

# STATEMENT OF ACCOUNTS

**Armagh City Banbridge & Craigavon Borough Council**

**For the period ended 31 March 2018**

# Armagh City Banbridge & Craigavon Borough Council

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## **Narrative Report**

### **Introduction**

The Council's financial performance for the year ended 31 March 2018 is as set out in the Comprehensive Income and Expenditure Statement and its financial position is as set out in the Balance Sheet and Cash Flow Statement.

These financial statements have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom for the year ended 31 March 2018 (the Code) and the Department for Communities Accounts Direction, Circular LG 05/2018. It is the purpose of this foreword to explain, in an easily understandable way, the financial facts in relation to the Council.

This Statement of Accounts explains Armagh City Banbridge & Craigavon Borough Council's finances during the financial year 2017/18 and its financial position at the end of that year. It follows approved accounting standards and is necessarily technical in parts.

The purpose of the Narrative Report is to make the financial statements understandable to as wide an audience as possible. It is not intended to comment on Council policies and it is not part of the financial statements but is however prepared on the basis that it is consistent with the financial statements.

### **Group Accounts**

The Code requires Local Authorities to consider all their interests and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. Armagh City Banbridge and Craigavon Borough Council does not have material interests in such bodies and accordingly is not required to prepare group financial statements.

### **The Comprehensive Income and Expenditure Statement**

This statement, as set out on page 31, shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this is different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

### **The Movement in Reserves Statement**

This Statement, as set out on page 32, shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. Details of the cost of the Council's services are shown in the Comprehensive Income and Expenditure Summary (CIES). These are different from the statutory amounts required to be charged to the General Fund Balance for Local Tax purposes. The 'Net increase/decrease before transfers to Earmarked Reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.



## **The Balance Sheet**

The Balance Sheet, as set out on page 33, shows the value as at the Balance Sheet date of the Council's assets and liabilities. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

## **The Cash Flow Statement**

The Cash Flow Statement, as set out on page 34, shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

## **Financial Report**

For the year ended 31 March 2018, the Council increased its General Fund by £3.3m to £20.4m. The Council's net budget of £66.3m was supplemented by additional rates income of £1.4m. The total Net Operating Expenditure reported in the CIES is £85.5m (this includes amounts for depreciation, impairments and other adjustments to comply with accounting standards).

Expenditure on capital projects during the year amounted to £8.5m. This included expenditure on a number of projects and initiatives including commencement of works at South Lake Leisure Centre (£0.9m), Tennis Courts & Pavilion at Banbridge Leisure Centre (£0.3m), Gosford Forest Park (£0.5m), Darkley Forest (£0.2m), Kernan Cemetery (£1m), Former Denny's site (£0.5m), Banbridge Civic Building (£0.3m) and Refuse Vehicles (£0.8m).



- (a) The Council's financial accounts for the year ended 31st March 2018 are set out on pages 30 to 100 and consist of:
- The Comprehensive Income and Expenditure Statement
  - The Movement in Reserves Statement
  - The Balance Sheet
  - The Cash Flow Statement
  - Notes to the accounts.
- (b) During 2017/18 the Council incurred gross expenditure on Continuing Operations in the amount of £100m (2016/17 £83.3m). This was supplemented by income from various sources including grants and service users of £20m (2016/17 £18.8m) resulting in Net Expenditure of £80m (2016/17 £64.5m). Service expenditure and income is summarised in the table below:

Services	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Place Directorate	15,869	4,540	11,329
People Directorate	60,551	11,760	48,791
Position Directorate	13,569	3,343	10,226
Performance Directorate	10,183	287	9,896
Other Services			
Continuing Operations	100,172	19,930	80,242

- (c) Material assets acquired during the year were £800k for the purchase of lands and £800k for vehicles. As a result of an assessment carried out, council has increased the liability/provision for landfill costs by £400k.
- (d) The Council's net pension liability is in the region of £55.7m. This is an increase of more than £5.8m and relates mainly to changes in financial assumptions. The net pension liability is the total estimated liability of the Council to its current workforce and retired members of the scheme. There is no requirement for the Council to make a one-off payment to fund this liability and there are therefore no immediate pressures which the Council has to fund from Reserves or make any material changes to the rates. Details regarding pensions are included in Note 21.

Part of the Local Government Reform Process included the transfer of functions, services and staff from Central to Local Government. The outworkings of the transfer were that staff retained their pension entitlements and on-going access to the Civil Service Pension Scheme (this is an unfunded scheme). The Council, being the employer of the transferred staff, was obligated to contribute towards the employees pensions. However, this is processed in the form of in-year payments and there is therefore no pension provision.

- (e) A review of Council assets resulted in the downward revaluation and derecognition of some assets to the value of £7m. These adjustments are reflected in Note 11 in the accounts and are included within the Revaluation Increases/(decreases) to the CIES and Derecognition - Other headings. None of the adjustments had an impact on Council reserves.
- (f) There were no significant changes in accounting policies during the year.
- (g) There were no major changes in the Council's statutory functions during the year.
- (h) During the 2017/18 financial year the Council continued to fund the delivery of services and capital investment by means of income from the district rates and grants from Central Government together with reliance on existing loans and borrowings amounting to just over £40m. All historical loans were secured by Government borrowings and LOBOs (Lender Option Borrower Option). No new loans or borrowings were required by the Council in 2017/18.
- (i) There were no significant contingencies during the financial year. There was a decrease in the provision for bad debt of £14k in 2017/18 to due to in year utilisation of the provision. As a result of an assessment carried out, council has increased the liability/provision for landfill costs by £400k.
- (j) There are no material post balance sheet events to be reported upon at the date of approval of these financial statements.
- (k) There are a number of economic factors that can impact on local councils as outlined in the Performance Report.
- (l) A review of the presentation of local authority financial statements resulted in changes to the Code of Accounting Practice. Councils are required to report on the basis of how they are structured and how they operate, monitor and manage financial performance. The purpose of the Expenditure and Funding Analysis (EFA) is to bring together the funding framework and the accounting framework by service. The EFA takes net expenditure chargeable to taxation, reconciling this to the CIES surplus or deficit on the Provision of Services. There is no impact on the balance sheet as a result of this change in accounting policy and as such a third balance sheet is not required.

## **Performance Report**

Performance Improvement Planning is an annual process which forms part of the Council's Corporate Management System, directly linked to the overarching planning framework. Part 12 of the Local Government Act (NI) 2014 sets out a general Duty of Improvement for Councils "in that" a local Council must make arrangements to secure continuous improvement in the exercise of its function. Performance management refers to the processes and behaviours which apply to everyone within the Council to maintain high standards to enable local people to access high quality, cost effective services and to ensure that we deliver on our strategic vision. Armagh City, Banbridge and Craigavon Borough Council is committed to establishing processes to ensure that it effectively manages performance and is focused on delivering continuous improvement.

The Corporate Improvement Plan for 2018-19 confirms the vision, ambitions and objectives for the Council. As an organisation the Council is committed to delivering three ambitious priorities from the interim corporate plan: **Prosper the Place; Serve the People; Strengthen our Position** and continue to be ambitious in the pursuit of their realisation. Access to the Council's 2018-19 Corporate Improvement Plan can be obtained through the following link:

<https://www.armaghbanbridgecraigavon.gov.uk/download/44/performance-plan-2015-16/21894/performance-improvement-plan-for-2018-2019.pdf>

The Council recognises 'improvement' to mean activity that enhances the sustainable quality of life and environment for ratepayers and communities. The aim of this Performance Improvement Plan (2018-19) is to set out what we will do in the year ahead to secure our new statutory general duty of continuous improvement in the exercise of our functions (including reference to any statutory performance indicators and standards), and to bring about improvement against at least one of the following specified aspects:

- a) Strategic effectiveness
- b) Service quality
- c) Service availability
- d) Fairness
- e) Sustainability
- f) Efficiency
- g) Innovation

Each of the four performance improvement objectives for 2018/19 were developed to align with 'Connected' (the Borough's Community Plan) and the Council's corporate priorities. The performance improvement objectives include the statutory performance indicators and standards for Economic Development, Planning and Waste Management.

The **Performance Improvement Objectives** identified for 2018/19 are:

- Provide and promote more opportunities for people to improve their physical, mental and social wellbeing through increased participation
- Increase economic growth across the Borough
- Strategic Effectiveness, Service Availability, Fairness, Efficiency, Sustainability, Innovation
- Increase customer satisfaction and accessibility to Council Services

The Council's Performance Self-Assessment Report for 2017/18 will be published on the Council website [www.armaghbanbridgecraigavon.gov.uk](http://www.armaghbanbridgecraigavon.gov.uk) by 30<sup>th</sup> September 2018.



## Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to ratepayers how the funding available to the authority (i.e. government grants, domestic and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The EFA also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES and detailed analysis is shown in Notes 2(a) and (b).

## Organisational overview and external environment

The Council's Corporate Plan 2018-2023 sets out the ambitious aims for the Borough over the next five years. It outlines the ongoing commitments to provide high quality, efficient and effective public services, facilities, projects and programmes. The intention is to create "a healthy, happy and connected community, a vibrant and sustainable economy and appealing places for living, working and learning."

The Corporate Plan is the roadmap for delivering the Community Plan, the overarching strategy for the Borough, which was developed by all the relevant statutory partners in consultation with local people and communities. It also sets out the strategic direction on a broader scale, outlining plans to promote the Borough on a local, regional, national and global stage to attract investment to the area.

This is the second corporate plan since the formation of the council in 2015 and there has been significant progress since then. In the last three years the Council has developed and implemented a number of key strategies including Regeneration and Development Strategy (2015-2020), 'Connected' Community Plan (2017-2030), and 'Transform' Tourism Strategy (2017-2022) to improve the lives of everyone in the area.

The Council has also recently launched its Preferred Options Paper for the new Local Development Plan (LDP). Once finalised, the LDP will allow the Borough's economy to develop further and meet the demands of a growing population. These successes allow the organisation to move forward confidently, knowing that it can deliver again with a new, even more ambitious Corporate Plan for 2018-2023.

Councils now have more responsibility than has been seen in a generation. The increased powers granted in 2015 allow for decisions that affect not only the Borough, but the region as a whole. Councils are tasked with making strategically important decisions that will affect future generations, and it is in this context that it encourages everyone to engage with their elected members so help co-create a Borough in which everyone is proud to live, work, visit, learn and invest.

Through careful management the Council can look forward to implementing a significant investment programme across a variety of targeted projects over the next four years.

Key developments include a brand new purpose-built Leisure Centre in Craigavon (£37m), upgrading play parks (£4.75m) and extending Kernan Cemetery (£1.2m), among others. It is also delivering support for rural areas (£8m) and carrying out a number of environmental improvement schemes in towns and villages throughout the Borough. This is in addition to securing UK government funding for improved digital connectivity to enable greater business growth (£2.4m), EU funding to support peace and reconciliation and promote social and economic stability (£4.9m), and Heritage Lottery Funding to enhance and regenerate Armagh's historic city centre (£6.3m).

The Council provides approximately £1m grant funding every year in financial assistance to various community groups. It is also engaging with private industry in key sectors to help them grow, expand and address current and future challenges and actively promote the Council area as open for business. Significant focus is being given to town centres in particular, with the establishment of new town centre taskforces across the Borough with a focus on addressing the issues that are impacting on the future development of town centres. Ongoing engagement is taking place with government departments, public and private sectors, business organisations, and chamber groups to ensure there is a co-ordinated approach to our town centre agenda.

The Council is acutely aware of the external environment – in particular, uncertainty over the potential impact of Brexit and the current status of the Northern Ireland Executive – so Members and officers have been working even harder to deliver improved services and projects for local communities.

Having successfully tackled major changes over the last few years with the creation of the new Council in April 2015, the Council is ready to tackle the next period of important change locally, regionally and nationally. The Council's Corporate Plan reflects the organisation's commitment to the long term outcomes identified in the Community Planning process, as well as the work that will be undertaken to ensure the continued efforts to provide high quality services for local ratepayers. The Community Planning process has shaped the new Corporate Plan and its vision has been adopted by the Council as its corporate vision..." a happy, healthy and connected community, a vibrant and sustainable economy and appealing places for living, working and learning."

The Council's new Corporate Plan 2018-2023 identifies 30 commitments to contribute to this vision. These are detailed within the Corporate Plan, a copy of which can be found at the following link:

[https://www.armaghbanbridgecraigavon.gov.uk/wp-admin/admin-ajax.php?iwpfisadmin=false&action=wpfd&task=file.download&wpfd\\_category\\_id=45&wpfd\\_file\\_id=21802&token=17f90ce32e03704f17c5278e0a18078a&preview=1](https://www.armaghbanbridgecraigavon.gov.uk/wp-admin/admin-ajax.php?iwpfisadmin=false&action=wpfd&task=file.download&wpfd_category_id=45&wpfd_file_id=21802&token=17f90ce32e03704f17c5278e0a18078a&preview=1)

### Governance

The Council prepares a separate Annual Governance Statement and this accompanies the financial statements. Whilst the Annual Governance Statement can be reviewed in detail it is important to reiterate that the effectiveness of the Council's internal controls is examined in detail through the work of Internal Audit. An annual plan is approved by Council and this plan is based on a needs and risk assessment process that focuses resources on higher risk areas and meets the professional standards required by the Public Sector Internal Audit Standards. Based on evidence from planned audits and any special investigations, Internal Audit reports to the Performance & Audit Committee on any major weaknesses that have been identified in the internal controls examined and highlights where important improvements are considered necessary.

During the year, 21 audits were completed resulting in a completion rate of 72%. Of these 21, 3 were given limited assurance and details are included in the Annual Governance Statement.

### Operational model

The Council's 2017-18 overall budget funding of £66.3m was raised by way of Rates Income of £62.4 million along with Central Government grants of £3.9m. Council operates under four separate Directorates all ultimately responsible to the Members of Council and the local ratepayer, namely: **Place; People; Position; Performance.**



Whilst some areas were able to generate income from frontline services (e.g. Leisure Centres) the net budgeted cost to Council in each of the areas is Place £6.5m; People £34.4m, Position £5.5m, Performance £8.8m as well as a further £11.1m to fund the various capital projects across Council.

The authority's key operational activities reported within each Directorate were as follows;

- Place includes Economic Development, Regeneration, Tourism, Arts & Culture;
- People includes Environmental Services, Environmental Health, Health & Recreation, and Community Development;
- Position includes Planning, Building Control, Estates & Assets Management and Community Planning;
- Performance includes ICT, Human Resources, Finance, and Governance & Democratic Services;

### Risks and opportunities

The Council's Corporate Plan looks to the future and reflects how we as an organisation commit to the long term outcomes identified in the Community Planning process, as well as the work required to ensure we continue to provide high quality services.

It is the vision of the Council that it will create "a healthy, happy and connected community, a vibrant and sustainable economy and appealing places for living, working and learning."

As a Council the top key programmes to deliver upon include: Investment & Growth Agenda including Town Centre Development, Clean Neighbourhoods, Improve everyone's Health & Well-being and Customer Care.

The Council's Community Plan identifies nine key long term outcome indicators which are interwoven within the strategic goals and objectives of the Corporate Plan and internal business plans. These long-term outcomes can be summarised as follows:

- Confident Community
- Healthy Community
- Welcoming Community
- Enterprising Economy
- Skilled Economy
- Tourism Economy
- Creative Place
- Enhanced Place
- Revitalised Place

The Community Plan looks to the future and symbolises the opportunities that Members and officers believe exist for the delivery of both long term and short term goals. The Community Plan can be accessed by following the link below:

<https://www.armaghbanbridgecraigavon.gov.uk/download/121/community-planning/17059/connected-community-plan-2.pdf>

The Council is also looking to the future through developing a new Local Development Plan. This new plan will set out the Council's vision for future growth and development of the borough up until 2030.

Local residents and all key stakeholders were invited to have their say during a consultation exercise which ended on 30<sup>th</sup> May 2018. Within the consultation there was a Preferred Options Paper which highlighted the approach that the Council proposes to take on a range of planning issues, from housing in urban and rural locations, land use, economic development,



creating greater investment, jobs and improved quality of life for everyone to protection of the environment.

Risk is an area which the Council is focussed on, and a number of risks have been identified at a corporate, directorate and department level. These are reported upon on a regular basis through the Performance & Audit Committee. The management of risk internally within the organisation and any significant issues arising during the year and/or areas of concern are referenced in the Annual Governance Statement.

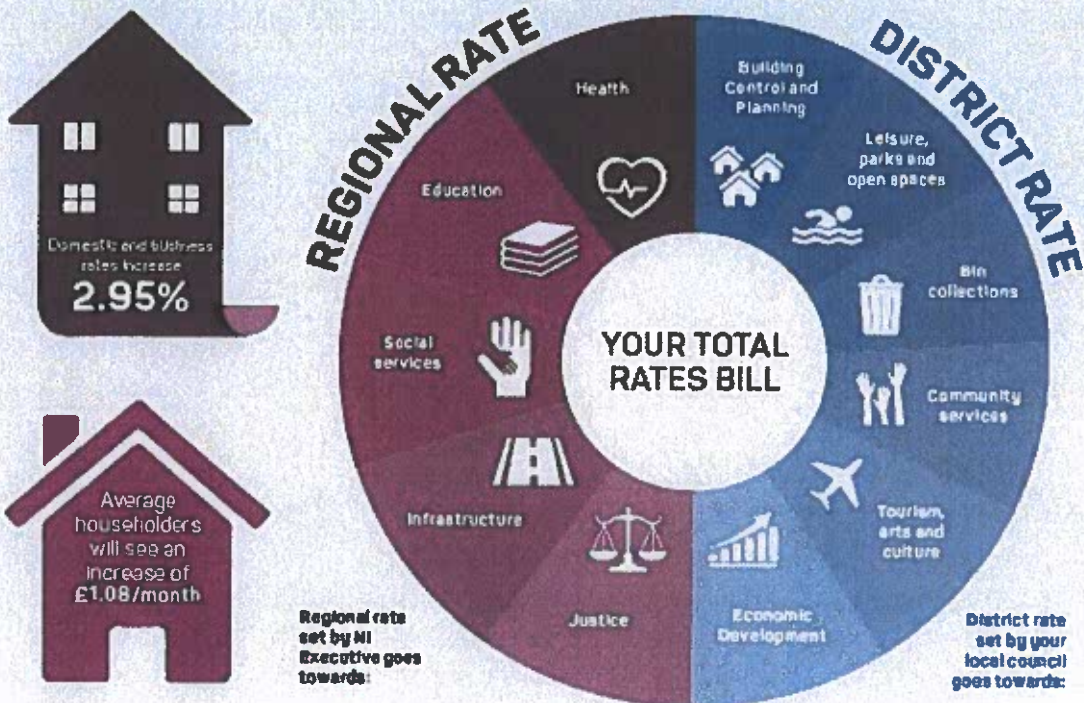
### Strategy and resource allocation

The Council is currently working to agree a three year investment programme. When formally agreed this will confirm a minimum level of planned investment in the medium term. The Council will also be enhancing governance arrangements moving forward regarding controls, criteria and the assessment of future proposed capital expenditure and it is expected this work will be taken forward in the period leading up to the commencement of the annual estimates process. In tandem with the enhanced governance arrangements the Council will also be finalising its medium term financial strategy now that the capital plan has been agreed and approved.

In terms of the allocation of resources, the infographics below confirm not only the distribution of resources but also information regarding both the Regional and the District rates as well as the sources and level of income.

# Rates 2018-19

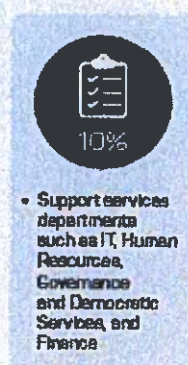
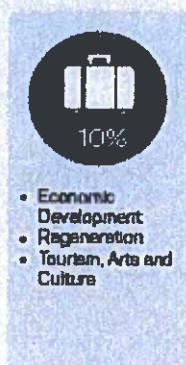
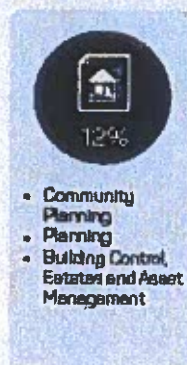
In Northern Ireland, rates are a property tax based on the capital, market or rental value of properties.



## Where our money comes from and where it goes



- Rates 72%
- Revenue from services 20%
- Central government and grants 8%



**Query on your rates?** Call Land and Property Services Rate Collection on 0300 200 7801 or visit [nidirect.gov.uk/rates](http://nidirect.gov.uk/rates)

The Council's medium and longer terms goals and ambitions are also referenced in the Corporate Plan (a link to which is included earlier in this report). These goals and targets will be taken into consideration in the development of the Medium Term Financial plan.



## Outlook

There continues to be a number of economic factors that can impact on local councils, including inflation, interest rates, pay settlements and general uncertainty within financial markets. The current economic climate continues to provide challenges for local businesses within the Borough and that in turn has a direct impact on council income. The wider public sector is also facing funding challenges and this in turn could have direct repercussions for the Council as it receives grant funding on an annual basis from central government. Maintaining and delivering effective and efficient front line services to customers whilst investing for the future is an on-going test for Members and officers and careful assessment of planned expenditure in the context of affordability is a critical process in the effective management of resources. However, despite these challenges, the current situation is reasonably stable and that affords the opportunity for robust projections of need and funding. The Council therefore continues to provide value for money to local ratepayers whilst developing strategies and plans for further enhancement to the Borough which are affordable and effective.

The Council has a number of strategic documents referred to earlier (e.g. Corporate Plan, Community Plan and the Performance Improvement Plan) which highlight the proposed level of investment by the Council and delivering for local homeowners and businesses alike across the borough through both community and economic development.

The proposed investment and enhanced service delivery will be funded from a number of measures including efficiencies, transformation, effective treasury management and financial management. Current plans and strategies of the Council for the future are deemed to be affordable and no shortfalls have been identified.

The annual accounts detail the Council's activities during the year, capital expenditure, changes to fixed assets, long term liabilities, cash flows and reserves. Capital expenditure of £8.5m incurred within 2017/18 includes commencement of works at South Lake Leisure Centre (£0.9m), Tennis Courts & Pavilion at Banbridge Leisure Centre (£0.3m), Gosford Forest Park (£0.5m), Darkley Forest (£0.2m), Kernan Cemetery (£1m), Former Denny's site (£0.5m), Banbridge Civic Building (£0.3m) and Refuse Vehicles (£0.8m).

## Basis of preparation

The Council's annual accounts are prepared on an accruals basis and are intended to present to readers a true and fair view of financial activity during the 2017-18 financial year. There are strict controls governing the accounting standards that must be complied with, accounting policies must be applied on a consistent basis and officers must follow relevant accounting and disclosure requirements. There are also materiality thresholds to be adhered to and officers are obliged to make judgements and estimates that are reasonable and prudent and have endeavoured to ensure that as much information as possible has been presented to make the accounts as user friendly as possible within these limitations.



## **Statement of the Council's and Chief Financial Officer's Responsibilities for the Statement of Accounts**

### **The Council's Responsibilities**

Under Section 1 of the Local Government Finance Act (Northern Ireland) 2011 a council shall make arrangements for the proper administration of its financial affairs. A council shall designate an officer of the council as its chief financial officer and these arrangements shall be carried out under the supervision of its chief financial officer.

Under Regulation 7 of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 the Council, or a Committee, is required by resolution, to approve the accounts.

These accounts were approved by the Performance & Audit Committee and by the Chief Finance Officer September 2018.

### **The Chief Financial Officer's Responsibilities**

Under Regulation 8 of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015, the Chief Financial Officer is responsible for the preparation of the Council's Statement of Accounts in the form directed by the Department for Communities.

The accounts must give a true and fair view of the income and expenditure and cash flows for the financial year and the financial position as at the end of the financial year.

In preparing this Statement of Accounts, the Chief Financial officer is required to:

- observe the Accounts Direction issued by the Department for Communities including compliance with the Code of Practice on Local Authority Accounting in the United Kingdom
- follow relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis, and
- make judgements and estimates that are reasonable and prudent.

The Chief Financial Officer is also required to:

- keep proper accounting records that are up-to-date, and
- take reasonable steps for the prevention and detection of fraud and other irregularities.

# Annual Governance Statement 2017/18

## Scope of Responsibility

Armagh City Banbridge and Craigavon Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

The Council also has a duty under Local Government (Best Value) Act (Northern Ireland) 2002 to make arrangements for continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its function, which includes arrangements for the management of risk.

The Council has prepared an Annual Governance Statement which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. This statement explains how the Council meets the requirements of Regulation 4 of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 in relation to the publication of an Annual Governance Statement.

## The Purpose of the Governance Framework

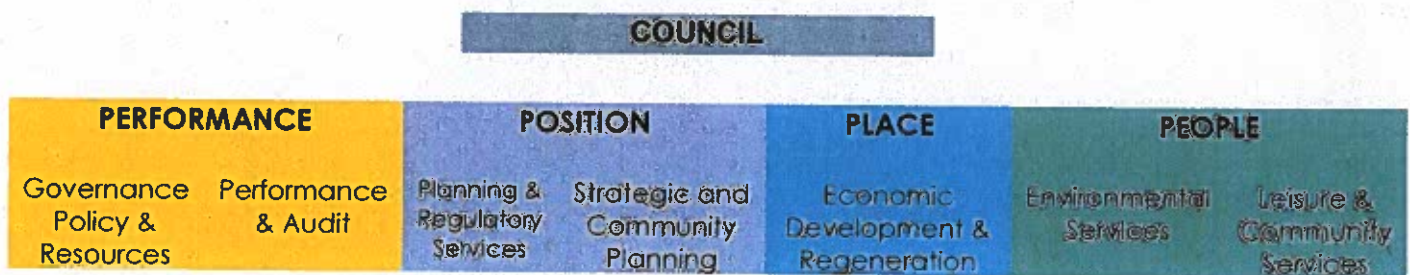
The governance framework comprises the systems and processes, and culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and 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 Council'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 governance framework has been in place at Armagh City Banbridge and Craigavon Borough Council for the year ended 31 March 2018 and up to the date of approval of the financial statements.

## The Governance Framework

The structure detailed below is designed to reflect the Council's Vision and Strategic Priorities as set out in the Corporate Plan. A key element of the structure is to ensure a 'One Council' approach by enabling cross Directorate working.





Through the work of the Committees, Members oversee the work of the Council with all Committee decisions ratified by Full Council except where Committees have been granted delegated authority to make decisions. In addition to Committees, there are also Working Groups in respect of Estimates and Financial Assistance and there is also a Members' Advisory Group that oversees the Council's Investment agenda. There are also 7 corporate priority project boards detailed below:

- Organisation Structure/Development
- Capital Plan
- Leisure Developments – Craigavon & Armagh Leisure Schemes
- Investment and Growth Agenda (including Town Centres and events)
- Clean Neighbourhoods
- Governance (incorporating Member Development & support)
- Customer Care

An Assurance Framework which illustrates how different sources of assurance and related key elements/control measures combine to enable the Council to monitor its governance arrangements and produce the information which enables Council to prepare the Annual Governance Statement was approved in March 2018.

The Council's Code of Governance is based on the seven core principles set out in the CIPFA/SOLACE Framework 2016 Edition. How we meet these seven core principles is reviewed and updated annually and a summary of the key elements of our governance framework are detailed below:

### **Behaving with Integrity**

- Shared values communicated via the Community Plan, Corporate Plan, Performance Improvement Plans and key strategies
- Council Constitution, Standing Orders and Scheme of Delegation
- Mandatory Code of Conduct for Councillors and Staff
- Gifts & Hospitality policy
- Registers of Conflicts of Interest and Members' pecuniary interests maintained
- Fraud and Whistleblowing policies and Fraud Investigation Team
- Customer Care Strategy and Action Plan
- Ethical requirements of professional bodies and expert professional advice
- Partnership arrangements

### **Ensuring Openness**

- Ongoing consultation and engagement with staff and trade unions
- Community Planning Strategic Partnership
- Community Engagement Strategy
- Community Support Plan 2017/18
- Local Development Plan – Preferred Options Paper
- Integration Strategy 2017 - 2020
- Good Relations Action Plan
- Media and members of the public in attendance at Council/Committee meetings
- Council minutes and Annual Financial Report published on web site
- Corporate Communications
- Equality Scheme and Action Plan
- Rural Development Programme

### **Defining Outcomes**

- Connected: A Community Plan 2017-2030
- 2018-2023 Corporate Plan
- Local Development Plan – Preferred Options Paper



- Annual Performance Improvement Plan
- Strategic masterplanning
- Integration Strategy
- Departmental and Unit Business Plans
- Development of an Organisational Development Strategy
- Council's Investment Framework and development of a Capital Plan

### **Optimising the achievement of outcomes**

- Corporate, Departmental and Performance Improvement plans aligned to delivery of the Connected: Community Plan 2017-2030
- Local Development Plan – Preferred Options Paper
- Community Planning Strategic Partnership
- Consultation and engagement processes
- Performance Management framework under development
- Reporting on the progress of departmental business plans and the Performance Improvement Plan to relevant Committees
- Strategic Financial Management Framework
- Treasury Management Strategy
- Members' Advisory Group to oversee the Council's Investment agenda
- Strategic masterplanning
- Council Investment Programme

### **Developing Capacity & Capability**

- Ongoing development of an Organisational Development Strategy
- Corporate Priority Project Boards
- Framework for External Consultancy
- Training for Members
- Induction training
- Recruitment and selection procedures
- Information Management Transformation Programme
- Elected Member Development Plan
- Fraud Awareness Training
- Corporate Learning & Development Strategy

### **Finance, Performance and Risk Management**

- Risk Management Policy
- New Corporate Risk Management system and processes and procedures in place
- Risk Management training
- Corporate Risk Register updated and reported quarterly to the Performance & Audit Committee
- Internal Audit Service and Audit Management Software system which tracks all outstanding recommendations
- Performance and Audit Committee with externally appointed Lay Representatives (2)
- GDPR Project Initiation Document
- Information Management Transformation Programme
- Financial Regulations
- Fraud and Whistleblowing Policies
- Fraud Investigation Team
- Treasury Management Strategy, Minimum Revenue Provision Policy and Prudential Indicators

## **Transparency, Reporting & Effective Accountability**

- Corporate website
- Publication of key reports including Annual Accounts, Annual Governance Statement and Performance Improvement Report
- Committee support framework
- Internal Audit effectiveness annually reviewed against the Public Sector Internal Audit Standards
- Monitoring of all Internal and External Audit recommendations and six monthly updates to the Performance & Audit Committee.

The Local Government Act (NI) 2014 legislated the Council's General Power of Competence enabling a Council to take any action it considered appropriate provided the action was not prohibited by any other legislation. The Council has been provided with the ability to act in their own interests and to develop innovative approaches to addressing issues in the borough. Any issues that may require the Council to ensure the general power of competence will be processed through the Council committee structure. The nominated Committee is the Governance, Policy and Resources Committee. There was no expenditure under the General Power of Competence during 2017/18.

## **Review of Effectiveness**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by an annual review of governance, the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Performance and Audit's annual report, and also by comments made by the external auditors.

The Performance and Audit Committee provides an independent assurance on the adequacy of the Council's risk management framework and associated control environment. It also provides an independent scrutiny of the Council's financial and non-financial performance by highlighting areas that may expose it to risk and weaken the control environment.

### **1. The Authority**

The Council's Standing Orders and Financial Regulations provide the framework for its decision making processes and sets out the detailed procedures and codes of conduct by which members and officers operate to achieve Council objectives. Members meet regularly on a formal basis to set the strategic direction and monitor the service delivery of the Council. The following Committee Structure is in place:

- Governance, Policy and Resources Committee
- Performance and Audit Committee
- Planning and Regulatory Services Committee
- Strategic and Community Planning Committee
- Economic Development and Regeneration Committee
- Environmental Services Committee
- Leisure and Community Services Committee

The Group Party Leaders Forum seeks to provide an informal sounding board on major strategic issues in advance of submission to Committee/Council, thereby facilitating and streamlining the conduct of Council business. This group meets on a monthly basis.

### **2. The Executive**

Strategic Directors and Heads of Department completed six monthly Assurance Statements and in signing, opinions were informed by the following:



- Assurance from relevant Heads of Department
- Corporate and Departmental Risk Registers
- Operational policies and procedures
- Internal Audit reports
- Administrative procedures (including segregation of duties)
- Management Supervision
- System of delegation and accountability

### **3. Performance & Audit Committee**

The Council's Performance & Audit Committee reports to full Council and oversees the work of Internal Audit which operates to the Public Sector Internal Audit Standards. The terms of reference (Audit Committee Charter) which sets out the purpose and roles and responsibilities was revised in September 2016.

There are seven Members on the Committee and during 2017/18 meetings were held in May, September, November 2017 and March 2018. The Northern Ireland Audit Office was in attendance at all the meetings during the year. In line with best practice two external Lay Representatives were appointed to the Committee.

The Performance and Audit Committee Annual Report 2017/18 was presented at the June 2018 meeting. The annual report included the annual audit committee self-assessment and this was completed in time to support the completion of the Annual Governance Statement.

### **4. Internal Audit**

The aim of Internal Audit is to provide an independent assurance and advisory service which will help the Council achieve its objectives and improve the effectiveness of its risk management, control and governance processes. In preparing the overall audit opinion, Internal Audit reviewed all audit and risk activity carried out during the year and the following extract is taken from the 2017/18 Internal Audit Annual Report:

'The overall opinion is that there is a **SATISFACTORY** level of internal control within the Council's systems and procedures. This opinion is based upon the work of Internal Audit during the 2017/18 financial year. Internal Audit is not able to give an opinion on areas that have not been covered by the service'.

In all areas, Internal Audit recommendations were agreed with senior management, with improvement plans developed and priority actions required to be implemented within defined timescales.

The effectiveness of the Council's internal controls is examined in detail through the work of Internal Audit. The audit plan is based on a needs and risk assessment process that focuses resources on higher risk areas and meets the professional standards required by the Public Sector Internal Audit Standards. Based on evidence from planned audits and any special investigations, Internal Audit reports to the Performance & Audit Committee on any major weaknesses that have been identified in the internal controls examined and highlights where important improvements are considered necessary.

Internal Audit continue to facilitate the development of risk management throughout the Council but this work will be transferring to the Performance section.

A self-assessment against the Public Sector Internal Audit Standards was completed in May 2018 with the conclusion that Internal Audit was substantially compliant and therefore operating effectively.

During the year, 24 audits were completed resulting in a completion rate of 80%. Of these 24, four were given limited assurance. A post audit review has been completed in one of the four limited audits in relation to a Health and Recreation facility and Internal Audit consider a satisfactory assurance now applies. The details of the three remaining limited audits are as follows:

### **Fleet Management**

Monitoring systems in place at the time of audit did not provide adequate assurance that Council drivers were adhering to EU driving and Working Time Directive (WTD) regulations. There was an inconsistent approach to the use of driver's cards and digital tachographs across the Council fleet and as a result detailed reports from the Fleet Transport Association (FTA) website were only available for some drivers and vehicles. It was also noted that Vehicle Defect Books were not used consistently across Council. As a result of these issues Council could not assess or monitor compliance to all O-Licence regulations. There were no formal processes in place for the reporting of fleet maintenance costs and discrepancies were found between the various sets of records of the Council's fleet. A follow up audit of Fleet Management will be completed during 2018-19.

### **Environmental Services Facility - Post Audit Review**

This Post Audit Review was carried out in May 2017. Due to the lack of progress at that time in implementing recommendations Internal Audit considered the level of assurance to remain as limited. The outstanding recommendations continue to be monitored via Internal Audit's recommendation tracking process which highlights that 15 of 19 recommendations have now been implemented. Internal Audit will verify this via an audit of stores and fuel procedures across Council in 2018-19. The remaining four issues concern the existence of stores procedures, setting of maximum and minimum stock levels and tendering for the supply of stores items.

### **IT Governance and Data Security**

This review identified a lack of operational and strategic IT governance documents. In particular, it was noted that there was no documented IT Disaster Recovery Plan and no formal Business Continuity Plan for the IT Department. This may impact on the Council's ability to operate business as usual in the event of a significant incident. A number of control weaknesses were also identified in the area of Network Management and Network Security.

In all cases recommendations have been agreed with Senior Management, improvement plans have been developed and priority actions are required to be implemented within defined timescales.

## **5. Other explicit review/assurance mechanisms**

A Member Officer Working Group was established as part of the overall review of Council Governance systems and frameworks. The work on governance systems is a key part of the strategic development of Council and is linked to the roll out of the Community, Corporate and Departmental plans and the implementation of the Member Leadership Programme. The working group considered revised Standing Orders, an Officers Scheme of Delegation and a discussion paper on Area Committees. The Constitution was also updated and a Code of Governance and Assurance Framework were developed and approved. The Code of Governance will be reviewed and updated annually.

A review of Civil Contingencies arrangements for Local Government in Northern Ireland resulted in approval given to new regional delivery arrangements for civil contingencies preparedness and response for local government.

The Northern Ireland Audit Office provides a level of assurance through the provision of their annual audit and issuing of a management letter which includes Council responses to address issues identified.



External funding received throughout the year is subject to independent audits from the relevant funders i.e. Europe, Government Departments, SEUPB etc.

## **Role of Chief Financial Officer**

The Chief Executive is the Council's designated Chief Financial Officer (CFO) under the Local Government Finance Act (Northern Ireland) 2011. He has authority over all other officers for the efficient management and execution of the Council's functions.

In fulfilling this role, the Chief Executive is supported by a number of fully qualified and experienced staff within the Performance Directorate who are members of various bodies within the Consultative Committee of Accountancy Bodies (CCAB) and as such ensure the decisions made by the CFO are based on sound technical knowledge and understanding.

The Council's financial arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) as set out in the Application Note to Delivering Good Governance in Local Government: A Framework.

## **Update on Significant Governance Issues that were declared at the year ended 2017**

Six issues were declared last year with four of these continuing to be declared as issues in this year's statement (Local Government Reform, Local Development Plan, Interreg IIIA Programme and ACDC legal case). The two issues addressed during 2017-18 are detailed below.

### **1. Waste Management**

In order to mitigate the risks, the Council has produced a Municipal Waste Management Strategy 2016-19 which sets out a framework for the management of municipal waste for the next two years. The strategy includes an action plan to focus on waste prevention, recycling, composting and the management of waste to divert from landfill. Council is currently on target to meet actions outlined in the action plan and meet the 50% recycling composting rate by 2020. In 2016/17 the recycling rate was 48.8% and has increased further to 50.84% for 2017-18 (rate to be verified by the Department for Environment, Agriculture and Rural Affairs (DEARA)).

### **2. Health and Recreation Fraud**

Internal Audit carried out a preliminary investigation in November 2016, with update reports being presented to the Performance & Audit Committee during 2017-18. As a result of an internal investigation and action taken in respect of the failings identified, this has been dealt with in accordance with the appropriate disciplinary procedures.

## **Significant Governance Issues for the year ended 2018**

### **1. General Data Protection Regulation (GDPR)**

The European General Data Protection Regulation (GDPR) came into force across the European Union on 25 May 2018 with the aim of standardising and strengthening the right of European citizens to data privacy by emphasising transparency, security and accountability by data controllers. GDPR expands the classification of 'personal data' to data from which a living individual can be identified. The obvious examples of these are a name or an identification number. GDPR also covers less obvious examples of personal data through which one could reasonably identify an individual such as an IP address, location data, mobile device identifier or factors specific to the physical, cultural or social identity of that person.

The Council's Senior Records Manager is the Council's Data Protection Officer. GDPR is a major factor in driving change and the implication for Council is tighter timescales and increased fines (€20 million or 4% of our business turnover). A GDPR Project Group was established and mandatory training was provided for staff. The main remit of the Project Group was to examine and review the information systems to ensure compliance with GDPR and prepare for the new legislation which came into effect on 25 May 2018.

Due to the large scale programmes of work required to transform the information management culture within Council a programme of work entitled Information Management Transformation Programme (IMTP) has been established. As part of the IMTP a Project Initiation Document was developed to take forward the transformation programme and a project team was established.

## **2. LOCAL GOVERNMENT REFORM - TRANSFORMATION**

Due to complexities of three legacy Councils and two transferring functions merging there has been significant time and effort expended to establishing a sound foundation on which to build the new organisation. Following an initial period of transition, the Council are now working towards a programme of service transformation with Heads of Department working on designing the next level (fourth tier) of the organisation structure. Fourth tier departmental structures were published in October 2017 and these illustrated the posts (Unit Managers) that will report directly to Heads of Department. Management and Unions are reviewing the protocol for applying the matching process which must be agreed prior to implementation.

With effect from mid-February 2018 the Strategic Director of Performance commenced employment.

## **3. LOCAL DEVELOPMENT PLAN (LDP)**

The LDP which supports the delivery of the Council's Community Plan 'Connected', 2017-2030 is included as a current risk on the Planning Department risk register. The main risk in relation to delivery of the Local Development Plan is that it may be subject to challenge at various stages of the consultation process. The plan is technical, complex and process driven and factors that can hinder the delivery of the plan include the resourcing and scheduling of appeals and availability of key statutory partners to support the Council's plan. The LDP takes account of regional policy context set out by the NI Executive and Central Government Departments. The plan will be produced in two stages consisting of two separate documents which will shape development within the Borough in the period to 2030. Prior to the preparation of the Plan Strategy and Local Policies Plan the Council will identify key issues in the plan area and will formulate a series of options for dealing with them. This information is published as a Preferred Options Paper (POP) which will indicate the Council's preferred options for growth and development in the area and will be the basis for consulting with the public and stakeholders who will have an opportunity to put forward views and influence the LDP from the outset. The Council has also published its Statement of Community Involvement which defines how we engage with the community and key stakeholders in the delivery of planning functions and in March 2018 the LDP POP was issued for consultation. The LDP continues to progress in line with the agreed timetable. The POP, Sustainability Appraisal Scoping Report and Interim Scoping Report were also published in accordance with the agreed timetable.

## **4. INTERREG IIIA PROGRAMME IRELAND/NORTHERN IRELAND 2000-2006 PROJECT REF.026413 WOOD DERIVED BIOMASS HEATING**

On 6 May 2011 the Department of Enterprise, Trade and Investment (DETI) wrote to Craigavon Borough Council requesting a claw back of £198,747 in relation to the European Funded Biomass Boiler Scheme. On 23 November 2011 DETI served a Writ of Summons against the former Craigavon Borough Council. Both insurance and legal advice has been sought over the last 6 years and at a meeting with DETI formal mediation was considered as a way of resolving this issue. Further correspondence was made with the Department for the Economy (DfE) formally known as DETI, advising that the Council agree to enter into a mediation process in order to resolve this issue. In 2018, DfE undertook to take this forward to their Audit Committee for consideration and currently the



Council is awaiting feedback from DfE in this regard. A provision for the clawback had been included in the Council's accounts.

## 5. ARMAGH CITY AND DISTRICT COUNCIL – LEGAL CASE

This matter is very complex and lengthy and has lasted over 8 years. It relates to a portion of ground that the Council owned in Keady and had been attempting to make available for health related purposes.

There is an ongoing case with the NI Ombudsman. The Council is attempting to resolve and close this case through a mediation process.

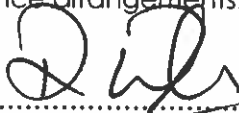
## 6. CYBER SECURITY

Cyber security comprises technologies, processes and controls that are designed to protect systems, network and data from cyber-attacks. Effective cyber security reduces the risk of cyber-attacks and protects organisations and individuals from the unauthorised exploitation of systems, networks and technologies. Cyber-attacks can disrupt and cause considerable financial and reputational damage to even the most resilient organisations. The most effective strategy to mitigate and minimise the effects of a cyber attack is to build a solid foundation upon which to grow your cyber security stack. The Council continually receive a high level of emails targeting users and systems particularly spam emails about invoices, phone bills or delivery notifications. Although email and web filters are regularly updated at times security measures are playing catch-up against developments in online fraud and spamming. In recent times some local councils had been attacked by malicious software, particularly a form known as Ransomware. Whilst the Council's normal Anti-Virus software was designed to prevent infection a new layer was designed to minimise the damage should infection somehow occur. The new Anti-Virus and Windows updates were installed on all laptops and PCs.

As the Council's network and email accounts are subject to regular automated scripted attacks which try simple passwords to log on to accounts, staff are regularly reminded to check the authenticity of all emails or files coming into the organisation and guidance has been issued regarding creating strong passwords.

In order to secure the Council's infrastructure and systems Cyber Security workshops were held for all staff.

We propose over the coming year to address the above matters which should enhance our governance arrangements.

Signed  Date 24/9/18 .

Signed  Date 25/9/18 .

On behalf of the Committee of the Council or the Members of the body meeting as a whole and by the Chief Financial Officer.

## **Armagh City Banbridge & Craigavon Borough Council**

### **REMUNERATION REPORT FOR THE YEAR ENDED 31 MARCH 2018**

#### **INTRODUCTION**

The Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 require larger local government bodies to prepare a remuneration report as part of the statement of accounts.

#### **ALLOWANCE AND REMUNERATION ARRANGEMENTS**

##### **COUNCILLORS**

Allowances are payable by councils to councillors and committee members under Part 3 of the Local Government Finance Act (Northern Ireland) 2011 and The Local Government (Payments to Councillors) Regulations (Northern Ireland) 2012, which came into operation on 1 April 2012.

Guidance and determinations on Councillors' Allowances applicable from 1 April 2017 were issued by the Department for Communities on 15 February 2017 (Circular LG 03/2017) and supersedes previous circulars. Details of the allowances paid to individual councillors are published on the Council's website at [www.ArmaghBanbridgeCraigavon.gov.uk](http://www.ArmaghBanbridgeCraigavon.gov.uk).

Following local elections on 22 May 2014, 462 councillors were elected to the 11 new councils for a four year term. Armagh City, Banbridge and Craigavon Borough Council had 41 councillors in 2017/18.

##### **SENIOR EMPLOYEES**

The remuneration of senior employees employed by the Council is determined by the Council in line with that determined by the National Joint Council (NJC) for Local Government Services. Senior staff are those staff who are members of the Executive Management Team.

Council appointments of employees are made in accordance with the Local Government Staff Commissions' Code of Procedures on Recruitment and Selection, which requires appointment to be on merit and on the basis of fair and open competition.

Unless otherwise stated over, the officials covered by this report hold appointments which are open-ended.



## ALLOWANCES PAID TO COUNCILLORS

The total amount paid to Councillors by way of allowances, under Part 3 of the Local Government Finance Act (Northern Ireland) 2011 and the Local Government (Payments to Councillors) Regulations (Northern Ireland) 2012 was:

**Table 1: Total Allowances paid to councillors (audited information)**

Allowance	2017/18		2016/17	
	Total Allowances £	Number of Councillors receiving the Allowance	Total Allowances £	Number of Councillors receiving the Allowance
Basic Allowance	593,763	41	583,114	46
Special Responsibility Allowance	103,497	29	98,581	30
Mayor's Allowance	18,362	2	18,180	2
Deputy Mayor's Allowance	8,161	2	8,065	3
Mileage Allowance	51,033	34	45,995	35
Public Transport and Other Travel	2,084	11	46	1
Subsistence	828	9	642	10
Courses/ Conferences Visits (registration & joining fees)	1,702	3	2,104	11
Dependents' Carers Allowance	3,392	4	3,809	3
<b>TOTAL ALLOWANCES</b>	<b>782,822</b>		<b>760,536</b>	

Details of the allowances paid to individual councillors in 2017/18 are published on the council website at [www.ArmaghBanbridgeCraigavon.gov.uk/council/councillor-information](http://www.ArmaghBanbridgeCraigavon.gov.uk/council/councillor-information).

## REMUNERATION OF SENIOR EMPLOYEES

The remuneration of senior employees covers the Executive Management Team. The following table provides details of the remuneration paid to senior employees in 2017/18. The Director of Performance joined Council on 17 February 2018, whilst the rest of the Executive Management Team were in post for the full year.

**Table 2 - Table 2: Remuneration (including salary) (audited information)**

Officers	2017/18				2016/17			
	Salary (Full year equivalent in brackets where applicable) £'000	Bonus Payments £'000	Benefits in kind (to nearest £100) £'000	Total £'000	Salary (Full year equivalent in brackets where applicable) £'000	Bonus Payments £'000	Benefits in kind (to nearest £100) £'000	Total £'000
Chief Executive R Wilson	115 - 120	0	0	115 - 120	115 - 120	0	0	115 - 120
Director of Place O Murtagh	85 - 90	0	0	85 - 90	80 - 85	0	0	80 - 85
Director of Position S O'Gorman	85 - 90	0	0	85 - 90	80 - 85	0	0	80 - 85
Director of People M Reardon	100 - 105	0	0	100 - 105	95 - 100	0	0	95 - 100
Director of Performance S McNicoll	5 - 10 (80 - 85)	0	0	5 - 10 (80 - 85)	0	0	0	0

Councils are required to disclose the relationship between the remuneration of the highest paid member of the Executive Management Team and the median remuneration of the Council's workforce.

The banded remuneration of the highest paid member of the Executive Management Team in the financial year 2017/18 was £115k - £120k. This was 5.4 times the median remuneration of the workforce, which was £21.8k. (2016/2017 5.2 times)

**Table 3: Relationship between the remuneration of the highest paid member of the Executive Management Team and the median remuneration of the Council's workforce (audited information)**

	2017/18	2016/17
Salary Band of Highest Paid member of the	£115-120k	£115-120k
Median Total Remuneration	£21.8k	£22.2k
Ratio	5.4	5.2

In 2017/18, no employees received remuneration in excess of the highest paid member of the Executive Management Team.

Total remuneration includes salary, bonus payments and benefits in kind.

#### Salary

"Salary" includes gross salary, overtime, and any gratia payments.

#### Bonus Payments

Bonus payments are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2017/18 relate to performance in 2017/18. No bonuses were paid in 2017/18. (2016/17 £nil)

#### Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. No Benefits in Kind were paid to members of the Executive Management Team in relation to 2017/2018. (2016/17 £nil)

#### Exit Packages for staff

The number of exit packages provided to all staff by the Council during 2017/2018, together with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

**Table 4: Exit Packages in 2017/18 (audited information)**

Severance Package Cost Band	2017/18				2016/17			
	Number of Compulsory Redundancies	Number of Other departures agreed	Total Number of Exit Packages in each Cost Band	Total Cost of Packages in each Cost Band £'000	Number of Compulsory Redundancies	Number of Other departures agreed	Total Number of Exit Packages in each Cost Band	Total Cost of Packages in each Cost Band £'000
£0 - £20,000	0	0	0	0	0	0	0	0
£20,001 - £40,000	0	3	3	87	0	0	0	0
£40,001 - £60,000	0	5	5	239	0	0	0	0
£60,001 - £80,000	0	4	4	275	0	0	0	0
£80,001 - £100,000	0	3	3	270	0	0	0	0
£100,001 - £150,000	0	4	4	437	0	0	0	0
£150,001 - £200,000	0	2	2	349	0	0	0	0
<b>Total</b>	<b>0</b>	<b>21</b>	<b>21</b>	<b>1657</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Costs of exit packages in 2017/18 reflect staff for whom decisions to grant voluntary redundancies were approved by Council during the 2017/18 year. This includes staff who left before 31 March 2018 as well as those still in Council employment in 2018/2019.



## Pension Benefits

The Local Government Pension Scheme (Northern Ireland) (the Scheme) which is a funded defined benefit pension scheme, which provides retirement benefits for council employees on a "career average revalued earnings" basis from 1 April 2015. Prior to that date benefits were built up on a "final salary" basis.

From 1 April 2015, a member builds up retirement pension at the rate of 1/49th pensionable pay for each year. Pension benefits in relation to membership between 1 April 2009 and 31 March 2015 were built up at the rate of 1/60th pensionable pay for each year of membership. There is no automatic lump sum provided in respect of membership after 31 March 2009. Pension benefits in relation to any membership before 1 April 2009 were built up at the rate of 1/80th (pension) and 3/80ths (tax-free lump sum) of pensionable pay for each year of membership up to 31 March 2009. At retirement, members may give up some pension for additional lump sum, subject to HM Revenue and Customs (HMRC) limits. The conversion rate is £12 additional lump sum for every £1 of pension given up.

Councillors have been able to join the Scheme since May 2011. The Scheme application is modified to reflect the fact that councillors hold an elected office. Councillor members have always accrued pension on a career average basis. Prior to 1 April 2015 pension was accrued at a rate of 1/60th and thereafter at a rate of 1/49th.

The Scheme is funded by contributions made by both employees/councillors and employers. Prior to 1 April 2009, a member's contribution rates were fixed at 6% of their pensionable remuneration (except for those who were entitled to contribute to the Scheme at 5% before 1 February 2003 and have remained in continuous employment). Tiered member contribution rates, determined by the whole-time equivalent rate of pay, were introduced from 1 April 2009. From 1 April 2015, the member contribution rates are determined on the actual rate of pay.

The ranges for the bands for tiered contribution rates are revised by the Department for Communities in April each year in accordance with the increase applied to a pension in payment. The bands, effective from 1 April 2017, were as follows:

**Table 5: Employee Contribution Rates**

Band	Range	Employee Contribution Rate
1	£0 - £14,100	5.5%
2	£14,101 - £21,500	5.8%
3	£21,501 - £35,900	6.5%
4	£35,901 - £43,400	6.8%
5	£43,401 - £85,800	8.5%
6	More than £85,800	10.5%

Employers' contribution rates are determined by the fund's actuary every three years at the triennial valuation. A formal triennial actuarial valuation of the Fund as at 31 March 2016 was carried out in 2016/17 and set the employer contribution rates for the 3 years commencing 1 April 2017 as follows. In addition, a separate Deficit Funding Charge has been levied on Council at a rate equivalent to 1.8% of pensionable pay and is paid outside of the payroll function.

**Table 6: Employer Contribution Rates**

Year	Employer Contribution Rate	Deficit Funding
1 April 2017 - 31 March 2018	18%	£498,300
1 April 2018 - 31 March 2019	19%	£498,300
1 April 2019 - 31 March 2020	20%	£498,300

The Local Government Pension Scheme Regulations (Northern Ireland) 2014 were made on 27 June 2014 and The Local Government Pension Scheme (Amendment and Transitional Provisions) Regulations (Northern Ireland) 2014 were made on 30 June 2014. Both sets of regulations are effective from 1 April 2015.

Councillors have been able to join the Scheme since May 2011 and therefore have not accrued significant benefits thus far. However, the in-year pension contributions made by the Council for all councillors during 2017/18 was £143,960. (2016/2017 £141,587).

The value of pension benefits of the most senior management of the Council accrued during the year was as follows:

**Table 7: Pension Benefits of senior staff in 2017/18 (audited information)**

Officers	Accrued Pension at pension age and related lump sum as at 31/3/18 and related lump sum £'000	Real increase in pension at pension age £'000	Real increase (decrease) in related lump sum at pension age £'000	CETV at 31/3/18 £'000	CETV at 31/3/17 £'000	Real increase in CETV £'000
Chief Executive R Wilson	40 - 45 plus 65 - 70 lump sum	0 - 2.5	(0 - 2.5)	579	545	8
Director of Place O Murtagh	30 - 35 plus 55 - 60 lump sum	0 - 2.5	(0 - 2.5)	514	470	23
Director of Position S O'Gorman	25 - 30 plus 40 - 45 lump sum	0 - 2.5	(0 - 2.5)	347	314	14
Director of People M Reardon	nil	nil	nil	nil	nil	0
Director of Performance S McNicoll	0 - 5 plus nil lump sum	0 - 2.5	nil	2	nil	1

Note: The Director of People is not a member of the Local Government Pension Scheme (NIL).

**The Cash Equivalent Transfer Value (CETV)**

This 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. It 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 pension benefits they have 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. 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 real increase in the value of the CETV**

This reflects the increase in CETV effectively funded by the employer. It takes account of 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.



Chief Executive

Date 24/9/18.



**Certificate of the Chief Financial Officer**

I certify that:

- (a) the Statement of Accounts for the year ended 31 March 2018 on pages 31 to 101 has been prepared in the form directed by the Department for Communities and under the accounting policies set out on pages 35 to 56.
  
- (b) in my opinion the Statement of Accounts gives a true and fair view of the income and expenditure and cash flows for the financial year and the financial position as at the end of the financial year ending 31 March 2018.



**Chief Financial Officer**

Date 24/9/18.

**Council Approval of Statement of Accounts**

These accounts were approved by resolution of the Performance & Audit Committee.



**Chairman**

Date 20/9/18.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARMAGH CITY BANBRIDGE AND CRAIGAVON BOROUGH COUNCIL**

### **Opinion on financial statements**

I have audited the financial statements of Armagh City Banbridge and Craigavon Borough Council for the year ended 31 March 2018 under the Local Government (Northern Ireland) Order 2005. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cash Flow Statement 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.

In my opinion the financial statements:

- give a true and fair view in accordance with relevant legal and statutory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18, of the financial position of Armagh City Banbridge and Craigavon Borough Council as at 31 March 2018 and its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 and the Department for Communities' directions issued thereunder.

### **Basis of opinions**

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of this certificate. My staff and I are independent of Armagh City Banbridge and Craigavon Borough Council in accordance with the ethical requirements of the Financial Reporting Council's Revised Ethical Standard 2016, and have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

### **Other Information**

The Chief Financial Officer is responsible for the other information included in the Statement of Accounts. The other information comprises the information included in the Statement of Accounts other than the financial statements, the parts of the Remuneration Report described in the report as having been audited, and my audit certificate and report. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

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

## **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Department for Communities' directions made under the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015; and
- the information given in the Narrative Report for the financial year ended 31 March 2018 is consistent with the financial statements.

## **Respective responsibilities of the Chief Financial Officer for the financial statements**

As explained more fully in the Statement of Council's and Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view of the income and expenditure and cash flows for the financial year and the financial position as at the end of the financial year.

## **Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit the financial statements in accordance with the Local Government (Northern Ireland) Order 2005 and the Local Government Code of Audit Practice.

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

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

This report is made solely to the Members of Armagh City Banbridge and Craigavon Borough Council in accordance with the Local Government (Northern Ireland) Order 2005 and for no other purpose, as specified in the Statement of Responsibilities of the Local Government Auditor and Local Government Bodies.

## **Matters on which I report by exception**

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

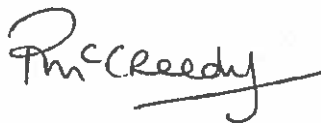
- In my opinion:
  - the Annual Governance Statement:
    - does not reflect compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 ;
    - does not comply with proper practices specified by the Department for Communities;



- is misleading or inconsistent with other information I am aware of from my audit; or
- adequate accounting records have not been kept; or
- the Statement of Accounts and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit, or
- I issue a report in the public interest under Article 9 of the Local Government (Northern Ireland) Order 2005; or
- I designate under Article 12 of the Local Government (Northern Ireland) Order 2005 any recommendation made to the Council; or
- I exercise the other special powers of the auditor under Article 19 to 21 of the Local Government (Northern Ireland) Order 2005.

**Certificate**

I certify that I have completed the audit of accounts of Armagh City Banbridge and Craigavon Borough Council in accordance with the requirements of the Local Government (Northern Ireland) Order 2005 and the Local Government Code of Audit Practice.



*Pamela McCreedy*  
*Local Government Auditor*  
*Northern Ireland Audit Office*  
*106 University Street*  
*Belfast*  
*BT7 1EU*

*26 September 2018*

**Armagh City Banbridge & Craigavon Borough Council**  
**Comprehensive Income and Expenditure Statement for the year ended 31 March 2018**

	Notes	2017/18			Restated 2016/17		
		Gross Expenditure £	Gross Income £	Net Expenditure £	Gross Expenditure £	Gross Income £	Net Expenditure £
<b>Service Expenditure</b>							
Place Directorate	2	15,869,056	4,540,450	11,328,606	13,087,709	3,360,236	9,727,473
People Directorate	2	60,550,857	11,759,750	48,791,107	52,905,365	11,612,475	41,292,890
Position Directorate	2	13,569,672	3,343,041	10,226,631	8,495,782	3,550,336	4,945,446
Performance Directorate	2	10,182,713	287,305	9,895,408	8,869,524	325,979	8,543,545
<b>Cost of Services on Continuing Operations</b>		<b>100,172,298</b>	<b>19,930,546</b>	<b>80,241,752</b>	<b>83,358,380</b>	<b>18,849,026</b>	<b>64,509,354</b>
Other Operating Expenditure	8	1,197,463	335,965	861,498	1,339,579	116,740	1,222,839
Financing and Investment Income and Expenditure	9	4,966,988	450,850	4,516,140	3,808,040	442,298	3,365,742
<b>Net Operating Expenditure</b>		<b>106,336,749</b>	<b>20,717,361</b>	<b>85,619,390</b>	<b>88,505,999</b>	<b>19,408,064</b>	<b>69,097,935</b>
Taxation and Non-Specific Grant Income	10	-	68,876,531	68,876,531	-	65,985,201	65,985,201
<b>Surplus/(Deficit) on the Provision of Services</b>		<b>106,336,749</b>	<b>89,593,892</b>	<b>(16,742,857)</b>	<b>88,505,999</b>	<b>85,393,265</b>	<b>(3,112,736)</b>
Surplus/(Deficit) on revaluation of non-current assets	11			18,021,526			10,449,196
Remeasurements of the Net Defined Benefit Liability (Asset)	21			(905,000)			(15,586,000)
<b>Other Comprehensive Income and Expenditure</b>				<b>17,116,526</b>			<b>(5,136,804)</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>373,669</b>			<b>(8,249,540)</b>

A review of the presentation of local authority financial statements resulted in changes to the Code of Accounting Practice. Councils are required to report on the basis of how they are structured and how they operate, monitor and manage financial performance. The purpose of the Expenditure and Funding Analysis (EFA) is to bring together the funding framework and the accounting framework by service. The EFA takes net expenditure chargeable to taxation, reconciling this to the CIES surplus or deficit on the Provision of Services. There is no impact on the balance sheet as a result of this change in accounting policy and as such a third balance sheet is not required.



**Armagh City Banbridge & Craigavon Borough Council**  
**Movement in Reserves Statement for the year ended 31 March 2018**

	General Fund Summary	Other Fund Balances and Reserves	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
	£	£	£	£	£	£
<b>Balance as at 1 April 2016</b>	<b>16,750,212</b>	<b>7,854,994</b>	<b>421,694</b>	<b>25,026,900</b>	<b>86,380,838</b>	<b>111,407,738</b>
<b>Movement in reserves during the year</b>						
Surplus/ (Deficit) on the provision of services	(3,112,736)	-	-	(3,112,736)	-	(3,112,736)
Other Comprehensive Income and Expenditure	-	-	-	-	(5,136,804)	(5,136,804)
<b>Total Comprehensive Income and Expenditure</b>	<b>(3,112,736)</b>	<b>-</b>	<b>-</b>	<b>(3,112,736)</b>	<b>(5,136,804)</b>	<b>(8,249,540)</b>
Adjustments between accounting basis & funding under regulations	5,201,524	-	116,740	5,318,264	(5,318,264)	-
<b>Net increase before transfers to Statutory and Other Reserves</b>	<b>2,088,788</b>	<b>-</b>	<b>116,740</b>	<b>2,205,528</b>	<b>(10,455,068)</b>	<b>(8,249,540)</b>
Transfers to / from Statutory and Other Reserves	(1,742,899)	1,742,899	-	-	-	-
<b>Increase/ Decrease in year</b>	<b>345,889</b>	<b>1,742,899</b>	<b>116,740</b>	<b>2,205,528</b>	<b>(10,455,068)</b>	<b>(8,249,540)</b>
<b>Balance as at 31 March 2017</b>	<b>17,096,101</b>	<b>9,597,893</b>	<b>538,434</b>	<b>27,232,428</b>	<b>75,925,770</b>	<b>103,158,198</b>
<b>Movement in reserves during the year</b>						
Surplus/ (Deficit) on the provision of services	(16,742,857)	-	-	(16,742,857)	-	(16,742,857)
Other Comprehensive Income and Expenditure	-	-	-	-	17,116,526	17,116,526
<b>Total Comprehensive Income and Expenditure</b>	<b>(16,742,857)</b>	<b>-</b>	<b>-</b>	<b>(16,742,857)</b>	<b>17,116,526</b>	<b>373,669</b>
Adjustments between accounting basis & funding under regulations	17,708,726	-	335,965	18,044,691	(18,044,691)	-
<b>Net increase before transfers to Statutory and Other Reserves</b>	<b>965,869</b>	<b>-</b>	<b>335,965</b>	<b>1,301,834</b>	<b>(928,165)</b>	<b>373,669</b>
Transfers to / from Statutory and Other Reserves	2,320,585	(2,320,585)	-	-	-	-
<b>Increase in year</b>	<b>3,286,454</b>	<b>(2,320,585)</b>	<b>335,965</b>	<b>1,301,834</b>	<b>(928,165)</b>	<b>373,669</b>
<b>Balance as at 31 March 2018</b>	<b>20,382,555</b>	<b>7,277,308</b>	<b>874,399</b>	<b>28,534,262</b>	<b>74,997,605</b>	<b>103,531,867</b>



**Armagh City Banbridge & Craigavon Borough Council**  
**Balance Sheet as at 31 March 2018**

	Note	31 March 2018	31 March 2017
		£	£
Fixed Assets	11	200,192,937	193,045,087
Long Term Debtors	15	1,543,529	1,624,188
<b>LONG TERM ASSETS</b>		<b>201,736,466</b>	<b>194,669,275</b>
Inventories	14	345,000	327,889
Short Term Debtors	15	8,097,152	5,985,405
Cash and Cash Equivalents	25	6,838,302	9,640,775
<b>CURRENT ASSETS</b>		<b>15,280,454</b>	<b>15,954,069</b>
Short Term Borrowing	17	2,129,296	2,155,972
Short Term Creditors	18	10,426,306	8,889,993
Provisions	19	386,185	416,921
<b>CURRENT LIABILITIES</b>		<b>12,941,787</b>	<b>11,462,886</b>
Long Term Creditors	18	30,489	-
Provisions	19	4,050,576	3,105,514
Long Term Borrowing	17	40,712,568	42,880,235
Other Long Term Liabilities	21. 6c	55,749,636	50,016,510
<b>LONG TERM LIABILITIES</b>		<b>100,543,269</b>	<b>96,002,259</b>
<b>NET ASSETS</b>		<b>103,531,864</b>	<b>103,158,199</b>
<b>USABLE RESERVES</b>			
Capital Receipts Reserve	26	874,399	538,434
Capital Fund	26	4,316,063	4,074,097
Renewal and Repairs Fund	26	515,517	-
Other Balances and Reserves	26	2,445,728	5,523,796
General Fund	26	20,382,555	17,096,102
		<b>28,534,262</b>	<b>27,232,429</b>
<b>UNUSABLE RESERVES</b>			
Capital Adjustment Account	27	50,799,271	58,349,258
Revaluation Reserve	27	81,455,564	68,204,686
Pensions Reserve	27	(55,703,000)	(49,930,000)
Accumulated Absences Account	27	(983,152)	(698,174)
Provisions Discount Rate Reserve	27	(571,081)	-
		<b>74,997,602</b>	<b>75,925,770</b>
<b>NET WORTH</b>		<b>103,531,864</b>	<b>103,158,199</b>



**Armagh City Banbridge & Craigavon Borough Council**  
**Cash Flow Statement at 31 March 2018**

	Note	2017/18	2016/17
		£	£
Net Deficit on the provision of services		(16,742,857)	(3,112,736)
Adjustment for non-cash movements		21,506,449	11,744,569
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(1,027,972)	(284,718)
<b>Net cash flows from operating activities</b>	<b>25</b>	<b>3,735,620</b>	<b>8,347,115</b>
Cash flows from Investing Activities	25	(4,303,876)	(3,426,712)
Net Cash flows from Financing Activities	25	(2,234,217)	(2,152,235)
<b>Net increase or decrease in cash and cash equivalents</b>		<b>(2,802,473)</b>	<b>2,768,168</b>
Cash and cash equivalents at the beginning of the reporting period		9,640,775	6,872,607
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>6,838,302</b>	<b>9,640,775</b>

**Armagh City Banbridge & Craigavon Borough Council**  
**Notes to the Financial Statements**  
**FOR THE YEAR ENDED 31 MARCH 2018**

**1 Accounting Policies**

**a General Principles**

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. The Council is required to prepare an annual Statement of Accounts in a form directed by the Department for Communities in accordance with regulations 3 (7) and (8) in the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 also requires disclosure in respect of:

**Summary of Significant Accounting Policies**

**i) Accruals of Income and Expenditure**

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.



- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

ii) **Acquisitions**

Council has not acquired operations (or transferred operations under machinery of government arrangements) during the financial year.

iii) **Provision for Single Status, Job Evaluation and Pay and Grading Reviews**

Council has made a provision for the costs of outstanding job evaluations arising from the Council's Single Status review.

iv) **Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

v) **Contingent Assets**

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

vi) **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

vii) **Discontinued Operations**

Council has not discontinued operations (or transferred operations under combinations of public sector bodies) during the financial year.

viii) **Employee Benefits**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, and are recognised as an expense in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end and which employees can carry forward into the next financial year.

**Termination benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of:

- a) when the offer cannot be withdrawn or
- b) when the related restructuring costs are incurred.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

**Post Employment Benefits**

Employees of the Council are members of the Northern Ireland Local Government Officers' Pension Fund administered by the Northern Ireland Local Government Officers' Superannuation Committee. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

## **The Northern Ireland Local Government Officers' Pension Fund**

The Northern Ireland Local Government Officers' Pension Fund is accounted for as a defined benefits scheme.

The liabilities of the Northern Ireland Local Government Officers' Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 2.6% (based on the indicative rate of return on high quality corporate bonds on the iBoxx Sterling Corporate Index, AA over 15 years with recently re-rated bonds removed from the index).

The assets of the Northern Ireland Local Government Officers' pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- property – market value
- unitised securities – current bid price

The change in the net pensions liability is analysed into seven components:

- Within the Cost of Services

a) Current Service Cost – the increase in the present value of the defined benefit obligation (liabilities) resulting from employee service in the current period.

b) Past Service Cost – (where applicable) the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction in the number of employees covered by the plan).

Any Gains or Losses on Settlement – (where applicable) arising where a council enters into a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan.

- Within Financing and Investment Income and Expenditure

c) Net Interest on the Net Defined Benefit Liability (Asset) – the change in the net defined benefit liability (asset) that arises from the passage of time.



· Within Other Comprehensive Income and Expenditure (Remeasurements)

d) The Return on Plan Assets – excluding amounts recognised in the Net Interest on the Net Defined Benefit Liability (Asset). This includes interest, dividends and other income derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of managing plan assets, and any tax payable by the plan itself other than tax included in the actuarial assumptions used to measure the present value of the defined benefit obligation.

e) Actuarial Gains and Losses – changes in the present value of the defined benefit obligation resulting from: i) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and ii) the effects of changes in actuarial assumptions.

Any change in the Effect of the Asset Ceiling – (where applicable) excluding amounts included in the Net Interest on the Net Defined Benefit Liability (Asset).

· Within the Movement in Reserves Statement Appropriations

f) Contributions by Scheme Participants – the increase in scheme liabilities and assets due to payments into the scheme by employees (where increased contribution increases pension due to the employee in the future).

g) Contributions by the Employer - the increase in scheme assets due to payments into the scheme by the employer.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are made to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits:

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies that are applied to the Northern Ireland Local Government Officers' pension fund.

As a result of Local Government Reform on 1 April 2015, staff that transferred from Central Government to the Council retained membership of the Northern Ireland Civil Service (NICS) Pension Scheme. The schemes provides defined benefits to members (retirement lump sums and pensions). However, the arrangements for the NICS Pension Scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet.

**ix) Events After the Balance Sheet Date**

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

a. those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events

b. those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect.

The financial statements may subsequently be adjusted up to the date when they are authorised for issue. This date will be recorded on the financial statements and is usually the date the Local Government Auditor issues his certificate and opinion. Where material adjustments are made in this period they will be disclosed.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

**x) Exceptional Items**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

**xi) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, ie in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

xii) **Financial Instruments**

Most financial instruments held by Councils would fall to be classified into just one class of financial liability and two classes of financial assets:

Financial Liabilities  
Amortised Cost

Financial Assets  
Loans and Receivables  
Available for Sale

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the CIES in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the CIES is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the District Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.



## **Financial Assets**

Financial assets are classified into two types:

- a. loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- b. available-for-sale assets – that have a quoted market price and/or do not have fixed or determinable payments.

## **Loans and Receivables**

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are then measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

However, the Council has made a loan to a voluntary organisation at less than market rates (soft loan). When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the District Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired, arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

## Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the CIES when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- a. instruments with quoted market prices – the market price
- b. other instruments with fixed and determinable payments – discounted cash flow analysis
- c. equity shares with no quoted market prices – independent appraisal of company valuations.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs - quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs - inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs - unobservable inputs for the asset.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the CIES, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

#### **Instruments Entered Into Before 1 April 2006**

The Council has not entered into any financial guarantees that are required to be accounted for as financial instruments. These guarantees, if they had been entered into, would be reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in the sections on Provisions, Contingent Liabilities and Contingent Assets.

#### **xiii) Foreign Currency Translation**

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the CIES.

#### **xiv) Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- a. the Council will comply with the conditions attached to the payments, and
- b. the grants or contributions will be received.

Amounts recognised as due are not credited to the CIES until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the CIES.



Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

xv) **Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstratable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase (research expenditure is not capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in Cost of Services on Continuing Operations in the CIES. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in Cost of Services on Continuing Operations in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the District Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £5,000) the Capital Receipts Reserve.

xvi) **Inventories & Long Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average costing formula.

Long Term contracts are accounted for on the basis of charging the surplus or deficit on the provision of services with the value of works and services received under the contract during the financial year.

xvii) **Investment Property**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Investment properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line in the CIES and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the District Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

xviii) **Landfill Allowance Scheme**

The Landfill Allowances Scheme operates under the Landfill Allowances Scheme (Northern Ireland) Regulations 2005. Local Authorities are allocated annual target figures for the maximum amount of biodegradable municipal waste that can be sent to landfill but there are no tradable allowances. It is not a 'cap and trade' scheme since landfill allowances are not tradable. For this reason, landfill allowances are not recognised as assets on the Balance Sheet.

**Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

**The Council as Lessee - Finance Lease**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a. a charge for the acquisition of the interest in the property – applied to write down the lease liability, and
- b. a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

The Council is not required to raise district rates to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual provision is made from revenue towards the deemed capital investment in accordance with statutory requirements. Depreciation and impairment losses are therefore replaced by a revenue provision in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.



### **Operating Leases:**

Rentals paid under operating leases are charged to the CIES as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

### **The Council as Lessor - Finance Lease**

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease asset (long term debtor) in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a. a charge for the acquisition of the interest in the property – applied to write down the lease asset (long term debtor) together with any premiums received, and
- b. finance income (credited to the Financing and Investment income and Expenditure line in the CIES).

The gain credited to the CIES on disposal is not permitted by statute to increase the General Fund Balance and will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are paid, the element for the charge for the acquisition of the interest in the property is used to write down the lease asset (debtor). At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### **The Council as Lessor - Operating Lease**

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

### xx) **Disposals and Non-Current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Held for Sale, they are reclassified back to non-current assets and valued at the lower of its carrying amount before they were classified as Held for Sale: adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be decommissioned i.e. abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of, or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts and credited to the Capital Receipts Reserve. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against district rates, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xxi) **Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

**Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

**Measurement**

Assets are initially measured at cost, comprising:

- a. the purchase price
- b. any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- c. the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition will not increase the cash flows of the Council. In the latter case, where the asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the CIES, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the CIES, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)



Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

Assets included in the Balance Sheet at fair value are revalued on a 5 year rolling basis with 20% of assets being subject to a physical valuation each year and the remaining 80% having a desktop revaluation carried out. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. However, gains are credited to the CIES where they arise from the reversal of a loss previously charged to a service.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2008 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### **Impairment**

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- a. where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains), with any excess charged to the service line in the CIES.
- b. where there is no balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CIES, up to the amount of the original loss, adjusted where material for depreciation that would have been charged if the loss had not

The same accounting treatment is applied to revaluation losses as a result of a general fall in asset prices across the board as opposed to a consumption of economic benefit specific to an asset as is in the case of impairment losses.

### **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- buildings & infrastructure are depreciated on a straight line basis up to 50 years; based on their carrying value over the estimated remaining useful life of the asset as advised by a suitably qualified person.
- plant and equipment, vehicles and ICT are depreciated on a straight line basis on their historic cost using a percentage of the value of each class of asset in the Balance Sheet.

The estimated useful life of high value vehicles is reviewed each year and, where material, adjustments are made to extend the useful life by crediting the revaluation reserve and debiting annual depreciation to the reserve each year.

### **Componentisation**

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Componentisation is only applicable to larger value land and buildings or equipment assets.

### **Revaluations**

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### xxii) **Heritage Assets**

Heritage Assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

Heritage Assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historic associations. They would be held by this authority in pursuit of our overall objectives in relation to the maintenance of heritage.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on fixed assets. The Council's collections of heritage assets are as follows:

- modern art sculptures in towns and parks.
- mayoral regalia.
- works of art and antique furnishings held by council.
- range of art and antiquities held in council museums.

Items held at Armagh County Museum and those on loan to Castle Ward and Address House were all valued as at 31 March 2018.

xxiii) **Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Council becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

xxiv) **Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against District Rates for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement benefits, accumulated absences and provisions discount rate and do not represent usable resources for the Council – these reserves are explained in the relevant note to the accounts.

xxv) **Charges to Revenue for Non-Current Assets**

Charges to revenue for non-current assets e.g. services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- a. depreciation attributable to the assets used by the relevant service
- b. revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- c. amortisation of intangible fixed assets attributable to the service.



The Council is not required to raise District Rates to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by minimum revenue provision (MRP) in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

xxvi) **Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the CIES in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged, so that there is no impact on the level of District Rates.

xxvii) **Value Added Tax**

All expenditure and income, irrespective of whether it is revenue or capital in nature, is shown net of Value Added Tax, unless it is irrecoverable.

**The Carbon Reduction Commitment Scheme (CRC)**

Due to its low levels of energy consumption, there is no requirement for the Council to participate in the Carbon Reduction Commitment Energy Efficiency Scheme.

xxviii) **Fair Value Measurement**

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings [other financial instruments as applicable] at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- \* Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- \* Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- \* Level 3 – unobservable inputs for the asset or liability.

#### **b Accounting Standards That Have Been Issued but Have Not Yet Been Adopted**

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires an authority to disclose information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would result in an impact on disclosures spanning two financial years.

Accounting changes that are introduced in the 2018/19 code are:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers
- amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
- amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative.

#### **c Critical Judgements in Applying Accounting Policies**

In applying accounting policies set out from Note 1a the Council has not had to make any critical judgements about complex transactions or those involving uncertainty about future events.

d **Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

**(i) Property, Plant and Equipment**

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.

If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.

**(ii) Provisions**

The Council has not made a provision for bad debt arising from non-collection of rate income by Land & Property Services in future years as it is not certain how much uncollected rates will be written off by LPS in future years. Also, Council has not made a provision for the settlement of claims for back pay arising from Equal Pay settlements due to the uncertainty of the amounts involved.

**(iii) Pension Liability**

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

**(iv) Arrears**

A review of significant debtor balances has resulted in a specific allowance for doubtful debts.



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**Expenditure and Funding Analysis**

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates

	2017/18			2016/17		
	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£	£	£	£	£	£
Place Directorate	8,746,939	2,581,667	11,328,606	8,147,650	1,579,823	9,727,473
People Directorate	38,803,818	9,987,289	48,791,107	35,256,613	6,036,277	41,292,890
Position Directorate	5,648,574	4,578,057	10,226,631	4,166,626	778,820	4,945,446
Performance Directorate	9,384,359	511,049	9,895,408	8,320,195	223,350	8,543,545
Other Services	-	-	-	-	-	-
<b>Net Cost of Services</b>	<b>62,583,690</b>	<b>17,658,062</b>	<b>80,241,752</b>	<b>55,891,084</b>	<b>8,618,270</b>	<b>64,509,354</b>
<b>Other Income and Expenditure</b>	<b>(65,870,143)</b>	<b>2,371,250</b>	<b>(63,498,893)</b>	<b>(56,236,974)</b>	<b>(5,159,646)</b>	<b>(61,396,620)</b>
<b>Surplus or Deficit</b>	<b>3,286,453</b>	<b>20,029,312</b>	<b>(16,742,859)</b>	<b>(345,890)</b>	<b>3,458,624</b>	<b>(3,112,734)</b>
<b>Opening General Fund</b>	<b>17,096,102</b>		<b>17,096,102</b>	<b>16,750,212</b>		<b>16,750,212</b>
<b>Surplus/ (Deficit) on General Fund Balance in Year</b>	<b>3,286,453</b>	<b>20,029,312</b>	<b>(16,742,859)</b>	<b>345,890</b>	<b>3,458,624</b>	<b>(3,112,734)</b>
<b>Closing General Fund</b>	<b>20,382,555</b>	<b>20,029,312</b>	<b>353,243</b>	<b>17,096,102</b>	<b>3,458,624</b>	<b>13,637,478</b>

A review of the presentation of local authority financial statements resulted in changes to the Code of Accounting Practice. Councils are required to report on the basis of how they are structured and how they operate, monitor and manage financial performance. The purpose of the Expenditure and Funding Analysis (EFA) is to bring together the funding framework and the accounting framework by service. The EFA takes net expenditure chargeable to taxation, reconciling this to the CIES surplus or deficit on the Provision of Services. There is no impact on the balance sheet as a result of this change in accounting policy and as such a third balance sheet is not required.



## b Note to the Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement

### Adjustments between Funding and Accounting Basis 2017/18

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net Change for the Pension Adjustments	Other Statutory Adjustments	Other Differences	Total
	£	£	£	£	£
Place Directorate	2,225,203	332,268	24,196	-	2,581,667
People Directorate	7,489,298	2,318,273	179,718	-	9,987,289
Position Directorate	4,009,583	519,736	48,738	-	4,578,057
Performance Directorate	-	478,723	32,326	-	511,049
Other Services	-	-	-	-	-
<b>Net Cost of Services</b>	<b>13,724,084</b>	<b>3,649,000</b>	<b>284,978</b>	<b>-</b>	<b>17,658,062</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(2,837,348)	-	2,888,013	2,320,585	2,371,250
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>10,886,736</b>	<b>3,649,000</b>	<b>3,172,991</b>	<b>2,320,585</b>	<b>20,029,312</b>

Adjustments to General Fund Balances are to meet the requirements of generally accepted accounting practices.

- Adjustments for Capital Purposes:

This column adds in depreciation and impairment and revaluation gains and losses in the services line and for:

- i) Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- ii) Financing and investment income and expenditure - the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from financing and investment income and expenditure as these are not chargeable under generally accepted accounting practices.
- iii) Taxation and Non Specific Grant Income and Expenditure – Capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

- Net Change for the Pension Adjustments:

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

For services this represents the removal of the employer pension contributions made by the authority as permitted by statute and the replacement with current service costs and past service costs.

For Financing and investment income and expenditure - the net interest on the defined benefit liability is charged to the CIES.

- Other Statutory Adjustments:

This represents the removal of the accumulated absence charge made by the authority as permitted by statute.

- Other Differences:

Other Differences between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statute:

The charge for services here is a statutory adjustment for a financial instrument relating to a decision by services to issue soft loans to community organisations. Soft loans are loans below market rates.

For Financing and investment income and expenditure the other differences column recognises adjustments to General Fund for the timing differences for premiums and discounts.



**Adjustments between Funding and Accounting Basis 2016/17**

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net Change for the Pension Adjustments	Other Statutory Adjustments	Other Differences	Total
	£	£	£	£	£
Place Directorate	1,481,172	78,284	20,367	-	1,579,823
People Directorate	5,363,851	532,591	139,834	-	6,036,277
Position Directorate	647,930	106,137	24,754	-	778,820
Performance Directorate	94,825	110,988	17,537	-	223,350
Other Services	-	-	-	-	-
Net Cost of Services	7,587,778	828,000	202,492	-	8,618,270
Other Income and Expenditure from the Expenditure and Funding Analysis	(3,482,084)	-	65,337	(1,742,899)	(5,159,646)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	4,105,694	828,000	267,829	(1,742,899)	3,458,624



Armagh City Banbridge & Craigavon Borough Council  
Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2018

3 Expenditure and Income Analysed by Nature

Expenditure			
	Notes	2017/18 £	2016/17 £
Employee Benefits Expenses	7a	42,573,903	39,653,842
Other Services Expenditure		49,001,569	36,632,594
Support Service Recharges		-	-
Depreciation, Amortisation, Impairment	4	8,932,790	7,188,683
Interest Payments	9a	2,448,602	2,618,263
Gain on the Disposal of Assets	8a	47,752	54,252
Other Expenditure		3,332,133	2,358,365
<b>Total Expenditure</b>		<b>106,336,749</b>	<b>88,505,999</b>
Income			
	Notes	2017/18 £	2016/17 £
Fees, Charges and other service income		(20,266,511)	(18,965,767)
Interest and Investment Income	9b	(139,469)	(138,717)
District rate income	10e	(60,035,580)	(57,861,281)
Government grants and Contributions	10a, 10c	(8,840,951)	(8,123,919)
Support Service Income		-	-
Other Income	9e	(311,381)	(303,581)
<b>Total Income</b>		<b>(89,593,892)</b>	<b>(85,393,265)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>		<b>16,742,857</b>	<b>(3,112,736)</b>



#### 4 Adjustments between an Accounting Basis and Funding Basis under Regulations

Amounts included in the Comprehensive Income and Expenditure Statement but required by statute to be excluded when determining the Movement on the General Fund Balance for the year:

Notes	2017/18		2016/17	
	£	£	£	£
<b>Amounts included in the Comprehensive Income and Expenditure Statement but required by statute to be excluded when determining the Movement on the General Fund Balance for the year:</b>				
Impairments (losses & reversals) of non-current assets		380,978	-	
Derecognition (other than disposal) of non-current assets	11	813,746	1,168,587	
Revaluation increases/decreases taken to Surplus/Deficit on the Provision of Services	11	6,025,947	399,096	
Depreciation charged in the year on non-current assets	11	8,551,812	15,772,483	7,188,683
Net Revenue expenditure funded from capital under statute	11		2,482,013	171,656
Carrying amount of non current assets sold	8	383,717		170,992
Proceeds from the sale of PP&E, investment property and intangible assets	8	(335,965)	47,752	(116,740)
	20			54,252
Difference between finance costs calculated on an accounting basis and finance costs calculated in accordance with statutory requirements				
	21			
Net charges made for retirement benefits in accordance with IAS 19			10,981,000	8,089,000
Direct revenue financing of Capital Expenditure	12		(739,826)	(1,022,593)
Capital Grants and Donated Assets Receivable and Applied in year	8			
			(692,007)	(167,978)
Capital Grants Receivable and Unapplied in year	23			
Rates Claw-Back Reserve				
Adjustments in relation to Short-term compensated absences	27			
			284,978	202,492
Adjustments in relation to Lessor Arrangements				
Landfill Regulations Reserve Adjustment	27			
Provisions Discount Rate Reserve Adjustment	27			
			571,081	
<b>Amounts not included in the Comprehensive Income and Expenditure Statement but required by statute to be included when determining the Movement on the General Fund Balance for the year</b>				
Statutory Provision for the financing of Capital investment	23			
			(4,885,747)	(4,650,671)
Employers contributions payable to the NILGOSC and retirement benefits payable direct to pensioners	20			
			(6,113,000)	(6,231,000)
			17,708,727	5,201,524



b Net transfers (to)/from statutory and other earmarked reserves:		2017/18	2017/18	2016/17	2016/17
Adjustments between Funding and Accounting Basis Notes		£	£	£	£
<b>Capital Fund</b>					
Interest		-		-	
From Capital		(241,966)		-	
Other	27	-	(241,966)	-	
<b>Renewal and Repairs Fund</b>					
Interest		-		-	
Other	27	(515,517)	(515,517)	150,298	150,298
<b>Capital Receipts Reserve</b>					
Interest		-		-	
Other	27	-	-	-	
<b>Other Funds and earmarked reserves</b>					
Interest		-		-	
From Other funds		-		-	
Other	27	3,078,068	3,078,068	(1,893,197)	(1,893,197)
			2,320,585		(1,742,899)

## 5 Cost of Services on Continuing Operations

### a General power of competence

Prior to Local Government Reform on 1st April 2015, expenditure for special purposes was limited under Section 40 of the Local Government Finance Act (Northern Ireland) 2011. This section was repealed by Schedule 10 of the Local Government Act (Northern Ireland) 2014.

Under Section 79 of the Local Government Act (Northern Ireland) 2014, the Council has the power to do anything that individuals generally may do. Councils have the power to do this with or without charge. The power of competence is not limited to benefitting the area or its residents nor is it limited by existing powers.

There was no expenditure under the power of competence during 2017/18.

### b External Audit Fees

The Council has incurred the following costs relating to the annual audit of the Statement of Accounts, certification of grant claims and other services provided by the Councils external auditors.

	2017/18	2016/17
	£	£
External Audit Fees	65,000	66,500
Grant Claim Certification Fees	-	-
Other Fees	19,100	17,077
	84,100	83,577

Other fees payable 2017/18 to NI Audit Office were for Performance Improvement Audit 2017 £19k (2016/17 - £17k of which £1.2k was for National Fraud Initiative).



6 Operating and Finance Leases  
Council as Lessor

a Finance Leases (Council as lessor)

The Council has leased out property to Banbridge Enterprise Limited on a finance lease with a remaining term of 90 years.

The present value of lease payments receivable under the finance lease arrangements is recognised as a receivable and included in both short and long term debtors. The difference between the gross amount receivable and the present value of the amounts receivable is recognised as unearned finance income.

Gross receivables from finance leases	2017/18	2016/17
	£	£
<b>Long Term Debtors</b>		
Finance leases- gross receivables	118,209	119,133
Less - Unearned finance income	-	-
Less - Unguaranteed residual value of property	-	-
<b>Net Present Value</b>	<b>118,209</b>	<b>119,133</b>
<b>Short Term Debtors</b>		
Finance leases- gross receivables	924	918
Less - Unearned finance income	-	-
Less - Unguaranteed residual value of property	-	-
<b>Net Present Value</b>	<b>924</b>	<b>918</b>
<b>Gross receivables from finance leases</b>		
No later than 1 year	924	918
Later than 1 year and no later than 5 years	3,766	3,739
Later than 5 years	114,442	115,394
<b>Total gross receivables</b>	<b>119,133</b>	<b>120,051</b>
Less-Unearned future finance income on finance leases	-	-
Less-Unguaranteed residual value of property	-	-
<b>Net investment in finance leases</b>	<b>119,133</b>	<b>120,051</b>

The net investment in finance leases may be analysed as follows:

	2017/18	2016/17
	£	£
No later than 1 year	924	918
Later than 1 year and no later than 5 years	3,766	3,739
Later than 5 years	114,442	115,394
<b>Total gross receivables</b>	<b>119,133</b>	<b>120,051</b>

The unguaranteed residual values of the assets leased under finance leases at the end of the year are estimated at £nil (Previous year £nil)

The accumulated allowance for uncollectable minimum lease payments receivable is £nil (comparative year £nil)

No contingent rents were recognised as receivable by the Council.

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average interest rate contracted is approximately 0.73% (comparative year 0.73%)



## b Operating Leases (Council as lessor)

The Council, in accordance with its statutory and discretionary responsibilities, leases out property and equipment under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for small local businesses
- any other purposes

Rental income recognised in the CIES in the current year amounts to £410,184 (2016/17 - £102,748).

The lease contracts are all non-cancellable and do not include an extension option. The lease terms are between 1 and 17 years. Future minimum lease income is set out below:

	2017/18		2016/17	
	Land and Buildings £	Vehicles, Plant and Equipment £	Land and Buildings £	Vehicles, Plant and Equipment £
<b>Minimum lease rentals receivable:</b>				
No later than 1 year	291,784	-	43,303	-
Later than 1 year and no later than 5 years	1,045,474	-	111,998	-
Later than 5 years	568,861	-	325	-
	<b>1,906,119</b>	<b>-</b>	<b>155,626</b>	<b>-</b>

The assets leased by the Council to third parties are included in the following categories of Property, Plant and Equipment with carrying values of:

	2017/18		2016/17 Restated	
	Land and Buildings £	Vehicles, Plant and Equipment £	Land and Buildings £	Vehicles, Plant and Equipment £
Cost	38,154,201	-	35,154,031	-
Accumulated depreciation and impairments at 1 April	(6,182,278)	-	(4,526,817)	-
Depreciation charge for the year	(1,392,380)	-	(1,461,514)	-
Impairments	-	-	-	-
Revaluation Movements as at 31 March	3,142,383	-	688,919	-
	<b>33,721,926</b>	<b>-</b>	<b>29,854,619</b>	<b>-</b>

Full current value of leased assets is included even though the full asset is not leased (only part of the asset is leased) as only a full valuation is received.

## Council as Lessee

### c Finance Leases (Council as lessee)

A number of Council's vehicles are held under finance leases. The assets are included under Vehicles, Plant & Equipment which form an integral part of property, plant and equipment (see note 11 g-leased assets).

Council holds some equipment under Finance Leases. The assets are included under Vehicles, Plant & Equipment which form an integral part of property, plant and equipment (see note 11 g-leased assets).

No contingent rentals were recognised as an expense in the CIES during the reporting period under review, and no future sub-lease income is expected to be received, as all assets are used exclusively by the council.

The lease agreements for the vehicles and IT equipment include fixed lease payments and a purchase option at the end of the respective lease terms. The agreements are non-cancellable but do not include any further restrictions.

Future minimum finance lease payments at the end of each reporting period under review are as follows:



	Within 1 year £	1 to 5 years £	After 5 years £	Total £
<b>2017/18</b>				
Finance leases payments	43,968	51,441	-	95,409
Less: finance charges	(4,094)	(4,805)	-	(8,899)
<b>Net present value</b>	<b>39,874</b>	<b>46,636</b>	-	<b>86,510</b>
<b>2016/17</b>				
Finance leases payments	43,968	95,409	-	139,377
Less: finance charges	(4,094)	(8,899)	-	(12,993)
<b>Net present value</b>	<b>39,874</b>	<b>86,510</b>	-	<b>126,384</b>
<b>2015/16</b>				
Finance leases payments	12,987	5,655	-	18,642
Less: finance charges	(1,785)	(1,105)	-	(2,890)
<b>Net present value</b>	<b>11,202</b>	<b>4,550</b>	-	<b>15,752</b>

Included in the Balance Sheet as:	2018 £	2017 £	2016 £
Current liabilities	39,874	39,874	11,202
Long term liabilities	46,636	86,510	4,550
<b>Total</b>	<b>86,510</b>	<b>126,384</b>	<b>15,752</b>

#### d Operating Leases (Council as lessee)

The Council has acquired its office photocopiers and printers by entering into operating leases which expire April 2018.

The expenditure charged to services in the CIES during the year in relation to these leases was:

	2017/18		2016/17	
	Land and Buildings £	Vehicles, Plant and Equipment £	Land and Buildings £	Vehicles, Plant and Equipment £
Minimum lease payments	46,424	29,978	1,483	10,111
Contingent rentals	-	-	-	-
Less: Sublease payments receivable	-	-	-	-
<b>Total</b>	<b>46,424</b>	<b>29,978</b>	<b>1,483</b>	<b>10,111</b>

No sub-lease payments or contingent rent payments were made or received. No sublease income is expected as all assets held under operating lease agreements are used exclusively by the Council.

The future minimum lease payments due under non-cancellable operating leases in future years are set out below:

	2017/18		2016/17	
	Land and Buildings £	Vehicles, Plant and Equipment £	Land and Buildings £	Vehicles, Plant and Equipment £
<b>Minimum lease rentals payable:</b>				
No later than 1 year	52,674	-	1,483	-
Later than 1 year and no later than 5 years	69,896	-	4,472	-
Later than 5 years	337,781	-	3,512	-
<b>Total</b>	<b>460,352</b>	-	<b>9,467</b>	-



7 Employee Costs and Member Allowances

Staff Costs	2017/18	2016/17
	£	£
Salaries and Wages	33,710,415	31,057,971
Employers NIC	2,840,451	2,737,490
Employers Superannuation	6,023,037	5,858,381
<b>Total staff costs</b>	<b>42,573,903</b>	<b>39,653,842</b>

In addition, agency costs during the year amounted to £172,928 (2016/2017 £236,868).

Staff costs include voluntary redundancies totalling £1,657k as detailed in the Remuneration Report. (2016/2017 £nil).

Additionally, staff costs include £50,697 charged to the I & E as a result of an under provision in prior years (2016/2017 includes £395k charged for under provision)

The Council's current contribution rate to NILGOSC scheme is 18% along with a contribution for Deficit Funding. At the last actuarial valuation, dated 31 March 2016, the Fund's assets as a whole were sufficient to meet 96% of the liabilities accrued up to that date.

Average Number of Employees - where FTE represents fulltime equivalent employees

Average Number of Employees	2017/18	2016/17
	FTE	FTE
Place Directorate	89	89
People Directorate	856	840
Position Directorate	152	138
Performance Directorate	108	107
Other Services	-	-
<b>Total Number</b>	<b>1,206</b>	<b>1,174</b>

	2017/18	2016/17
	Actual Numbers	Actual Numbers
Full-time numbers employed	975	947
Part-time numbers employed	390	382
<b>Total Number</b>	<b>1,365</b>	<b>1,329</b>



Senior Employees' Remuneration	2017/18	2016/17
	Number	Number
£50,001 to £60,000	16	15
£60,001 to £70,000	4	3
£70,001 to £80,000	-	-
£80,001 to £90,000	2	2
£90,001 to £100,000	-	1
£100,001 to £110,000	1	-
£110,001 to £120,000	1	1
<b>Total Number</b>	<b>24</b>	<b>22</b>

#### c) Members' Allowances

	2017/18	2016/17
	£	£
Salaries	-	-
Basic allowance	593,763	583,114
Mayor's & Deputy Mayor's Allowance	26,523	26,245
Special Responsibility Allowances	103,497	98,581
Dependents' carers allowance	3,392	3,809
Employer costs	200,669	183,924
Mileage	51,033	45,995
Conferences and Courses	1,702	2,104
Travel & Subsistence Costs	2,912	688
Miscellaneous Costs	-	-
Severance Payments	-	-
<b>Total</b>	<b>983,491</b>	<b>944,460</b>

#### e) Northern Ireland Civil Service Pension Arrangements

As a result of Reform on 1st April 2015, staff transferred from Central Government to the Council are members of the Northern Ireland Civil Service Pension Scheme.

The Northern Ireland Civil Service Pension arrangements are unfunded multi-employer defined benefit schemes but the Council is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31/03/2012. This valuation is then reviewed by the Scheme Actuary and updated to reflect current conditions and rolled forward to the reporting date of the DOF Superannuation and Other Allowances Resource Accounts as at 31 March 2018.

For 2017/18, employers' contributions of £292k (2016-2017 £271k) were payable to the NICS pension arrangements at one of three rates in the range 20.8% to 26.3% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. A new scheme funding valuation based on data as at 31/03/2012 was completed by the Actuary during 2014/15. This valuation was used to determine employer contribution rates for the introduction of a new career average earning scheme from April 2015. The contribution rates are set to meet the cost of the benefits accruing during 2017/18 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Current employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. No Council employees currently avail of this scheme and no new employees are able to join as it is a closed scheme.

During the year 7 officers retired early on ill-health grounds at nil cost to Council (2016/2017: 7 officers at nil cost).



**8 Other Operating Expenditure****a Surplus/Deficit on Non-Current Assets (excl Investment Properties)**

	2017/18	2016/17
	£	£
Proceeds from sale	(335,965)	(116,740)
Carrying amount of non-current assets sold (excl Investment Properties)	383,717	170,992
	47,752	54,252

**b Other Operating Income/Expenditure**

	2017/18	2016/17
	£	£
Income	-	-
Expenditure	813,746	1,168,587
	813,746	1,168,587

Other Operating Expenditure	2017/18	2016/17
	£	£
(Surplus) / Deficit on Non Current Assets	47,752	54,252
Other Operating (Income) / Expenditure	813,746	1,168,587
	861,498	1,222,839

**9 Financing and Investment Income and Expenditure****a Interest Payable and Similar Charges**

	2017/18	2016/17
	£	£
Lease/hire purchase interest	4,094	4,915
Bank interest	12,267	1,346
Government Loan interest	2,432,241	2,612,002
Commercial Loan interest	-	-
Other interest (please specify)	-	-
	2,448,602	2,618,263

**b Interest and Investment Income**

	2017/18	2016/17
	£	£
Bank interest	15,333	7,245
Employee car loan interest	544	1,379
NIHE Loan interest receivable	122,933	130,093
Investment income on Fund Balances		
Capital Fund	-	-
Repairs & Renewals Fund	-	-
Other Funds	-	-
Other Investment income	659	-
	139,469	138,717

**c Pensions interest costs**

	2017/18	2016/17
	£	£
Net interest on the net defined benefit liability (asset)	1,219,000	1,030,000
	1,219,000	1,030,000



**d Surplus/(Deficit) on trading operations**

	2017/18	2016/17
	£	£
Income from trading	-	-
Expenditure	-	-
(Surplus)/Deficit for the year	-	-

**e Income, Expenditure and changes in Fair Value of Investment Properties**

	2017/18	2016/17
	£	£
<b>Income/Expenditure from Investment Properties:</b>		
Income including rental income	(311,381)	(303,581)
Expenditure	64,734	159,778
De-recognition in relation to amounts written off	-	-
<i>Net income from investment properties</i>	(246,647)	(143,803)
<b>Surplus/deficit on sale of Investment Properties</b>		
Proceeds from sale	-	-
Carrying amount of investment properties sold	-	-
<i>(Surplus)/deficit on sale of Investment Properties:</i>	-	-
<b>Changes in Fair Value of Investment Properties</b>	1,911,568	-
	1,664,921	(143,803)

Financing and Investment Income and Expenditure	2017/18			2016/17		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£	£	£	£	£	£
Interest Payable and Similar Charges	2,448,602	-	2,448,602	2,618,263	-	2,618,263
Interest and Investment Income	-	(139,469)	(139,469)	-	(138,717)	(138,717)
Pensions interest cost	1,219,000	-	1,219,000	1,030,000	-	1,030,000
Surplus/(Deficit) on trading operations	-	-	-	-	-	-
Other investment income	64,734	(311,381)	(246,647)	159,778	(303,581)	(143,803)
Changes in Fair Value of Investment Properties	1,911,568	-	1,911,568	-	-	-
	5,643,904	(450,850)	5,193,054	3,808,041	(442,298)	3,365,743

**10 Taxation and Non Specific Grant Income**

**a Revenue Grants**

	2017/18	2016/17
	£	£
General	(8,148,944)	(7,955,941)
Other	-	-
	(8,148,944)	(7,955,941)



**b Revenue Grants - Unapplied**

	2017/18	2016/17
	£	£
Government & Other Grants - Conditions met and applied in year	-	-
Other	-	-
	-	-

**c Capital Grants and Donated Assets - Applied**

	2017/18	2016/17
	£	£
Government & Other Grants - Conditions met and applied in year	(692,007)	(167,978)
Government & Other Grants - Transfer from receipts in advance	-	-
Donated Assets - Conditions met	-	-
Donated Assets - Transfer from donated assets creditor	-	-
	(692,007)	(167,978)

**d Capital Grants - Unapplied**

	2017/18	2016/17
	£	£
Government & Other Grants - Conditions met and not applied in year	-	-
Other	-	-
	-	-

**e District Rates**

	2017/18	2016/17
	£	£
Current year	(60,035,580)	(57,861,281)
Finalisation - previous year	-	-
Transitional Relief	-	-
Finalisation - other years	-	-
	(60,035,580)	(57,861,281)

Taxation and Non Specific Grant Income	2017/18	2016/17
	£	£
District Rate Income	(60,035,580)	(57,861,281)
Revenue Grants	(8,148,944)	(7,955,941)
Capital Grants and Contributions	(692,007)	(167,978)
	(68,876,531)	(65,985,200)



Armagh City Banbridge & Craigavon Borough Council  
Notes to the Financial Statements  
FOR THE YEAR ENDED 31 MARCH 2018

11 a

Cost or Valuation	Land	Buildings	Infrastructure Assets	Landfill Sites	Vehicles, Plant & Equipment	Community Assets	PP&E Under Construction	Surplus Assets	Total PP&E	Residual Assets	Investment Properties	Intangible Assets	Assets Held for Resale	TOTAL
<b>Balance as at 1 April 2017</b>	44,650,699	156,482,931	5,745,018	-	27,869,639	2,025,857	2,874,952	1,102,250	<b>240,751,346</b>	7,404,587	3,496,211	10,000	-	<b>251,662,144</b>
Adjustments between cost/value & depreciation/impairment														
<b>Balance as at 1 April 2017</b>	44,650,699	156,482,931	5,745,018	-	27,869,639	2,025,857	2,874,952	1,102,250	<b>240,751,346</b>	7,404,587	3,496,211	10,000	-	<b>251,662,144</b>
Additions	337,822	460,240	111,203	-	1,045,298	-	3,427,326	478,470	<b>5,860,359</b>	-	-	-	-	<b>5,860,359</b>
Donations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation increases/ (decreases) to Revaluation Reserve	48,769	(30,355,275)	3,331,034	-	540,882	-	-	855,695	<b>(25,578,895)</b>	(1,383,161)	-	-	-	<b>(26,962,056)</b>
Revaluation increases/ (decreases) to Surplus or Deficit on the Provision of Services	(568,844)	(3,904,255)	(317,160)	-	-	-	-	(1,035)	<b>(4,791,294)</b>	-	(1,234,653)	-	-	<b>(6,025,947)</b>
Impairment to Surplus or Deficit on the Provision of Services	-	-	-	-	(874,416)	-	-	-	-	-	-	-	-	<b>(874,416)</b>
Derecognition - Disposals	-	-	-	-	(917,461)	-	-	(260,000)	<b>(1,177,461)</b>	-	-	-	-	<b>(1,177,461)</b>
Derecognition - Other	(53,800)	(37,779)	-	-	(9,507,594)	(1,008,566)	(577,835)	-	<b>(11,185,574)</b>	-	-	-	-	<b>(11,185,574)</b>
Reclassifications & Transfers	(231,923)	2,874,249	28,302	-	(2,581,529)	(519,015)	(1,526,466)	1,362,940	<b>(593,442)</b>	-	593,442	-	-	<b>-</b>
<b>Balance as at 31 March 2018</b>	<b>44,182,723</b>	<b>125,520,111</b>	<b>8,898,397</b>	-	<b>15,574,819</b>	<b>498,276</b>	<b>4,197,977</b>	<b>3,538,320</b>	<b>202,410,623</b>	<b>6,021,426</b>	<b>2,855,000</b>	<b>10,000</b>	-	<b>211,297,049</b>



Depreciation and Impairment	Land	Buildings	Infrastructure Assets	Landfill Sites	Vehicles, Plant & Equipment	Community Assets	PP&E Under Construction	Surplus Assets	Total PP&E	Heritage Assets	Investment Properties	Intangible Assets	Assets Held for Resale	TOTAL
	£	£	£	£	£	£	£	£	£	£	£	£	£	£
<b>Balance as at 1 April 2017</b>	-	36,540,499	325,907	-	20,898,207	843,622	-	8,823	58,617,058	-	-	-	-	58,617,058
Adjustments between cost/value & depreciation/impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balance as at 1 April 2017</b>	-	36,540,499	325,907	-	20,898,207	843,622	-	8,823	58,617,058	-	-	-	-	58,617,058
Depreciation Charge	-	7,020,079	221,829	-	1,309,436	468	-	-	8,551,812	-	-	-	-	8,551,812
Depreciation written out on Revaluation Reserve	-	(44,369,261)	(547,736)	-	-	-	-	(66,585)	(44,983,582)	-	-	-	-	(44,983,582)
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment losses/reversals to Revaluation Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	-	-	-	-	(493,438)	-	-	-	(493,438)	-	-	-	-	(493,438)
Derecognition - Disposals	-	-	-	-	(784,921)	-	-	(8,823)	(793,744)	-	-	-	-	(793,744)
Derecognition - Other	-	(19,465)	-	-	(9,506,317)	(268,212)	-	-	(9,793,994)	-	-	-	-	(9,793,994)
Reclassifications & Transfers	-	828,148	-	-	(815,721)	(79,012)	-	66,585	-	-	-	-	-	-
Eliminated on reclassification to Held for Sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balance as at 31 March 2018</b>	-	125,520,111	8,898,397	-	4,967,573	1,410	4,197,977	3,538,320	191,306,511	6,021,426	2,855,000	10,000	-	200,192,937
<b>Net Book Values</b>	44,182,723	125,520,111	8,898,397	-	4,967,573	1,410	4,197,977	3,538,320	191,306,511	6,021,426	2,855,000	10,000	-	200,192,937
<b>Balance as at 31 March 2018</b>	44,182,723	125,520,111	8,898,397	-	4,967,573	1,410	4,197,977	3,538,320	191,306,511	6,021,426	2,855,000	10,000	-	200,192,937

Balance as at 31 March 2018

11,104,112

11,104,112

Net Book Values

Balance as at 31 March 2018

200,192,937

200,192,937



Cost or Valuation	Land	Buildings	Infrastructure Assets	Landfill Sites	Vehicles, Plant & Equipment	Community Assets	PP&E Under Construction	Surplus Assets	Total PP&E	Heritage Assets	Investment Properties	Intangible Assets	Assets Held for Resale	TOTAL
	£	£	£	£	£	£	£	£	£	£	£	£	£	£
<b>Balance as at 1 April 2016</b>	46,052,515	150,496,706	1,422,470	-	32,254,866	1,995,662	3,436,738	2,142,707	<b>237,801,664</b>	2,404,587	5,067,352	10,000	-	<b>245,283,603</b>
Adjustments between cost/value & depreciation/impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balance as at 1 April 2016</b>	<b>46,052,515</b>	<b>150,496,706</b>	<b>1,422,470</b>	-	<b>32,254,866</b>	<b>1,995,662</b>	<b>3,436,738</b>	<b>2,142,707</b>	<b>237,801,664</b>	<b>2,404,587</b>	<b>5,067,352</b>	<b>10,000</b>	-	<b>245,283,603</b>
Additions (Note 11)	37,302	654,378	-	-	885,198	-	2,134,552	-	<b>3,711,430</b>	-	-	-	-	<b>3,711,430</b>
Donations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation increases/decreases to Revaluation Reserve	480,000	3,077,692	2,411,136	-	-	-	-	(46,620)	<b>5,922,208</b>	5,000,000	(473,012)	-	-	<b>10,449,196</b>
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment to Surplus or Deficit on the Provision of Services	-	(399,096)	-	-	(19,975)	-	-	-	<b>(399,096)</b>	-	-	-	-	<b>(399,096)</b>
Derecognition - Disposals	(2,000)	(212,505)	-	-	-	-	-	-	<b>(234,480)</b>	-	-	-	-	<b>(234,480)</b>
Derecognition - Other	(129,002)	(1,182,089)	-	-	(2,338,616)	-	(7,062)	(42,621)	<b>(3,699,390)</b>	-	-	-	-	<b>(3,699,390)</b>
Reclassifications & Transfers	(1,788,116)	4,047,845	1,911,412	-	(2,911,834)	30,195	(2,689,276)	(951,216)	<b>(2,350,990)</b>	-	(1,098,129)	-	-	<b>(3,449,119)</b>
Reclassified to (+) / from (+) Held for Sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balance as at 31 March 2017</b>	<b>44,650,699</b>	<b>156,482,931</b>	<b>5,745,018</b>	-	<b>27,869,639</b>	<b>2,025,857</b>	<b>2,874,952</b>	<b>1,102,250</b>	<b>240,751,346</b>	<b>7,404,587</b>	<b>3,496,211</b>	<b>10,000</b>	-	<b>251,662,144</b>



Depreciation and Impairment	Land	Buildings	Infrastructure Assets	Landfill Sites	Vehicles, Plant & Equipment	Community Assets	PP&E Under Construction	Surplus Assets	Total PP&E	Heritage Assets	Investment Properties	Intangible Assets	Assets Held for Resale	TOTAL
	£	£	£	£	£	£	£	£	£	£	£	£	£	£
<b>Balance as at 1 April 2016</b>	-	29,290,044	352,713	-	27,015,548	717,684	-	23,065	57,399,054	-	65,669	-	-	57,464,723
Balance as at 1 April 2016	-	29,290,044	352,713	-	27,015,548	717,684	-	23,065	57,399,054	-	65,669	-	-	57,464,723
Depreciation Charge	-	7,182,491	36,357	-	(125,908)	95,743	-	-	7,188,683	-	-	-	-	7,188,683
Depreciation written out on Revaluation Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment losses/reversals to Revaluation Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments between Funds	(43,513)	-	-	-	(19,975)	-	-	-	(63,488)	-	-	-	-	(63,488)
Derecognition - Other	-	(215,694)	-	-	(2,293,805)	-	-	(14,242)	(2,523,741)	-	-	-	-	(2,523,741)
Reclassifications & Transfers	-	327,171	(63,163)	-	(3,677,653)	30,195	-	-	(3,383,450)	-	(65,669)	-	-	(3,449,119)
Eliminated on reclassification to Held for Sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balance as at 31 March 2017</b>	-	36,540,499	325,907	-	20,898,207	843,622	-	8,823	58,617,058	-	-	-	-	58,617,058
<b>Net Book Values</b>														
Balance as at 31 March 2017	44,650,699	119,942,432	5,419,111	-	6,971,432	1,182,235	2,874,952	1,093,427	182,134,288	7,404,587	3,496,211	10,000	-	193,045,086
Balance as at 31 March 2018	44,182,723	125,520,111	8,898,397	-	4,967,573	1,410	4,197,977	3,538,320	191,306,511	6,021,426	2,855,000	10,000	-	200,192,937



## **Valuations**

The last valuation of freehold and leasehold properties was carried out as at 31 March 2018 by an independent valuer from Land and Property Services (LPS). Please refer to Note 1(a)(xii) for further information on revaluation and depreciation policies. Assets included in the Balance Sheet at fair value are revalued on a 5 year rolling basis with 20% of assets being subject to a physical valuation each year and the remaining 80% having a desktop revaluation carried out. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. However, gains are credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Intangible Assets, which relate solely to market rights, were also valued by LPS as at 31 March 2018.

Heritage Assets held at Armagh County Museum and those on loan to Castle Ward and Address House were professionally valued as at 31 March 2018.

## **Effects of Changes in Estimates**

There were a number of vehicles, previously shown at nil NBV, which had a change in their remaining useful life following a review by Council at the start of the year. As such the opening book value has been increased by £540,882 on which £162,786 of depreciation was charged in year.

## **Impairment**

Council has recognised an impairment loss in relation to a number of assets of £381k in the financial year.

## **Derecognition - Other**

Derecognition of £1.4m (net) relates to the carrying amount of non-current assets of £814k and WP of £578k charged back to the services.

### 11 c Intangible Assets

The Council also owns Intangible Assets which relate solely to market rights. The assets are not amortised.

Intangible Assets	31/03/2018	31/03/2017
	£	£
Market Trading Rights	10,000	10,000
	10,000	10,000

### d Investment Properties

Reclassifications and transfers to/from investment properties are as follows:

- Loughgall Gate Lodges reclassified as operational.
- Jubilee Park Armagh reclassified as operational.
- Tandragee Municipal Offices including toilets & Store reclassified as surplus.
- Dobbin street Clinic reclassified as surplus
- Shop at 74 Upper English Street reclassified as surplus/disposed.
- 42 Upper English Street (St Patrick's Complex) reclassified as surplus.
- Offices at 2 Newry Road, Armagh, were transferred to investment properties from operational.
- NSMC transferred to investment properties from operational.

Investment Properties	31/03/2018	31/03/2017
	£	£
Rental Income from Investment Activities	311,381	303,581
Direct Operating expenses arising from investment properties	(64,734)	(159,778)
<b>Net gain/(loss)</b>	<b>246,647</b>	<b>143,803</b>

### e Heritage Assets

Heritage Assets held at Armagh County Museum and those on loan to Castle Ward and Ardress House were all valued as at 31 March 2018.

Other heritage asset disclosures are included at note 1a(xxiii).



**f Assets Held for Sale**

Adjustments between Funding and Accounting Basis 2016/17			
	Current	Non Current	Total
	£	£	£
<b>Cost or Valuation</b>			
Balance as at 1 April 2017	-	-	-
Adjustments between cost/value & depreciation/impairment	-	-	-
Transferred from Non-Current Assets during year	-	-	-
Assets Held for Sale Donations	-	-	-
Assets Held for Sale Revaluation increases/decreases to Revaluation Reserve	-	-	-
Revaluation increases/decreases taken to Surplus or Deficit on the Provision of Services	-	-	-
Assets Held for Sale Impairment @ Cost to Provision of Services	-	-	-
Derecognition - Disposals	-	-	-
Derecognition - Other	-	-	-
Reclassified from Current Assets Held for Sale to non current Assets Held for Sale	-	-	-
Transferred to Property, Plant & Equipment during year	-	-	-
<b>Balance as at 31 March 2018</b>	-	-	-
<b>Impairment</b>			
Balance as at 1 April 2017	-	-	-
Adjustments between cost/value & depreciation/impairment	-	-	-
Impairment losses/reversals taken to Surplus or Deficit on the Provision of Services	-	-	-
Derecognition - Disposals	-	-	-
Derecognition - Other	-	-	-
Reclassified from Current Assets Held for Sale to non current Assets	-	-	-
Transferred to Property, Plant & Equipment during year	-	-	-
<b>Balance as at 31 March 2018</b>	-	-	-
<b>Net Book Value</b>			
<b>Balance as at 31 March 2018</b>	-	-	-
<b>Balance as at 31 March 2017</b>	-	-	-
Adjustments between Funding and Accounting Basis 2016/17			
	Current	Non Current	Total
	£	£	£
<b>Cost or Valuation</b>			
Balance as at 1 April 2016	-	-	-
Adjustments between cost/value & depreciation/impairment	-	-	-
Transferred from Non-Current Assets during year	-	-	-
Assets Held for Sale Donations	-	-	-
Assets Held for Sale Revaluation increases/decreases to Revaluation Reserve	-	-	-
Revaluation increases/decreases taken to Surplus or Deficit on the Provision of Services	-	-	-
Assets Held for Sale Impairment @ Cost to Provision of Services	-	-	-
Derecognition - Disposals	-	-	-
Derecognition - Other	-	-	-
Reclassified from Current Assets Held for Sale to non current Assets	-	-	-
Transferred to Property, Plant & Equipment during year	-	-	-
<b>Balance as at 31 March 2017</b>	-	-	-
<b>Impairment</b>			
Balance as at 1 April 2016	-	-	-
Adjustments between cost/value & depreciation/impairment	-	-	-
Impairment losses/reversals taken to Surplus or Deficit on the Provision of Services	-	-	-
Derecognition - Disposals	-	-	-
Derecognition - Other	-	-	-
Reclassified from Current Assets Held for Sale to non current Assets	-	-	-
Transferred to Property, Plant & Equipment during year	-	-	-
<b>Balance as at 31 March 2017</b>	-	-	-

The Council has no long-term assets that it tends to dispose of as at year end.



**g Long-Term Assets - Leased Assets**

	Vehicles £	Equipment £	TOTAL £
<b>Cost or Valuation</b>			
At 1 April 2017	424,604	375,858	800,462
Adjustment to opening Balances	(30,000)	(283,293)	(313,293)
Revaluation	73,449		73,449
Additions	-	-	-
Disposals	-	-	-
<b>At 31 March 2018</b>	<b>468,053</b>	<b>92,565</b>	<b>560,618</b>
<b>Depreciation</b>			
At 1 April 2017	318,331	231,753	550,084
Adjustment to opening Balances	(30,000)	(216,306)	(246,306)
Revaluation	-	-	-
Disposals	-	-	-
Provided for year	29,954	10,060	40,014
<b>At 31 March 2018</b>	<b>318,285</b>	<b>25,507</b>	<b>343,792</b>
<b>Net Book Value</b>	<b>149,768</b>	<b>67,058</b>	<b>216,826</b>

	Vehicles £	Equipment £	TOTAL £
<b>Cost or Valuation</b>			
At 1 April 2016	668,032	159,914	827,946
Adjustment to opening Balances	(243,428)	62,049	(181,379)
Additions	-	153,895	153,895
Disposals	-	-	-
<b>At 31 March 2017</b>	<b>424,604</b>	<b>375,858</b>	<b>800,462</b>
<b>Depreciation</b>			
At 1 April 2016	659,941	150,468	810,409
Adjustment to opening Balances	(358,072)	62,049	(296,023)
Disposals	-	-	-
Provided for year	16,462	19,236	35,698
<b>At 31 March 2017</b>	<b>318,331</b>	<b>231,753</b>	<b>550,084</b>
<b>Net Book Value</b>	<b>106,273</b>	<b>144,105</b>	<b>250,378</b>

**h Fair Value Hierarchy for Surplus Assets**

The Council holds surplus assets to the value of £3.5M.



## 12 Capital Expenditure and Capital Financing

NOTE: The total Capital Expenditure incurred in the year (and comparative year) is shown below - including the value of assets acquired under finance leases and PFI/PPP contracts together with the resources that have been used to finance it. Where Capital Expenditure is to be financed in future years by charges to revenue as assets are used, the expenditure results in an increase in the CFR, a measure of the Capital Expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

Capital Expenditure		2017/18	2016/17
		£	£
<b>Opening Capital Financing Requirement</b>		66,491,145	68,456,363
<b>Capital Investment</b>			
Property, Plant and Equipment	11	5,860,359	3,711,430
Investment Properties		-	-
Intangible Assets		-	-
Revenue Expenditure Funded from Capital under Statute		2,482,013	171,656
Derecognise Other Investments	11	(577,835)	(7,062)
		-	-
<b>Sources of Finance</b>			
Capital Receipts		-	-
Government Grants and Other Contributions	10	(692,007)	(167,978)
Transfers from Earmarked Reserves		-	-
<b>Sums set aside from Revenue:</b>			
Direct Revenue Contributions		(739,826)	(1,022,593)
Minimum Revenue Provision		(4,885,747)	(4,650,671)
<b>Closing Capital Financing Requirement</b>		67,938,102	66,491,145
<b>Explanation of Movements in Year</b>		2017/18	2016/17
		£	£
Increase in underlying need to borrow		1,446,957	(2,119,113)
Assets acquired under finance leases		-	153,895
Assets acquired under PFI/PPP contracts		-	-
<b>Increase/(decrease) in Capital Financing Requirement</b>		1,446,957	(1,965,218)

## 13 Future Capital Commitments

The Council has an ongoing programme of capital works including the following:

Schemes underway at year end amounted to £47m, the majority of which relates to the South Lake Leisure Centre.

	Gross Cost	Grant Aid/ Funding	Net Cost
	£	£	£
Schemes underway	61,126,165	14,206,165	<b>46,920,000</b>
Committed	28,416,800	6,335,000	<b>22,081,800</b>
Vehicles & Equipment	9,241,900		<b>9,241,900</b>
<b>Total</b>	<b>98,784,865</b>	<b>20,541,165</b>	<b>78,243,700</b>



14	Inventories	2017/18		2016/17	
		£		£	
	Oil and Fuel		52,042		42,736
	Stores		193,252		191,934
	Other Stock		99,706		93,219
	<b>Total</b>		<b>345,000</b>		<b>327,889</b>

15	a	Debtors	2017/18		2016/17	
			£		£	
		Long Term Debtors				
		Government Departments	-	-	-	-
		Other Councils	-	-	-	-
		Public corporations and trading funds	-	-	-	-
		Bodies external to general government	-	-	-	-
		Employee car loans	-	-	3,885	-
		Revenue Grants	-	-	-	-
		Capital Grants	-	-	-	-
		Interest Receivable	-	-	-	-
		Capital Debtors	-	-	-	-
		Loans and advances	-	-	-	-
		Finance lease debtors	-	-	-	-
		Trade debtors	-	-	-	-
		NIHE Loans	1,387,885	1,501,170		
		Other	155,644	119,133		
		Impairment of loans and receivables	-	-		
		<b>Total Long-Term Debtors</b>	<b>1,543,529</b>	<b>1,624,188</b>		

b	Short Term Debtors	2017/18		2016/17	
		£		£	
	Government Departments		5,476,162		2,971,018
	Other Councils		195,453		418,897
	Public corporations and trading funds		-		-
	Bodies external to general government		125,375		359,533
	NIHE loans		344,578		108,360
	Employee car loans		1,227		6,626
	Revenue Grants		-		-
	Capital Grants		-		-
	Interest Receivable		1,700		-
	Capital Debtors		32,322		-
	Value Added Tax		1,361,183		1,264,393
	Prepayments		288,669		253,558
	Finance lease debtors		924		918
	Other		75,399		249,018
	Trade receivables		411,782		585,009
	Impairment loss - Trade receivables		(217,622)		(231,925)
	<b>Total Short-Term Debtors</b>		<b>8,097,152</b>		<b>5,985,405</b>

<b>Total Debtors</b>	<b>9,640,681</b>	<b>7,609,593</b>
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The largest proportion of Council's Debtors relates to District Rates and Government Grants.



14 Investments			
a Long Term Investments			
		2017/18	2016/17
		£	£
Investments - general		-	-
Investments - repairs and renewals		-	-
Investments - capital fund		-	-
Investments - other		-	-
<b>Total Long-term Investments</b>		-	-
Analysed over:			
		2017/18	2016/17
		£	£
Money market deposits		-	-
Other deposits		-	-
<b>Total Long-term Investments</b>		-	-
b Short-Term Investments			
		2017/18	2016/17
		£	£
Investments - general		-	-
Investments - repairs and renewals		-	-
Investments - capital fund		-	-
Investments - other		-	-
<b>Total Short-term Investments</b>		-	-
Analysed over:			
		2017/18	2016/17
		£	£
Money market deposits		-	-
Other deposits		-	-
<b>Total Short-term Investments</b>		-	-
<b>Total Long Term and Short-term Investments</b>		-	-

17 Borrowings			
a Short Term Borrowing			
		2017/18	2016/17
		£	£
Loans re-payable within one year		2,089,422	2,116,098
Finance Lease Principal		39,874	39,874
<b>Total Short Term Borrowing</b>		2,129,296	2,155,972
b Long Term Borrowing			
		2017/18	2016/17
		£	£
Between 1 and 2 years		1,958,733	2,089,422
Between 2 and 5 years		6,695,272	5,805,997
Between 5 and 10 years		11,312,839	13,720,769
In more than 10 years		20,745,724	21,264,047
<b>Analysed over:</b>			
Finance Lease Principal		-	-
Loans		5,000,000	5,000,000
Government Loans fund		35,712,567	37,880,235

Interest rates on Government Loans and Lender Option Buyer Option (LOBO) Loans range from between 3% and 15.75%

<b>Government Loans Fund</b>	<b>40,712,568</b>	<b>42,880,235</b>
<b>Total Borrowing</b>	<b>42,841,864</b>	<b>45,036,207</b>



18

<b>18 Creditors</b>			
<b>a Short Term Creditors</b>			
		2017/18	2016/17
		£	£
Government Departments		754,839	743,117
Other Councils		54,129	238,899
Public corporations and trading funds		-	-
Bodies external to general government		600	45,791
Rates clawback		-	-
VAT		245,945	121,243
Remuneration due to employees		1,465,294	498,024
Accumulated Absences		983,153	698,174
Loan Interest Payable		-	-
Capital Creditors		-	-
Receipts in advance		708,114	728,684
Trade creditors		-	-
Other		6,214,232	5,816,061
<b>Total Short Term Creditors</b>		<b>10,426,306</b>	<b>8,889,993</b>
<b>b Long Term Creditors</b>			
Other creditors falling due after more than one year			
		2017/18	2016/17
		£	£
Government Departments		-	-
Other Councils		-	-
Public corporations and trading funds		-	-
Bodies external to general government		-	-
Rates clawback		-	-
Remuneration due to employees		-	-
Accumulated Absences		-	-
Receipts in advance		-	-
Trade creditors		-	-
Other		30,489	-
<b>Total Long Term Creditors</b>		<b>30,489</b>	<b>-</b>
<b>Total Creditors</b>		<b>10,456,795</b>	<b>8,889,993</b>

The largest proportion of Council's creditors increase relates to remuneration to employees.

### c Payment of Invoices

The Council has a target, where no other terms are agreed, of paying supplier invoices within 30 calendar days. During the year the Council paid 30,610 invoices totalling £48,077,025. (2016/17 29,179 invoices totalling £41,241,750).

The number of disputed invoices were 9,612.

The Council paid:

17,504 (57.2%) invoices with 30 calendar days target;  
5,657 (18.5%) invoices within 10 working days target; and  
13,106 (42.8%) invoices outside of the 30 day target.

The average number of days taken to pay suppliers during the year was 24.81 days.



Provisions	Balance as at 1 April 2017	Increase in provision during year	Utilised during year	Unused amounts reversed	Interest cost and/or discount rate changes	Balance as at 31 March 2018
	£	£	£	£	£	£
Landfill - Craigavon	2,564,495	475,259	(60,259)	-	571,081	<b>3,550,576</b>
Single Status	416,921	89,017	(119,753)	-	-	<b>386,185</b>
Landfill - Armagh	141,019	-	(136,698)	(4,321)	-	-
Legal Issues	400,000	100,000	-	-	-	<b>500,000</b>
<b>Total</b>	<b>3,522,435</b>	<b>664,276</b>	<b>(316,710)</b>	<b>(4,321)</b>	<b>571,081</b>	<b>4,436,761</b>
Current Provisions	416,921	89,017	(119,753)	-	-	<b>386,185</b>
Long Term Provisions	3,105,514	575,259	(196,957)	(4,321)	571,081	<b>4,050,576</b>
<b>Total</b>	<b>3,522,435</b>	<b>664,276</b>	<b>(316,710)</b>	<b>(4,321)</b>	<b>571,081</b>	<b>4,436,761</b>

#### Comparative Year

Provisions	Balance as at 1 April 2016	Increase in provision during year	Utilised during year	Unused amounts reversed	Interest cost and/or discount rate changes	Restated Balance as at 31 March 2017
	£	£	£	£	£	£
Landfill - Craigavon	2,683,782	-	(65,440)	-	(53,847)	<b>2,564,495</b>
Single Status	472,436	228,644	(284,159)	-	-	<b>416,921</b>
Landfill - Armagh	246,019	-	-	(105,000)	-	<b>141,019</b>
Legal Issues	400,000	-	-	-	-	<b>400,000</b>
<b>Total</b>	<b>3,802,237</b>	<b>228,644</b>	<b>(349,599)</b>	<b>(105,000)</b>	<b>(53,847)</b>	<b>3,522,435</b>
Current Provisions	472,436	228,644	(284,159)	-	-	<b>416,921</b>
Long Term Provisions	3,329,801	-	(65,440)	(105,000)	(53,847)	<b>3,105,514</b>
<b>Total</b>	<b>3,802,237</b>	<b>228,644</b>	<b>(349,599)</b>	<b>(105,000)</b>	<b>(53,847)</b>	<b>3,522,435</b>

#### Landfill - Craigavon

NI Environment Agency required that an adequate provision is made for landfill aftercare costs. This was formally revalued in 2016/17 by an external company to ensure that the provision is an adequate estimate for the landfill cost liability. During 2017/18 the Council sought independent external professional advice from its financial advisors, Arlingclose regarding discount rates for landfill. Based on the advice provided, discount rates based on PWLB borrowing rates factored for inflation have been applied. The movement relating to the discount rates has been mitigated via the Provision Discount Rates Reserves in the unusable reserves in Note 27h.

#### Single Status

This provision is set aside to provide for costs associated with a review of salaries and wages. This process should be completed during the 2018/19 financial year.

#### Landfill - Armagh

This represents funds for the land purchase in respect of a former landfill site which closed a number of years ago, which was completed during 2017/18.

#### Legal Issues

The provision is set aside for potential legal costs and repayment claims that are currently on-going.



The Council has no material exposure to any of the risk types identified below in its dealings with Financial Instruments.

#### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council. The provision for bad and doubtful debts reflects the Council's assessment of the risk of non-payment by trade debtors and, as such, there is no further additional estimated exposure to default and inability to collect.

Trade debtors and invoiced government debt, inclusive of VAT, can be analysed by age as follows:

Trade debtors, inclusive of VAT, can be analysed by age as follows:		£
Less than one month		616,635
Two to three months		157,793
More than 3 months		121,426
		-
		895,854

There is no historical experience of default in relation to deposits with banks and other financial institutions. Therefore there is no estimated exposure to risk of default.

#### Liquidity Risk

As the Council has ready access to borrowings from the Department of Finance's Consolidated Fund, there is no significant risk that it will be unable to raise finance to meet its commitments under Financial Instruments. The maturity analysis of financial liabilities is included in notes 16 to 18. All trade and other payables are due for payment within one year.

#### Market Risk

##### Interest rate risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments and deposits but the potential risk and exposure is minimal during 2017/18. The Council is in receipt of loans from the Department of Finance, however these loans are at fixed concessionary interest rates that differ from the prevailing market rates.

#### Foreign Exchange Risk

The Council has a Euro bank account for payments however due to the size of the bank balance this would not be considered a material exposure to loss arising from movements in exchange rates.

#### Fair Value of Soft Loans and Government Loans

The Council is in receipt of loans from the Department of Finance at concessionary interest rates that differ from the prevailing market rates. The fair value of these loans is £60,753,675 broken down as follows:

	£
Government Loans	54,351,675
Market Loans	6,402,000
<b>Total</b>	<b>60,753,675</b>

The Council has made a loan to an organisation at less than market rates (soft loans). Thus the fair value of the loan(s) would be less than the amount of the cash lent. The Department has directed that fair value consideration for these loans is not necessary this year but the detail of the loans is shown below.

Voluntary Body in Receipt of Loan	Amount	Repayment Due
	£	
Armagh Business Centre	40,000	30/06/2028



## 21 Retirement Benefits

### a Participation in the Northern Ireland Local Government Officers' Pension Fund.

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Northern Ireland Local Government Officers' Pension Fund administered by the Northern Ireland Local Government Officers' Superannuation Committee. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

### b Transactions relating to retirement benefits - Comprehensive Income and Expenditure Statement Charges:

The Council recognises the cost of retirement benefits in the Cost of Services on Continuing Operations when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, the charge the Council is required to make against district rates is based on the cash payable in the year, and the real cost of retirement benefits is reversed out in the adjustments between accounting basis & funding basis under regulations line, in the Movement on Reserves Statement.

The following transactions have been made in the CIES and the adjustments between accounting basis & funding basis under regulations line, in the Movement on Reserves Statement during the year:

	Note	2017/18 £	2016/17 £
Net cost of services:			
Current service cost		9,598,000	6,655,000
Past service cost/(gain)		164,000	404,000
Gains and losses on settlements or curtailments		-	-
Net operating expenditure:			
Net Interest on net defined benefit Liability (asset)		1,219,000	1,030,000
<b>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>		<b>10,981,000</b>	<b>8,089,000</b>
Movement in Reserves Statement:			
Reversal of net charges made for retirement benefits in accordance with IAS 19 and the Code		(10,981,000)	(8,089,000)
Actual amount charged against the general fund balance for pensions in the year:			
Employers' contributions payable to scheme		6,113,000	6,231,000
<b>Net adjustment to General Fund</b>		<b>(4,868,000)</b>	<b>(1,858,000)</b>

The service cost figures include an allowance for administration expenses of £0.119m (1.24%).



Remeasurements recognised in Other Comprehensive Income and Expenditure	Note	2017/18 £	2016/17 £
Liability gains/(losses) due to change in assumptions		4,865,000	51,101,000
Liability gains/(losses) due to due to demographic changes		-	(1,544,000)
Liability experience gains/(losses) arising in the year		823,000	(11,831,000)
Actuarial gains/(losses) on plan assets		(4,783,000)	(22,140,000)
Other		-	-
<b>Total gains/(losses) recognised in Other Comprehensive Income and Expenditure</b>		<b>905,000</b>	<b>15,586,000</b>

**c**

Assets and liabilities in relation to retirement benefits Reconciliation of present value of the scheme liabilities:	Note	2017/18 £	2016/17 £
Balance as at 1 April		237,529,000	188,704,000
Current service cost		9,598,000	6,655,000
Interest cost		6,145,000	6,564,000
Contributions by members		1,879,000	1,812,000
Remeasurement (gains) and losses:			
-Actuarial gains/losses arising from changes in financial assumption		4,865,000	51,101,000
-Actuarial gains/losses arising from demographic changes		-	(1,544,000)
-Actuarial gains/losses arising on liabilities from experience		823,000	(11,831,000)
-Other (if applicable)		-	-
Past service costs/(gains)		164,000	404,000
Losses/(gains) on curtailments		-	-
Liabilities extinguished on settlements		-	-
Estimated unfunded benefits paid		(92,000)	(91,000)
Estimated benefits paid		(4,293,000)	(4,245,000)
<b>Balance as at 31 March</b>		<b>256,618,000</b>	<b>237,529,000</b>

Reconciliation of present value of the scheme assets:	Note	2017/18 £	2016/17 £
Balance as at 1 April		187,599,000	156,218,000
Interest income		4,926,000	5,534,000
Contributions by members		1,879,000	1,812,000
Contributions by employer		6,021,000	6,140,000
Contributions in respect of unfunded benefits		92,000	91,000
Remeasurement gain/(loss)		4,783,000	22,140,000
Assets distributed on settlements		-	-
Unfunded benefits paid		(92,000)	(91,000)
Benefits paid		(4,293,000)	(4,245,000)
<b>Balance as at 31 March</b>		<b>200,915,000</b>	<b>187,599,000</b>

The actual return on scheme assets in the year was a gain of £9.709m (2016/17 gain of £27.674m).

Fair Value of Plan Assets	31/03/2018 £	31/03/2017 £
Equity investments	143,453,310	139,761,255
Bonds	24,913,460	21,573,885
Property	20,091,500	19,697,895
Cash	9,041,175	4,877,574
Other	3,415,555	1,688,391
	<b>200,915,000</b>	<b>187,599,000</b>

The above asset values are at bid value as required by IAS 19.

The amounts included in the fair value of plan assets for property occupied by the Council was nil.



**The Council's share of the Net Pension Liability (Included in the Balance Sheet):**

	31/03/2018	31/03/2017
	£	£
Fair Value of Employer Assets	200,915,000	187,599,000
Present value of funded defined benefit obligation	(255,231,000)	(236,133,000)
Pension asset/(liability) of Funded Scheme	(54,316,000)	(48,534,000)
Present Value of unfunded defined benefit obligation	(1,387,000)	(1,396,000)
Other movement in the liability (asset) (if applicable)	-	-
<b>Net asset/(liability) arising from the defined benefit obligation</b>	<b>(55,703,000)</b>	<b>(49,930,000)</b>
Amount in the Balance sheet:		
Liabilities	(55,703,000)	(49,930,000)
Assets	-	-
<b>Net Asset/(Liability)</b>	<b>(55,703,000)</b>	<b>(49,930,000)</b>

**d Scheme History**

Analysis of scheme assets and liabilities	31/03/2018	31/03/2017
	£	£
Fair Value of Assets in pension scheme	200,915,000	187,599,000
Present Value of Defined Benefit Obligation	(256,618,000)	(237,529,000)

<b>Surplus/(deficit) in the Scheme</b>	<b>(55,703,000)</b>	<b>(49,930,000)</b>
--	---------------------	---------------------

Amount recognised in Other Comprehensive Income and Expenditure:	31/03/2018	31/03/2017
	£	£
Actuarial gains/(losses)	905,000	15,586,000
Expected Return on Plan Assets	-	-
Increase/(decrease) in irrecoverable surplus from membership fall and other factors	-	-
Remeasurements recognised in Other Comprehensive Income and Expenditure	905,000	15,586,000
Cumulative actuarial gains and losses	16,491,000	3,195,812
<b>History of experience gains and losses:</b>		
Experience gains and (losses) on assets	(4,783,000)	(22,140,000)
Experience gains and (losses) on liabilities	823,000	(11,831,000)

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £55.703m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a net liability of £55.703m.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the Northern Ireland Local Government Officers' Pension Fund will be made good by increased contributions over the remaining working life of employees, assessed by the scheme actuary.

**Analysis of projected amount to be charged to the Comprehensive Income and Expenditure Statement for the year to 31 March 2018**

	31/03/2018	31/03/2018
	£	%
Projected current cost	10,240,000	33.2%
Net interest on the net defined benefit liability (asset)	1,365,000	4.4%
Post service cost	-	0.0%
Gains and losses on settlements or curtailments	-	0.0%
	<b>11,605,000</b>	<b>37.6%</b>

The total contributions expected to be made to the Northern Ireland Local Government Officers' Pension Fund by the council in the year to 31 March 2019 is £6.456m, of which £0.095m relates to unfunded benefits.



### History of experience gains and losses

The actuarial gains/losses identified as movements on the Pensions Reserve 2017/18 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2018.

	31/03/2018	31/03/2017
	%	%
Experience (gains and losses) on Assets	-2.38%	-11.80%
Experience gains and (losses) on Liabilities	-0.32%	4.98%

### e Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels, etc. The Council's Fund liabilities have been assessed by Aon Hewitt Limited, an independent firm of actuaries, estimates for the Council Fund being based on data pertaining to the latest full valuation of the scheme as at 31 March 2018.

Long-term expected rate of return on assets in the scheme:	2017/18	2016/17
	%	%
Equity investments	71.4%	74.5%
Bonds	12.4%	11.5%
Property	10.0%	10.5%
Cash	4.5%	2.6%
Other	1.7%	0.9%
<b>Mortality assumptions:</b>		
Longevity at 65 current pensioners:	Years	Years
Men	23.3	23.2
Women	25.9	25.8
Longevity at 65 for future pensioners:		
Men	25.5	25.4
Women	28.2	28.1
Inflation/Pension Increase Rate	2.10%	2.00%
Salary Increase Rate	3.60%	3.50%
Expected Return on Assets	5.10%	17.70%
Discount Rate	2.60%	2.60%
Pension accounts revaluation rate	2.10%	2.00%
<b>Take-up of option to convert annual pension into retirement lump sum:</b>		
Service to April 2009	75%	75%
Service post April 2009	75%	75%



## Pension Assumptions Sensitivity Analysis

The pension figures disclosed in these financial statements are sensitive to the assumptions used.

The approximate impact of changing key assumptions on the present value of the funded defined benefit obligation as at 31 March 2018 is set out below.

In each case, only the assumption noted below is altered; all other assumptions remain the same and are summarised in the disclosure above.

### Funded Pension Scheme Benefits

<b>Discount Rate Assumption</b>		
Adjustment to discount rate	<b>+0.1%p.a.</b>	<b>-0.1%p.a.</b>
Present value of the total obligation	249,930,000	260,645,000
% change in the present value of the total obligation	-2.10%	2.10%
Projected service cost	9,934,000	10,554,000
Approximate % change in projected service cost	-3.00%	3.10%
<b>Rate of General Increase in Salaries</b>		
Adjustment to salary increase rate	<b>+0.1%p.a.</b>	<b>-0.1%p.a.</b>
Present value of the total obligation	256,960,000	253,520,000
% change in the present value of the total obligation	0.70%	-0.70%
Projected service cost	10,240,000	10,240,000
Approximate % change in projected service cost	0.00%	0.00%
<b>Rate of Increase to Pensions in Payment and Deferred Pension Assumption</b>		
Adjustment to pension increase rate	<b>+0.1%p.a.</b>	<b>-0.1%p.a.</b>
Present value of the total obligation	258,896,000	251,662,000
% change in the present value of the total obligation	1.40%	-1.40%
Projected service cost	10,554,000	9,934,000
Approximate % change in projected service cost	3.10%	-3.00%
<b>Post Retirement Mortality Assumption</b>		
Adjustment to mortality age rating assumption*	<b>- 1 Year</b>	<b>+ 1 Year</b>
Present value of the total obligation	262,785,000	247,718,000
% change in the present value of the total obligation	3.00%	-2.90%
Projected service cost	10,602,000	9,880,000
Approximate % change in projected service cost	3.50%	-3.50%

\* A rating of +1 year means that members are assumed to follow the mortality pattern of the base table above for an individual that is 1 year older than that.

### f Major categories of plan assets as percentage of total plan assets

	31/03/2018	31/03/2017
	%	%
Equity investments	71.40%	74.50%
Government Bonds	5.20%	5.40%
Corporate Bonds	7.20%	6.10%
Property	10.00%	10.50%
Cash	4.50%	2.60%
Other	1.70%	0.90%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>



## 9 Northern Ireland Civil Service Pension Arrangements

The Northern Ireland Civil Service Pension arrangements are unfunded multi-employer defined benefit schemes but the Council is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31/03/2012. This valuation is then reviewed by the Scheme Actuary and updated to reflect current conditions and rolled forward to the reporting date of the DoF Superannuation and Other Allowances Resource Accounts as at 31 March 2018.

Guaranteed Minimum Pension (GMP) is a portion of pension that was accrued by individuals who were contracted out of the state pension prior to 6 April 1997. At present there is an inequality of benefits between male and female members who have GMP. Although the Government intends that GMP should be equalised, at present it is not clear how this equalisation will be implemented. In July 2014 the Government stated an intention to develop fully considered proposals and to publish guidance when this work is completed, but no target date was given. The impact of any liabilities relating to the Council is therefore uncertain and no provision has been made in these financial statements.

22 Donated Assets Account	Note	2017/18	2016/17
		£	£
Opening balance		0	0
Add: new donated assets received (condition of use not met)		0	0
Less: amounts released to the District Fund - Comprehensive Income and Expenditure		0	0
		0	0

### Analysis of Donated Assets Account

The Council has no donated assets.

23 Capital Grants Received in Advance	Note	2017/18	2016/17
		£	£
Opening balance		0	0
Add: new capital grants received in advance (condition of use not met)		0	0
Less: amounts released to the Comprehensive Income and Expenditure Statement		0	0
		0	0

### Analysis of Capital Grants Receipts in Advance Balance

The Council utilised all Capital Grants received in year.

## 24 Contingencies

The Council has an ongoing legal case that may result in a claim being awarded to council.



**Armagh City Banbridge & Craigavon Borough Council**  
**Notes to the Financial Statements**  
**FOR THE YEAR ENDED 31 MARCH 2018**

**25 Other cash flow disclosures**

**a Analysis of Adjustments to Surplus/Deficit on the Provision of Services**

Adjustment to surplus or deficit on the provision of services for noncash movements			
	Notes	2017/18	2016/17
		£	£
Depreciation	11	8,551,812	7,188,683
Impairment & downward revaluations (& non-sale derecognitions)	11	7,220,671	1,567,683
Amortisation (included with depreciation above)		-	-
(Increase)/Decrease in Stock		(17,111)	102,375
(Increase)/Decrease in Debtors		(2,016,788)	1,210,277
Increase/(decrease) in impairment provision for bad debts		(14,303)	160,397
Increase/(Decrease) in Creditors		1,038,291	(241,099)
Increase/(Decrease) in Interest Creditors		-	-
Payments to NILGOSC	21	4,868,000	1,858,000
Carrying amount of non-current assets sold	8a	383,717	170,992
AIC/WIP written off to Net Cost of Services	11	577,834	7,062
Contributions to Other Reserves/Provisions	19	914,326	(279,801)
Movement in value of investment properties-included above in Impairment & downward revaluations (& non-sale derecognitions)		-	-
Amounts posted to CIES from Donated Assets Account	22	-	-
		21,506,449	11,744,569

Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing			
	Notes	2017/18	2016/17
		£	£
Purchase of short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)		-	-
Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)		-	-
Proceeds from the sale of PP&E, investment property and intangible assets	8	(335,965)	(116,740)
Capital grants included in "Taxation & non-specific grant income"	10	(692,007)	(167,978)
		(1,027,972)	(284,718)



**b Cash and Cash Equivalents**

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and in bank and short term deposits and investments (considered to be cash equivalents), net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the Balance Sheet as follows:

	2017/18	2016/17	2015/16
	£	£	£
Cash and Bank balances	1,838,302	7,640,775	6,872,607
Short Term Deposits (considered to be Cash Equivalents)	5,000,000	2,000,000	-
Short Term Investments (considered to be Cash Equivalents)	-	-	-
Bank Overdraft	-	-	-
	<b>6,838,302</b>	<b>9,640,775</b>	<b>6,872,607</b>

Council holds monies on behalf of Anderson Trust, a third party Coal Fund which Council administers and makes annual contributions to the charity on its behalf. These balances do not appear on Council's balance sheet. As at 31 March 2018 third party investments totalled £30,489.13 (2016-17 £31,089.13) .

Council administers and operates a "Keep Cosy" Oil Stamp Savings Scheme as part of a Public Health Agency funded project in which retailers supply saving stamps to individuals, lodge the funds and Council reimburses the Oil Companies on redemption of the stamps. As this is a holding account, these transactions or balances are not reflected in the financial statements.

**c Cash Flow Statement: Operating Activities**

		2017/18	2016/17
		£	£
The cash flows from operating activities include:			
Interest received	9	139,469	138,717
Interest paid	9	2,448,602	2,618,262

**d Cash flows from Investing Activities**

		2017/18	2016/17
		£	£
Purchase of PPE, Investment Property & Intangible Assets	11	(5,331,848)	(3,711,430)
Purchase of Short Term Investments (not considered to be cash equivalents)		-	-
Purchase of Long Term Investments		-	-
Other Payments for Investing Activities		-	-
Proceeds from the sale of PP&E, Investment Property and Intangible Assets	8	335,965	116,740
Proceeds from Short Term Investments (not considered to be cash equivalents)		-	-
Proceeds from Long Term Investments		-	-
Capital Grants and Contributions Received	10, 12	692,007	167,978
Other Receipts from Investing Activities		-	-
<b>Net Cash flows from Investing Activities</b>		<b>(4,303,876)</b>	<b>(3,426,712)</b>

**e Cash flows from Financing Activities**

		2017/18	2016/17
		£	£
Cash Receipts from Short and Long Term Borrowing		-	-
Other Receipts from Financing Activities		-	-
Cash payments for the reduction of the outstanding liability relating to a finance lease and on-Balance Sheet PFI contracts		-	-
Repayment of Short and Long Term Borrowing	6c.17	(2,234,217)	(2,152,235)
Other payments for Financing Activities		-	-
<b>Net Cash flows from Financing Activities</b>		<b>(2,234,217)</b>	<b>(2,152,235)</b>



## 26 Usable Reserves

### a Capital Receipts Reserve

These are capital receipts which have originated primarily from the sale of assets which have not yet been used to finance capital expenditure.

The Capital Receipts Reserve is credited with the proceeds from fixed asset sales and other monies defined by statute as capital receipts. These are originally credited to the Comprehensive Income and Expenditure Statement as part of the gain/loss on disposal and posted out via the Movement in Reserves Statement to the Capital Receipts Reserve. The reserve is written down when resources are applied to finance new capital expenditure or set aside to reduce an authority's capital financing requirement (or used for other purposes permitted by statute).

Capital Receipts Reserve	Notes	31/03/2018	31/03/2017
		£	£
<b>At 1 April</b>		538,434	421,694
<b>Movement</b>			
Transfers between statutory & other reserves & the General Fund		-	-
Disposal of Non Current Assets/ Capital Sales	4, 8, 25	335,965	116,740
Capital Receipts used to finance capital expenditure	4, 12	-	-
Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements		-	-
Other Movements		-	-
<b>At 31 March</b>		<b>874,399</b>	<b>538,434</b>

### b Capital Grants Unapplied account

Where a capital grant or contribution (or part thereof) has been recognised as income in the CIES, but the expenditure to be financed from that grant or contribution has not been incurred at the Balance Sheet date, the grant or contribution shall be transferred to the Capital Grants Unapplied Account (within the usable reserves section of the balance sheet), reflecting its status as a capital resource available to finance expenditure. This transfer is reported in the Movement in Reserves Statement.

When, at a future date, the expenditure to be financed from the grant or contribution is incurred, the grant or contribution (or part thereof) shall be transferred from the Capital Grants Unapplied Account to the Capital Adjustment Account, reflecting the application of capital resources to finance expenditure. This transfer is also reported in the Movement in Reserves Statement or in the notes to the accounts.

Capital Grants Unapplied account	Notes	31/03/2018	31/03/2017
		£	£
<b>At 1 April</b>		-	-
<b>Movement</b>			
Unapplied Capital Grants received in year		-	-
Unapplied Capital Grants transferred to CAA in year		-	-
<b>At 31 March</b>		<b>-</b>	<b>-</b>

### c Capital Fund

This fund was established under section 56 of the Local Government Act (NI) 1972, however this section of the act was repealed under the Local Government Finance Act (Northern Ireland) 2011. Councils should disclose details where any of these reserves are earmarked for specific purposes.



Capital Fund		Notes	31/03/2018	31/03/2017
			£	£
At 1 April			4,074,097	4,074,097
Transfers between statutory & other reserves & the General Fund	4		241,966	-
Transfers between Capital Fund & CAA to finance Capital Expenditure	12		-	-
<b>At 31 March</b>			<b>4,316,063</b>	<b>4,074,097</b>

	£
South Lake Leisure Centre	3,816,063
Armagh Gaol	500,000
	-
<b>Total</b>	<b>4,316,063</b>

#### d Renewal and Repairs Fund

This fund was established under section 56 of the Local Government Act (NI) 1972, however this section of the act was repealed under the Local Government Finance Act (Northern Ireland) 2011.

Renewal and Repairs Fund		Notes	31/03/2018	31/03/2017
			£	£
At 1 April			-	150,298
Transfers between statutory & other reserves & the General Fund			515,517	(150,298)
Transfers between Renewal & Repair Fund & CAA to finance Capital Expenditure	12		-	-
<b>At 31 March</b>			<b>515,517</b>	<b>-</b>

	£
Repairs and Renewal	515,517
<b>Total</b>	<b>515,517</b>

#### e Other Balances & Reserves

Other Balances & Reserves		Notes	31/03/2018	31/03/2017
			£	£
At 1 April			5,523,796	3,630,599
Transfers between statutory & other reserves & the General Fund	4		(3,078,068)	1,893,197
Transfers between Capital Fund/Renewal & Repair Fund &	12		-	-
<b>At 31 March</b>			<b>2,445,728</b>	<b>5,523,796</b>

	£
Development Fund	1,000,000
Backlog Maintenance Fund	1,000,000
Financial Assistance	240,000
Economic Regeneration	174,112
Public Realm	31,616
	-
<b>Total</b>	<b>2,445,728</b>

This reserve is used to fund projects from the Legacy Councils, Back log maintenance, Development Fund and Financial Assistance. During the year there was a redistribution of funds between projects based on revised cost estimates.



## General Fund

This reserve shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from District Rates. Councils raise rates to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

General Fund	Notes	31/03/2018	31/03/2017
		£	£
At 1 April		17,096,102	16,750,212
Applied Capital Grants	4, 12, 26	(692,007)	(167,978)
Unapplied Capital Grants received in year		-	-
Direct Revenue Financing	4, 12	(739,826)	(1,022,593)
Depreciation and Impairment adjustment	4	15,772,483	8,756,366
Statutory Provision for financing Capital Investment	4	(4,885,747)	(4,650,671)
Net Revenue expenditure funded from capital under statute	4, 12	2,482,013	171,656
Surplus/(Deficit) on the Provision of Services	CIES	(16,742,859)	(3,112,735)
Transfers between Statutory and Other Reserves and the General Fund	4	2,320,585	(1,742,899)
Net movements on Pension Reserve	4, 21	4,868,000	1,858,000
Disposal of Fixed Assets/Capital Sales	4, 11, 25	47,752	54,252
Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements	4	284,978	202,492
Other Movements	4	571,081	-
<b>At 31 March</b>		<b>20,382,555</b>	<b>17,096,102</b>



27 Unuseable Reserves

a Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for the acquisition, construction or enhancement of those assets under statutory provisions.

The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES, with reconciling postings from the Revaluation Reserve to convert fair value figures to an historic cost basis.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2008, the date that the Revaluation Reserve was created to hold such gains.

Capital Adjustment Account	Notes	31/03/2018	31/03/2017
		£	£
At 1 April		58,349,258	68,037,286
Applied Capital Grants	10.12	692,007	167,978
Unapplied Capital Grants transferred to CAA in year		-	-
Direct Revenue Financing	4.12	739,826	1,022,593
Depreciation & Impairment adjustment	11	(15,772,483)	(8,756,366)
Statutory Provision for financing Capital Investment	4.12	4,885,747	4,650,671
Net Revenue expenditure funded from Capital under statute	4.12	(2,482,013)	(171,656)
Disposal of Fixed Assets/ Capital Sales	4.8	(383,717)	(170,992)
Capital Receipts used to finance capital expenditure	4.12	-	-
Other Movements - CAA/Revaluation		4,770,646	(6,430,256)
Other Movements			
Transfers between Capital Fund/Renewal & Repair Fund & CAA to finance capital expenditure	12	-	-
<b>At 31 March</b>		<b>50,799,271</b>	<b>58,349,258</b>

b Financial Instruments Adjustment Account

Financial Instruments Adjustment Account	Notes	31/03/2018	31/03/2017
		£	£
At 1 April		-	-
Difference between finance and other costs and income		-	-
<b>At 31 March</b>		<b>-</b>	<b>-</b>

The Council has no transactions that would require use of this account.



### c Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The reserve is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2008, the date the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

The purpose of this account is to build up a balance based on the revaluation (upwards or downwards) of individual assets. All such revaluations (excluding impairment losses that have been debited to Surplus/(Deficit) on the Provision of Services are mirrored in Other Comprehensive Income and Expenditure. It is a fundamental principle of this account that it never becomes negative. If an asset was held at current value when derecognised, the balance held on the Revaluation Reserve is written off to the Capital Adjustment Account.

Revaluation Reserve	Notes	31/03/2018	31/03/2017
		£	£
At 1 April		68,204,686	51,325,234
Revaluation & Impairment	11	18,021,526	10,449,196
Movements from associates & joint ventures		-	-
Other Movements		(4,770,648)	6,430,256
<b>At 31 March</b>		<b>81,455,564</b>	<b>68,204,686</b>

### d Available for Sale Financial Instruments Reserve

The Council has no transactions that would require use of this account.

Available for Sale Financial Instruments Reserve	Notes	31/03/2018	31/03/2017
		£	£
At 1 April		-	-
Revaluation & Impairment		-	-
<b>At 31 March</b>		<b>-</b>	<b>-</b>

### e Pension Reserve

Pension Reserve	Notes	31/03/2018	31/03/2017
		£	£
At 1 April		(49,930,000)	(32,486,000)
Net Movements on Pension Reserve	4, 21	(4,868,000)	(1,858,000)
Revaluation & Impairment	21	(905,000)	(15,586,000)
<b>At 31 March</b>		<b>(55,703,000)</b>	<b>(49,930,000)</b>



## f Deferred Capital Receipts Account

The Deferred Capital Receipts Account records capital advances receivable where an amount equal to the advance is included as a deferred capital receipt. These amounts are written down each year by the amount of capital debt repaid to the Council in that year.

Capital Receipts Deferred Account	Notes	31/03/2018	31/03/2017
		£	£
At 1 April		-	-
Other Movements		-	-
<b>At 31 March</b>		-	-

## g Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year e.g. staff annual leave entitlement carried forward at the end of the financial year. Statutory arrangements are expected to require that the impact on the General Fund is neutralised by transfers to or from this Accumulated Absences Account

Accumulated Absences Account	Notes	31/03/2018	31/03/2017
		£	£
At 1 April		(698,174)	(495,682)
Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements		(284,978)	(202,492)
<b>At 31 March</b>		<b>(983,152)</b>	<b>(698,174)</b>

## h Provisions Discount Rate Reserve

The Provisions Discount Rate Reserve covers the arrangement, put in place by the Department under its amendment to the 2012/13 accounts direction (see DOE circular 28/2013), to allow for mitigation of the costs not allowed for by Councils who had adopted inflationary adjusted discount rates for long-term provisions such as Landfill costs.

Provisions Discount Rate Reserve	Notes	31/03/2018	31/03/2017
		£	£
At 1 April		-	-
Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements		(571,081)	-
Other Movements		-	-
<b>At 31 March</b>		<b>(571,081)</b>	-

## 28 Significant Trading Operations

The Council considers its only significant trading operation to be the provision of car parking facilities. The results for this are Income of £812,040 and total costs of £1,030,344. Total costs include capital adjustments to the accounts of £540,982 and running costs of £489,362.

In deciding whether a trading operation is significant the Council takes both financial and non-financial criteria into account.

Financial criteria taken into account in deciding whether trading operations are significant to the Council are:

- the risk of financial loss the Council may be exposed to in providing the service to the user.

Non-financial criteria taken into account in deciding whether trading operations are significant to the Council are:



- the importance of each individual trading operation to demonstrating the achievement of Council targets and improving performance

- the exposure of the Council to service reputational loss risk by providing the service

- whether the provision of the service is likely to be of interest to the Council's key stakeholders and their needs.

In applying the aforementioned criteria, the Council considers that it is engaging in the following significant trading operations:

The losses below include capital adjustment costs to the accounts of £540,982.

Significant Trading Operations	2017/18		2016/17	
	Turnover	Profit/(Loss)	Turnover	Profit/(Loss)
	£		£	
Off-street Parking Services	812,040	(218,304)	917,077	184,676
Total	812,040	(218,304)	917,077	184,676



## 29 Agency Services

The Council does not engage in any agency services.

## 30 Joint Arrangements

The Council does not have any transactions in this area.

## 31 Related Party Transactions

A Related Party Transaction is a transfer of resources or obligations between related parties, regardless of whether a price is charged. Related Party Transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the Council or the Government of which it forms part. A related party is one that has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes cases where the related party entity and another entity are subject to common control but excludes providers of finance in the course of their normal business with the Council and Trade Unions in the course of their normal dealings with the Council. In addition where the relationship with the Council and the entity is solely that of an Agency (see note 29) these are not deemed to be Related Party Transactions.

Council receives an annual operating grant from the Department for Communities (formerly known as the Department of Environment). During 2017/18 it received £8.1M (2016/17 £7.9M) as reported in note 10a.

Transactions with related parties not disclosed elsewhere in these financial statements are set out below, where a description of the nature, the amount of the transaction and the amount of the outstanding balance is as follows.

The Council paid grants of £438,505 to a number of organisations in which Councillors and Council officers had an interest. These grants were made with proper consideration of declaration of interests.

Membership of External Bodies	Councillors	Grants	Payments (Gross)
	No	£	£
Armagh, Banbridge and Craigavon Sports Forum	6	62,283	
East Border Region Board	3	20,000	
ICBAN	4	10,000	
National Association of Councillors	8	3,280	
NI Amenity Council	2		2,535
NI Local Government Partnership On Traveller Issues	3		500
NILGA	8	58,697	5,323
PCSP	10	144,806	
Portadown 2000	2	108,926	
Somme Advisory Council	2	6,780	1,080
	<b>48</b>	<b>414,772</b>	<b>9,438</b>

Council is represented by 10 Councillors on the Policing & Community Safety Partnership, one of which acts as Chairperson. During 2017/18 Council provided £145k of funding to the Partnership and annually provides legal, financial and personnel services for which it received £nil grant in 2017/18 (2016/17 £nil).



Councillors were also associated with the following organisations to which no payments were made during 17/18.

Membership of External Bodies	Councillors
	No
Armagh City Centre Management Committee	3
Armagh City Centre Townscape Heritage Partnership	4
Community Development Member Reference Group	10
Craigavon Heartown Initiative	1
East Border Region Members Forum	3
Elected Member Development Charter	5
Local Action Group (LAG)	12
Mall Steering Group	4
NILGA Community Planning and Well-Being Elected Memb	2
NILGA Planning and Regeneration Elected Member Netwo	2
Northern Ireland Housing Council	1
Partnership Panel For Northern Ireland	1
PCSP	10
Peace IV Partnership	9
Portadown People's Park Reference Group	4
Refugee Working Group	6
Reserve Cadet Forces and Cadets Association for NI	2
	79

Payments were also made During 17/18 to the following Local Authorities

	Payment £
Ards and North Down Borough Council	3,423
Mid and East Antrim Borough Council	25,606
Lisburn and Castlereagh City Council	170,976
Mid Ulster District Council	98,694
Newry Mourne & Down District Council	31,448
Belfast City Council	74,460
Fermanagh and Omagh District Council	3,806
	<b>408,413</b>

## 32 Prior Year Restatement

The Council have restated the CIES for 2016/17 figures to reflect the changes required by IAS1 with regard to "Telling the Story" as per section (I) in the Narrative Report.

### Events after the Reporting Period

On 20 September 2018 judgement was handed down in a legal case taken by a Council against the Department for Communities relating to the allocation of Rate Support Grant. Armagh City Banbridge & Craigavon Borough Council is a recipient of Rate Support Grant and the decision in this case potentially has a significant impact on the amount of Rate Support Grant that the Council may receive. It is not possible for the Council to accurately assess the impact of the Court decision until such times as the Department for Communities has indicated how it intends to give effect to the Court judgement.