and commenced employment in July 2021. She has been verifying the 20-21 grants.

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 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 working from home.

Governance & Accountability within the Arts Council

The annual internal audit plan is created on a risk basis and takes account of 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.

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 2020-2021.

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 2021, 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 2021. 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

In March 2019 the Board of the Arts Council reviewed the quality of the information made available by the executive for effective decision-making. This was reviewed

during the Board effectiveness sessions on 13 and 14 October 2021 and the Board considered the quality of information was satisfactory.

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 2020-21

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

Eighteen prior year issues highlighted in internal audit reports have been resolved and are no longer control issues in 2020/21.

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

Three prior year Priority 2 issues and four Priority 3 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

External audit considered grant verification as an important "end of grant" monitoring control and made one Priority 1 recommendation. As a result, the Arts Council has employed a Verification Officer in July 2021 and put additional staff resource in place with the intention that all verification visits will be complete before the Accounts are approved.

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.

Six internal audit reviews were issued during the year all with satisfactory assurance ratings. The six reviews were: Review of COVID-19 Response; Grant Funding (including government funding database) – Exchequer & Lottery; Communications; HR Management; IT Systems and Security; and Risk Management, Complaints Handling and Whistleblowing. Management has agreed a timescale for implementation of the recommendations arising from the reviews.

Of the twenty-eight new recommendations, five had a priority 2 and the balance of twenty-three were designated priority 3.

There were no Priority 1 recommendations during the year.

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 2020-21.



Roisín McDonough
Accounting Officer
Arts Council of Northern Ireland

Date: 1 December 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 Committee

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 to 31 December 2020);
Mr John Edmund (Member to 31 December 2020);
Mr Máirtín Ó Muilleoir (Member from 01 July 2020 to 30 June 2021);
Mrs Lynne Best (Member from 01 July 2020);
Mr Sean Kelly (Member from 01 July 2020);
Ms Julie Andrews (Member from 01 July 2020);
Mr Liam Hannaway (Member from 01 February 2021); and
Mr William Leathem (Chair from 01 February 2021).

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 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 £10,431 and £3,651 per annum for the Vice-Chair. The actual honoraria paid in 2020-21 was £12,629 (2019-20: £13,635). There was £325 (2019-20: £204) of employer's National Insurance Contributions.

| | Chair | Vice- Chair |
|----------------------------------------|--------------|--------------------|
| | £ | £ |
| J Edmund | 7,617 | |
| K Radford | | 2,666 |
| L Hannaway (from 1 February 21) | 1,738 | |
| W Leathem (from 1 February 21) | | 608 |

Of the total cost of honoraria £6,737 (2019-20: £7,334) 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 2020-21 year £2,250 (2019-20: £4,500) was distributed as a performance bonus between three staff members (2019-20: eight staff members). A bonus of £1,000 was paid to the Director of Operations and the remaining £1,250 paid to two non-executive 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) | |
| | 2020-21 | 2019-20 | 2020-21 | 2019-20 | 2020-21 | 2019-20 | 2020-21 | 2019-20 | 2020-21 | 2019-20 |
| R McDonough (Chief Executive) *** | 70-75 | 70-75 | - | - | - | - | 22 | 22 | 90-95 | 90-95 |
| N McKinney (Director of Arts Development) | 55-60 | 55-60 | - | - | - | - | 26 | 16 | 80-85 | 70-75 |
| G Troughton (Director of Finance and Corporate Services) | 55-60 | 50-55 | - | - | - | - | 22 | 17 | 75-80 | 70-75 |
| K Greene (Director of Strategic Development) **** | 15-20 | 0-5 | - | - | - | - | 6 | 0 | 20-25 | 0-5 |
| P Harron (Director of Operations) ***** | 45-50 | 0-5 | 1 | - | - | - | 16 | 1 | 65-70 | 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 joined on 23 November 2020. The FTE salary is in the band range £45-50k.

***** This employee joined on 2 March 2020. The FTE salary is in the band range £45-50k.

Fair pay disclosure (Audited Information)

| | 2020-21 | 2019-20 |
|------------------------------------------------------------|----------------|----------------|
| Band of Highest Paid Director's Total Remuneration* (£000) | 80-85 | 80-85 |
| Median Total Remuneration* (£) | 32,800 | 32,157 |
| 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, pension allowance 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 2020-21 was £80,000-£85,000 (2019-20: £80,000-£85,000). This was 2.6 times (2019-20: 2.6) the median remuneration of the workforce, which was £32,800 (2019-20: £32,157).

In 2020-21 no employees (2019-20: 0) received remuneration in excess of the highest-paid director.

Actual remuneration ranged from £23,483 to £87,412 (2019-20: £22,739 to £85,698). 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 member's pension will be based on member's 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 (2019-20: 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 2021 the Arts Council contributed 19.5% of gross salary (2019-20: 20%) plus an annual payment of £25,500, which is called a 'pension deficit recovery contribution'.

| | 2020-21 | 2019-20 |
|--------------------------------|----------------|----------------|
| | £ | £ |
| Other Pension Costs | 655,555 | 655,822 |
| Employer Pension Contributions | 277,029 | 286,610 |

Pension Entitlements - Directors (Audited Information)

| | ACCRUED PENSION AT PENSION AGE AT 31/03/21 AND RELATED LUMP SUM | REAL INCREASE IN PENSION AND RELATED LUMP SUM AT PENSION AGE | CETV AT 31/03/2021 | CETV AT 31/03/2020 | 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 | 79 | 59 | 15 |
| Ms Noirin McKinney Director | 25-30 plus lump sum of 45-50 | 0-2.5 plus lump sum of 0-2.5 | 568 | 540 | 26 |
| Mr Geoffrey Troughton Director | 15-20 plus lump sum of 0-5 | 0-2.5 plus lump sum of 0-2.5 | 260 | 231 | 23 |
| Ms Karly Greene Director** | 0-5 plus lump sum of 0-5 | 0-2.5 plus lump sum of 0-2.5 | 40 | 37 | 1 |
| Dr Paul Harron Director | 5-10 plus lump sum of 0-5 | 0-2.5 plus lump sum of 0-2.5 | 13 | 1 | 8 |

* As stated on page 41 this employee took flexible retirement on 31 August 2017. The accrued pension, real increase in CETV and associated lump sums all relate to the new pension scheme only.

**This employee joined on 23 November 2020. Member had previous LGPS (NI) service with another employer. The pro rata inflation rate used is 0.18%.

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 | 2020-21 | 2019-20 |
|----------------------------------|----------|----------|
| £45,000 - £50,000 | 2 | 1 |
| £50,000 - £55,000 | - | - |
| £55,000 - £60,000 | 2 | 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 the amount 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 | 2020-21 £ Total | 2019-20 £ Total |
|---------------------------------------------------------------|----------------------------------|----------------|-----------------------|-----------------------|
| Wages and salaries | 1,438,847 | 100,247 | 1,539,094 | 1,362,594 |
| Social security costs | 147,188 | 8,970 | 156,158 | 135,063 |
| Agency costs | - | 282,127 | 282,127 | 176,091 |
| Other pension costs | 632,693 | 22,862 | 655,555 | 655,822 |
| Total gross costs | 2,218,728 | 414,206 | 2,632,934 | 2,329,570 |
| Expenditure on the Arts Recovery Secondment Recovery | (25,186) | - | (25,186) | (28,150) |
| | (26,651) | - | ((26,651) | (26,438) |
| Total net costs | 2,166,891 | 414,206 | 2,581,097 | 2,274,982 |

Actual staff remuneration in 2020-2021, on an FTE basis, ranges from £23,483 to £87,412

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 2020-21 the contribution rates were 19.5% employer's contribution and ranging between 5.5% and 10.5% for employees (2019-20: 20% 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 £655,555 (2019-20 debit of £655,822). 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 2021 | 31 March 2020 |
|--------------------------------------------------------|------------------------------|------------------------------|
| | Years | Years |
| Duration of liabilities (years) ⁽¹⁾ | 17.5 | 17.5 |
| | % p.a. | % p.a. |
| Discount Rate | 2.1% | 2.3% |
| CPI Price Inflation (Pension increases) ⁽²⁾ | 2.7% | 2.0% |
| General Salary increase rate ⁽³⁾ | 4.2% | 3.5% |

- (1) The duration of the liabilities is the average period between the calculation date and the date at which benefit payments fall due. Durations will be calculated to the nearest 0.1 years based on the output of the most recent valuation exercise of the Employers liabilities. The assumptions are rounded to the nearest 0.1% p.a.
- (2) Pension increases on pension in excess of Guaranteed Minimum Pension in payment where appropriate.
- (3) 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 2021 |
|----------------------------------------------|----------------------|
| Males | |
| Pensioner Member aged 65 at accounting date. | 21.9 |
| Active Member aged 45 at accounting date. | 23.3 |

Females

31 March 2021

| | |
|----------------------------------------------|------|
| Pensioner Member aged 65 at accounting date. | 25.1 |
| Active Member aged 45 at accounting date. | 26.5 |

(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 2021 Total | Asset Allocation at 31 March 2020 Total |
|------------------|---------------|-----------------|--------------------------------------------------------------------|--------------------------------------------------------------------|
| | Quoted | Unquoted | | |
| Equities | 46.2% | 0.1% | 46.3% | 42.6% |
| Property | 0.0% | 8.9% | 8.9% | 10.0% |
| Government Bonds | 23.6% | 0.0% | 23.6% | 26.1% |
| Corporate Bonds | 12.1% | 0.0% | 12.1% | 12.6% |
| Cash | 5.3% | 0.0% | 5.3% | 4.7% |
| Other | <u>0.7%</u> | <u>3.1%</u> | <u>3.8%</u> | <u>4.0%</u> |
| Total | 87.9% | 12.1% | 100.0% | 100.0% |

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

| | Value as at 31 March 2021 (£M) | Value as at 31 March 2020 (£M) |
|---------------------------------------------------------------------|---------------------------------------------------|---------------------------------------------------|
| Fair Value of assets | 18.376 | 15.242 |
| Present value of funded defined benefit obligation | <u>(23.842)</u> | <u>(19.645)</u> |
| Funded status | (5.466) | (4.403) |
| Impact of minimum funding requirement/asset ceiling | - | - |
| Asset/(Liability) recognised on the Statement of Financial Position | <u>(5.466)</u> | <u>(4.403)</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 2021 | Year Ending 31 March 2020 |
|----------------------------------------------------------------------------------------------------------------------|------------------------------------|------------------------------------|
| | (£M) | (£M) |
| Operating Cost | | |
| Current service cost* | 0.547 | 0.541 |
| Past service cost (including curtailments) | 0.000 | 0.000 |
| Settlement cost | - | - |
| Financing Cost | | |
| Interest on net defined benefit liability/(asset) | 0.099 | 0.102 |
| Pension expense recognised in Statement of Comprehensive Net Expenditure (SoCNE) | 0.646 | 0.643 |
| Re-measurements in Other Comprehensive Expenditure | | |
| Return on plan assets in excess of that recognised in net interest | (2.976) | 1.430 |
| Actuarial losses/(gains) due to change in financial assumptions | 3.890 | (0.388) |
| Actuarial losses/(gains) due to changes in demographic assumptions | 0.000 | (0.690) |
| Actuarial (gains)/losses due to liability experience | (0.221) | (0.705) |
| Total amount recognised in Other Comprehensive Expenditure | 0.693 | (0.353) |
| Total Amount recognised in the Statement of Comprehensive Net Expenditure and Other Comprehensive Expenditure | 1.339 | 0.290 |

* The current service cost includes an allowance for the administration expenses of £0.007m.

(vi) Movement in Deficit during the year

| | Year Ending 31 March 2021 | Year Ending 31 March 2020 |
|---------------------------------------------|---------------------------------|---------------------------------|
| | (€M) | (€M) |
| Deficit in scheme at beginning of year | (4.403) | (4.397) |
| Movement in the year | | |
| Current service costs | (0.547) | (0.541) |
| Past service costs (including curtailments) | (0.000) | (0.000) |
| Contributions | 0.276 | 0.284 |
| Net charge on Assets | (0.099) | (0.102) |
| Actuarial (loss)/gain | (0.693) | 0.353 |
| Deficit in Scheme at End of Year | (5.466) | (4.403) |

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

| | Year Ending 31 March 2021 | Year Ending 31 March 2020 |
|---------------------------------------------------------------------------------|---------------------------------|---------------------------------|
| | (€M) | (€M) |
| Opening defined benefit obligation | 19.645 | 20.858 |
| Current Service cost | 0.547 | 0.541 |
| Interest expense on defined benefit obligation | 0.447 | 0.495 |
| Contribution by participants | 0.095 | 0.085 |
| Actuarial losses/(gains) on liabilities -due to change in financial assumptions | 3.890 | (0.388) |
| Actuarial gains on liabilities - due to changes in demographic assumptions | 0.000 | (0.690) |
| Actuarial (gains)/losses on liabilities due to liability experience | (0.221) | (0.705) |
| Net benefits paid out | (0.561) | (0.551) |
| Past service costs (including curtailments) | 0.000 | 0.000 |
| Net increase in liabilities from disposals/acquisitions | - | - |
| Settlements | - | - |
| Closing defined benefit obligation | 23.842 | 19.645 |

(viii) Changes to the fair value of assets

| | Year ending 31 March 2021 (£M) | Year ending 31 March 2020 (£M) |
|-------------------------------------------------------|-----------------------------------------|-----------------------------------------|
| Opening fair value | 15.242 | 16.461 |
| Interest income on assets | 0.348 | 0.393 |
| Re-measurement gains/(losses) on assets | 2.976 | (1.430) |
| Contributions by the employer | 0.276 | 0.284 |
| Contributions by the participants | 0.095 | 0.085 |
| Net benefits paid out | (0.561) | (0.551) |
| Net increase in assets from disposals/acquisitions | - | - |
| Settlements | - | - |
| Closing fair value of assets | 18.376 | 15.242 |

(ix) Actual return on assets

| | Year ending 31 March 2021 (£M) | Year ending 31 March 2020 (£M) |
|--------------------------------------|-----------------------------------------|-----------------------------------------|
| Interest income on assets | 0.348 | 0.393 |
| Re-measurement gain/(loss) on assets | 2.976 | (1.430) |
| Actual return on assets | 3.324 | (1.037) |

(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 2021 and the projected service cost for the year ending 31 March 2022 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) | 23.437 | 24.271 |
| % change in present value of total obligation | -1.7% | 1.8% |
| Projected service cost (£M) | 0.730 | 0.776 |
| Approximate % change in projected service cost | -3.0% | 3.1% |

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) | 23.914 | 23.794 |
| % change in present value of total obligation | 0.3% | -0.2% |
| Projected service cost (£M) | 0.753 | 0.776 |
| 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) | 24.200 | 23.484 |
| % change in present value of total obligation | 1.5% | -1.5% |
| Projected service cost (£M) | 0.776 | 0.730 |
| Approximate % change in projected service cost | 3.3% | -3.0% |

Post retirement mortality assumption

| Adjustment to mortality age rating assumption* | -1 year | +1 year |
|-------------------------------------------------------|----------------|----------------|
| Present value of total obligation (£M) | 24.700 | 22.984 |
| % change in present value of total obligation | 3.6% | -3.6% |
| Projected service cost (£M) | 0.784 | 0.722 |
| Approximate % change in projected service cost | 4.1% | -4.1% |

* 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 2021 outlined above. The Arts Council's regular contributions to the Fund for the accounting period ended 31 March 2022 are estimated to be £0.288M.

Funded Benefits

| Analysis of amount charged to Statement of Comprehensive Net Expenditure | Year ending 31 March 2021 |
|---------------------------------------------------------------------------------|----------------------------------|
| | (£M) |
| Current service cost | 0.753 |
| Interest on the net defined benefit liability | 0.112 |
| Total | 0.865 |
| Allowance for administration expenses included in Current Service Cost (£M) | 0.007 |
| Estimated pensionable payroll over the period (£M) | 1.475 |

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.

**Funded membership data summary
Data as at 31 March 2019**

| | Number | Total Pay (£M) |
|---------------------------|---------------|-----------------------------------|
| Active members | 41 | 1.326 |
| | | Total Pension (£M) |
| | Number | |
| 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 | 0.253 | - |
| Employer – Additional capital contributions | | | - |
| Employer – Early retirement strain on fund payments | 11 | - | - |
| Total contributions by the Employer | - | - | 0.276 |
| Employee – Normal contributions | 11 | 0.087 | - |
| Employee – Added years contributions | 11 | - | - |
| Total contributions by participants | - | - | 0.095 |
| Death in service lump sums* | - | - | - |
| Benefits paid (i.e. pension paid) | - | - | - |
| Net benefits paid out** | - | - | 0.561 |

* 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 £7k

| Annualised pensionable payroll over the accounting period | Amount (£M)* |
|------------------------------------------------------------------|-------------------------|
| Period ending 31 March 2021 | 1.416 |
| Period ending 31 March 2020 | 1.293 |

* 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 2021 Valuation date is 21.9% 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 £72,001 (2019-20: Restated: £70,057). The Chief Executive is an ordinary member of the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) pension scheme. A total of £46,027 (2019-20: £48,628) 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 Staff Engagement

A Staff Survey of Arts Council staff was conducted in 2019. 74% of staff responded. This Staff Survey was part of our continued efforts to engage with our staff to improve their working lives and in doing so provide a better overall service to our staff, the arts sector and the public.

The 2019 Staff Survey asked questions around various themes including; Views on the Arts Council's Strategic Direction, Understanding Goals and Objectives,

Organisational Culture, Communication, Management Effectiveness, Involvement and Empowerment and Reward and Recognition.

The results from this survey and suggestions for improvement by staff have helped build a picture of the key themes which require organisational intervention, and which we need to work on as part of our focus on making the Arts Council a better place to work and also more efficient in the public service we provide.

In June 2020 the Arts Council conducted another engagement exercise to identify issues around a potential return to work in the office following the pandemic, including those relating to emotional wellbeing. Covid-19 has impacted everyone within the Arts Council and staff were asked various questions around whether there might be issues likely to have an effect on their return to work. Responses will be assessed to enable HR to analyse the workforce and what a potential safe return to work might look like.

In addition, ongoing effective and timely communication with all staff has been prioritised during the pandemic, recognising the need for staff wellbeing and resilience. A weekly e-newsletter issued “The Loop” is issued to all staff, and this includes HR updates where needed and signposts to online wellbeing resources.

4) 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 | 2020-21 Total | 2019-20 Total |
|-------------------|-------------------------------------------|---------------|--------------------------|--------------------------|
| Directly employed | 40 | 0 | 40 | 38 |
| Other | - | 9 | 9 | 5 |
| Total | 40 | 9 | 49 | 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.

5) 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 |
|----------------|-------------------|-------------------|---------------------|---------------------|----------------------------|
| 2020-21 | | | | | |
| Payroll | 2 | 10 | 3 | 32 | 47 |
| Board | - | 3 | - | 1 | 4 |
| Agency | - | 5 | - | 7 | 13 |
| Total | 2 | 14 | 3 | 39 | 58 |

| | 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 |

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.

6 Staff Turnover (Audited Information)

Staff turnover for permanently employed staff in the Arts Council is shown below.

| Contract Type | 2021 % Turnover | 2020 % Turnover |
|----------------------|------------------------|------------------------|
| Permanent | 0% | 4.82% |

7) Sickness Absence Data

The number of sick days reported in 2020-21 was 376 (2019-20: 410). This equates to an average lost working days per employee of 9.2 days (2019-20: 10.76 days).

8) 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.

9) 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.

10) Expenditure on Consultancy

There was no consultancy expenditure in 2020-21 nor in the prior year 2019-20.

11) 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 2020-21 costing over £58,200. The Arts Council had no off-payroll engagements commencing, ending or operating during 2020-21 or 2019-20.

12) 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: 1 December 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

There were no losses or special payments in the year ended 31 March 2021 (2019-20: £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: 1 December 2021

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

Opinion on financial statements

I certify that I have audited the financial statements of the Arts Council of Northern Ireland for the year ended 31 March 2021 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.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union and interpreted by the Government Financial Reporting Manual.

I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of the Arts Council of Northern Ireland's affairs as at 31 March 2021 and of the Arts Council of Northern Ireland's net expenditure for the year then ended; and
- have been properly prepared in accordance with the Arts Council (Northern Ireland) Order 1995 and Department of Communities directions issued thereunder.

Opinion on regularity

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

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of this certificate. My staff and I are independent of the Arts Council of Northern Ireland in accordance with the ethical requirements of the Financial Reporting Council's Revised Ethical Standard 2019, 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

In auditing the financial statements, I have concluded that Arts Council of Northern Ireland's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Arts Council of Northern Ireland's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

The going concern basis of accounting for Arts Council of Northern Ireland is adopted in consideration of the requirements set out in the Government Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

My responsibilities and the responsibilities of the Board and the Accounting Officer with respect to going concern are described in the relevant sections of this report.

Other Information

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

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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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, based on the work undertaken in the course of the audit:

- 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.

Matters on which I report by exception

In the light of the knowledge and understanding of the Arts Council of Northern Ireland and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance Report and Accountability Report. 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
- certain disclosures of remuneration specified by the Government Financial Reporting Manual are not made; 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.

Responsibilities of the Board and Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer Responsibilities, the Board and the Accounting Officer are responsible for the preparation of the financial statements and for

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- such internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- assessing the Arts Council of Northern Ireland's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Arts Council of Northern Ireland will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or

error and to issue a certificate that includes my opinion. 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.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included:

- obtaining an understanding of the legal and regulatory framework applicable to the Arts Council of Northern Ireland through discussion with management and application of extensive public sector accountability knowledge. The key laws and regulations I considered included the Arts Council (Northern Ireland) Order 1995 and Department of Communities directions issued thereunder;
- making enquires of management and those charged with governance on the Arts Council of Northern Ireland's compliance with laws and regulations;
- making enquiries of internal audit, management and those charged with governance as to susceptibility to irregularity and fraud, their assessment of the risk of material misstatement due to fraud and irregularity, and their knowledge of actual, suspected and alleged fraud and irregularity;
- completing risk assessment procedures to assess the susceptibility of the Arts Council of Northern Ireland's financial statements to material misstatement, including how fraud might occur. This included, but was not limited to, an engagement director led engagement team discussion on fraud to identify particular areas, transaction streams and business practices that may be susceptible to material misstatement due to fraud;
- engagement director oversight to ensure the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with the applicable legal and regulatory framework throughout the audit;
- documenting and evaluating the design and implementation of internal controls in place to mitigate risk of material misstatement due to fraud and non-compliance with laws and regulations;
- designing audit procedures to address specific laws and regulations which the engagement team considered to have a direct material effect on the financial statements in terms of misstatement and irregularity, including fraud. These audit procedures included, but were not limited to, reading board and committee minutes, and agreeing financial statement disclosures to underlying supporting documentation and approvals as appropriate;
- addressing the risk of fraud as a result of management override of controls by:


- performing analytical procedures to identify unusual or unexpected relationships or movements;
 - testing journal entries to identify potential anomalies, and inappropriate or unauthorised adjustments;
 - assessing whether judgements and other assumptions made in determining accounting estimates were indicative of potential bias; and
 - investigating significant or unusual transactions made outside of the normal course of business; and
- applying tailored risk factors to datasets of financial transactions and related records to identify potential anomalies and irregularities for detailed audit testing.

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.

Report

I have no observations to make on these financial statements.



KJ Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
1 Bradford Court
Belfast
BT8 6RB

8 December 2021

Statement of Comprehensive Net Expenditure for the year ended 31 March 2021

| | Note | 2020/21 £ | 2019/20 £ |
|--------------------------------------------------------------------|------|---------------------|---------------------|
| Other Operating Income | 3 | 1,709,559 | 1,657,998 |
| Total Operating Income | | 1,709,559 | 1,657,998 |
| Staff Costs | | (2,581,097) | (2,274,982) |
| Seconded Staff Costs | | (26,651) | (26,438) |
| Expenditure on the Arts | 2(b) | (35,729,178) | (11,647,026) |
| Depreciation and impairment charges | 2(a) | (2,869) | (1,225) |
| Other Operating Expenditure | 2(a) | (627,372) | (703,524) |
| Total Operating Expenditure | | (38,967,167) | (14,653,195) |
| Net Operating Expenditure | | (37,257,608) | (12,995,197) |
| 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) | 2,862 | (222) |
| - Net gain / (loss) on revaluation of Intangible Assets | 5 | - | - |
| - Actuarial gain / (loss) on pension scheme liabilities | | (693,000) | 353,000 |
| Comprehensive net expenditure for the year | | (37,947,746) | (12,642,419) |

The notes on pages 71 to 94 form part of these accounts.

Statement of Financial Position as at 31 March 2021

| | Note | 2021 £ | 2020 £ |
|----------------------------------------------|------|--------------------|--------------------|
| Non-current assets: | | | |
| Property, plant and equipment | 4(a) | 49,108 | 50,157 |
| Operational heritage assets | 4(a) | 130,000 | 130,000 |
| Non-operational heritage assets | 4(a) | 1,141,328 | 1,069,378 |
| Intangible assets | 5 | 3,488 | 5,308 |
| Total non-current assets | | 1,323,924 | 1,254,843 |
| Current assets | | | |
| Trade and other receivables | 7 | 820,961 | 782,842 |
| Cash and cash equivalents | 6 | 2,750,110 | 386,115 |
| Total current assets | | 3,571,071 | 1,168,957 |
| Total assets | | 4,894,995 | 2,423,800 |
| Current liabilities | | | |
| Trade and other payables | 8 | (2,688,648) | (1,076,288) |
| Total current liabilities | | (2,688,648) | (1,076,288) |
| Total assets less current liabilities | | 2,206,347 | 1,347,512 |
| Non-current liabilities | | | |
| Retirement Benefit Obligations | 9 | (5,466,000) | (4,403,000) |
| Total non-current liabilities | | (5,466,000) | (4,403,000) |
| Total assets less total liabilities | | (3,259,653) | (3,055,488) |
| Taxpayers' equity and other reserves | | | |
| General reserve | | 2,046,023 | 1,190,050 |
| Revaluation reserve | | 160,324 | 157,462 |
| Pension reserve | | (5,466,000) | (4,403,000) |
| Total equity | | (3,259,653) | (3,055,488) |

The notes on pages 71 to 94 form part of these accounts.

Arts Council of Northern Ireland

The financial statements on pages 66 to 94 were approved by the Board on the 01/12/2021 and were signed on its behalf by:



Roisín McDonough
Accounting Officer
Arts Council of Northern Ireland

Date: 1 December 2021

Statement of Cash Flows for the year ended 31 March 2021

| | Note | 2020-21 £ | 2019-20 £ |
|------------------------------------------------------------------------------------------------------------------------------------|------|---------------------|---------------------|
| Cash flows from operating activities | | | |
| Net Operating Expenditure | | (37,257,608) | (12,995,197) |
| Adjustment for non-cash transactions: | | | |
| Depreciation | 2(a) | 2,869 | 1,225 |
| (Increase) / Decrease in trade and other receivables | 7 | (38,119) | (398,527) |
| Increase / (Decrease) in trade and other payables | 8 | 1,612,360 | 30,075 |
| Movement ((increase) / decrease) in payables relating to items not passing through the Statement of Comprehensive Net Expenditure. | | 5,460 | 45,295 |
| Use of pension liability | | 370,000 | 359,000 |
| Net cash (outflow) from operating activities | | (35,305,038) | (12,958,129) |
| Cash flows from investing activities | | | |
| Purchase of Property, Plant & Equipment | | (5,460) | |
| Purchase of non-operational heritage assets | | (49,707) | (109,711) |
| Donated Assets | | (8,800) | |
| Net cash (outflow) from investing activities | | (63,967) | (109,711) |
| Cash flows from financing activities | | | |
| Grants from Department for Communities | | 37,733,000 | 12,760,000 |
| Net financing | | 37,733,000 | 12,760,000 |
| Net increase / (decrease) in cash and cash equivalents in the period | | 2,363,995 | (307,840) |
| Cash and cash equivalents at the beginning of the period | 6 | 386,115 | 693,955 |
| Cash and cash equivalents at the end of the period | 6 | 2,750,110 | 386,115 |

The notes on pages 71 to 94 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2021

| | Pension Reserve £ | General Fund £ | Revaluation Reserve £ | Taxpayers' Equity £ |
|-----------------------------------------------|-------------------------|----------------------|-----------------------------|---------------------------|
| 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) |
| Grants from Department for Communities | - | 37,733,000 | - | 37,733,000 |
| Comprehensive Net Expenditure for the year | (370,000) | (36,862,608) | 2,862 | (37,229,746) |
| Auditors Remuneration | - | (25,000) | - | (25,000) |
| Actuarial gains and losses | (693,000) | - | - | (693,000) |
| Capital accrual reversal | - | 10,581 | - | 10,581 |
| Balance at 31 March 2021 | (5,466,000) | 2,046,023 | 160,324 | (3,259,653) |

The notes on pages 71 to 94 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 2020-21 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 2021 of (£3.260m) due to recognition of a net pension deficit of £5.466m. 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 2021 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 2021

Additional or revised accounting standards and new (or amendments to) interpretations contained within FReM 2020-21 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**

| | 2020-21 | 2019-20 |
|------------------------------------|-------------------------|-------------------------|
| | £ | £ |
| Staff Costs ³ : | | |
| Wages and Salaries | 1,498,951 | 1,320,413 |
| Social Security Costs | 152,315 | 130,980 |
| Other Pension Costs | 647,704 | 647,499 |
| Agency Costs | <u>282,127</u> | <u>176,090</u> |
| Total Staff Costs: | <u>2,581,097</u> | <u>2,274,982</u> |
| IT costs and equipment | 221,731 | 168,001 |
| Rentals Under Operating Leases | 170,781 | 150,427 |
| Other Premises Costs | 65,828 | 75,854 |
| Legal and Consultancy Fees | 34,093 | 67,939 |
| Expenses and Hospitality | 2,744 | 58,987 |
| Marketing and Communications | 41,770 | 58,510 |
| Other Core Expenses | 11,543 | 30,186 |
| Auditors Remuneration | 25,000 | 20,000 |
| Telephone and Postage | 20,896 | 19,948 |
| Insurances | 16,370 | 14,904 |
| Premises Move Costs | - | 14,182 |
| Stationery | 3,652 | 10,529 |
| Training | 10,356 | 8,062 |
| Advertising | 2,608 | 5,995 |
| Non-cash items: | | |
| Depreciation | <u>2,869</u> | <u>1,225</u> |
| Total Operating Expenditure | <u>3,211,338</u> | <u>2,979,731</u> |

³ Further analysis of staff costs is located in the Staff Report on page 46.

Arts Council of Northern Ireland

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 £315,213 (2019-20: £334,800) of these operating costs and £1,094,821 (2019-20: £1,027,314) 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

| | 2020-21 | 2019-20 |
|------------------------------------------|--------------------------|--------------------------|
| | £ | £ |
| Annual Funding Programme | 8,563,764 | 8,516,691 |
| Capital Programme | 2,319,724 | 1,616,016 |
| COVID Emergency Funding | 23,865,385 | - |
| In-Year Project Funding | 645,335 | 976,942 |
| Support for Individual Artists Programme | 42,820 | 262,375 |
| Arts Development Fund | 246,587 | 213,853 |
| Strategy | 20,377 | 32,999 |
| Arts and Older People | 12,593 | 14,075 |
| Young People & Well-Being | 12,593 | 14,075 |
| Total Expenditure on the Arts | <u>35,729,178</u> | <u>11,647,026</u> |

3 Income

Other Operating Income

| | 2020-21 | 2019-20 |
|-------------------------------------------|-------------------------|-------------------------|
| | £ | £ |
| | Total | Total |
| National Lottery Recharge – Salaries | 1,094,821 | 1,027,314 |
| National Lottery Recharge –Administration | 315,213 | 334,800 |
| Administrative & Miscellaneous | 209,259 | 269,126 |
| Grant Refunded | 63,615 | 320 |
| Recharge to NIPF | 26,651 | 26,438 |
| Total | <u>1,709,559</u> | <u>1,657,998</u> |

4 Property, Plant and Equipment

| <u>2020-21</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 2020 | 26,592 | 48,000 | 67,191 | 130,000 | 1,069,378 | 1,341,161 |
| Additions | - | - | - | - | 60,288 | 60,288 |
| Donations | - | - | - | - | 8,800 | 8,800 |
| Revaluation & Indexation | - | - | - | - | 2862 | 2,862 |
| At 31 March 2021 | 26,592 | 48,000 | 67,191 | 130,000 | 1,141,328 | 1,413,111 |
| <u>Depreciation</u> | | | | | | |
| At 1 April 2020 | 17,235 | 7,200 | 67,191 | - | - | 91,626 |
| Charge in year | 1,049 | - | - | - | - | 1,049 |
| Revaluation & Indexation | - | - | - | - | - | 0 |
| At 31 March 2021 | 18,284 | 7,200 | 67,191 | - | - | 92,675 |
| <u>Carrying amount</u> | | | | | | |
| At 31 March 2021 | 8,308 | 40,800 | - | 130,000 | 1,141,328 | 1,320,436 |
| <u>Carrying amount</u> | | | | | | |
| At 31 March 2020 | 9,357 | 40,800 | - | 130,000 | 1,069,378 | 1,249,535 |
| <u>Asset Financing</u> | | | | | | |
| Owned | 8,308 | 40,800 | - | 130,000 | 1,141,328 | 1,320,436 |

Arts Council of Northern Ireland

| <u>2019-20</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 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 |

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.

4(b) Heritage Assets

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 2021 it comprises almost 900 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.

With capital funding from the Department for Communities the Arts Council allocated £60,288 for the acquisition of art work for 2020-21 (2019-20: £58,956).

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

| | 2020- 2021 | 2019- 2020 | 2018- 2019 | 2017- 2018 | 2016- 2017 |
|---------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | £ | £ | £ | £ | £ |
| B'fwd non-operational heritage assets | 1,069,378 | 1,010,422 | 867,646 | 810,994 | 745,185 |
| Revaluation | 2,862 | - | 4,960 | 950 | 25,300 |
| Gifted | - | - | - | - | - |
| Impairment | - | - | - | - | - |
| Donation | 8,800 | - | - | - | - |
| Cost of additional assets | 60,288 | 58,956 | 137,816 | 55,702 | 40,509 |
| | <u>1,141,328</u> | <u>1,069,378</u> | <u>1,010,422</u> | <u>867,646</u> | <u>810,994</u> |

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

| | 2020- 2021 | 2019- 2020 | 2018- 2019 | 2017- 2018 | 2016- 2017 |
|-----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | £ | £ | £ | £ | £ |
| B'fwd operational heritage assets | 130,000 | 130,000 | 130,000 | 130,000 | 110,000 |
| Revaluation | - | - | - | - | 20,000 |
| Gifted | - | - | - | - | - |
| Impairment | - | - | - | - | - |
| Donation | - | - | - | - | - |
| Cost of additional assets | - | - | - | - | - |
| C'fwd operational heritage assets | <u>130,000</u> | <u>130,000</u> | <u>130,000</u> | <u>130,000</u> | <u>130,000</u> |

5 Intangible assets

| <u>2020-21</u> | <u>Websites</u> | <u>Software</u> | <u>Total</u> |
|---------------------------------|------------------------|------------------------|---------------------|
| | £ | £ | £ |
| <u>Cost or Valuation</u> | | | |
| At 1 April 2020 | - | 60,533 | 60,533 |
| Disposal | - | - | - |
| Additions | - | - | - |
| Revaluations | - | - | - |
| | - | 60,533 | 60,533 |
| At 31 March 2021 | | | |
| <u>Amortisation</u> | | | |
| At 1 April 2020 | - | 55,225 | 55,225 |
| Transfers | - | - | - |
| Charge in year | - | 1,820 | 1,820 |
| Revaluation | - | - | - |
| | - | 57,045 | 57,045 |
| At 31 March 2021 | | | |
| <u>Carrying amount</u> | | | |
| At 31 March 2021 | - | 3,488 | 3,488 |
| <u>Carrying amount</u> | | | |
| At 31 March 2020 | - | - | - |
| <u>Asset Financing</u> | | | |
| Owned | - | 3,488 | 3,488 |
| <u>Carrying amount</u> | | | |
| At 31 March 2021 | - | 3,488 | 3,488 |

Arts Council of Northern Ireland

| <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 | - | - | - |
| | | | |
| 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 | - | - | - |
| | | | |
| 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 |

6 Cash and cash equivalents

| | 2020-21 | 2019-20 |
|-------------------------------------------------|------------------|------------------|
| | £ | £ |
| Balance at 1 April | 386,115 | 693,955 |
| Net change in cash and cash equivalent balances | <u>2,363,995</u> | <u>(307,840)</u> |
| Balance at 31 March | <u>2,750,110</u> | <u>386,115</u> |

The following balances at 31 March were held at:

| | | |
|-----------------------------------|------------------|----------------|
| Commercial banks and cash in hand | <u>2,750,110</u> | <u>386,115</u> |
| Balance at 31 March | <u>2,750,110</u> | <u>386,115</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 2021 was £2,750,110 (2019-20: £386,115).

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

| | 2020-21 | 2019-20 |
|---------------------------------------------|----------------|----------------|
| | £ | £ |
| Amounts falling due within one year: | | |
| Trade receivables | 59,778 | 166,206 |
| Other receivables | 17,347 | - |
| Grant Prepayments | 560,367 | 541,258 |
| Other Prepayments | 99,426 | 17,277 |
| Accrued Income | <u>84,043</u> | <u>58,101</u> |
| Total | <u>820,961</u> | <u>782,842</u> |

8 Trade payables, financial and other liabilities

| | 2020-21 | 2019-20 |
|---------------------------------------------|------------------|------------------|
| | £ | £ |
| Amounts falling due within one year: | | |
| Trade payables | 30,675 | 444,297 |
| Grant payables | 2,367,639 | 380,360 |
| Accruals | <u>290,334</u> | <u>251,631</u> |
| Total | <u>2,688,648</u> | <u>1,076,288</u> |

9 Retirement Benefit Obligations

| Amounts falling due after more than one year: | 2020-21 | 2019-20 |
|------------------------------------------------------|----------------|----------------|
| | £ | £ |
| Pension deficit | 5,466,000 | 4,403,000 |

Details of the pension scheme are outlined in the Staff Report. The net pension liability has increased by £1,063,000 to £5,466,000 (2019-2020: £4,403,000).

The Fund is valued every three years by the Fund's actuary and the last full 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 £5,466,000.

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. HM Treasury (HMT) ran a public consultation during the summer of 2020 to gather stakeholder views on the governments two final policy proposals. The consultation closed in October 2020 with the final approach being agreed as a 'deferred choice underpin'. This allows eligible members a choice at the point their benefits are paid of which pension scheme benefits they would prefer to take for the remedy period. The government is expected to introduce new legislation in mid-2021, and intends that the provision for the deferred choice underpin will be implemented by 01 October 2023.

While the judgement was not in relation to members with Local Government Pension Scheme (NI) benefits, the UK Government announced in a written Ministerial Statement on 15 July 2019 "the government believes that the difference in treatment will need to be remedied across all main public sector schemes".

A 31/03/19 an additional McCloud liability at Fund level was shown as a Past Service Cost over the accounting period. During 2019/20 the liability was calculated at Employer level (based on updated membership data provided for the 2019 valuation) with any change in the allowance over the period treated as an experience item through Other Comprehensive income. At 31/03/2020 the Current Service Cost includes a prospective allowance for McCloud liabilities of 3.20% of the Pensionable Pay over the accounting period. For 31/03/21 the same approach has been adopted using a roll forward method based on last year's results.

A case for approval of a Legislative Consent Motion (LCM) has been laid in the Assembly to extend the Public Service Pensions and Judicial Offices Bill to Northern Ireland. An LCM allows the Assembly to consent to legislation for Northern Ireland being made by the UK Parliament for devolved matters. The UK Bill will legislate how the government will remove the discrimination identified in the McCloud judgment. The Bill also includes provisions that employees will not experience any detriment if the adjusted valuation costs breach the set cost cap ceiling but any breaches of the cost cap floor (positive employee impacts) in the completed valuations will be honoured.

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. At 31/03/2019 an estimated liability was used based on a typical Local Government pension fund in order to quantify the value of fully indexing GMPs in line with CPI inflation for those reaching State Pension Age (SPA) after 05 December 2018. This was calculated to be 0.3% of the liabilities / defined benefit obligation. During 2019/20 allowance has been made for full pension increases to be paid on GMPs to individuals reaching SPA after 06 April 2016 with any increase in the liability at 31/03/2020 being charged through Other Comprehensive Income. For 31/03/2021 the same approach has been updated using a roll forward approach based on last year's results.

In October 2020, a second ruling in the Lloyds case clarified that compensation would be required to member who transferred benefits out since May 1990. The government are considering if this judgment to equalise historic GMPs applies to all historic transfers made by all public service pension schemes including the LGPS. As the government have not yet acknowledged a liability or indicated an approach to rectify, no allowance has been made for this as at 31/03/2021.

10 Leases

Operating Leases

Excluding buildings, £584 (2019-20: £584) was included as an expense on operating leases in the Statement of Comprehensive Net Expenditure.

The Arts Council signed a two-year lease for its offices from 13 February 2021 to 12 February 2023. Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

| | 2020-21 | 2019-20 |
|------------------------------------------------------------------------|-----------------------|-----------------------|
| | £ | £ |
| Obligations under operating leases for the following periods comprise: | | |
| <i>Buildings:</i> | | |
| Not later than one year | 177,265 | 110,816 |
| Later than one year and not later than five years | 155,107 | - |
| Later than five years | - | - |
| Present value of obligations | <u>332,472</u> | <u>110,816</u> |
| <i>Other:</i> | | |
| Not later than one year | 584 | 584 |
| Later than one year and not later than five years | | 585 |
| Later than five years | - | - |
| Present value of obligations | <u>584</u> | <u>1,169</u> |
| Total Present Value of Obligations | <u>330,056</u> | <u>111,985</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 2020-21 analysed by the period during which the commitment expires are as follows:

| | 2020-21 | 2019-20 |
|---------------------------------------------------|----------------|----------------|
| | £ | £ |
| 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 2021 a net amount of £158,322 (2019-20: £132,022) 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 £820,961 (2019-20: £782,842) shown in Note 7 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; the connected board members / staff members were not involved in the grants award process.

Arts Council of Northern Ireland

| Name | Nature of relationship | Organisation Name | Awarded in 2020-21 £ | Paid in 2020-21 * £ | Balance Outstanding as at 31 March 2021 ** £ |
|----------------------|------------------------------------------------------------------------------|---------------------------------|---------------------------------|------------------------------------|---------------------------------------------------------|
| Board Members | | | | | |
| Liam Hannaway | Secretary & Board Member | Youth Action NI | 81,201 | 73,235 | 9,901 |
| Julie Andrews | Director | Linen Hill Library | 21,934 | 20,827 | 1,097 |
| Lynne Best | Vice Chair | Oh Yeah Music Centre | 117,531 | 84,725 | 32,806 |
| | Hired to work on UNESCO Creative Cities Network application on behalf of BCC | Belfast City Council | 70,000 | 49,035 | - |
| Mairtin O'Muilleoir | Mairtin hosts the Aisling Awards sponsored by the Movie House | The Movie House Cinemas Ltd | 357,000 | 244,500 | 112,500 |
| Joe Dougan | Employee | SD Event Management Ltd | 71,652 | 64,487 | 7,165 |
| | Employee | Belsonic Ltd | 211,056 | 189,950 | 21,106 |
| | Employee | The Limelight Belfast | 398,804 | 218,602 | 180,202 |
| Sean Kelly | Director | Cathedral Quarter Arts Festival | 128,002 | 121,752 | 6,250 |
| | Co-Founder (no current involvement) | The Black Box Trust | 112,230 | 71,027 | 40,350 |
| Paul Brolly | Chair | Golden Thread Galley | 188,000 | 178,501 | 9,578 |

Arts Council of Northern Ireland

| Name | Nature of relationship | Organisation Name | Awarded in 2020-21 £ | Paid in 2020-21 * £ | Balance Outstanding as at 31 March 2021 ** £ |
|----------------------|-------------------------------------------------------------------|--------------------------|---------------------------------|------------------------------------|---------------------------------------------------------|
| Board Members | | | | | |
| Cian Smyth | Chair - ceased October 2020 | Outburst Arts Festival | 56,050 | 49,891 | 6,759 |
| Katy Radford | Family / Close Connection | Ulster Orchestra Society | 2,864,259 | 2,595,640 | 190,141 |
| | Family / Close Connection | Neil Martin | 5,000 | 5,000 | - |
| | Member of Steering Group for "Seen & Heard" project February 2019 | Linen Hall Library | 21,934 | 20,827 | 1,097 |

Arts Council of Northern Ireland

| Name | Nature of relationship | Organisation Name | Awarded in 2020-21 £ | Paid in 2020-21 * £ | Balance Outstanding as at 31 March 2021 ** £ |
|----------------------|---------------------------------------------------------------------------------|------------------------------------------|-------------------------|---------------------------|-------------------------------------------------|
| Staff Members | | | | | |
| Lizzie Devlin | Friend works for Duncairn Arts Centre | Duncairn Arts Centre | 72,555 | 72,297 | 11,323 |
| Anne Shipton | Friend of Arts Co-ordinator at Duncairn Arts Centre | Duncairn Arts Centre | 72,555 | 72,297 | 11,323 |
| Matthew Hendry | Daughter works at Strand Arts Centre | Strand Arts Centre | 89,385 | 72,667 | 16,632 |
| Patricia Lavery | Worked on "Twilight" project with Arts Care | Arts Care | 32,996 | 49,893 | 17,120 |
| Noirin McKinney | Husband is Editor of Irish Pages | Irish Pages Ltd | 69,360 | 63,889 | 5,780 |
| | Friends with Directors of Panarts | Panarts | 52,874 | 48,506 | 4,368 |
| Gilly Campbell | Wrote Play which Prime Cut workshopped | Prime Cut Productions | 266,334 | 248,789 | 18,484 |
| | Co production of play 'Father, the Father' | The MAC | 1,584,573 | 1,575,064 | 98,141 |
| Roisin Murray | Freelance employment with ArtsEkta | ArtsEkta | 23,698 | 23,415 | - |
| | Voluntary work with Feile an Phobail | Feile an Phobail | 99,635 | 89,335 | 8,019 |
| Ciaran Scullion | Wife is the Development Officer at the National Youth Choir of Northern Ireland | National Youth Choir of Northern Ireland | 5,070 | 5,070 | - |

Arts Council of Northern Ireland

| Name | Nature of relationship | Organisation Name | Awarded in 2020-21 £ | Paid in 2020-21 * £ | Balance Outstanding as at 31 March 2021 ** £ |
|--------------------------|--------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|-------------------------|---------------------------|-------------------------------------------------|
| Staff Members | | | | | |
| Sonya Whitefield | Daughter updates website | Northern Ireland Mental Health Arts Festival | 2,000 | 1,800 | 200 |
| Olivia Gamble | Partner of Applicant | Cameron Stewart | 3,000 | 3,000 | - |
| Barbara Growcott | Cousin is an employee | Arts Ekta | 23,698 | 23,415 | - |
| Jacqueline Barker | Friend works for Millennium Court Arts Centre. Executive Director at Millennium Court Arts Centre (Ceased October 2019). | Millennium Court Arts Centre | 14,301 | 13,894 | - |
| Lisa Birkholz | Former Employee of Grand Opera House (Ceased November 2018). | Grand Opera House | 1,640,858 | 1,535,803 | 88,150 |
| | Friend of NI Opera General Manager. | NI Opera | 721,551 | 681,108 | 44,943 |
| | Friend of Pintsized Production's Artistic Director. | Pintsized Productions | 5,000 | 5,000 | - |
| | Partner undertakes freelance work | Cinemagic | 40,000 | 36,000 | 4,000 |
| Roisin McDonough | Former Trustee of Creative & Cultural Skills (CCS) | Creative & Cultural Skills | - | - | 2,500 |
| Caoileann Curry Thompson | Creative Relationship with Prime Cut Productions. | Prime Cut Productions | 266,334 | 248,789 | 18,485 |
| | Received bursaries from Theatre NI. | Theatre NI | 150,225 | 141,855 | 7,398 |
| | Friend works for Wheelworks. | Wheelworks | 64,330 | 62,738 | 3,713 |

* Paid in 2020-21 includes payments relating to awards made in previous years.

** Balance as at 31 March 2021 includes all awards made in 2020-21 and previous years where an outstanding balance remains.

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 2021 was £663,729 made up of listed securities £651,114 (2019-20: £532,867) and cash at bank £12,615 (2019-20: £8,011). The annual value of the award is up to £15,000. No award was issued in 2020-2021.

Rosy James Portfolio Performance summary 2020-21

| | 31 March 2021 £ | 31 March 2020 £ |
|--------------------------------|--------------------------------|--------------------------------|
| Cash at bank | 12,615 | 8,011 |
| Listed securities | <u>651,114</u> | <u>532,867</u> |
| Total | <u>663,729</u> | <u>540,878</u> |
| Opening portfolio value | <u>540,878</u> | <u>611,804</u> |
| Bursary | - | |
| Realised Losses | - | |
| Unrealised Gains / (Losses) | 118,247 | (76,586) |
| Income | 11,253 | 12,473 |
| Charges and rebates | <u>(6,649)</u> | <u>(6,813)</u> |
| Closing portfolio value | <u>663,729</u> | <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. There have been no events that require adjustment to the accounts. The impact of COVID have been considered in the Performance Report Overview pages 4 to 10 and Governance Statement on pages 32 and 33.

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.