

Presented pursuant to National Lottery etc. Act 1993 (as amended by the National Lottery Act 1998),
c.39, section 35(5)

Arts Council of Northern Ireland Lottery Distribution Account 2004-2005

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Foreword to the Accounts

The Arts Council of Northern Ireland

The Council, presently known as 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 1994 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 Arts Council dates from 1943 when it was set up as the Council for the Encouragement of Music and the Arts in Northern Ireland. 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 of Culture, Arts and Leisure. The affairs of the Council are managed by a Council consisting of fifteen members. The current Council members are listed below. The Chief Executive is the principal executive officer of the Council and is supported by a professional staff responsible for subject and functional areas of the Council's programme.

Statutory background

The Arts Council of Northern Ireland is a statutory body established by the Arts Council (Northern Ireland) Order 1995.

The National Lottery was established by the National Lottery etc. Act 1993 to raise money for 'good causes' through the sale of lottery tickets. The Arts Council of Northern Ireland is charged under the Act with responsibility for distributing Lottery proceeds allocated to the arts in Northern Ireland. Lottery proceeds are also distributed through other distributing bodies to Sport, National Heritage, Charities, Millennium Projects, and to the Arts in England, Scotland and Wales. From 1998-1999 Lottery proceeds were also distributed to the New Opportunities Fund (NOF) and to the National Endowment for Science, Technology and the Arts (NESTA).

Principal functions related to National Lottery distribution activities

The Arts Council is responsible for the administration and distribution of funds raised by the National Lottery. The Council made its first awards to applicants for Lottery funding in 1995-1996. The principal function is to fund applications for a broad range of capital and revenue projects in the Arts which will make an important and lasting difference to the quality of life of the people in Northern Ireland.

Financial results

The Arts Council of Northern Ireland's Lottery Distribution results are set out in the Income and Expenditure Account. Total proceeds received from the National Lottery totalled £7,886,371. During the year the Arts Council awarded grants to Lottery applicants of £13,807,176. In 2004-2005, £7,201,327 was paid to applicants. The total administrative costs to the Arts Council of its distribution activities, including staff costs, were £859,266 (excluding depreciation). This represents approximately 10.9% of the total proceeds received in the year.

Review of National Lottery distribution activities

During the year the Arts Council received 582 applications seeking £17,937,183 across its main Lottery programmes and made 422 awards totalling £13,807,176.

The Council launched three new programmes during the year

Art of regeneration

- a programme directed at Local Authorities working in partnership with other statutory and voluntary groups to support projects which connect the arts and artists with issues such as the environment, anti social behaviour and good relations;

Multi-annual programme

- aimed at sustaining the arts infrastructure and offering grants from £10,000 to £20,000 per year for up to three years; and

Early years arts

- inviting partnership projects from the voluntary and statutory sectors working with three to seven year olds.

The Council also carried out a benchmarking exercise of its processes against other similar grant-giving bodies, the findings of which will be further developed during the incoming year.

Significant changes in fixed assets

The movement on fixed assets is set out in note 5 to the financial statements. There were no significant changes during the year. The net book value of the fixed assets decreased from £2,533 to £1,997 following a depreciation charge of £536 for the year.

Retained funds at the year end

At the end of the year the Lottery Distribution Account showed a decrease in funds of £1,600,811 after making a provision for all hard grant commitments outstanding at the year-end. At the end of 2004-2005 the retained funds totalled £15,263,559. This amount will be carried forward to the 2005-2006 financial year and will be available for distribution.

Future developments in National Lottery Distribution activities

The Council will launch its new Business Support programme early in 2005-2006 to provide training opportunities in a range of management and governance issues to a broad spectrum of organisations. The Council will also introduce Art in Contested Spaces aimed specifically at the development of community based arts projects, with a particular emphasis on the replacement of existing paramilitary murals and other offensive items with new and more positive imagery. For a limited period the Council will offer a small grants programme – Lottery Arts Projects 2005 – running from May 2005 to March 2006. This programme will offer awards to organizations seeking grants between £5,000 and £10,000. It is anticipated that this programme will then be amalgamated into the new Awards for All programme from April 2006.

The main priority during 2005-2006 will be evaluation of the current Lottery strategy which ends in March 2006 and consultation on a strategy for the next five years.

Council members of the Arts Council of Northern Ireland and members of its Lottery committee

The Minister of Culture, Arts and Leisure approves the appointment of the Chairman, Vice Chairman and members of the Council. The Chairman and members of the Council have individual and collective responsibility to the Minister as Head of Department

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

The Council of the Arts Council of Northern Ireland for the year ended 31 March 2005 is shown below.

Council from 1 July 2003

Ms Rosemary Kelly (Chairman)
Mr Martin Bradley (Vice Chairman)
Mrs Eithne Benson
Mrs Katherine Bond
Mr Will Chamberlain
Ms Lucia (Lucy) Finnegan
Ms Jill Holmes
Mr Anthony Kennedy

Mr Tim Kerr
Mr Raymond Fullerton (appointed February 2005)
Mr Brendan Milligan
Mr William Montgomery
Mr Gearóid Ó hEara
Ms Sharon O'Connor
Mr Peter Spratt

The members of the Council's Lottery Committee during the year are shown below

From 8 January 2004

Martin Bradley, Chair
Kate Bond
Eithne Benson

Appointment of auditors

Under the National Lottery etc. Act 1993 the Comptroller and Auditor General examines and certifies the financial statements of each of the National Lottery distributing bodies and lays copies of the statements and his report before Parliament.

Policy on disabled persons

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

Employee consultation

On matters of policy and procedure which affect the employees of the Arts Council, the Council normally consults with the recognised trade unions of which the 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 and Personnel.

Payment of suppliers

The Arts Council is committed to the prompt payment of bills for goods and services in accordance with the Better Payment Practice Code. Unless otherwise stated in the contract, payment is due within 30 days of receipt of the 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 93% of the bills were paid within this standard. The comparable figure for the previous year was 88% paid within the standard.

Political and charitable donations

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

Roisín McDonough
Accounting Officer for the Council

29 June 2005

Statement of the Council's and Chief Executive's responsibilities

Under section 35(2) and (3) of the National Lottery etc. Act 1993 the Arts Council of Northern Ireland is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State, with the consent of Treasury.

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

In preparing the financial statements the Council is required to

- observe the accounts direction issued by the Department of Culture, Arts and Leisure on behalf of the Secretary of State for Culture, Media and Sport (formerly National Heritage), 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 have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the body will continue in operation.

The Accounting Officer for the Department of Culture, Arts and Leisure has designated the Chief Executive of the Arts Council of Northern Ireland as the Accounting Officer for the Council. Her relevant responsibilities as Accounting Officer, including her responsibility for the propriety and regularity of the finances for which she is answerable and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum issued by the Northern Ireland Department of Finance and Personnel, the guidance contained within 'Government Accounting Northern Ireland' also issued by the Department of Finance and Personnel, and in the Financial Directions issued by the Department of Culture, Arts and Leisure on behalf of the Secretary of State for Culture, Media and Sport under s26(3) of the National Lottery etc. Act 1993.

Roisín McDonough
Accounting Officer for the Council

29 June 2005

Statement on Internal Control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Arts Council of Northern Ireland's policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting Northern Ireland.

I act in accordance with both the Council's Management Statement and Financial Memorandum which sets out the accountability arrangements surrounding my role and the DFP Memorandum, 'The Responsibilities of an NDPB Accounting Officer', which sets out my accounting responsibilities. I am responsible for ensuring that the Council produces a three year corporate plan and an annual business plan within the timescales set by the Council's sponsoring Department. Progress against the plans are reviewed regularly by senior management and by the Council's Strategic Sub Committee. Progress is reported to the Department at quarterly accountability meetings which are held with officials from the Department.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Arts Council of Northern Ireland's 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 system of internal control has been in place in the Arts Council of Northern Ireland for the year ended 31 March 2005 and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance.

Capacity to handle risk

The senior management team takes responsibility for the overall risk management process. It reviews the risk framework and all recommendations received from both the internal and external auditors. Controls are enhanced or introduced as necessary.

Individual members of staff formally identify specific training needs relating to their roles each year. The training needs would include areas relating to risk management where appropriate. All training needs are collated into an overall training plan for the Council which is delivered throughout the year. As the Council disburses public funds in the form of grants it was considered appropriate to train all relevant staff in grant administration processes. The Grant Skills Training Programme, delivered by the Chartered Institute of Public Finance and Accountancy/Institute of Public Finance Northern Ireland and accredited by the Institute of Administrative Management, was commenced during the financial year 2003-2004 and is currently being completed. This will result in a Certificate in Management Practice (Grant Skills), equivalent to NVQ level three, for participating staff or in a Diploma in Management Practice (Grant Skills), equivalent to NVQ level four, for members of staff who complete additional modules.

To ensure that staff has ready access to the financial procedures and requirements in place within the Council, guidance was placed on the intranet during the year. In addition to the Council's financial procedures the intranet also contains the Council's Business Ethics, Fraud and Irregularity Policy, its Standing Orders and the Management Statement and Financial Memorandum.

A training needs analysis of Council members was undertaken during the latter part of the 2004-2005 financial year, with the findings of same to be incorporated into a cohesive strategy in conjunction with the Chair of Council.

The risk and control framework

The Council established a risk framework at the end of the 2002-2003 year, with comprehensive work being done to formalize the ownership of identified risks during 2004-2005. The risk framework is a formal item on each agenda of the Audit Committee and on the Council's agenda for its last meeting of each financial year. As such it has been reviewed by both the Audit Committee and the Council during the year. It is kept under review by executive management and is formally reviewed prior to each meeting of the Audit Committee. The framework is amended if necessary following each review.

The framework identifies a series of risks facing the Council and these have been categorised under eight broad headings. The framework shows the assessment of both the likelihood and the impact of the risk, the risk owner and the controls put in place to mitigate the risk. An assessment of the residual risk i.e. the likelihood of the risk occurring in light of the actual controls in place, is also included.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Arts Council of Northern Ireland 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. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Council, the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

I believe that during the year continuing improvements have been made to the Council's grant administration and monitoring procedures. There is scope to achieve further improvement and the training programmes which have been put in place during the year will help ensure the achievement of this improvement. I have also been assured by my executive managers that all grants receive sufficient and consistent scrutiny in line with policy and financial directions.

The Council discharges its responsibility for reviewing the system of internal control through its Audit Committee. The Audit Committee met on four occasions during the year and received reports from both the Council's external auditor for the year ending 31 March 2004 and its internal auditor for the 2004-2005 year. The Audit Committee reported back to the Council following each of its meetings.

Following a meeting of the Audit Committee in December 2003 its terms of reference were assessed against the ten policy principles set out in HM Treasury's Audit Committee Handbook issued in October 2003. The outcome of this assessment was presented to the Audit Committee in March 2004 and it accepted the recommended amendments to its terms of reference, with further amendments due for consideration during the 2005-2006 year.

The Council has a risk framework in place which is reviewed regularly by the senior management team. It is also reviewed by the Audit Committee at each of its meetings. It is reviewed by the Council annually and the last review took place in May 2005.

Internal audit activity during 2004-2005 generally concluded that the operations of the Council are well controlled when assessed against established assurance criteria. Towards the end of the financial year, a successful appointment was made to the role of a joint SCNI-ACNI internal auditor. To-date, the appointee has been making good progress on establishing a framework for future internal audit activity, using the results of past work, internal expertise and with a view to assessing the governance needs and concerns of Council.

Roisín McDonough
Accounting Officer for the Council

29 June 2005

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

I certify that I have audited the financial statements on pages 11 to 22 under the National Lottery etc. Act 1993 (as amended). These financial statements have been prepared under the historical cost convention and the accounting policies set out on page 14.

Respective responsibilities of the Council, the Chief Executive and Auditor

As described on page 6, the Council and Chief Executive are responsible for the preparation of the financial statements in accordance with the National Lottery etc. Act 1993 (as amended) and the Department of Culture, Arts and Leisure directions made thereunder on behalf of the Secretary of State for Culture, Media and Sport and for ensuring the regularity of financial transactions. The Council and Chief Executive are also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the National Lottery etc. Act 1993 (as amended) and the Department of Culture, Arts and Leisure directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Council has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 7 to 8 reflects the Council's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by HM Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion, I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion

- the financial statements give a true and fair view of the state of affairs of the Arts Council of Northern Ireland's Lottery distribution activities at 31 March 2005 and of the decrease in funds, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the National Lottery etc Act 1993 (as amended) and directions made thereunder by the Department of Culture, Arts and Leisure on behalf of the Secretary of State for Culture, Media and Sport; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General
18 July 2005

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Income and Expenditure Account for the year ended 31 March 2005

	Notes	2004-2005 £	2003-2004 £
Proceeds from lottery	2	7,886,371	7,135,816
Other income	3	29,850	133,615
Total income		<u>7,916,221</u>	<u>7,269,431</u>
Grants paid in year		7,201,327	6,358,455
Provision for decrease in value of investments		0	2,706
Provision for grant commitments in future years		1,455,903	1,574,624
Staff costs - recharge	4	481,291	413,477
Depreciation - tangible assets	5	536	6,518
Other operating costs - direct costs	6	220,238	317,051
Recharge	6	157,737	155,627
Total expenditure		<u>9,517,032</u>	<u>8,828,458</u>
Decrease in funds		(1,600,811)	(1,559,027)
Notional costs - capital	14	(15,596)	(7,656)
Decrease in funds including notional costs		(1,616,407)	(1,566,683)
Reversal of notional costs		15,596	7,656
Decrease in funds		<u>(1,600,811)</u>	<u>(1,559,027)</u>

The income and expenditure relate to continuing activities.

Statement of Total Recognised Gains and Losses for the year ended 31 March 2005

	Note	2004-2005 £	2003-2004 £
Decrease in funds excluding notional capital costs		(1,600,811)	(1,559,027)
Provision for decrease in value of investments	11	(132,995)	(2,706)
Total recognised gains and losses relating to the year		<u>(1,733,806)</u>	<u>(1,561,733)</u>

The notes on pages 14 to 22 form part of these financial statements.

Balance Sheet as at 31 March 2005

	Notes	2004-2005 £	2003-2004 £
Fixed assets			
Tangible assets	5	<u>1,997</u>	<u>2,533</u>
Current assets			
Investments - balance held in NLDF	7	35,282,185	35,643,576
Debtors and prepayments	8	235,722	71,314
Cash at bank and in hand		231,578	16,633
		35,749,485	35,731,523
Creditors amounts due within one year	9	(11,620,792)	(10,681,462)
Net current assets		24,128,693	25,050,061
Total assets less current liabilities		24,130,690	25,052,594
Provisions for liabilities and charges			
Grant commitments	10	(8,867,131)	(8,188,224)
Total assets less total liabilities		15,263,559	16,864,370
Represented by			
Reserves			
Income and expenditure	11	15,263,559	16,864,370

Roisín McDonough
Accounting Officer for the Council

29 June 2005

The notes on pages 14 to 22 form part of these financial statements.

Cash Flow Statement for the year ended 31 March 2005

	2004-2005	2003-2004
	£	£
Net cash inflow from operating activities (note 1)	185,095	(663,918)
Returns on investments and servicing of finance (note 3)	29,850	133,615
Increase/(decrease) in cash	214,945	(530,303)

Notes to the Cash Flow Statement

Reconciliation of increase / (decrease) in funds to net cash outflow from operating activities

	2004-2005	2003-2004
	£	£
Decrease in funds	(1,600,811)	(1,559,027)
Depreciation charges	536	6,518
Interest and investment returns	(29,850)	(133,615)
(Increase)/decrease in NLDF investments	361,391	(716,345)
(Increase)/decrease in debtors	(164,408)	141,251
(Increase)/decrease in creditors	939,330	(340,237)
Increase in provision for grants	678,907	1,937,537
	185,095	(663,918)

Reconciliation of net cash flow to movement in net funds

Increase/(decrease) in cash in period	214,945	(530,303)
Changes in net funds	214,945	(530,303)
Net funds at 1 April 2004	16,633	546,936
Net funds at 31 March 2005	231,578	16,633

Returns on investments and servicing of finance

Interest received	14,408	15,945
Other income	15,442	117,670
	29,850	133,615

The notes on pages 14 to 22 form part of these financial statements.

Notes to the Accounts

1 Accounting policies

a Basis of accounting

These financial statements have been prepared in accordance with the historical cost convention and as directed in the Accounts Direction issued by the Department of Culture, Arts and Leisure.

Without limiting the information given, the financial statements meet the accounting and disclosure requirements of the Companies (Northern Ireland) Order 1986, Accounting Standards issued or adopted by the Accounting Standards Board and disclosure requirements issued by the Department of Finance and Personnel in so far as those requirements are appropriate. Significant departures from accounting standards are disclosed and explained in the notes and the financial effects quantified where practicable.

b Tangible fixed assets

The minimum level for capitalisation as an individual or grouped fixed asset is £1,000. Items below the threshold of £1,000 are written off to the Income and Expenditure Account. Depreciation has been provided using the straight line method so as to write each asset off over its estimated useful life. Depreciation is charged in the year in which the asset is acquired; no depreciation is charged in the year in which the asset is disposed.

The rates of depreciation in use are as follows

Information Technology	
Hardware and software	33.3%
LAN cabling	10%
Furniture, Fixtures and fittings	10%

c Pension costs

The pension cost in respect of employees is charged to the Income and Expenditure Account so as to recognise the cost of pensions over the employees' working lives.

d Income

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

e Notional cost of capital

From the 1996-1997 year, these financial statements make provision for the notional cost of capital employed by the Council. The Income and Expenditure Account includes the notional cost of capital employed by the Council calculated as 3.5% of the average capital employed over the financial year.

f Balances held in the National Lottery Distribution Fund

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

2 Proceeds from lottery

	2004-2005 £	2003-2004 £
Proceeds from National Lottery	6,330,084	6,060,983
Investment returns on balances held at NLDF	1,556,287	1,074,833
	<u>7,886,371</u>	<u>7,135,816</u>

3 Other income

	2004-2005 £	2003-2004 £
Bank interest	14,408	15,945
Other income	15,442	117,670
	<u>29,850</u>	<u>133,615</u>

4 Staff costs

	2004-2005 £	2003-2004 £
Salaries	401,213	349,811
Social security costs	29,647	27,153
Other pension costs	50,431	36,513
	<u>481,291</u>	<u>413,477</u>

All of the staff costs were incurred by the Arts Council of Northern Ireland and recharged to the Lottery Distribution Account. The staff costs were recharged to the Lottery Distribution Account on the basis of average Lottery caseload from the Arts Development Department and on other appropriate bases from the rest of the Council. During the year the Arts Council employed an average of 44 staff. Temporary staff costs included in the above total of £481,291 amounted to £18,542, the comparable cost for 2003-2004 was £0. An accrual for £10,540 in relation to the apportioned cost of a pension claim settlement has been included in other pension costs above.

Chief executive's remuneration

The Chief Executive's contract is for a period of five years and four years and five months had expired at 31 March 2005. The Chief Executive's remuneration, including backdated pay awards, during the year was £88,346. The Chief Executive is an ordinary member of the Northern Ireland Local Government Officers Superannuation Committee (NILGOSC) pension scheme. A total of £35,338 of the Chief Executive's employment costs have been apportioned to the Lottery Distribution fund to cover time spent on Lottery activities. This amount is included in the staff costs recharge to the Lottery Distribution fund which totalled £481,291 as noted above.

Council members' emoluments

The Chairman and Vice-Chairman of the Council received honoraria totalling £12,415, including employer NIC costs, as follows

	Chair total	Vice Chair total
R Kelly	8,415	
M Bradley		4,000

Of this, £4,221 was apportioned to the Lottery Distribution Account. No emoluments were paid to other Council members in respect of Lottery activities. The Council does not pay any pension contributions on behalf of the Chair and Vice Chair. These individuals are not included, therefore, in the pension note below.

Pension commitments

The Arts Council participates in the Northern Ireland Local Government Officers’ Superannuation Committee Scheme (NILGOSC) and made contributions for 51 employees during the year (not all 51 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 2005 the Arts Council contributed 10.6% of gross salary. The scheme is non contributory for members of staff. However, until 31 March 2003, male members of staff contributed 1.5%. The results of the most recent valuation, which was conducted as at 31 March 2004, were as follows

Main assumptions

Rate of return on investments per annum	6.3%
Rate of general increase in salaries per annum	4.4%
Rate of pension increases per annum	2.9%
Market value of scheme’s assets (excl. AVCs)	£2,152,290,000
Level of funding being the actuarial value of assets expressed as a percentage of the benefits accrued to members, deferred pensioners and members based on past service, and after allowing for future salary increase	85%

Contributions for all staff during the year based on the rates noted above were as follows

	2004-2005	2003-2004
	£	£
Employer’s	<u>112,710</u>	<u>109,485</u>

Consent to disclose the real change in the value of accrued pension at 31 March 2005 for senior employees has been withheld.

Age	Salary including performance pay	Real increase in pension and related lump sum at age 60	Total accrued pension at age 60 at 31 March 2005 and related lump sum	CETV 31 March 2004	CETV 31 March 2005	Real increase in CETV
R McDonough Chief Executive						Consent to disclose withheld.
N McKinney Director of Arts Development						Consent to disclose withheld.
P Hammond Director of Arts Development						Consent to disclose withheld.
P Burns (appointed June 2004) Director of Corporate Services						Consent to disclose withheld.
W Lyttle (resigned June 2004) Director of Corporate Services						Consent to disclose withheld.
N Livingston Director of Strategic Development						Consent to disclose withheld.

CETV refers to the cash equivalent transfer value. It is the actuarially assessed capitalised value of the pension scheme benefits accumulated by a member at a particular point in time. The real increase in CETV is calculated after adjusting for inflation and changes in market investment factors. None of the above received any benefits in kind during the year.

5 Tangible fixed assets

	IT Hardware £	Furniture & Fittings £	Total £
At cost			
At 1 April 2004	24,473	3,582	28,055
At 31 March 2005	24,473	3,582	28,055
Accumulated depreciation			
At 1 April 2004	23,940	1,582	25,522
Charge for year	178	358	536
At 31 March 2005	24,118	1,940	26,058
Net book value 31 March 2005	355	1,642	1,997
Net book value 31 March 2004	533	2,000	2,533

6 Other operating costs

	Total	Direct	Recharge	2003-2004
	£	£	£	£
ACNI admin. apportionment	152,373	0	152,373	140,827
Film delegation administration	81,520	81,520	0	81,540
Awards for all administration	65,281	65,281	0	60,341
Advancement	0	0	0	49,938
Audience development agency	0	0	0	43,332
Audit fees	24,983	21,587	3,396	35,603
External monitoring	32,872	32,872	0	19,915
Assessors fees (external)	2,785	2,785	0	14,045
Consultants'/professional fees	6,345	6,345	0	13,144
Printing & design	6,893	6,893	0	4,966
Travel	1,968	0	1,968	3,488
Marketing/advertising	949	949	0	1,903
Equality costs	0	0	0	1,767
Research/reports	0	0	0	1,194
Sundries	1,450	1,450	0	573
Hospitality	96	96	0	102
Publications	460	460	0	0
	377,975	220,238	157,737	472,678

Of the total operating expenses of £377,975, £157,737 was incurred by the Arts Council of Northern Ireland and recharged to the Lottery Distribution Account at full economic cost.

The £152,373 administrative overhead apportioned to the Lottery Distribution fund comprised administrative costs and expenses incurred by the Council from which the Lottery benefited indirectly. It also contained the honoraria amount detailed in note 4. The apportionment was made at full economic cost and calculated on appropriate bases.

The audit fees total of £24,983 includes the external audit fee charged by the National Audit Office of £21,000.

7 Balances held in the National Lottery Distribution Fund

The funds held in the NLDF are invested on its behalf by the National Investment and Loans Office. Up to 1996-1997 the Arts received 20% of the monies paid into the Fund by Camelot, the Lottery operator, after deduction of expenses incurred by the Department of Culture, Media and Sport in administering the Fund, and by the regulator, the Office of the National Lottery. This percentage was reduced to 16.67% by the National Lottery Act 1998. The Arts Council of Northern Ireland receives 2.8% of the sum allocated to the Arts. Interest earned on the sums invested is apportioned to each of the Lottery distributors on the basis of their percentage of the total remaining NLDF funds at the time the interest is received.

The closing market value of investments held at 31 March 2005 by NLDF under the National Lottery Act as amended on behalf of the Arts Council of Northern Ireland Lottery Distribution Account was £35,282,185. The cost value of these investments was £35,415,180.

8 Debtors

	2004-2005 £	2003-2004 £
Sundry debtors	25,587	578
Prepayments and accrued income	210,135	70,736
	235,722	71,314

The figure for Prepayments and Accrued Income represents cash held by the Northern Ireland Film and Television Commission on behalf of the Arts Council of Northern Ireland in respect of delegated Lottery distribution activities.

9 Creditors

	2004-2005 £	2003-2004 £
Trade creditors	816,132	630,615
Other creditors	10,804,660	10,050,847
	11,620,792	10,681,462

The total includes £61,688 in respect of services and purchases rendered to or made on behalf of the Lottery Distribution Account by the Arts Council of Northern Ireland.

The Other Creditors figure contains £10,804,660 which represents the total of hard grant commitments payable during 2005-2006 (see note 10).

10 Grant commitments

	2004-2005 £	2003-2004 £
Soft commitments		
a Soft commitments brought forward	3,801,780	939,771
b Soft commitments transferred to hard commitments	(9,168,666)	(8,319,908)
c Soft de-commitments	(293,924)	(309,991)
d Soft commitments made in year	13,537,540	11,491,908
e Soft commitments carried forward	7,876,730	3,801,780
Hard commitments		
a Hard commitments brought forward	18,215,888	16,641,264
b Hard commitments met in year	(7,201,327)	(6,358,455)
c Hard de-commitments	(516,436)	(386,829)
d Hard commitments made	9,173,666	8,319,908
e Hard commitments carried forward	19,671,791	18,215,888
f Profile of Hard Commitments over the next five years		
2004-2005		10,027,664
2005-2006	10,804,660	6,152,134
2006-2007	7,602,082	2,036,090
2007-2008	1,265,049	0
2008-2009	0	0
2009-2010	0	0
	19,671,791	18,215,888

Total grant commitments carried forward

Soft	7,876,730	3,801,780
Hard	19,671,791	18,215,888
	27,548,521	22,017,668

The Hard Commitments total at 31 March 2005 is £19,671,791. The 2005-2006 total of £10,804,660 is shown on the Balance Sheet within the 'creditors – amounts payable within one year' figure of £11,620,792 (see note 9). The balance of £8,867,131 is shown on the Balance Sheet as 'Provisions for Liabilities and Charges: Grant Commitments'. The figure of £1,455,903 shown as the 'Provision for grant commitments in future years' in the Income and Expenditure Account is the difference between the Hard Commitments Carried Forward totals at 31 March 2004 and 31 March 2005.

11 Reconciliation of movement of funds

	Balances held in NLDF	Balances held in ACNI	Provision for Grant Commitments	2004-2005 Total	2003-2004 Total
	£	£	£	£	£
Proceeds from Lottery	7,886,371			7,886,371	7,135,816
Drawn down in year by Arts Council	(8,247,762)	8,247,762			
Provision for increase/(decrease) in value of investments				0	(2,706)
Interest on cash balances		14,408		14,408	15,945
Other income		15,442		15,442	117,670
Staff costs		(481,291)		(481,291)	(413,477)
Other operating costs		(377,975)		(377,975)	(472,678)
Depreciation of fixed assets		(536)		(536)	(6,518)
New grants paid in year		(7,201,327)		(7,201,327)	(6,358,455)
New grant commitments in year			(9,173,666)	(9,173,666)	(8,319,908)
Commitments written back			516,436	516,436	386,829
Grants paid from provision in year			7,201,327	7,201,327	6,358,455
Total increase/(decrease) in funds	(361,391)	216,483	(1,455,903)	(1,600,811)	(1,559,027)
Balance at 1 April 2004	35,643,576	(563,318)	(18,215,888)	16,864,370	18,423,397
Balance at 31 March 2005	35,282,185	(346,835)	(19,671,791)	15,263,559	16,864,370
Provision for (increase)/decrease in value of investments	132,995				
Cost at 31 March 2005	35,415,180				

12 Capital commitments

There were no capital commitments as at 31 March 2005.

13 Contingent liabilities

There were no contingent liabilities as at 31 March 2005 other than the soft commitments disclosed in Note 10.

14 Notional costs

Notional cost of capital is calculated as 3.5% of the average net assets employed by the Arts Council (Lottery Distribution) in the year, excluding the Balance in the Distribution Fund and hard grant commitments.

15 Related party transactions

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

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

Application Ref	Organisation	Award Amount	Declared Interest
194/04	Derry Theatre Trust	14,943	Martin Bradley
269/04	Belfast Community Circus	14,848	Will Chamberlain
268/04	Belfast Community Circus	27,000	Will Chamberlain
378/03	University of Ulster	14,821	Katharine Bond, Tim Kerr + Gearoid O'hEara
109/04	University of Ulster	14,475	Katharine Bond, Tim Kerr + Gearoid O'hEara
110/04	University of Ulster	10,000	Katharine Bond, Tim Kerr + Gearoid O'hEara
117/04	University of Ulster	39,100	Katharine Bond, Tim Kerr + Gearoid O'hEara
328/04	University of Ulster	10,000	Katharine Bond, Tim Kerr + Gearoid O'hEara
399/04	University of Ulster	27,550	Katharine Bond, Tim Kerr + Gearoid O'hEara
294/04	Verbal Arts	12,151	Katharine Bond
185/04	Derry City Council	180,254	Katharine Bond + Gearoid O'hEara
322/04	North & West Belfast HSST	7,000	Lucy Finnegan
114/04	Cahoots NI	10,708	Jill Holmes
310/04	Cahoots NI	32,000	Jill Holmes
400/04	Cahoots NI	7,825	Jill Holmes
156/04	Big Telly Theatre Company	7,000	Jill Holmes
323/04	Big Telly Theatre Company	47,790	Jill Holmes
299/04	John Hewitt Society	16,850	Tony Kennedy
361/04	Children's Express Foyle Bureau	41,972	Tim Kerr
0143/05	Children's Express Foyle Bureau	60,000	Tim Kerr
115/04	Youth Action Northern Ireland	16,553	Tim Kerr
273/04	Youth Action Northern Ireland	45,000	Tim Kerr
0151/05	Youth Action Northern Ireland	34,045	Tim Kerr
148/04	Down District Council	25,000	Sharon O'Connor
201/04	Down District Council	32,969	Sharon O'Connor
TOTAL		749,854	

16 Derivatives and other financial instruments: disclosures (FRS 13)

FRS 13 requires disclosure of the role which financial instruments have had during the period, in creating or changing the risks the Fund faces in undertaking its role.

Liquidity risks

In 2004-2005, £6,330,084 (79.96%) of the Arts Council's Lottery Fund's income derived from the National Lottery. The remaining income derived from investment returns from the balance held with the National Lottery Distributions Fund, £1,556,287 (19.66%), and from Bank Interest and Sundry Income, £29,850 (0.38%). The Council considers that the Fund is not exposed to significant liquidity risks, it is satisfied that it has sufficient liquid resources within the NLDF and in the bank of £35.2 million to cover all current contracted commitments of £20.5 million.

Interest rate risks

The financial assets of the Fund are invested in the National Lottery Distribution Fund, which invests in a narrow band of low risk assets such as government bonds and cash. The Council has no control over the investment of Funds in the National Lottery Distribution Fund. At the balance sheet date the Market Value of investment in the National Lottery Distribution Fund was £35.2 million. In the year the average return on these investments was 4.5%. Cash balances which are drawn down from the Fund to pay grant commitments and operating costs are held in an instant access variable rate bank account which on average carried an interest rate of 11.6% (2003-2004: 3.87%) in the year. The cash balance at the year-end was £231,578. The Council considers that the Fund is not exposed to significant interest rate risks.

Foreign currency risk

The Fund is not exposed to any foreign exchange risks.

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