

Presented to Parliament pursuant to Section 35(5) of the National Lottery etc. Act 1993 (as amended by the National Lottery Act 1998)

Arts Council of Northern Ireland Lottery Distribution Account 2010-2011

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is an Officer of the House of Commons.
He is the head of the NAO, which employs some 880 staff.
He and the NAO are totally independent of government.

He certifies the accounts of all government departments
and a wide range of other public sector bodies;
and he has statutory authority to report to Parliament
on the economy, efficiency and effectiveness with which departments
and other bodies have used their resources.

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Annual Report

Directors' Report

Background Information on the Arts Council of Northern Ireland

The Council, presently known as the Arts Council of Northern Ireland (ACNI), 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 (DCAL). The affairs of the Council are currently managed by a Board consisting of fifteen members. The current Board members are listed below. The Chief Executive (Roisin McDonough) 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, as amended by the 1998 Act, 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 1998-99, Lottery proceeds were also distributed to the New Opportunities Fund (NOF) and to the National Endowment for Science, Technology and the Arts (NESTA).

In February 2008, a Statutory Instrument (SI 2008 No. 225 the Payments into the Olympic Lottery Distribution Fund etc Order 2008) was passed which allowed for the transfer of up to £1,085m from the National Lottery Distribution Fund to the Olympic Lottery Distribution Fund in order to meet some of the costs of hosting the 2012 games.

The Arts Council of Northern Ireland is required to prepare a statement of accounts for each financial year in accordance with sections 35(2) and 35(3) of the National Lottery etc. Act 1993 and Lottery Accounts Direction given by DCAL, with the approval of the Secretary of State for the Department for Culture, Media and Sport (DCMS). DCAL issued revised Lottery Accounts Directions to ACNI on 19 July 2010, a copy of which can be obtained from ACNI upon request. DCAL issued revised Lottery Policy Directions to ACNI on 16 April 2008, a copy of which is attached to the end of these financial statements.

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 Board made its first awards to applicants for Lottery funding in 1995-96. 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.

Board Members of the Arts Council of Northern Ireland and members of its Lottery, Grants and Capital Committee

Appointments to the Board are made by the Minister for Culture, Arts and Leisure. The Chairman and members of the Board 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 Board of the Arts Council of Northern Ireland for the year ended 31 March 2011 is shown below.

Board:

Ms Rosemary Kelly (Chairman)	Prof Ian Montgomery
Mr Damien Coyle (Vice Chairman)	Ms Sharon O'Connor
Mrs Eithne Benson	Mr Joe Rice
Ms Kate Bond	Prof Paul Seawright
Mr Raymond Fullerton	Mr Brian Sore
Mr David Irvine	Mr Peter Spratt
Mr Tony Kennedy	Ms Janine Walker
Mr Bill Montgomery	

The members of the Audit and Risk Committee for the year ended 31 March 2011 were Mr Tony Kennedy (Chairman), Mr Raymond Fullerton, Mr David Irvine, Mr Ivor Johnston (Co-opted Member) and Ms Janine Walker (from 20 December 2010).

The members of the Lottery and Grants Committee for the year ended 31 March 2011 were Ms Kate Bond (Chairman), Mrs Eithne Benson, Prof Paul Seawright, Mr Damien Coyle and Ms Janine Walker (from 20 December 2010).

Several members of the Board of the Arts Council, its Lottery and Grants 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 in Note 16. All of the transactions relating to the organisations were conducted at arms-length by the Board members and staff of the Arts Council.

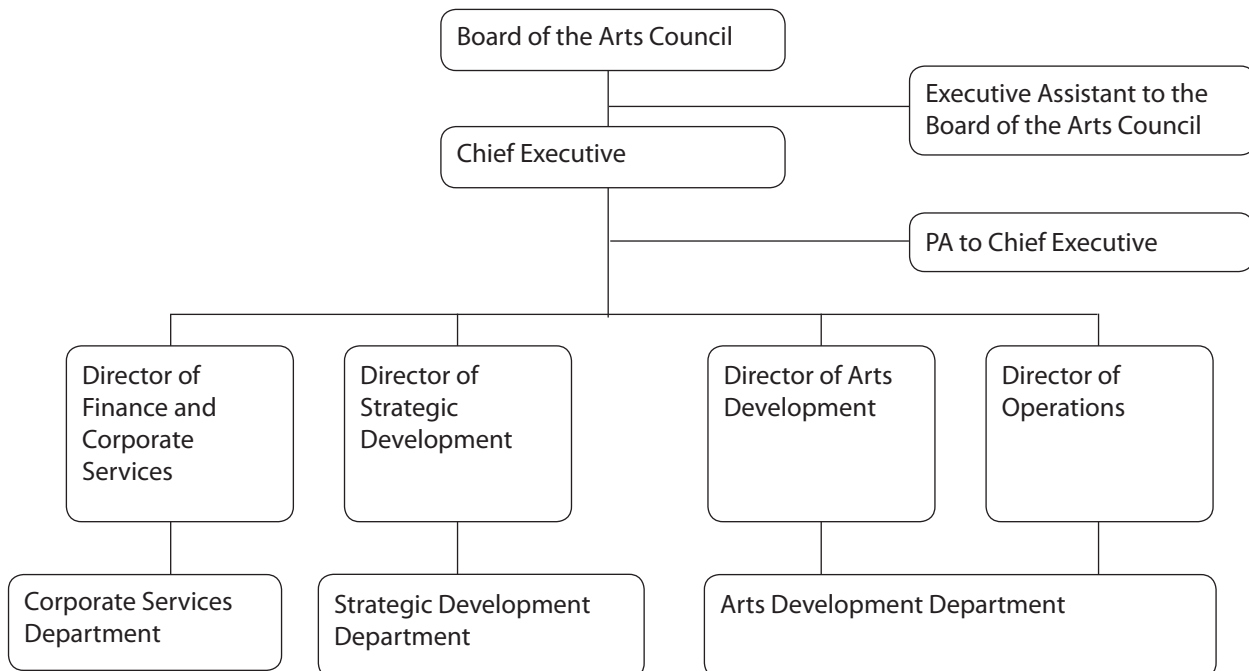
Board Members Attendance 2010-11

	13 Board Meetings held			Committee Meetings		Total meetings	
	Full	Part	Act	Act	Poss	Act	Poss
Eithne Benson ¹	9	0	9	3	3	12	16
Kate Bond ¹	8	0	8	3	3	11	16
Damien Coyle ¹	9	1	10	11	18	21	31
Raymond Fullerton	11	0	11	5	5	16	18
David Irvine ²	3	0	3	2	2	5	5
Rosemary Kelly ¹	13	0	13	10	12	23	25
Tony Kennedy ¹	11	2	13	9	9	22	22
Bill Montgomery ¹	4	3	7	4	10	11	23
Ian Montgomery ¹	8	0	8	8	11	16	24
Sharon O'Connor	5	0	5	0	0	5	13
Joe Rice	5	2	7	1	4	8	17
Paul Seawright ¹	7	0	7	5	6	12	19
Brian Sore ¹	12	1	13	6	7	19	20
Peter Spratt	11	1	12	4	4	16	17
Janine Walker	10	0	10	4	6	14	19

1 additional ad hoc meetings not included

2 extended illness

Organisational Structure



Appointment of Auditors

Under the National Lottery etc. Act 1993, in particular Section 35(5), 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.

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

Policy on disabled persons

It is the Arts Council intention to ensure that people with a disability are given opportunities for suitable employment and that they are not discriminated against on the grounds of disability for recruitment, training or promotion.

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, to 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.

Pension Fund

All assets, liabilities and operating costs of the Council's pension scheme are recorded in the accounts of the ACNI Exchequer entity. The salary charges to Lottery in-year include a recharge of employer pension costs of £77,542 (2009-10: £184,975).

The market value of the Council's share of the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) pension scheme's assets (excluding Additional Voluntary Contributions) at 31 March 2011 was £8.666m (31 March 2010: £7.722m) and the present value of the Council's share of the scheme liabilities was £10.739m (31 March 2010: £12.426m). The Council's share of the Scheme recorded net pension liabilities at 31 March 2011 was £2.073m (31 March 2010: £4.704m).

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 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 96 per cent of the bills were paid within this standard. The figure for 2009-10 was 93 per cent on the basis of a 30 day target. Overall for the year the average number of days taken to pay invoices was seven days.

Political and charitable donations

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

Equal Opportunity Policy

The Arts Council of Northern Ireland is an equal opportunities employer. It is the Arts Council's policy at all times to make appointments to its staff on a basis of merit without regard to consideration of sex, marital status, religious belief, political opinion, disability, ethnic origin, sexual orientation, age or Trade Union membership. Within the grant application process, applicants are required to demonstrate their commitment to equality of opportunity in all aspects of their work. In addition, the Council monitors all applications it receives in terms of Section 75 of the Northern Ireland Act 1998.

Management Commentary

Principal risks

Details on managing the Arts Council's risk can be found in the Statement on Internal Control. The principal risk facing the Arts Council arises from pressures on public funding from the four year spending review 2011-14. The Arts Council has modelled government cuts to inform options, the impact of cuts on arts organisations and staffing levels. It is essential that staffing levels are maintained at a level sufficient to deliver the lottery fund objectives.

Financial results

The Arts Council of Northern Ireland's Lottery Distribution results are set out in the Statement of Comprehensive Net Income. Total income received from the National Lottery totalled £7,300,126 (2009-10: £6,964,863). During the year the Arts Council paid £7,690,262 (2009-10: £8,885,528) to applicants and contributed £1,214,872 (2009-10: £1,214,872) to the Olympic Lottery Distribution Fund. The total administrative costs to the Arts Council of its distribution activities, including staff costs, were £1,207,747 (2009-10: £1,324,694 excluding depreciation). This represents approximately 17 per cent (2009-10: 19 per cent) of the total proceeds received in the year and 14 per cent (2009-10: 12 per cent) of total funds drawn down.

Review of National Lottery distribution activities

During the 2010-11 year, 556 applications were received by the Arts Council seeking grants of £8,085,445 (2009-10: £10,050,866) across the main Lottery programmes. By the end of the year 371 (2009-10: 425) grants had been awarded through the main programmes, receiving a total of £4,186,184 (2009-10: £10,586,712). NI Screen made 98 (2009-10: 48) awards totalling £622,615 (2009-10: £481,379) under its three-year delegation agreement with the Arts Council. Therefore in aggregate 469 awards were made in year totalling £4,808,799 (2009-10: £11,068,091) as shown in Note 11 of the accounts.

The lower value of awards made in 2010-11 as compared with 2009-10 does not reflect a decrease in demand for funds, but rather the fact that one major programme (Re-Imaging Communities), jointly funded with a number of other agencies came to an end. In addition, the Council, having over-committed funds against annual income in previous years to accommodate the capital programme, chose to act prudently to bring its commitments more in line with available, year on year, income.

Equity at the year end

At 31 March 2011, the Lottery Distribution Account showed net income of £735,246 (31 March 2010: net expenditure of £5,740,362). At 31 March 2011, the total equity showed a deficit of £206,129 (31 March 2010: deficit of £926,715).

Comment on NLDF balance policy

As at 31 March 2011, Arts Council Lottery Account balances at NLDF totalled £7.7m (31 March 2010: £10.4m), down £2.7m on the prior year - a decrease of 26 per cent.

During 2009-10, the Council agreed a new target to reduce its balance in the NLDF to £5m by March 2013. With two major capital projects to be completed by March 2012, committed funds which had remained in the NLDF balance for a number of years have been drawn down. In addition, the majority of Lottery awards must be used within a calendar year of the date of the award thereby ensuring a quicker draw down.

As specified in the Lottery Accounts Direction, issued by DCAL, the NLDF balance is classified as investments held for sale in the Statement of Financial Position. This is in line with DCMS accounting policy. NLDF investments are therefore held at the lower of carrying amount and fair value less costs to sell, with any unrealised profit or loss recognised through reserves.

Current contracted commitments total £8.2m. The Council considers that it has sufficient liquid resources within the NLDF and cash balances of £8m as well as forecasted NLDF income to cover all current contracted commitments. The forecasted NLDF income is based on quarterly projections received from DCMS. Current projections are to 2014-15.

Sickness absence

The number of average sick days reported in 2010-11 excluding maternity related sickness was 4.1 days (2009-10: 8.6 days). The figure for the year including maternity related sickness was 4.2 days (2009-10: 8.7 days).

Personal data

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

Going concern basis

The Lottery Distribution Accounts of the Arts Council are produced on the Going Concern Basis. The Council is not aware of any reason to adopt a different basis.

Non-Audit Services

During the year the Arts Council of Northern Ireland obtained non-audit services from its internal auditor, ASM Horwath. The Arts Council sought professional advice from ASM Horwath to review the options available to the Arts Council for amending its pension arrangements and whether this would have National Insurance Contributions (NIC) obligations and benefit-in-kind implications for the employer and the employee. ASM Horwath's fee for this work was £3,749, of which £1,612 was recharged to the Lottery Distribution Account.

2010-11 National Lottery Distribution activities

During the year the Council made its first awards under its new Arts and older people Programme. This programme, jointly funded with Atlantic Philanthropies, provides older people with the opportunity to use arts as a creative vehicle to explore and highlight social justice issues through a series of artist-led interventions. Thirteen awards were made totalling £98,123. The programme will continue throughout 2011-12 and 2012-13.

The Council continued its delegation agreement with NI Screen allocating 8 per cent of its net available funds to NI Screen in support of the development, production and distribution of film. 2010-2011, was the final year of the current delegation agreement. The final year of the current delegation agreement was 2010-2011. Towards the end of the financial year, the Council decided to renew the delegation agreement with NI Screen for a further three years.

As part of its Support for the Individual Arts Programme, the Council launched a new scheme to support career artists whose practice is of high quality, original, challenging and innovative. The awards are designed to support artists in their professional development, enabling successful applicants to raise their profile and significantly enhance their career.

Future Developments in National Lottery Distribution Activities

In the incoming year 2011-12 the Council will continue to offer the full range of programmes which it has operated during the current year.

In addition, the Council will investigate the possibility of opening a new three-year programme to offer sustained funding for organisations thereby giving them a greater degree of stability as well as the ability to forward plan with confidence.

The Council will re-open a capital Public Art programme to support the commissioning of new art for public places throughout Northern Ireland.

Remuneration Report

Remuneration Policy

Until January 2010

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

R Kelly
D Coyle
B Montgomery
I Montgomery

When acting as a Remuneration Committee the membership included two additional board members to comprise

R Kelly
D Coyle
B Montgomery
I Montgomery
B Sore
T Kennedy

From February 2010

Two separate Committees, the Staffing Committee and the Remuneration Committee, existed and met separately. The two Committees share the same membership made up of four Board members as follows:

R Kelly
D Coyle
B Montgomery
I Montgomery

When the Remuneration Committee meets, the membership includes two additional board members to comprise

R Kelly
D Coyle
B Montgomery
I Montgomery
B Sore
T Kennedy (until June 2010)

From July 2010 onwards, T Kennedy no longer attended the Remuneration Committee meetings as it was felt it was a potential conflict with his role as Chair of the Audit & Risk Committee. Therefore since June 2010, the Remuneration Committee membership comprises of one additional board member.

Within the Arts Council, the Chief Executive is employed at a Senior Civil Service grade. The remuneration of senior civil servants is set by the Minister of Finance and Personnel following independent advice from the Review Body on Senior Salaries. Further information about the work of the review body can be found at <http://www.ome.uk.com>.

The pay award for staff in the Northern Ireland Senior Civil Service is normally comprised of two elements; a base pay uplift and a non-consolidated bonus. Both elements are based on performance. The senior civil service

pay award in 2010-11 comprised a base pay uplift only, with individual's awards differentiated on the basis of performance and position on the relevant pay band. There were no non-consolidated bonus payments to any senior civil servants as part of the pay award. The Remuneration Committee is responsible for approving the Chief Executive's salary and assessing her performance. The method used for appraisal is that the Chief Executive has a staff appraisal with the Chairman on the basis of objectives set the previous year. The appraisal meeting also discusses objectives for the incoming year. These are further discussed by the Chairman with DCAL. Subsequently, proposed objectives are presented to the Remuneration Committee. On approval of same these 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 all senior staff positions above Deputy Principal are approved by DCAL. The majority of staff are appointed on Northern Ireland Civil Service pay scales.

All of the staff costs were incurred by the Arts Council of Northern Ireland and an appropriate amount was 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 the normal retiring age of 65. The Chief Executive (Roisin Mc Donough) was appointed on 16 October 2000. This position is permanent within the definition above as are the executive director positions.

Salary and Pension entitlements

The following sections provide details of the remuneration and pension interests of the Senior Staff of the Arts Council.

Remuneration (Audited Information)

	2010-11 Salary £'000	2010-11 Bonus £'000	2010-11 Benefit in kind £'000	2009-10 Salary restated £'000	2009-10 Bonus restated £'000	2009-10 Benefit in kind £'000
R McDonough (Chief Executive)	75-80	0	0	70-75*	5-10*	0
N McKinney (Director of Arts Development)	45-50	0	0	45-50	0	0
P Burns (Director of Corporate Services – retired 30 November 2009)	N/A	0	0	25-30 45-50 (full year equivalent)	0 0	0 0
K Brown (Part-time Acting Director of Corporate Services 20 April 2009 to 31 March 2010)	N/A	0	0	20-25 35-40 (full year equivalent)	0	0
G Troughton (Director of Finance and Corporate Services Appointed 1 March 2010)	40-45	0	0	0-5 40-45 (full year equivalent)	0	0
N Livingston (Director of Strategic Development)	45-50	0	0	45-50	0	0
L McDowell (Director of Operations)	40-45	0	0	40-45	0	0

* Restated as bonus now separately identified. The bonus reported in 2009-10 related to 2007-08 performance.

Salary

'Salary' includes gross salary to the extent that it is subject to UK taxation. This report is based on payments made by the Arts Council of Northern Ireland 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 above.

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process

Board Members' Honoraria

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

The rate of honoraria for the Chairman is £10,000 per annum with effect from 1 July 2007 and the Vice Chairman is £3,500 per annum with effect from 1 December 2007. The total cost of honoraria paid in 2010-11 was £14,051 (2009-10: £14,050) as shown in wages and salaries. This includes £551 of employer's National Insurance Contributions. The amounts received by the Chairman and Vice Chairman are detailed below:

	Chairman	Vice Chairman
	£	£
R Kelly	10,000	0
D Coyle	0	3,500

Of the total cost of honoraria £6,042 (2009-10: £6,182) was apportioned to the Lottery Distribution Account. No emoluments were paid to other Board members in respect of Lottery activities. The Council does not pay any pension contributions on behalf of the Chairman and Vice Chairman. These individuals are not included, therefore, in the following pension note.

Pension entitlements (Audited information)

	Pensionable Earnings £000	Accrued pension At 65 £000	Real increase £000	Accrued Lump Sum at 65 £000	Real increase in lump sum £000	CETV 31 March 2010 £000	CETV 31 March 2011 £000	Real Increase In CETV £000
R McDonough	75-80	25-30	0-2.5	75-80	0-2.5	616	648	14
N McKinney	45-50	15-20	0-2.5	40-45	0-2.5	252	247	-16
K Brown (Part time Acting Director from 20 April 2009 to 31 March 2010)	N/A	N/A	N/A	0	0	9	0	0
G Troughton (Appointed 1 March 2010)	40-45	0-5	0-2.5	0-5	0-2.5	1	23	22
N Livingston	45-50	15-20	0-2.5	45-50	0-2.5	349	357	-4
L McDowell	40-45	15-20	0-2.5	45-50	0-2.5	340	354	3

Arts Council pensions

The pension benefits of all staff are provided through the Northern Ireland Local Government Officers' Superannuation Committee scheme. This is a funded scheme which provides benefits on a 'final salary' basis at a normal retirement age of 65. Benefits accrue at the rate of 1/60th of pensionable salary for each year of service (1/80th before 1 April 2009). In addition, a tax free lump sum may be payable on retirement. Members pay contributions of between 5.5 per cent and 7.5 per cent of pensionable earnings. Pensions increase in payment in line with the Retail Prices Index. In 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 63 (2009-10: 71) employees (not all 63 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 2011, the Arts Council contributed 17 per cent (2009-10: 16 per cent) of gross salary.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the NILGOSC pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The actuarial factors used in the CETV calculation were changed during 2010, due to changes in demographic assumptions and the move from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI) as the measure used to uprate pensions. This means that the CETV in this year's report for 31 March 2010 will not be the same as the corresponding figure shown in last year's report.

The cash equivalent value at 31 March 2010 has not been restated with the move from the Retail Price Index (RPI) to the Consumer Price Index (CPI). NILGOSC assumes transfers prior to October 2010 will apply RPI.

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 termination benefits during the year.

Roisín McDonough
Accounting Officer for the Council

14 October 2011

Statement of the Arts Council's and Accounting Officer's responsibilities

The Arts Council of Northern Ireland is required to prepare a statement of accounts for each financial year in a form directed by the Secretary of State with the consent of DFP and HM Treasury in accordance with Section 35(3) of the National Lottery etc. Act 1993 and Lottery Accounts Direction given by DCAL.

The accounts 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, changes in equity and cash flows for the financial year.

In preparing the 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 DCAL on behalf of the Secretary of State for DCMS, 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; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Arts Council of Northern Ireland Lottery Distribution Fund will continue in operation.

The Accounting Officer for DCAL 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 *Managing Public Money* issued by HM Treasury, and in the Financial Directions issued by DCAL on behalf of the Secretary of State for DCMS under s26(3) of the National Lottery etc. Act 1993.

Roisín McDonough
Accounting Officer for the Council

14 October 2011

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'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 *Managing Public Money* and ensuring compliance with the requirements 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 DCAL.

The purpose of the system on 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 provide only 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's policies, aims and objectives;
- evaluate the likelihood of those risks being realised and the impact should they be realised; and
- manage risks efficiently, effectively and economically.

The system of internal control has been in place in the Arts Council for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance. The organisation will at all times ensure that:

- it meets its statutory reporting and regulatory obligations;
- it is accountable to both its sponsoring department and, ultimately, the public; and
- it will maintain systems to protect and ensure value-for-money in the use of its resources in the meeting of its aims and objectives.

Capacity to handle risk

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 Council are drawn to the attention of the Chairman and are properly managed. The Risk Register is presented to the Audit and Risk Committee at each meeting 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. A Risk and Assurance course was undertaken by the current Director of Finance (in advance of taking up his position at the Arts Council on 1 March 2010) and a Board member in January 2010. A Risk Management Strategy was developed and approved by the Board in March 2009.

The Audit and Risk Committee has lead responsibility for the periodic review of the risk framework/register and other records of risk. Any revision to the framework discussed within the Audit and Risk Committee is recommended to the Board. The Audit and Risk Committee also reviews and agrees annually, the internal audit work schedule, considers and comments on all internal audit reports and reports to the full Board on key risks and audit matters. In accordance with these functions, the Chairman and members of the Audit and Risk Committee have received appropriate training in accordance with Best Practice guidelines and Corporate Governance principles.

The Chairman also attends DCAL meetings and workshops for NDPB Audit Committee Chairmen.

The Board Chairman and Audit and Risk Committee Chairman review the final reports and accounts. The ensuing Report to those charged with Governance issued by the external auditors is considered by both the Audit and Risk Committee and the Board.

Other committees, including the Finance and Capital and the Lottery and Grants take lead responsibility for periodically monitoring and reporting on expenditure activities of the Arts Council. This encompasses both grants and core costs with detailed reviews of grant programme type and need, forming part of future grant decisions. The Committees report and make recommendations to the Board.

Finally, the Arts Council maintains a register of related party transactions in order to ensure opportunities for conflicts of interest are avoided. This register is maintained centrally and 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 risk and control framework

The Arts Council appointed independent Internal Auditors (ASM Horwath) from a tender exercise in open competition during 2008-09. The internal auditors have submitted regular reports which included an opinion on the adequacy and effectiveness of the Council's system of internal control together with recommendations for improvement.

With DCAL's approval the Board's Review of Grant Distribution was undertaken during 2009-10 and has reached the implementation stage and the recommendations are being implemented across all programmes as appropriate.

Grant monitoring procedures continue utilising both finance and internal audit expertise. I have been assured by my senior managers that the procedures continue to incorporate more sophisticated aspects such as multiple application fraud detection in line with policy and financial directions.

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 in how to protect the data and assets held by the organisation. During December 2010, the Information Commissioner's Office made a presentation to all staff which provided an overview of both the ICO and of the legislation that they cover.

Grants Verification procedures were approved by the Board in January 2010 on the recommendation of the Audit and Risk Committee. DCAL's framework for Risk Registers was adopted and put in place in December 2009. The Framework is also guided by Best Practice in the areas of Public Interest Disclosure (Whistle-blowing) and Fraud Risk Management. In accordance with central government guidelines and best practice the Arts Council has in place an Anti-Fraud Policy and a Public Interest Disclosure (Whistle-blowing) Policy.

Following an announcement by the Information Commissioner that the approval of all current publication schemes would expire on 31 December 2008, the Council adopted a new model scheme which is suitable for every public authority and is publishing more information than was previously the case. The Arts Council operates a Document Disposal Schedule which reflects the Northern Ireland Civil Service model. The Document Disposal Schedule was approved by PRONI in 2008 and reviewed in 2011 (as part of their review of systems of assuring retention and disposal schedules).

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control which is informed by the work of the internal auditor and the senior managers within the Council who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their Report to those charged with Governance and other reports. In addition, as noted above, the Committees of the Board of the Arts Council report at Board meetings on the functional areas falling within each Committee's terms of reference. The Board makes appropriate recommendations where necessary.

A three year Strategic Internal Audit Plan for 2008-11 is in place and has been reviewed and updated on an annual basis. The 2010-11 plan was updated to reflect requirements from DCAL Governance Support Unit and was accepted by the Audit and Risk Committee in March 2010. The Annual Statement of Assurance concludes that relevant satisfactory controls are in place and that these continue to be reviewed and amended where appropriate in accordance with best practice guidelines. Outstanding internal and external recommendations are reviewed regularly and are incorporated into work plans for the incoming financial year.

Consistent with its Fraud Response Plan the Arts Council made initial assessments on four suspected cases of external fraud. When the initial assessments are complete, the Responsible Officer, the Director of Finance and Corporate Services, considers all aspects of the suspected frauds. Providing the initial information appears bona fide the Responsible Officer will then convene a meeting of the Council's Fraud Plan Response Group. The Responsible Officer notifies relevant parties of fraud as set out in the Fraud Response Plan. A Fraud Response Plan Group meeting was held in May 2011 to consider the cases. Subsequently, one case was closed and a second considered to be neither fraud or suspected fraud. The third case is postponed pending a PSNI investigation and the investigation into the fourth case is ongoing.

During the year the Steering Group for Business Continuity Planning managed the testing schedule. The work involved successful backup and restoration of IT systems. Business Continuity Planning will continue to be reviewed in Steering Group meetings.

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. A plan to address any weaknesses, implement internal audit and external audit recommendations, and ensure continuous improvement of the system is in place.

Roisín McDonough
Accounting Officer for the Council

14 October 2011

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

I certify that I have audited the financial statements of the Arts Council of Northern Ireland Lottery Distribution Fund for the year ended 31 March 2011 under the National Lottery etc. Act 1993. These comprise the Statement of Comprehensive Net Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Council, Accounting Officer and Auditor

As explained more fully in the Statement of the Arts Council's and Accounting Officer's responsibilities, the Arts Council of Northern Ireland and Chief Executive as Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the National Lottery etc. Act 1993. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the financial statements

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

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

Opinion on regularity

In my opinion, 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.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Arts Council of Northern Ireland Lottery Distribution Account's affairs as at 31 March 2011 and of its net income for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Lottery etc. Act 1993 and Secretary of State directions issued thereunder with the approval of HM Treasury.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions issued with HM Treasury approval under the National Lottery etc. Act 1993; and
- the information given in the Directors' Report and Management Commentary sections of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

19 October 2011

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Statement of Comprehensive Net Income for the year ended 31 March 2011

	Notes	2010-11 £	2009-10 £
Expenditure			
New grants made in year	11	4,730,427	11,190,696
Grants de-committed in year	11	(570,752)	(981,332)
Transfer to 2012 Olympics	7	1,214,872	1,214,872
Staff costs: direct costs	2	0	1,705
Staff costs: recharge	2	866,974	952,818
Depreciation	5	0	210
Other operating costs: direct costs	3	87,702	119,803
Other operating costs: recharge	3	253,071	250,368
Total expenditure		<u>6,582,294</u>	<u>12,749,140</u>
Income			
Proceeds from Lottery ticket sales	4	7,216,180	6,908,862
Lottery investment returns	4	83,946	56,001
Other income	4	17,414	43,915
Total Income		<u>7,317,540</u>	<u>7,008,778</u>
Net income/(expenditure)		<u>735,246</u>	<u>(5,740,362)</u>
Other comprehensive income			
		2010-11 £	2009-10 £
Net loss on revaluation of investment classified as held for sale	7	(14,660)	(17,530)
Total comprehensive income/(expenditure) for the year ended 31 March 2011		<u>720,586</u>	<u>(5,757,892)</u>

All activities are continuing with no acquisitions or disposals. There are no gains or losses other than those shown above.

The notes on pages 23 to 35 form part of these accounts.

Statement of Financial Position as at 31 March 2011

	Notes	31 March 2011 £	31 March 2010 £
Non-current assets:			
Property, plant and equipment	5	0	0
Total non-current assets		<u>0</u>	<u>0</u>
Current assets:			
Investment classified as held for sale	7	7,664,416	10,420,877
Trade and other receivables	8	189,160	168,078
Cash and cash equivalents	9	358,769	530,906
Total current assets		<u>8,212,345</u>	<u>11,119,861</u>
Total assets		<u>8,212,345</u>	<u>11,119,861</u>
Current liabilities:			
Trade and other payables	10	193,094	290,609
Grant hard commitments	10	7,541,961	9,460,967
Total current liabilities		<u>7,735,055</u>	<u>9,751,576</u>
Non-current assets plus net current assets		<u>477,290</u>	<u>1,368,285</u>
Non-current liabilities			
Grant hard commitments	10	683,419	2,295,000
Total non-current liabilities		<u>683,419</u>	<u>2,295,000</u>
Assets less liabilities		<u>(206,129)</u>	<u>(926,715)</u>
Equity:			
General reserve		(234,096)	(969,342)
NLDF revaluation reserve		27,967	42,627
Total Equity		<u>(206,129)</u>	<u>(926,715)</u>

The notes on pages 23 to 35 form part of these accounts.

Roisín McDonough
Accounting Officer for the Council

14 October 2011

Statement of Cash Flows for the year ended 31 March 2011

	Notes	2010-11 £	2009-10 £
Cash flows from operating activities			
Net income/(expenditure)		735,246	(5,740,362)
Funds received into the National Lottery Distribution Fund	4	(7,300,126)	(6,964,863)
Depreciation	5	0	210
(Increase)/decrease in trade and other receivables	8a	(21,082)	28,736
(Decrease)/increase in trade payables < 1 year	10a	(2,016,521)	1,275,834
Decrease in trade payables > 1 year	10a	(1,611,581)	(94,193)
Net cash outflow from operating activities		(10,214,064)	(11,494,638)
Cash flows from financing activities			
Funds drawn down from the National Lottery Distribution Fund (including transfer to 2012 Olympics)	7	10,041,927	11,836,232
Net financing		10,041,927	11,836,232
Net (decrease)/increase in cash and cash equivalents in the period		(172,137)	341,594
Cash and cash equivalents at the beginning of the period	9	530,906	189,312
Cash and cash equivalents at the end of the period	9	358,769	530,906

The notes on pages 23 to 35 form part of these accounts.

Statement of Changes in Equity for the year ended 31 March 2011

	Notes	General Reserve £	NLDF Revaluation Reserve £	Total £
Balance at 1 April 2009		4,771,020	60,157	4,831,177
Changes in equity for 2009-10				
Comprehensive net expenditure for the year		(5,740,362)	0	(5,740,362)
Net loss on revaluation of investment	7	0	(17,530)	(17,530)
Balance at 31 March 2010		(969,342)	42,627	(926,715)
Changes in equity for 2010-11				
Comprehensive net income for the year		735,246	0	735,246
Net loss on revaluation of investment	7	0	(14,660)	(14,660)
Balance at 31 March 2011		(234,096)	27,967	(206,129)

The notes on pages 23 to 35 form part of these accounts.

Notes to the Accounts – 31 March 2011

1 Statement of accounting policies

These financial statements have been prepared in a form directed by the Secretary of State with the consent of the Department of Finance and Personnel in accordance with Section 35(3) of the National Lottery etc Act 1993 and Lottery Accounts Direction given by DCAL (a copy of which is attached to the end of these financial statements).

The financial statements have been prepared in accordance with the 2010-11 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the 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 of Northern Ireland Lottery Distribution Account for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Arts Council of Northern Ireland Lottery Distribution Account for the distribution of public funding for the Arts in Northern Ireland are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

a Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment.

b Property, plant and equipment

Depreciated historical cost has been used as a proxy for fair value for all non-current assets. This basis for valuation has been adopted in accordance with FReM 2010-11 as all currently held assets have both short useful lives and low values.

The minimum level for capitalisation as an individual or grouped non-current asset is £1,000. Items below the threshold of £1,000 are written off to the Statement of Comprehensive Net Income. There have been no additions to the non-current asset register during the 2010-11 year. Premises overheads incurred and assets capitalised by the Arts Council of Northern Ireland have been recharged to the Lottery Distribution Account and are included within the administration recharge.

c Depreciation

The system of recharges, as described in the paragraph above, means that non-current asset additions and their related depreciation are no longer reflected in the Lottery Accounts.

The assets currently held on the non-current asset register are fully depreciated. The useful economic life of the assets has not been revised. This is deemed to be appropriate due to the negligible value of the assets.

d 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 DCMS. However, the share of these balances attributable to the Arts Council of Northern Ireland is as shown in the accounts and, at the Statement of Financial Position date, has been certified by the Secretary of State for DCMS as being available for distribution by the Arts Council in respect of current and future commitments.

As specified in the Lottery Accounts Direction, issued by DCAL, the NLDF balance is classified as investments held for sale in the Statement of Financial Position. This is in line with the DCMS accounting policy. NLDF investments are therefore held at the lower of carrying amount and fair value less costs to sell, with any unrealised profit or loss recognised through the NLDF revaluation reserve.

e Soft and hard commitments

A grant commitment is deemed to be a soft commitment once the Letter of Offer has been drawn up and sent to the grant client. The commitment then becomes a hard commitment once the grant client has sent back a Letter of Acceptance of the amount and terms of the grant award. The commitment will remain as hard provided the client continues to meet the conditions of grant. Soft commitments are disclosed in Note 11 to the accounts purely for information as the soft commitments are not recognised as expenditure in the Statement of Comprehensive Net Income.

f Transfer to 2012 Olympics

It has been agreed with DCMS that the transfers to the Olympic Lottery Distribution Fund will take place quarterly over the years 2009-10 to 2012-13. The transfers are charged to the Arts Council of Northern Ireland Lottery Distribution Account in the year the transfer takes place.

g Recharge of staff costs and apportionment of other operating costs

Administrative overheads and salaries are incurred by the Arts Council of Northern Ireland and paid initially from Exchequer funds. An amount is then recharged to cover the costs of staff working on Lottery Grants. A Service Level Agreement on Recharging of Salaries and Overheads between Exchequer and Lottery was signed on 22 March 2011.

Recharges for the 2010-11 year have therefore been made in line with this agreement which stipulates that Staff Costs (including Honoraria) and relevant Overhead Costs will be recharged to Lottery at 43 per cent.

The only exception to this is the staff costs in relation to three members of staff who work in Re-Imaging, one member of staff who works in Small Grants and one member of staff who works in Arts and Older People. All work performed by these five members of staff relates solely to Lottery. Therefore the salary costs for the five relevant employees are recharged at 100 per cent to Lottery.

h Pension costs

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

The pension costs are assessed in accordance with the advice of independent qualified actuaries using the market led approach. The latest actuarial valuation of the scheme was at 31 March 2011.

Pension scheme assets are measured using the 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 pension cost in respect of employees is charged to the Statement of Comprehensive Net Income so as to recognise the cost of pensions over the employees' working lives.

i Operating income

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

j Financial instruments

As the cash requirements of the Arts Council of Northern Ireland Lottery Distribution Fund are met through Lottery Funding, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body.

The majority of financial instruments relate to contracts to buy non-financial items in line with the Arts Council of Northern Ireland's expected purchase and usage requirements and the Arts Council of Northern Ireland is therefore exposed to little credit liquidity or market risk.

k Staff Costs

Under IAS19 Employee Benefits, all staff costs must be recorded as an expense as soon as the organisation is obligated to pay them. This includes the cost of any untaken leave as at the year end. The cost of untaken leave has been determined using data from leave records.

2 Staff numbers and related costs

Staff costs comprise:

	Total	Permanently employed Staff	Others	2009-10
	£	£	£	£
Wages and salaries	734,237	632,182	102,055	701,523
Social security costs	49,182	44,157	5,025	47,377
Other pension costs	77,542	77,600	(58)	184,975
Agency costs	6,013	0	6,013	20,648
Total	866,974	753,939	113,035	954,523

All of the staff costs were incurred by the Arts Council of Northern Ireland and 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. The table below gives a breakdown of the average number of full time equivalent staff employed across the whole Arts Council during the year and the average number of full time equivalent staff working on the Lottery Distribution Account during the year:

	Total	Permanently employed Staff	Others	2009-10
Arts Council of NI				
Directly employed	60	48	12	60
Staff engaged on capital projects	1	1	0	1
	61	49	12	61
Agency Staff	1	0	1	1
Total	62	49	13	62
Lottery Distribution Account				
Directly employed	25	21	4	26

Chief Executive's Remuneration

The Chief Executive's remuneration, including backdated pay awards, during the year was £77,700 (2009-10: £84,556). The Chief Executive is an ordinary member of the Northern Ireland Local Government Officers Superannuation Committee (NILGOSC) pension scheme. A total of £44,902 (2009-10: £48,363) of the Chief Executive's employment costs have been apportioned to the Lottery Distribution fund to cover time spent on Lottery activities and expenses. This amount is included in the staff costs recharge to the Lottery Distribution fund noted above.

Pension Contributions

The NILGOSC scheme is a defined benefits scheme, and the fund is invested in suitable investments, managed by the Committee. For 2010-11, the contribution rates were 17 per cent employers and ranging between 5.5 per cent and 7.5 per cent employees (2009-10: 16 per cent employers and ranging between 5.5 per cent and 7.5 per cent employees).

Exit Packages

No staff members of the Arts Council received any termination benefits during the year.

Pension Commitments

The Arts Council participates in the Northern Ireland Local Government Officers' Superannuation Committee scheme (NILGOSC) and made contributions for 63 (2009-10: 71) employees during the year (not all 63 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 2011 the Arts Council contributed 17 per cent (2009-10: 16 per cent) of gross salary.

The latest actuarial valuation of the scheme was carried out at 31 March 2011. The financial assumptions used by the actuary were:

Main assumptions	2011	2010	2009
	%	%	%
Inflation/pension increase rate	2.8	3.8	3.1
Salary increase rate	5.1	5.3	4.6
Expected return on assets	6.9	7.2	6.5
Discount rate	5.5	5.5	6.9

The market value of the Arts Council's share of the NILGOSC pension scheme's assets (excl. Additional Voluntary Contributions) at 31 March 2011 was £8.666m (31 March 2010: £7.722m) and the present value of the Council's share of the scheme liabilities was £10.739m (31 March 2010: £12.426m). The Council's share of the Scheme recorded net pension liabilities of £2.073m at 31 March 2011 (31 March 2010 £4.704m). All assets, liabilities and operating costs of the Council's pension scheme are recorded in the accounts of the Exchequer entity. The salary charges to Lottery in-year include a recharge of employer pension costs of £77,542 (2009-10: £184,975).

3 Other Expenditure

	Total	Direct	Recharge	2009-10
	£	£	£	£
ACNI administration apportionment	249,079	0	249,079	250,368
Awards for all administration	1,407	1,407	0	3,657
NI screen administration	33,717	33,717	0	38,184
Re-imaging communities administration	7,185	7,185	0	24,182
Small grants administration	1,191	336	855	0
Arts and older people administration	3,226	89	3,137	0
Audit fees	27,500	27,500	0	27,500
Consultancy – living and working conditions of artists	0	0	0	17,625
Cultural Olympiad – commissions	15,000	15,000	0	0
External monitoring	2,468	2,468	0	2,360
Printing & design	0	0	0	6,295
Total	340,773	87,702	253,071	370,171

Of the total operating expenses of £340,773 an amount of £253,071 (2009-10: £250,368) was incurred by the Arts Council of Northern Ireland and recharged to the Lottery Distribution Account at full economic cost.

The £253,071 (2009-10: £250,368) administrative overhead apportioned to the Lottery Distribution fund comprised administrative costs and expenses incurred by the Council from which the Lottery benefited indirectly. The apportionment was made at full economic cost and calculated on appropriate bases.

The total audit fees of £27,500 (2009-10: £27,500) represents both the external audit fee charged by the National Audit Office of £27,000 and an additional £500 relating to an under accrual in relation to the 2009-10 audit fee.

4 Income

	2010-11 £	2009-10 £
NLDF Income		
Investment income	54,538	49,110
Realised gain on investment	29,408	6,891
Lottery investment returns	83,946	56,001
Proceeds from lottery ticket sales	7,216,180	6,908,862
Total NLDF Income	7,300,126	6,964,863
Other Income		
Bank interest	0	17
Grants refunded	3,927	16,564
NI screen recoupment	13,487	17,634
Awards for all recoupment	0	9,700
Total other income	17,414	43,915
Total income	7,317,540	7,008,778

5 Property, plant and equipment

	Information Technology £	Furniture and Fittings £	Total £
Cost			
At 1 April 2010	8,316	3,582	11,898
Additions	0	0	0
Disposals	0	0	0
At 31 March 2011	8,316	3,582	11,898
Depreciation			
At 1 April 2010	8,316	3,582	11,898
Charged in Year	0	0	0
Disposals	0	0	0
At 31 March 2011	8,316	3,582	11,898
Net book value at 31 March 2011	0	0	0
Net book value at 31 March 2010	0	0	0

	Information Technology	Furniture and Fittings	Total
	£	£	£
Cost			
At 1 April 2009	8,316	3,582	11,898
Additions	0	0	0
Disposals	0	0	0
At 31 March 2010	<u>8,316</u>	<u>3,582</u>	<u>11,898</u>
Depreciation			
At 1 April 2009	8,316	3,372	11,688
Charged in Year	0	210	210
Disposals	0	0	0
At 31 March 2010	<u>8,316</u>	<u>3,582</u>	<u>11,898</u>
Net book value at 31 March 2010	<u>0</u>	<u>0</u>	<u>0</u>
Net book value at 31 March 2009	<u>0</u>	<u>210</u>	<u>210</u>

6 Financial instruments

IAS 39 requires disclosure of the role which financial instruments have had during the year in creating or changing the risks the Fund faces in undertaking its role. As the cash requirements of the Arts Council of Northern Ireland Lottery Distribution Fund are met through Lottery Funding, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the Arts Council of Northern Ireland's expected purchase and usage requirements and the Arts Council of Northern Ireland is therefore exposed to little credit, liquidity or market risk.

Liquidity risks

In 2010-11, £7.2m or 98.61 per cent (2009-10: £6.9m or 98.57 per cent) 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, £84,000 or 1.15 per cent (2009-10: £56,000 or 0.80 per cent), and from Bank Interest and Sundry Income, £17,000 or 0.24 per cent (2009-10: £44,000 or 0.63 per cent). 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 cash balances of £8m as well as forecasted NLDF income to cover all current contracted commitments of £8.2m. The forecasted NLDF income is based on quarterly projections received from DCMS. Current projections are to 2014-15.

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 Statement of Financial Position date the Market Value of investment in the National Lottery Distribution Fund was £7.7m. In the year the rate of return declared by NLDF was 1.13 per cent per annum, with the average return on these investments being 0.88 per cent (2009-10: 0.42 per cent). 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 0 per cent (2009-10: 0 per cent) in the year. The Arts Council Lottery fund bank account has an applicable credit interest rate of base less 1 per cent. In March 2009, the Bank of England base rate dropped to 0.5 per cent, hence no interest has been credited to the account from this date. The cash balance at the year-end was £358,769 (31 March 2010: £530,906). 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.

7 Reconciliation of Movement in National Lottery Distribution Fund

The funds held in the NLDF are invested on its behalf by the National Investment and Loans Office. Up to 1996-97, the Arts received 20 per cent of the monies paid into the Fund by Camelot, the Lottery operator, after deduction of expenses incurred by DCMS in administering the Fund, and by the regulator, the Office of the National Lottery. This percentage was reduced to 16.67 per cent by the National Lottery Act 1998. The Arts Council of Northern Ireland receives 2.8 per cent 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.

In February 2008, a Statutory Instrument (SI 2008 No. 255 the Payments into the Olympic Lottery Distribution Fund etc Order 2008) was passed which allowed for the transfer of up to £1,085m from the National Lottery Distribution Fund to the Olympic Lottery Distribution Fund in order to meet some of the costs of hosting the 2012 games. This comprises £410m as originally envisaged when the Government decided to support London's Olympic bid in 2003, and a proposed further £675m arising from the subsequent budget review. ACNI was committed to contribute up to £1.989m in the original bid and this order allows for the transfer of up to a further £2.525m. It has been agreed with DCMS that the transfers will take place quarterly. The first transfer of funds took place on the 1 February 2009 when ACNI contributed £303,718. Since then the Arts Council has contributed a further £2,429,744 by way of quarterly transfers. This has equated to £1,214,872 in each of the financial years 2009-10 and 2010-11. The Arts Council is therefore committed to pay the balance of £1.78m over the years 2011-12 to 2012-13.

The closing market value of investments held at 31 March 2011 by NLDF under the National Lottery Act as amended on behalf of the Arts Council of Northern Ireland Lottery Distribution Account was £7,664,416 (31 March 2010: £10,420,877).

As specified in the Lottery Accounts Direction, issued by DCAL, the NLDF balance is classified as investments held for sale in the Statement of Financial Position. This is in line with the DCMS accounting policy. NLDF investments are therefore held at the lower of carrying amount and fair value less costs to sell, with any unrealised profit or loss to be recognised through reserves.

Balances in NLDF

	31 March 2011	31 March 2010
	£	£
Proceeds from Lottery	7,216,180	6,908,862
Investment Income	54,538	49,110
Drawn down in year by Arts Council	(8,827,055)	(10,621,360)
Transfer to 2012 Olympics	(1,214,872)	(1,214,872)
Total decrease in funds	(2,771,209)	(4,878,260)
Realised gain on investment	29,408	6,891
Movement in revaluation reserve	(14,660)	(17,530)
Balance as at 1 April	10,420,877	15,309,776
Balance as at 31 March	7,664,416	10,420,877

8a Trade receivables and other current assets

	31 March 2011	31 March 2010
	£	£
Amounts falling due within one year		
Bank Interest	0	17
Prepayments and accrued income	189,160	168,061
	<u>189,160</u>	<u>168,078</u>

Other Current Assets includes £349 (31 March 2010: £28,086) in respect of a reimbursement to the Lottery Distribution Account from the Arts Council of Northern Ireland in respect of services rendered.

8b Trade receivables and other current assets – Intra-Government balances

	31 March 2011	31 March 2010
	£	£
Central Government	349	28,086
Other Public Bodies	188,771	139,992
Intra-government receivables	189,120	168,078
Bodies external to Government	40	0
	<u>189,160</u>	<u>168,078</u>

9 Cash and cash equivalents

	31 March 2011	31 March 2010
	£	£
Balance at 1 April	530,906	189,312
Net change in cash and cash equivalent balances	(172,137)	341,594
Balance at 31 March	<u>358,769</u>	<u>530,906</u>

The following balances at 31 March were held at:

Commercial banks and cash in hand	358,769	530,906
Balance at 31 March	358,769	530,906

10a Trade payables and other current liabilities

	31 March 2011	31 March 2010
	£	£
Amounts falling due within one year		
Accruals and deferred income	193,094	290,609
Grant hard commitments (Note 11)	7,541,961	9,460,967
	<u>7,735,055</u>	<u>9,751,576</u>
Amounts falling due after more than one year		
Grant hard commitments (Note 11)	<u>683,419</u>	<u>2,295,000</u>

Other Current Liabilities includes £142,530 (31 March 2010: £266,466) in respect of services and purchases rendered to or made on behalf of the Lottery Distribution Account by the Arts Council of Northern Ireland.

10b Trade payables and other current liabilities – Intra-Government balances

	31 March 2011	31 March 2010
	£	£
Amounts falling due within one year		
Central Government	142,530	266,466
Local Authorities	571,644	1,172,613
Other Public Bodies	452,102	443,767
Intra-government payables	1,166,276	1,882,846
Bodies External to Government	6,568,779	7,868,730
	7,735,055	9,751,576
Amounts falling due after more than one year		
Bodies External to Government	683,419	2,295,000

11 Grant commitments

	31 March 2011	31 March 2010
	£	£
Soft commitments		
a Soft commitments brought forward	191,561	335,406
b Soft commitments transferred to hard commitments	(4,730,427)	(11,190,696)
c Soft de-commitments	(54,100)	(21,240)
d Soft commitments made in year	4,808,799	11,068,091
e Soft commitments carried forward	215,833	191,561
Hard commitments		
a Hard commitments brought forward	11,755,967	10,432,131
b Hard commitments met in year	(7,690,262)	(8,885,528)
c Hard de-commitments	(570,752)	(981,332)
d Hard commitments made	4,730,427	11,190,696
e Hard commitments carried forward	8,225,380	11,755,967
Profile of hard commitments over the next five years		
Amounts falling due during 2010-11	0	9,460,967
Amounts falling due during 2011-12	7,541,961	2,045,000
Amounts falling due during 2012-13	194,084	250,000
Amounts falling due during 2013-14	489,335	0
Amounts falling due during 2014-15	0	0
Amounts falling due during 2015-16	0	0
	8,225,380	11,755,967
Total grant commitments carried forward		
Soft	215,833	191,561
Hard	8,225,380	11,755,967
	8,441,213	11,947,528

Current contracted commitments total £8.2m. The Council considers that it has sufficient liquid resources within the NLDF and cash balances of £8m as well as forecasted NLDF income to cover all current contracted commitments. The forecasted NLDF income is based on quarterly projections received from DCMS. Current projections are to 2014-15.

12 Public/private grant payment analysis

During the financial year 2010-11, in accordance with the requirements of FReM 2010-11, section 5.4.40, grants paid according to the following definitions were:

	31 March 2011	31 March 2010
	£	£
Local Authorities	446,149	950,780
Other public bodies	625,341	668,762
Intra-government payments	1,071,490	1,619,542
Payments to bodies external to Government	6,618,772	7,265,986
Total payments (Note 11)	7,690,262	8,885,528

13 Capital commitments

There were no capital commitments as at 31 March 2011 (31 March 2010: Nil).

14 Contingent liabilities disclosed under IAS 37

ACNI Lottery Distribution may have a national insurance liability due to ACNI paying employees' superannuation contributions to NILGOSC. DCAL have suggested that DFP will lead on negotiations with Her Majesty's Revenue and Customs to resolve this issue, the outcome of which cannot be estimated reliably and therefore neither can the subsequent proportion rechargeable to the Lottery Distribution Account.

15 Losses and special payments

There were no losses or special payments during the year which required disclosure in the accounts (31 March 2010: Nil).

16 Related party transactions

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

The Lottery Account operations of the Arts Council of Northern Ireland are funded from the National Lottery Fund through DCMS. DCMS is regarded as a related party. During the year the Council has had various material transactions with DCMS.

The Arts Council of Northern Ireland Account is also regarded as a related party to this account. At 31 March 2011, a net amount of £142,181 (31 March 2010: £238,380) was owed by the National Lottery Distribution Account in respect of salary and other administrative costs incurred.

Several members of the Board of the Arts Council, its Lottery, Grants and Capital 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 arms-length by the Board members and staff of the Arts Council.

Grant reference	Organisation name	Grant amount	Nature of the relationship
ACNI/6845	Aisling Ghear Theatre Company	£10,000	ACNI staff member's (Jane McKee) husband provided consultancy services to this organisation via Belfast City Council's Strategy in Business Programme.
ACNI/6608	Arts Care	£40,702	ACNI board member (Brian Sore) is member of Arts Care committee.
ACNI/6888	Brassneck Theatre Company	£8,000	ACNI board member's (Sharon O'Connor) family member is involved with Brassneck Theatre Company.
ACNI/6126	Camerata Ireland	£7,500	ACNI board member (Bill Montgomery) is Camerata benefactor and member of temporary board.
ACNI/6055	Camerata Ireland	£35,000	ACNI board member (Bill Montgomery) is Camerata benefactor and member of temporary board.
ACNI/6636	Crescent Arts Centre	£25,500	ACNI staff member (Kathryn Young) volunteers with the Crescent Arts Centre.
ACNI/6641	Cresco Trust	£28,000	The University of Ulster is referenced in the application. ACNI board member (Rosemary Kelly) is a member of the Governing Council of the University of Ulster. Two ACNI board members (Paul Seawright and Kate Bond) are employees of the University of Ulster. ACNI board member (Ian Montgomery) sits on the Senior Management Group of the University of Ulster.
ACNI/6639	Down Community Arts Ltd	£25,000	ACNI board member (Janine Walker) was a board member of Down Community Arts until March 2010
ACNI/5938	Headliners (UK)	£40,298	ACNI staff member (Fiona MacMillan) is a member of Headliners advisory board.

Grant reference	Organisation name	Grant amount	Nature of the relationship
ACNI/6659	Kabosh Theatre	£30,000	<p>The University of Ulster is referenced in the application.</p> <p>ACNI board member (Rosemary Kelly) is a member of the Governing Council of the University of Ulster.</p> <p>Two ACNI board members (Paul Seawright and Kate Bond) are employees of the University of Ulster.</p> <p>ACNI board member (Ian Montgomery) sits on the Senior Management Group of the University of Ulster.</p>
ACNI/6615	Linen Hall Library	£38,000	Two ACNI board members (Tony Kennedy and Joe Rice) are members of Linen Hall Library
ACNI/6088	Spanner in the Works	£10,000	ACNI board member (Janine Walker) is co-founder of Spanner in the Works
ACNI/6886	Spanner in the Works	£8,080	ACNI board member (Janine Walker) is co-founder of Spanner in the Works.
ACNI/6564	The Walled City Music Trust	£30,000	<p>The University of Ulster is referenced in the application.</p> <p>ACNI board member (Rosemary Kelly) is a member of the Governing Council of the University of Ulster.</p> <p>Two ACNI board members (Paul Seawright and Kate Bond) are employees of the University of Ulster.</p> <p>ACNI board member (Ian Montgomery) sits on the Senior Management Group of the University of Ulster.</p>
ACNI/6652	Ulster Orchestra Society Ltd	£34,950	<p>ACNI board member (Raymond Fullerton) is committee member of Friends of the Ulster Orchestra.</p> <p>ACNI board member (Eithne Benson) has a sister on the board of the Ulster Orchestra</p>
ACNI/6555	Ulster Youth Choir	£25,912	ACNI board member (Raymond Fullerton) is also a board member of Ulster Youth Choir.
ACNI/6730	Youth Lyric Limited	£5,000	ACNI staff member (Brendan Carson) has a family member employed by Youth Lyric Limited.

A member of the Board of the Arts Council (David Irvine) is employed by Marsh Ltd who provides insurance services to ACNI. For the 2010-11 year £8,860.37 was recharged to the Lottery Distribution Account in relation to insurance services provided by Marsh Ltd.

17 Events after the reporting period

There have been no events after the reporting period outside the ordinary course of business that would materially affect the Arts Council Lottery Distribution Fund since 31 March 2011.

The Annual Report and Accounts were authorised by the Accounting Officer to be issued on the date they were certified by the Comptroller and Auditor General.

Appendix A

Revised Lottery Policy Directions to Arts Council of Northern Ireland

The Department of Culture, Arts and Leisure, on behalf of the Department for Culture, Media and Sport, in exercise of the powers conferred by section 26(1) of the National Lottery etc. Act 1993 and having consulted the Arts Council of Northern Ireland pursuant to section 26(5) of that Act, hereby gives the following directions

- 1 In these Directions any reference to a section is a reference to a section of the National Lottery etc Act 1993.
- 2 In determining the persons to whom, the purposes for which and the conditions subject to which it distributes any money under section 25(1), the Arts Council of Northern Ireland shall take into account the following matters
 - A Its assessment of the needs of the arts and its priorities for addressing them (having regard to government strategies/policies in force).
 - B The need to inspire children and young people, awakening their interest and involvement in the arts.
 - C The need to foster local community initiatives which bring people together, enrich the public realm and strengthen community spirit.
 - D The need to support volunteering and encourage volunteering in the arts.
 - E The need to encourage new talent, innovation and excellence and help people to develop new skills.
 - F The need to involve the public and local communities in making policies and setting priorities.
 - G The need to consider projects relating to film and the moving image, and in particular the need to foster the development of sustainable structures in the film industry by, among other things, supporting the development, distribution and promotion of films, as well as their production.
 - H The need to ensure that money is distributed for projects which promote public good rather than private gain.
 - I The need to further the objectives of sustainable development.
 - J The need to ensure that all those receiving Lottery money acknowledge it using the common Lottery branding.
 - K The need to require an element of partnership funding, or contributions in kind from other sources, to the extent that this is reasonable to achieve for different kinds of applicants.
 - L The desirability of:
 - a increasing access and participation for all;
 - b ensuring that all areas have access to funding; and
 - c reducing economic and social deprivation.
 - M The desirability of working jointly with other organisations, including other distributors.

- N The need:
- a to set time limits for which grants are payable;
 - b to ensure that the Arts Council of Northern Ireland has the necessary information and expert advice to make decisions on each application; and
 - c for applicants to demonstrate the financial viability of projects.
- O Where capital funding is sought, the need:
- a for a clear business plan showing how any running and maintenance costs will be met for a reasonable period; and
 - b to ensure that appraisal and management for major projects match the Office of Government Commerce's Gateway Review standards.
- P The need to ensure that its powers to solicit applications under section 25 (2A) are used in connection with the pursuit of strategic objectives.

Signed on behalf of the Department of Culture, Arts and Leisure

Paul Sweeney

16 April 2008

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