

STATEMENT OF ACCOUNTS

Armagh City Banbridge & Craigavon Borough Council

For the year ended 31st March 2020

Armagh City Banbridge & Craigavon Borough Council

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Narrative Report

Introduction

This narrative provides an overview for Armagh City, Banbridge and Craigavon Borough Council, and is an accompanying narrative for the 2019/20 Annual Audited Accounts.

It sets the context of the Council, outlining corporate governance, performance requirements and financial performance.

The Audited Annual Accounts 2019/20 can be found in the main body of this Report.

The Council's financial performance for the year ended 31st March 2020 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 31st March 2020 (the Code) and the Department for Communities Accounts Directions, Circular LG 03/2020. 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 2019/20 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 provide information on the Council, its main objectives and strategies and the principal risks it faces.

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 & 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 40, 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 may be 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 41, 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 'unusable reserves'. The 'Surplus or (deficit) on the provision of services' line shows the true economic cost of providing the Council's services, further details of which are shown in the Comprehensive Income and Expenditure Statement (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 42, 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 under regulations'.

The Cash Flow Statement

The Cash Flow Statement 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.

Corporate Governance

Armagh City, Banbridge and Craigavon Borough Council has 41 democratically elected members, representing 7 District Electoral Areas.

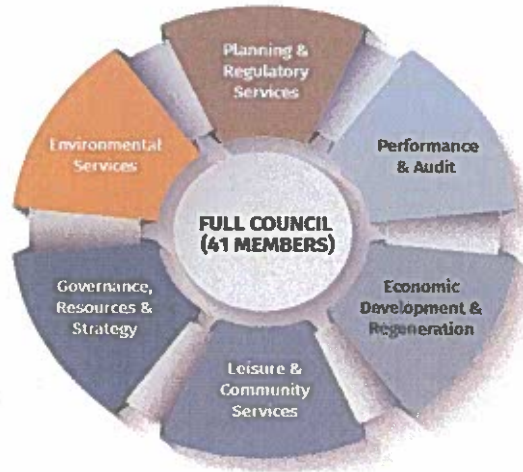
Armagh Banbridge Craigavon District Electoral Areas



Scale: 1:50,000
Date: 2014/15

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The council meets once a month to discuss, oversee and ratify decisions taken by Committees. It has 5 Committees that meet monthly and a Performance and Audit Committee that meets quarterly. An Annual General meeting is held each year when a Lord Mayor and Deputy Lord Mayor are elected. Chairs and Vice-Chairs of Committees are also elected at the annual general meeting.



The six committees that report to full council meetings.

Council have wide ranging responsibilities, making strategically important decisions that will affect future generations, and it is in this context that everyone is encouraged to engage with their elected members so that we can co-create a borough in which we are all proud to live, work, visit, learn and invest.

Council operates within the [Strategic Planning Framework](#), which sets out the various components of the planning framework bringing together specific priorities, aims and ambitions of the Borough in the decision making process.

It links the overarching Council objectives to service and individual work plans, making clear the contribution individuals make towards achieving strategic outcomes. It provides a mechanism to establish and implement an integrated way of communicating and implementing objectives throughout Council so that all plans are clear and 'joined up', known as the '**golden thread**'. Connecting the '**golden thread**' from the Community Plan and Corporate Plan through departmental, service and individual plans show how the plans all fit together.

This helps to ensure that there is a strong focus on the achievement of outcomes at every level of the Council for the benefit of customers, residents and communities. The '**golden thread**' is demonstrated in Diagram 1 below.

Diagram 1



The diagram above illustrates the need for connections between all levels. This golden thread is supported by engagement and improvement processes. The plans listed above are illustrative of the key plans, rather than an exhaustive list.

Corporate Plan

The Corporate Plan 2018-2023 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.

It identifies 30 commitments to contribute to the vision: “a healthy, happy and connected community, a vibrant and sustainable economy and appealing places for living, working and learning.”

To achieve these commitments, and deliver on services and activities, Council focus on 4 corporate themes:

- Committed Council
- Economy
- Community
- Place

The structure adopted by Council to deliver services and activities to local ratepayers is based on four separate Directorates, namely: [Performance](#), [People](#); [Place](#), [Position](#)

Detailed below are the key operational services/activities delivered within each Directorate:

- [Performance](#) Directorate includes Finance, ICT& Procurement, Human Resources & Organisational Development, Governance & Democratic Services and Performance & Audit;
- [People](#) Directorate includes Environmental Services, Environmental Health, Health & Recreation, and Community Development;
- [Place](#) Directorate includes Economic Development, Regeneration, Tourism, Arts & Culture;
- [Position](#) Directorate includes Planning, Building Control, Estates & Assets Management and Community Planning;

A copy of the Corporate Plan can be found at the following link:

<https://www.armaghbanbridgecraigavon.gov.uk/council/corporate-publications/>

Other Key Strategies:

In the last number of 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. Strategies also form a part of our day-to-day business and are set out in our Departmental Business Plans.

The Council continues to progress the new Local Development Plan for the Borough which when finalised will allow the Borough's economy to develop further and meet the demands of a growing population. Stage 1 of this process has been completed with the publication of the Preferred Options Paper and officers are now working towards stage 2 - the Draft Plan Strategy. The Plan Strategy will set out a clear vision and growth strategy for the Borough, supported by policies focussed on facilitating sustainable development. The 3rd and final stage of the LDP - the Local Policies Plan - which will deal with locally specific land use policies and proposals, will be prepared following the adoption of the Plan Strategy.

The council has also an extensive capital programme, with capital funds directed at a programme of work across the Borough designed to improve quality of life and deliver on corporate plan outcomes. This is underpinned by sound capital finance planning within the context of the rate setting process. It is also delivering support for rural areas and carrying out a number of environmental improvement schemes in towns and villages throughout the borough. This is in addition to the delivery of a digital connectivity project, to assist with the transformation of public services and increasing use of online services, EU funding to support peace and reconciliation and promote social and economic stability and funding to enhance and regenerate town centres. The council also provides grant funding every year in financial assistance to various community groups.

Performance & Continuous Improvement:

Performance Requirements:

As a Council, Armagh City, Banbridge and Craigavon Borough Council has a statutory duty under the Local Government Act (Northern Ireland) 2014, to publish improvement objectives each year which set out the key improvements Council aims to deliver. These are outlined in our annual Performance Improvement Plan 2019/20.

The aim of our Performance Improvement Plan is to set out what we will do in the year ahead to secure continuous improvement in service delivery and bring about improvement against at least one of the following seven improvement areas as stipulated in the Local Government Act (NI) 2014:



Essentially, improvement is about making things better, with continuous improvement focusing on ensuring sustainable, ongoing improvements to the way we as a council work and deliver our services.

Council's annual Performance Improvement Plan sits within the Strategic Planning Framework, which guides the strategic planning process and service delivery arrangements. Whilst the Performance Improvement Plan focuses specifically on key Performance Improvement Objectives, Council seeks to bring about improvement in other areas of service delivery. Planned improvements in our day-to-day business are set out in Departmental Business Plans and in other strategic actions plans.

In selecting our Performance Improvement Objectives (PIOs) for 2019/20, Council departments reviewed influencers and discussed how our PIOs should be aligned to those, namely:

- Our Community Plan
- Our Strategic Planning process, including Corporate Plan and Departmental Business Plans
- Relevant regional and local strategies and action plans, including Priority Projects such as; the investment and Growth Agenda, Town Centre Development, Clean Neighbourhoods and Customer Care.
- NIAO Audit for the previous year
- Regional Performance Multi-Stakeholder Working Group Guidance (December 2018)

All Council departments were tasked with gathering information on known areas for improvement. They were asked to look at recommendations from service reviews undertaken, and take on board any self-analysis or assessment information from relevant reports that provided key information.

The improvement objectives corresponded directly with Council's priorities and corporate commitments, and were selected on the basis of self-analysis.

This process and a public consultation process allowed us to identify five Performance Improvement Objectives for 2019/2020:

01	02	03	04	05
We will support businesses to improve economic growth across the borough	We will improve the physical appearance and maintain above average levels of cleanliness for our urban and rural areas.	We will improve our methods of obtaining customer feedback and increase the numbers of service areas with baseline satisfaction levels	We will implement recommendations from Building Control and Planning Service Reviews	We will increase participation in Council led health, cultural and social activities

Statutory performance Indicators and standards as set out in the Local Government (Performance Indicators and Standards) Order (Northern Ireland) 2015 and are also included within the Performance Improvement Plan 2019/20.

The Plan, along with other Council performance related documents can be viewed on our website: <https://www.armaghbanbridgecraigavon.gov.uk/council/performance-improvement>

Continuous Improvement

As the second largest Council in Northern Ireland, we are now expected by Elected Members, local residents, businesses and other stakeholders to provide services which are better, more efficient and effective than they were before Local Government Reform in 2015, as we continue on our transformation journey.

Our Corporate Plan 2018-2023 outlines our ongoing commitments to provide high quality, efficient and effective public services, facilities, projects and programmes.

The Council's performance improvement processes drive and ensure that all of our services continually improve their performance in relation to what they do, how they do it and the cost involved. This will help us provide the right services in the right way to meet the needs of our customers and to improve customer experience and satisfaction. Service reviews are an important part of that journey and a number of service reviews were ongoing or have commenced throughout 2019/20.

In terms of continuous learning and improvement, during 2019/20, a Performance Management Framework was developed and agreed by senior management. The framework is being implemented and embedded into service delivery, and will be a key driver for continuous improvement across all functions, departments and service areas.

Complementary to this has been the implementation of Council's Performance Manager software system – this has been key to ensuring a *consistent 'One Council' approach* across the organisation in terms of performance and progress reporting. It has provided a better alignment to the Corporate Plan 2018-2023 and our Corporate Commitments.

The performance software system is now in use by all departments and includes management reporting of progress against business plans. 2019/20 marked the first year whereby all Business Plans for 2019/20 are managed and reported on through the Performance Manager system. Business Plans for 2020/21 were also developed on the system.

In addition to streamlining and improving our corporate planning process, in our Performance Improvement Plan 2019/20, we highlighted specific functions /areas we wanted to improve. During 2019/20 we were reviewing, monitoring and assessing how we had performed on these.

These are then reported on within Council's Annual (Performance Self Assessment) Report. The report provides information on Council's performance for 2019/20, gives detail on issues identified through monitoring and review, as well as reference to any planned/implemented improvements. This is published on Council's website at: www.armaghbanbridgecraigavon.gov.uk

Risk:

Risk Management is about managing threats and opportunities so that the Council is in a stronger position to deliver its objectives and is an essential business tool that encourages innovation and enterprise, not risk adversity. Risk Management includes identifying and assessing risks and then responding to them to ensure effective controls are in place. Failure to manage risk effectively may result in financial losses, disruption to services, bad publicity or claims for compensation.

All organisations face risk or obstacles to achieving their objectives. In order for Armagh City, Banbridge and Craigavon Borough Council to deliver its vision of serving and leading the people of the Borough it is vitally important to:

- Understand the nature of the risks we face
- Be aware of the extent of these risks
- Identify the level of risk that we are willing to accept
- Assess our ability to control or reduce the risk
- Implement corrective actions

Risk management is explicitly linked to the business planning process to ensure it is embedded across the Council. The Council has an agreed Risk Management Policy with corporate, departmental and project Risk Registers developed and reported to the Performance and Audit committee quarterly in line with the agreed policy. As with the performance management, risk management is also embedded and supported with a risk management software system, ensuring a one council approach.

An effective risk management process will:

- Improve service delivery
- Support business planning
- Improve decision making
- Improve performance and promote continuous improvement
- Enhance communication between Departments
- Improve accountability and reassure stakeholders

The management of risk within the organisation and any significant issues arising during the year and/or areas of concern are also referenced in the Annual Governance Statement.

Annual Governance Statement:

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 Internal Audit Plan is approved by Council 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. The Annual Governance Statement is included within these Accounts (Page 14)

Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to ratepayers how the funding available to the Council (i.e. government grants, rates and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by councils in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis 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 Comprehensive Income and Expenditure Statement.

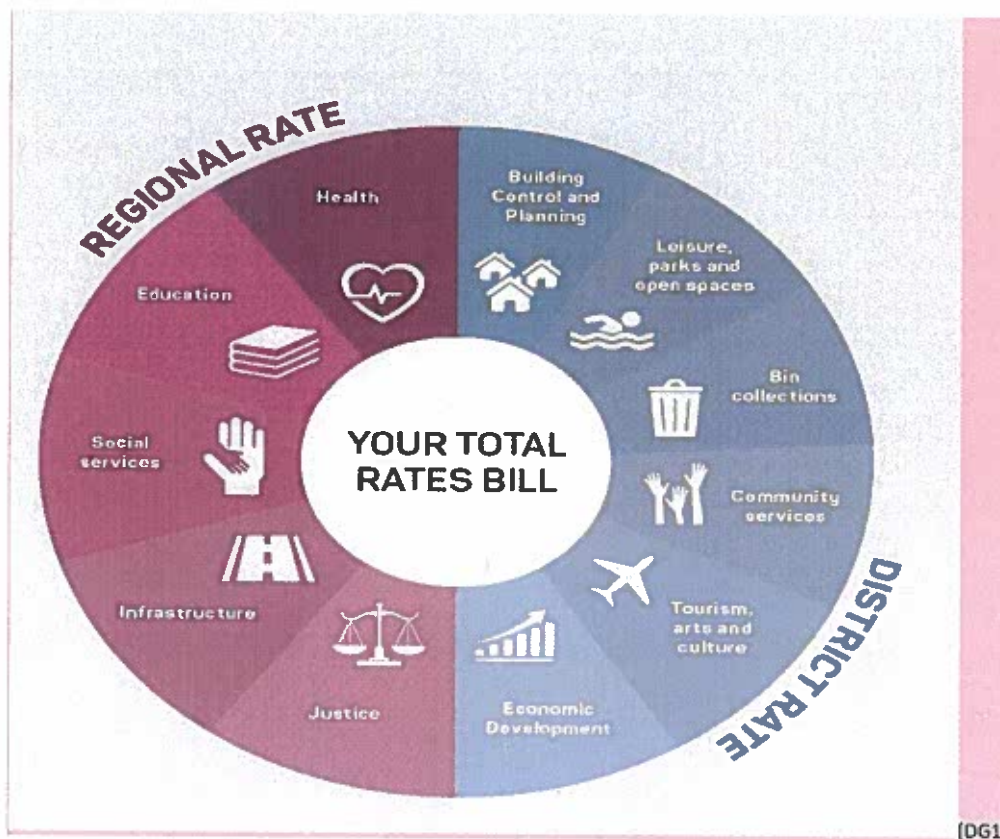
During the annual Estimates Process each year the Council has to ensure that it has adequate resources to deliver the services expected by the local community, both business and non-business alike. To this end in 2019/20 the Council projected a requirement of net funding in the amount of £72.3m of which £64.3m was to be raised by way of Rates Income along with total projected Central Government grant funding of approximately £7.3m (i.e. Rates Support Grant, Transferred Functions Grants and De-Rating Grant).

In February 2019 the Council approved budgets for the four Directorates as follows:

- Performance Directorate: - £8.2m
- People Directorate: - £38.3m
- Place Directorate: - £6.6m
- Position Directorate: - £7.0m

The Council also budgeted for various capital projects across Council and set aside approximately £12.2m capital financing for this.

Based on these figures, the Council set the District Rate and combined with the Central Government Regional rate, are used to calculate the Borough Rates bills. Details of the range of services provided from the rate setting process are detailed below:



Financial Performance:

For the year ended 31 March 2020, there was an overall reduction in the Council's total Usable Reserves from £28.1m to £26.7m. The Council's approved net budget of £72.3m was supplemented by £1.2m for prior year finalisation payment of district rates and an additional Grant of £0.2m. The total Net Operating Expenditure reported in the CIES is £84.0m (this includes amounts for depreciation, impairments and other non-budget accountancy adjustments).

Capital expenditure during the year amounted to £32.7m. This included expenditure on a number of projects and initiatives including the ongoing construction of the new South Lake Leisure centre (£26.0m), expenditure on Play Parks across the Borough (£1.0m), Vehicles & Equipment (£1.9m), Environmental Works on Riversides and Country Parks (£0.9m) and Council Buildings and land (£2.9m).

The Council's financial accounts for the year ended 31st March 2020 are set out on pages 40 - 104 and consist of:

- The Comprehensive Income and Expenditure Statement – the Council's main revenue account covering income and expenditure on all services.
- The Movement in Reserves Statement – this shows the movement in and the accumulated balances of reserves held by the Council at the year end. These are categorised as either 'Usable' (i.e. consideration can be given regarding utilising these amounts) or 'Unusable' (i.e. resources for which a decision has already been made by Council regarding how these are to be used e.g. the creation of specific reserves or funding towards one-off projects).
- The Balance Sheet – which sets out the Council's assets and liabilities at the year end.
- The Cash Flow Statement – this includes information regarding inflows and outflows of cash arising from transactions for both revenue and capital.
- Notes to the Accounts.

During 2019/20 the gross expenditure incurred by Council on Continuing Operations amounts to approximately £103.7m (2018/19 £101.2m). This was supplemented by income from various sources including service users and grants of £23.4m (2019/20 £19.0m) resulting in Net Expenditure of £80.3m (2018/19 £82.2m). Service expenditure and income is summarised in the following table:

Service Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000
Place Directorate	13,614	(2,860)	10,754
People Directorate	64,300	(16,390)	47,910
Position Directorate	12,644	(3,574)	9,070
Performance Directorate	9,948	(299)	9,649
Other Services	3,184	(248)	2,936
Continuing Operations	103,690	(23,371)	80,319

Material assets purchased during the year included expenditure of approximately £1.9m on vehicles and equipment.

The Council utilised Capital Receipts of £0.01m to help fund short term assets. The Council has utilised some of the earmarked reserves in year and increased its overall earmarked reserves by providing additional funding of £1m for the Transformation Fund. Total Usable Reserves decreased by £1.4m over the course of the year.

Notes 2a and 2b include a breakdown of expenditure by Directorate across the Council as part of the new requirements introduced in 2017/18 regarding Telling the Story and comparative figures are included in an effort to provide as much information as possible to readers of the accounts.

The Council is required to ensure that assets are revalued on a regular basis. This process is undertaken annually for land and buildings. Following the 2019/20 revaluation exercise and in year expenditure on capital additions, there was an upward movement of £31.1m, increasing from £209.6m to £240.7m, on the overall Net Book Value of all assets. The main areas of note were an increase in the Net Book Value of Property Plant & Equipment Under Construction (i.e. Work-in-progress) of £27.5m. Information on Long Term Assets is included in Note 11.

The Council's net pension liability increased by £12.0m from £63.2m to £75.2m and this is largely due to changes in financial assumptions. Whilst the Council is obligated to include this liability within its accounts there is no requirement for the Council to meet this liability immediately or to make a one-off payment or to fund this from Reserves. There is therefore no perceived risk to the financial

standing of the Council resulting from this liability. Information regarding pensions are included in Note 21.

There was no material change in the Council's statutory functions during the year and there were no significant changes in accounting policies during the year.

The Council was able to continue to meet its financial liabilities through the use of reserves and internal borrowing. The Council also continued to service existing debt and at the end of 2019/20 the total borrowing stood at £73m which was an increase of £32.3m on the 2018/19 position. This was due to spend during the year on capital projects such as South Lake Leisure Centre.

There are post balance sheet events reported upon after the year end relating to Covid19 and VAT. These are detailed in note 33 of the accounts.

Forward Planning

There continues to be a number of economic factors that can impact on local councils, including inflation, interest rates, pay settlements and continued uncertainty globally within financial markets.

Within this challenging environment, the Council's Medium Term Financial Plan sets a robust financial framework for proposed spending and investment over the next three financial years to support the delivery of agreed corporate objectives.

The Medium Term Financial Plan is currently forecasting district rate increases above the current levels of inflation. Therefore, in order to ensure that the ambitious corporate programme is affordable, the proposed investment and enhanced service delivery will be funded from a number of measures including efficiencies, transformation and service review, securing value for money through procurement and effective treasury management and financial management.

Significantly as we head into 2020/21, Council is acutely aware of 2 key external forces facing our economy - the uncertainty over the potential impact of Brexit and Covid-19. The Council always strives to provide local businesses and householders with a first class service that is effective and efficient. In recognition of that, the Council's transformation and reform journey continues with greater renewed prioritisation to ensure our ambitions are realised.

Business Continuity

The Council has a strong and healthy reserves balance which will enable it to deal with the immediate financial challenges posed by COVID-19. However, the pandemic will place additional strain on the organisation going forward particularly with regards to a projected reduction in income from services and potentially also from the Rates. The Council also avails of grants from Central Government and these could also be impacted upon due to pressures on the public purse. Any such reductions in funding are outside the control of Council but this will be factored into considerations during the annual Estimates process.

In the 2020/21 financial year the Council has already made significant budget reductions of over £5m in an effort to minimise losses and to protect reserves. There have also been a number of Recovery Working Groups established to help mitigate against the impact of the pandemic and to feed into the risk management, business planning and budgetary processes.

An in-year review of revised 2020/21 budgets has commenced to determine the robustness of original projections and assumptions and whether further reductions and/or realignment of budgets

is required in the current financial year. This work has been supplemented by the establishment of a Transformation and Efficiency Working Group to help identify opportunities to generate further efficiencies and savings. The outworkings of this group will feed into the annual Estimates process in respect of agreeing and setting budgets for 2021/22 and the development of a medium and long term financial plan, all of which will give cognisance to COVID-19 related issues. The Council recognises the critical importance of identifying and managing COVID-19 issues whilst protecting the organisation's financial integrity and stability. Therefore there will be a continual process of review, reporting and revisions to budgets and financial plans as the Council moves forward through this crisis.

Basis of preparation for Annual Audited Accounts 2019/20

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 2019/20 financial year. 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 Statement of Accounts has been prepared on a 'going concern' basis.

The concept of materiality recognises that absolute accuracy in financial statements is rarely possible. Therefore, the external audit is designed to provide reasonable, rather than absolute assurance that the financial statements are free from material misstatement or irregularity. A matter is material if its omission or misstatement would reasonably influence the decisions of the users of the financial statements.

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.

The remainder of this Report provides a detailed analysis of the Annual Audited Accounts 2019/20 for Armagh City, Banbridge and Craigavon Borough Council.

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 on 10th December 2020.

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 2019/20

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 Act (Northern Ireland) 2014, Part 12: Performance Improvement to make arrangements to secure continuous improvement having regard to strategic effectiveness, service quality, service availability, fairness, sustainability, efficiency and innovation.

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, 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 2020 and up to the date of approval of the financial statements.

The Governance Framework

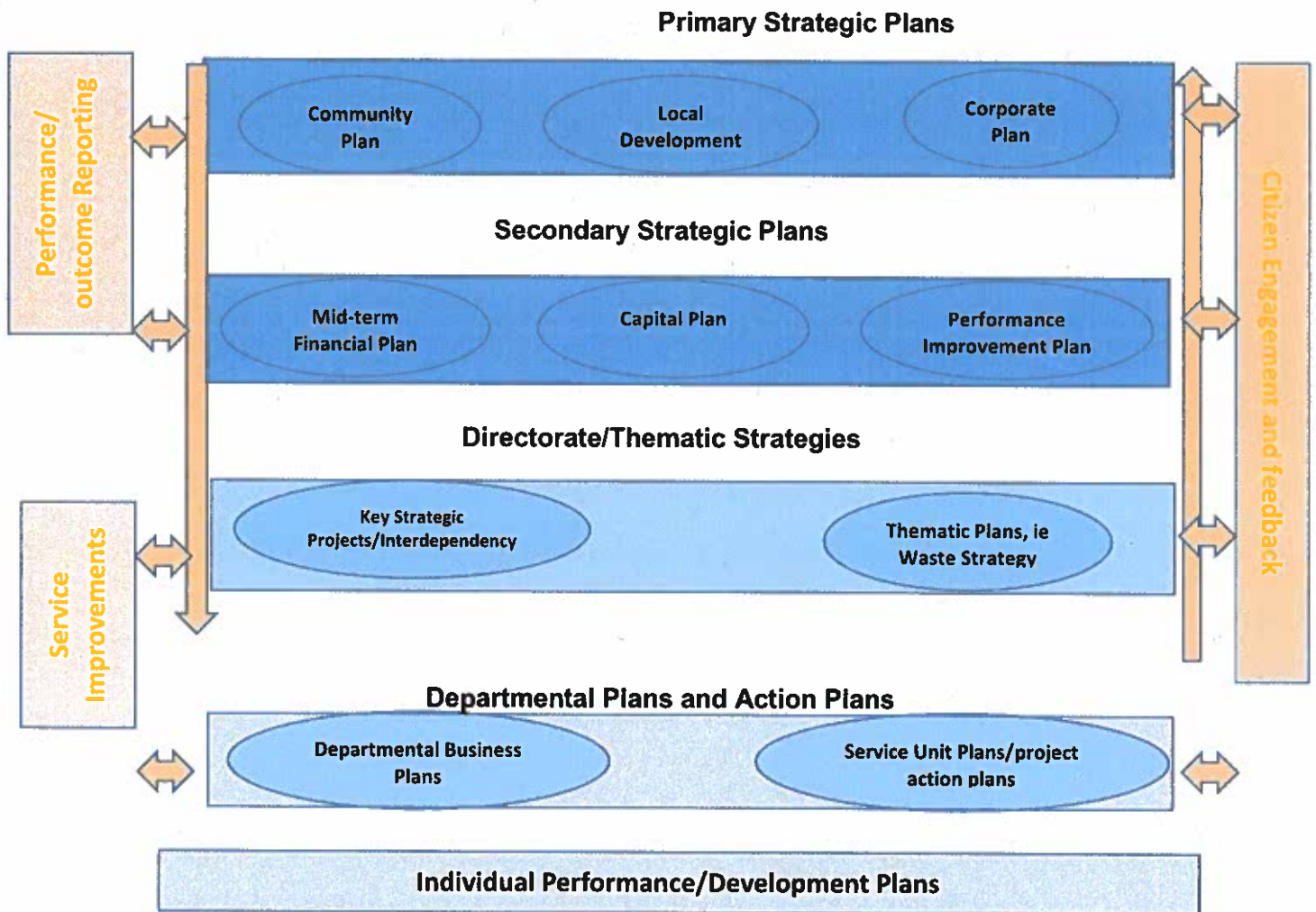
This section describes the key foundations of the Council's governance arrangements. A Council Code of Governance is in place based on the seven principles set out in the CIPFA/Solace 'Delivering Good Governance in Local Government'. The key elements of the systems and processes that comprise the Council's governance arrangements are summarised below:

Identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users.

The 'Strategic Planning Framework' sets out the various components of the planning framework bringing together specific priorities, aims and ambitions of the Borough. It seeks to link the overarching Council objectives to service and individual work plans, making clear the

contribution individuals make towards achieving strategic outcomes. It provides a mechanism to establish and implement an integrated way of communicating and implementing objectives throughout Council so that all plans are clear and 'joined up', known as the 'golden thread'. Connecting the 'golden thread' from the Community Plan and Corporate Plan through departmental, service and individual plans show how the plans all fit together. This helps to ensure that there is a strong focus on the achievement of outcomes at every level of the Council for the benefit of customers, residents and communities. The 'golden thread' is demonstrated in Diagram 1.

Diagram 1



The Borough Community Plan gives us the **WHY** of what we are doing, providing a holistic view of the needs and aspirations of our Borough and articulating them in 9 long term outcomes. The Council's Corporate Plan explains **WHAT** we as the Council are doing to contribute to these outcomes as well as outlining any other key objectives for us as an organisation. And finally, **departmental business plans** detail the **HOW**.

The Corporate Plan has been developed and aligned to the Community Plan. It identifies 4 main themes on which Council will deliver; Committed Council, Economy, Community and Place.

The Council have a statutory duty to put arrangements in place for continuous improvement. Each year Council is required to develop a Performance Improvement Plan (PIP). The PIP identifies objectives for the year ahead, and Councils actions to meet these objectives. It is

aligned to the Community Plan outcomes and Corporate Plan objectives and is subject to and informed by public consultation. Paragraph 45 of the current guidance for Local Government Performance Improvement (Local Government Circular 21/2016) states the suggested date for councils to publish their Improvement plan is by the end of June. The Department has written to all of the 11 Councils to confirm that are not be required to develop and publish a Performance Improvement Plan for 2020/21. Council continues to liaise with the other Councils, the Department and NIAO in relation to the performance duty requirements for next financial year and beyond.

The Council's Medium Term Financial Plan for 2020-2023 forms the financial framework from which the Council develops its business plans with estimates approved by Council in February each year.

Council has commenced work on a new Local Development Plan (LDP) for the Borough. In March 2018 the Council published its Preferred Options Paper for consultation. The Council is currently working towards establishing the draft Plan Strategy which is the second stage of the plan. A revised timetable for the development of the LDP is being consulted on.

- **Reviewing Council's vision and its implications for the governance arrangements**

The Community Plan is led by a Community Planning Strategic Partnership made up of senior representatives from our statutory partners, elected members and representatives from the community and business sectors. There are formal processes in place to monitor the progress of the plan and ensure effective governance arrangements are in place for the successful implementation of the plan. The Community Planning Strategic Partnership published its Community Statement in November 2019.

The Councils Corporate Plan is due to be reviewed before 2023. The corporate themes and commitments with the Corporate Plan are cascaded through the departmental business plans. Six monthly and annual progress reports are presented to the relevant service committee. An annual report on the Corporate Plan was published during 2019/20.

A mid -year report on progress against the annual Performance Improvement Plan is reported to the P&A Committee and the annual Performance Self-Assessment Report is published by end of September each year.

The Council's approved Treasury Management Strategy and estimates for 2019/20 and are monitored via financial reports to the Governance, Resources and Strategy Committee on a six monthly basis.

The progress on the development of the Local Development Plan is reported through the Planning Committee.

The Corporate Risk Register identifies the main risks associated with the achievement of the Council's commitments/objectives and cross referenced within departmental business plans. The Executive Management Team and the Performance and Audit Committee review the Corporate Risk Register quarterly.

- **Measuring the quality of services for users ensuring they are delivered in accordance with Council's objectives and for ensuring that they represent the best use of resources.**

The performance improvement regime requires council to put arrangements in place to secure continuous improvement to deliver outcomes for citizens/residents. The Council's Performance Management Framework was approved by Council in November 2019. The

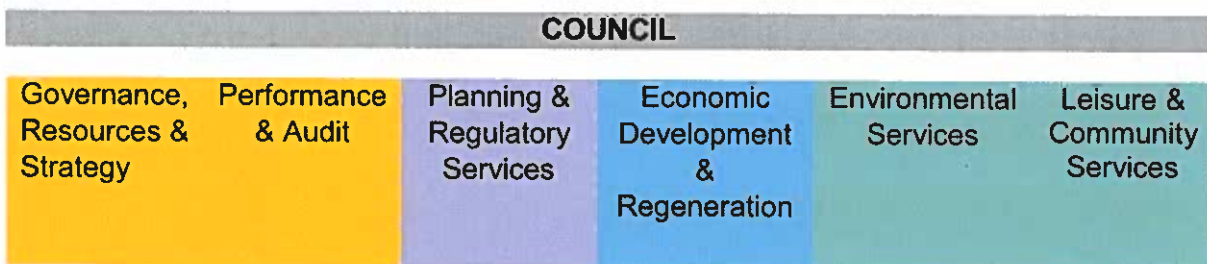
Council set out five performance improvement objectives within its Performance Improvement Plan for 2019/20 including 'We will improve our methods of obtaining customer feedback and increase the numbers of service areas with baseline satisfaction levels'.

Council developed a Customer Care Strategy in 2017 to provide direction and a framework on the Council's approach to Customer Care with external customers such as residents, businesses, visitors, public sector partners and other stakeholders as well as internally between departments and services. The Customer Care Project Team take the lead in delivering the strategy and overseeing the implementation of an annual customer care action plan, which has included development of an approved Council Customer Charter and Corporate Complaints Policy. A review of the Strategy is planned to take place by the end of 2020/21.

The Council is subject to audit by the Local Government Auditor, within the Northern Ireland Audit Office. The scope of auditors' work covers not only the audit of the Council's Financial Statements, but also aspects of corporate governance, arrangements to secure the economic, efficient and effective use of resources and an audit and assessment of the Council's Performance Improvement duties. The Local Government Auditor makes an annual report on the results of both the financial audit and performance assessment audit, which are published on the Council's website. In addition the internal audit function within Council have undertaken some value for money reviews as part of the internal audit plan.

- **Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.**

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.



Each Committee has a defined Terms of Reference, documenting its roles and responsibilities. There are also a number of project boards e.g. South Lake Leisure Centre Project Board and Armagh Leisure Village Project Board, which report to Full Council.

The minutes and associated reports for all Council and Committee Meetings are uploaded to the Council's website with the exception of confidential minutes and reports. Full Council meetings are audio recorded and uploaded to the Council website. These actions ensure that the Council is communicating with the public in an open and transparent manner. Due to the COVID pandemic and the restrictions imposed, Council put in place a number of interim governance arrangements which enabled decisions to be taken by officers and then Council and its Committees to meet 'remotely' and the public to view the meetings on line.

The Constitution details the rules and procedures being followed by the Council and its Committees when transacting business, primarily in accordance with the Local Government (NI) Act 2014 and subsequent Standing Orders. The Council is conscious of the need to keep the Constitution up to date and both the constitution and standing orders were reviewed during 2019/20. Interim governance arrangements were established in March 2020 as part of the Covid-19 response.

The Council is committed to setting and securing the highest standards in decision making and the Scheme of Delegation provides the framework for the powers delegated to Committees of Council and to Senior Managers within the Council. Decisions made by officers under the scheme are recorded and presented on a monthly basis to full council for information.

Council's Executive Management Team (EMT) meet regularly at least twice a month to discuss issues commensurate to the aims, objectives and priorities of Council. Heads of Department meet twice per month and HoD and EMT meet jointly once per month.

Internal Communication systems include Council intranet, websites, staff newsletter, all user emails, social media, written correspondence, working group minutes and a combination of formal and informal team meeting. Council appointed a Senior Communications and Branding Manager to oversee the further development of internal and external communications.

- **Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff.**

Codes of Conduct are in place for both staff and Elected Members and define the high ethical values and standards of behaviour expected, to make sure that public business is conducted with fairness and integrity. The Northern Ireland Local Code of Conduct for Councillors came into effect on 28 May 2014. Both the Code of Conduct for Council Members and the Code of Conduct for staff are published on the Council's intranet and website.

Councillors have received training in respect of the statutory code of conduct. A Register of Members Interests is maintained and updated on an annual basis, or as and when required. Conflict of interests is also a standing agenda item at each Committee and Council meeting.

Mandatory Code of Conduct training is offered twice per year for staff. A corporate Conflict of Interest Policy is being developed by officers. The Council has a wide range of policies and procedures, which are subject to on-going review which reference the standards of behavior expected from all employees.

- **Reviewing the effectiveness of Councils' decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality**

The Constitution governs how the Council operates, how decisions are made and the procedures followed to ensure efficiency, transparency and accountability to local people. The Constitution is accessible from the Council's website. The Council's Scheme of Delegation provides the framework and guidance for the powers delegated to Committees of Council and to Senior Managers. Both the Standing Orders and Scheme of Delegations were amended as required during 2019/20. Council established internal control teams to ensure continued decision-making and service delivery during the COVID pandemic.

The Council's Financial Regulations set out the overarching financial responsibilities of the Council and its staff and provides the framework within which the Council's financial affairs are managed. The Financial Regulations were last reviewed and updated in February 2019.

Good data quality is required by the Council to plan, make its key decisions, and deploy its resources for smooth operational performance. Council continues to endeavour to ensure data is accurate, valid, reliable, timely, relevant and complete.

The Council is committed to working alongside partners and local communities in order to deliver excellent services and has established and a facilitated a Community Planning Strategic Partnership for the Borough. A Borough Community Engagement Strategy was published in June 2019 which sets out the Community Planning partners' aspirations, along with the steps they will take together to make sure that people can be more involved in the decisions that affect their lives.

As part of the Council's Assurance Framework, Strategic Directors and Heads of Department are required to assess the adequacy of the risk management process and to provide 6 monthly assurance statements which help inform the overall annual Governance Statement.

- **Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability**

The Council has a Risk Management Policy in place which was last reviewed and updated in 2017. The Policy forms part of Council's internal control and corporate governance framework. The Corporate Risk Register is reviewed by the Executive Management Team and presented to the Performance and Audit Committee quarterly. As outlined in the Risk Management Policy, Departmental Risk Registers for one Directorate are presented on a rolling basis to the Performance & Audit Committee. There are also risk registers in place for key projects such as SLLC. A comprehensive risk management software system is used to manage identified risks across all Departments and has assisted in the further embedding of risk management across Council.

During audit engagements, Internal Audit review risk registers and controls cited to mitigate the identified risks. Internal Audit will recommend actions to management where those actions strengthen the system of governance, risk management and control.

- **Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained**

Council have developed a Fraud Policy (including a fraud response plan) and Whistleblowing Policy, both approved by Council and local Trade Unions in 2019. Once regional trade union approval has been obtained the policies will be circulated to all staff and made available on the intranet and website. In the 2019/20 year former Council policies applied. Fraud and whistleblowing investigations are reported quarterly to the Performance and Audit Committee as a standing agenda item. Any suspected or attempted fraudulent activities are investigated and reported to the NIAO and other appropriate channels.

The risk of fraud is identified and managed as part of the risk management process. In addition a fraud risk register has been developed and will be further progressed in 2020/21. The Council prepares an Annual Fraud Report which summarises the work the Council undertakes during the year to prevent, detect and investigate fraud and corruption.

Council delivered fraud awareness training to staff in 2018 and 2019. An e-learning fraud module for all Council employees has been developed and is due be rolled out across the

Council once the revised Fraud and Whistleblowing Policies have been approved and circulated to staff.

- **Ensuring effective management of change and transformation**

Senior management and Council remain committed to ongoing harmonisation and transformation of Council services. Specific transformation and development funds are identified within estimates.

A Transformation and Efficiency Working Group and a Member Advisory Group are in place to lead the transformation agenda across Council. A number of service reviews have been completed / are in progress with ongoing implementation plans. The Indoor Leisure Transformation Project was well progressed during 2019/20 as the key transformation programme within Council and in preparation of the opening of the new SLLC. Service review and transformation progress reports are brought to EMT, the relevant service committee/Project Board. An Efficiency and Transformation Programme is to be developed further in 2020, which will be of even more relevance given the societal, operational and financial pressures as a result of the impact of the Coronavirus pandemic. Work commenced on a Council wide Information Management Transformation Programme (IMTP) and is intended to be further developed in 2020/21.

- **Ensuring Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and, where they do not, explain why and how they deliver the same impact.**

Council has designated the Chief Executive as the Chief Financial Officer (CFO). The CIPFA Statement on The Role of the Chief Financial Officer in Local Government (the Statement) sets out five principles that define the core activities and behaviours that belong to the role of the Chief Financial Officer in public service organisations and the organisational arrangements needed to support them.

Principle 5 requires the CFO to be professionally qualified and be a member of an accountancy body. Local Regulations in Northern Ireland do not require the CFO to be a professionally qualified accountant nor for the role to be separated from that of the Chief Executive. The Council is satisfied that 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.

- **Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.**

Strategic Directors and Head of Department along with Senior Managers and staff are responsible for ensuring compliance with relevant laws, regulations, internal policies and procedures. The six monthly assurance statements provided to the Chief Executive and P&A Committee provide an opportunity to reflect on this point. Council has appointed a Senior Solicitor and is expanding the internal legal function in 2020/21. All employees and Elected Members are required to act in compliance with their respective Codes of Conduct while carrying out their duties and to declare any conflicts of interests. All committee reports are obliged to highlight any financial implications.

Council's Internal Audit function has a specific role in providing independent assurance to Management and the Elected Members on the internal control, risk management and

governance arrangements of Council. Council also has access to advice from a range of sources, including internal senior corporate managers in area such as Legal Services, Corporate H&S, Information Governance, and Procurement, etc.

- **Ensuring Council's assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact.**

The role referred to by CIPFA as the Head of Internal Audit has an important role in delivering the organisation's strategic aims by championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments; and giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.

The Internal Audit Manager within the Performance & Audit Department fulfils the role of the 'Chief Audit Executive/ Head of Internal Audit' in accordance with the governance requirements of the CIPFA statement.

- **Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees: Practical Guidance for Local Authorities**

The Performance & Audit Committee which meets quarterly, comprises of seven Members of Council and two Independent Members. The Performance & Audit Committee operates in compliance with the CIPFA Audit Committee best practice guidance including an annual review of its effectiveness and performance which was deemed as effective during 2019/20. Included within the Annual P&A Committee report is an action plan to support the further development of this key Committee. Training was provided to the Performance and Audit Committee Members in March 2020.

The core functions of the Performance & Audit Committee are summarised in a Terms of Reference, which describe the arrangements in place to enable it to operate independently, robustly and effectively.

- **Whistleblowing and other processes for receiving and investigating complaints from the public**

The Council is committed to the highest possible standards of openness, probity and accountability. It expects its employees who have serious concerns about anything improper that is happening in the Council, to come forward and raise those concerns.

The Council is currently using former Council whistleblowing arrangements to ensure that employees who raise concerns receive a response and are informed about how their concerns are being dealt with. A single consolidated policy approved by Council and agreed by local trade unions is currently being consulted on and is expected to be put in place and circulated to staff during 2020/21.

As part of the Council's Customer Care Strategy (June 2017), the Council is committed to providing excellent services to the residents, businesses and visitors of the Borough. A Corporate Customer Complaints Policy was developed and approved in April 2019 and available on the Council website. The aim of the Policy is to ensure all complaints are dealt with in a fair and consistent manner. Internal guidance was developed for complaint handlers and complaints handling training was rolled out to staff during 2019.

- **Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training**

Council continued to deliver Elected Members' capacity building training throughout the 2019/20 year as part of Elected Member Development Plan. Council has achieved the highest level of Member Charter with Charter Plus level 1 and 2 obtained.

The Council's Learning and Development Policy (June 2018) sets out the Council's commitment to the development and training of employees. An annual corporate training plan for both staff and elected Members was rolled out during 2019/20.

The draft People Strategy and draft Organisational Development Plan will be further developed during 2020/21. Council is also working on piloting and roll out of a new Employee Appraisal System.

- **Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation**

Council utilises various media by which to deliver internal and external communications, such as the Council websites, publications, brochures, leaflets, social media and media advertisements and broadcasts. The Council continues to explore ways to digitalize services and use online technology and social media to enhance communication with residents, customers, businesses and potential visitors to the Borough.

The Branding and Communications Team will further develop Council communications strategies in 2020/21 including the current communications plan for the opening of the new South Lake Leisure Centre. A communications plan was established to deal with the Coronavirus pandemic to keep our communities, businesses, Elected Members and staff informed.

The Borough Link is the Council's annual residents' magazine, which is sent to over 86,000 households and despite the COVID pandemic was produced and circulated to residents.

All Council and committee meeting minutes are available on the Council website, with audio recordings of full Council meetings available. The Local Government (Coronavirus) (Flexibility of District Council Meetings) Regulations (Northern Ireland) 2020 allowed for Council to hold remote Council meetings from May 2020 and were streamed live.

Council has an Integration Strategy 2018-2022 in place which aims to support integration between Council, local communities and ethnic minorities. The Integration Strategy forms part of the Council's overall Good Relations Action Plan. The Council's Equality Scheme is a statement of the Council's commitment to the promotion of equality of opportunity and good relations and also outlines how Council meets its obligations under Section 75 of the NI Act 1998. Council publications can be requested in a number of different formats including audio, braille and large print.

The Council is committed to openness and transparency and empowering communities to contribute to decisions. A Borough Community Engagement Strategy was developed and published in June 2019 with the Community Planning Strategic Partnership. A Community and Voluntary Sector Panel was established in June 2018 as part of the Community Planning partnership.

Council consults with various bodies in relation to important strategic or policy development matters and officers have developed a draft Consultation Policy for approval during 2020/21. Formal consultation mechanisms are in place for statutory consultations in relation to the Planning process including the Statement of Community Involvement.

- **Enhancing the accountability for service delivery and effectiveness of other public service providers**

Council delivers a range of services, both directly and indirectly to the residents/citizens of Council. The Council has a range of mechanisms and plans in place for delivering effective services which extend to the Community Plan, Corporate Plan, Business Plans, Strategies, Action Plans and the Performance Management Framework.

Council works with a range of partners to develop and implement the Community Plan through the Community Planning Strategic Partnership and is progressing the Local Development Plan at the second stage in conjunction with relevant stakeholders.

There are effective governance and monitoring arrangements for service delivery and accountability identified within the Performance Management Framework for Council. In addition, a range of public service providers attend Council Committees on a regular basis to present their plans/strategies and annual reports providing opportunity for Elected Member engagement on behalf of communities and local businesses. Council actively responds to a large number of other public sector consultations in relation to matters that effect services and people in the Borough.

- **Incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in Council's overall governance arrangements.**

The Council continuously strives to have the highest standards of governance arrangements in place and endeavours to ensure that its partners also have high standards of governance arrangements in place. The Council reviews its governance arrangements regularly to take account of best practice guidance. A governance review across Council is on-going. As part of this review, Members roles in outside bodies was reviewed against best practice guidance.

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, Internal Audit's annual report, and also by comments made by the external auditors.

The following reports provide information in support of the Governance framework:

- Strategic Director and Head of Department 6 monthly assurance statements
- Internal Audit Reports
- Health and Safety Reports
- Finance and Budget Reports
- Risk Management Reports
- Performance Reporting
- External Reviews including NIAO

The following process has been applied in maintaining and reviewing the effectiveness of the governance framework:

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. Council meets once a month on a formal basis to set the strategic direction and monitor the service delivery of the Council. The Council has five committees that meet monthly and a Performance and Audit Committee which meets quarterly.

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.

2. The Executive

The Executive Management team which includes the Chief Executive and Strategic Directors meet at least twice per month and monitor the strategic direction and good governance across the Council. Strategic Directors and Heads of Department completed six monthly Assurance Statements during 2019/20 and in signing, opinions were informed by the following:

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

Two Heads of Department posts within the Performance Directorate became vacant during the latter half of 2019/20 and have since been recruited. Therefore at the end of March 2020, the Strategic Director (Performance) reviewed and signed the assurance statement based on discussions and assurances provided by Senior Managers within the Human Resources and Organisational Development Department, and the Finance, ICT and Procurement Department.

3. Performance & Audit Committee

The Council has a Performance & Audit Committee which reports to full Council. The 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 to the extent that it exposes it to risk and weakens the control environment. The terms of reference (Audit Committee Charter) which sets out the purpose and roles and responsibilities was updated in December 2019.

The Performance and Audit Committee met quarterly during 2019/20 and consists of seven members and two newly appointed Independent Members. The Performance & Audit Committee Annual Report 2019/20 was presented at the June 2020 meeting. The annual report included the annual Performance & Audit Committee Self-Assessment, reviewed by Members in March 2020. As part of the Self-Assessment, the Performance and Audit Committee proposed a number of minor actions to enhance its overall performance and these actions will be implemented during 2020/21.

4. Internal Audit

Internal Audit provide an independent assurance and advisory service to assist Council in achieving its objectives and improving the effectiveness of internal control, risk management and governance processes. Internal Audit Completed 73% of the Internal Audit Plan in 2019/20. The completion of three audits was delayed due to the coronavirus pandemic.

Overall, Internal Audit provided a 'satisfactory' annual assurance opinion in relation to the adequacy and effectiveness of the Council's framework of governance, risk management and control based on the audit work finalised during 2019/20. This opinion is based on the following:

- During the year 24 audits were completed with 71% (17) of the audits obtaining a satisfactory assurance.
- Risk Management further embedded across Council in 2019/20 and the ongoing management of key corporate risks.
- The evidence set out in the review of the Council's Code of Governance and Assurance Statements regarding the range of assurances and governance processes in place.

However, some weaknesses and areas for improvement have been identified through internal audit work. Seven limited audits (IT Governance, Information Governance, Advice Centre Grants, Portadown 2000, Legend System, Trade Waste and Off street Parking) were issued as part of the 2019/20 Internal Audit Plan (29%). It should be noted that five of the seven limited audits were issued towards the year-end. The keys issues identified from audit and governance work are as follows:

- Although some progress has been made with the development of IT policies, the follow up review on IT Governance still highlighted the need to finalise a number of IT policies and documents including the completion of a Council IT Disaster recovery plan and IT Business Continuity Plan. Work is progressing in these areas and it is expected that these will be finalised in 2020/21.
- Whilst it is acknowledged that the implementation of an Information Governance Framework is a long term Council project and extensive work in this area has already taken place, the audit highlighted the need to further embed some information governance processes across Council Departments. In particular, issues were raised with the compliance with the Council's retention and disposal schedule, inadequate information listings across some departments and issues with recording information locations and security of some information held.
- The absence of adequate Service Level Agreements was identified in both the Advice Centre Grant audit and Portadown 2000. There is a need for Council to put robust Service Level Agreements in place ensuring adequate monitoring arrangements are in place. A Service Level Agreement has been put in place for Portadown 2000.
- Issues were identified with the functionality of the Legend Management System and some delays were noted in the roll out of the system across leisure sites.
- Issues were identified with the existing trade waste system with the potential risk of non-paying customers availing of the trade waste services.
- The Off Street Car Parking audit identified responsibilities in relation to Car Parks were fragmented across Directorates, and not clearly defined. The review also highlighted the absence of an agreement between Council and one car park operator. The establishment of this agreement is currently being progressed.

In all cases recommendations have been agreed with senior management, improvement plans have been drawn up and priority actions are required to be implemented within defined

timescales. Internal Audit will undertake follow up reviews on all limited audits to verify the implementation of recommendations. The progress on the implementation of Internal and External audit recommendations will be reported twice yearly to the Performance and Audit Committee. In addition, an update on overdue priority one recommendations will be brought to each Performance and Audit Committee. Audit recommendations made in previous years continued to be followed-up in 2019/20. There are a number of overdue priority 1 recommendations that are delayed due to the current situation with COVID-19.

Internal Audit also provided advice and guidance across Council as required during 2019/20 in relation to audit, risk and governance issues.

An external review of the Internal Audit function was carried out in May/June 2019 which concluded that the Internal Audit Function generally conforms to Public Sector Internal Audit Standards (PSIAS). An Action Plan with agreed recommendations were reported to and approved by the Performance and Audit Committee in September 2019. Significant progress has been made with 14 of the 17 recommendations implemented with the remaining 3 recommendations to be implemented in 2020/21. In addition, an Internal Audit self-assessment against the Public Sector Internal Audit Standards was completed in May 2020 with the conclusion being that Internal Audit was substantially compliant and therefore operating effectively.

5. Other explicit review/assurance mechanisms

Throughout the year the Council undertook / was subject to a number of external reviews/accreditations. The following provides details of some of the more significant reviews, accreditations and awards obtained throughout the year, to provide additional assurance in respect of the Council's Governance arrangements:

- Risk Management further embedded across Council in 2019/20 and is a continuously evolving process. A risk register is developed for all significant Council projects. The Corporate Risk Register is presented quarterly to both EMT and the Performance and Audit Committee.
- Internal Health and Safety inspections by Corporate H&S Officers with regular reports to the EMT.
- External funding received throughout the year is subject to independent audits from the relevant funders including Government Departments and SEUPB.
- The Northern Ireland Audit Office provides a level of assurance through the provision of their annual audit and issuing of a management letter/ certificate which includes an action plan to address issues identified and proposals of improvement in relation to Council's performance duties.
- Council participated in the 2018/19 NFI data matching exercise. The number of matches was relatively low and no fraudulent activity was identified from the investigation of the high risk matches.
- No data breaches reported to ICO during 2019/20.
- The Council maintained the ISO 14001:2015 Environmental Management System accreditation.
- The Environmental Health Department maintained ISO 9001 accreditation.
- New Quest accreditation for Banbridge Leisure Centre and Dromore Community Centre.
- 2019 Environmental Benchmarking Survey silver award.
- 9 Green Flags for parks and open spaces.

Update on Significant Governance Issues that were declared at the year ended 31 March 2019

Three issues were declared last year with two of these continuing to be declared as issues in this year's statement as follows:

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

In May 2011 the Department of Enterprise, Trade and Investment (DETI) (now the Department for the Economy) wrote to the legacy Craigavon Borough Council requesting a claw back of £198,747 in relation to the European Funded Biomass Boiler Scheme. In November 2011 DETI served a Writ of Summons against Craigavon Borough Council. Both insurance and legal advice has been sought over the last 9 years and there has been ongoing correspondence between Council and the Department for the Economy to discuss a resolution with Council keen to avoid incurring any further legal costs. In May 2019, the Department for the Economy responded and advised they were in a position to assign Senior Counsel to take forward a joint consultation process. In September 2019, Council's solicitor wrote to the Department and proposed that mediation be entered into. To date the Department for the Economy have not responded to the offer of mediation. In October 2020, Counsel (for the Council) issued a position paper and has advised that the Council does not mediate. Counsel for the Department of the Economy are due to issue their position paper. The matter will be reviewed again when papers have been exchanged. A provision for the clawback has been included in the Council's accounts.

2. CYBER SECURITY / IT GOVERNANCE

Like almost all businesses and public sector bodies a substantial risk that the Council faces is cyber fraud. Technological advancements have over the last 10 years provided fraudsters with a powerful series of tools with which to exploit the vulnerabilities of individuals, businesses and councils alike. Cyber fraud and cyber-attacks represent the biggest and fastest growing threat to the Council. External attacks can result in files being encrypted and becoming inaccessible. Whilst the network could be restored the resulting loss of data and down time represents a key risk to Council. The follow up audit in 2019/20 of IT Governance identified that although some progress had been made in developing IT policies and the disaster recovery plan, they were still awaiting completion, formal approval and circulation to staff. In 2020/21 the Council will continue to implement internal audit recommendations which in turn will improve the resilience of ICT systems, including cyber security and the Council's arrangements for disaster recovery.

3. EXTERNAL FRAUD

The third issue, in relation to an external supplier fraud, was dealt with during 2019/20. The supplier's systems had been compromised and as a result a sum in respect of a legitimate invoice was paid to a fraudulent account. Council was able to retrieve some of the payment and pass it on to the correct recipient. Council is not at any financial detriment and the issue has been referred to the PSNI. Internal procedures relating to supplier bank account changes have been reviewed and updated to mitigate the risk of a similar situation occurring in the future.

New Significant Governance Issues for the year ended 31 March 2020.

The most significant new issues for the Council which arose during 2019/20 are in relation to the following:

1. COVID 19

The impact of the Coronavirus pandemic is causing unprecedented operational disruption and will continue to impact service delivery through the rest of 2020/21 and beyond. However despite the challenge, Council has responded well and was able to deploy rapid responses to ensure core services were delivered and that residents and businesses continued to be supported at this difficult time. There will be an impact on Council's corporate objectives and priorities going forward. However, in moving forward Council will continue to analyse the impact of COVID-19 and the impact on the strategic priorities including financial, service delivery, and health and wellbeing. The Council is currently implementing recovery plans whilst still managing the ongoing impact of the pandemic.


2. LEGAL CASES

There are three ongoing judicial reviews. One is in respect of planning permission granted to the Southern Regional College. A hearing took place in February 2020 and the Council currently awaits the decision. The Council's Playing Pitch Strategy is also subject to a judicial review challenge. The Council is awaiting case management directions and the date of the leave hearing has been scheduled to take place in December 2020. An application for leave to apply for judicial review in respect of a planning application (which the Council granted) was submitted to the Court in November 2020. The date for the leaving hearing has not yet been scheduled.

In addition, the Council are considering the matter of a planning approval granted by the former Department of the Environment for a wind turbine at Knock Iveagh. This is a complex matter that may result in a liability to Council. A special meeting of Council- in Confidence will be held on this matter.

A pre action protocol letter had been received at an earlier stage in relation to Dual Language Street Signing. No further correspondence, in relation to the pre-action protocol letter for judicial review, has been received since the policy was ratified.

Signed  Date 10/12/2020
Chief Financial Officer

Signed  Date 10/12/2020
Chair

Remuneration Report for the year ended 31 March 2020

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 2019 were issued by the Department for Communities on 6 March 2019 (Circular LG 17/2019). Details of the allowances paid to individual councillors are published on the council's website at www.ArmaghBanbridgeCraigavon.gov.uk.

Following local elections on 2 May 2019, 462 councillors were elected to the 11 new councils for a four year term. Armagh City, Banbridge & Craigavon Borough Council had 41 councillors in 2019/2020.

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 below, the officials covered by this report hold appointments that 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	2019/2020		2018/2019	
	Total Allowances £	Number of Councillors receiving Allowance	Total Allowances £	Number of Councillors receiving Allowance
Basic Allowance	617,913	55	605,113	43
Special Responsibility Allowance	101,410	32	102,745	31
Mayor's Allowance	19,103	2	18,729	2
Deputy Mayor's Allowance	8,490	2	8,324	2
Mileage Allowance	30,460	37	42,896	34
Public Transport and Other Travel	76	5	768	13
Subsistence	955	7	1,210	17
Courses/ Conferences visits (registration & joining fees)	0	0	0	0
Dependants' Carers Allowance	2,520	3	2,030	4
TOTAL ALLOWANCES	780,927		781,815	

Details of the allowances paid to individual councillors in 2019/2020 are published on the council website at www.ArmaghBanbridgeCraigavon.gov.uk/council/councillor-information.

Independent Representatives

The Council has a contract of service with two independent representatives on the Performance and Audit Committee. The amount payable per representative per meeting is £250 on attendance. There were four meetings held during 2019/20.

Remuneration of Senior Employees

The remuneration of senior employees covers the Executive Management Team. The interim Director of People left employment of the Council in July 2018. The position of interim Director of People is currently filled through a contract for services with a recruitment business organisation. The total value of the contract for 2019-20 was two hundred and twenty-nine thousand pounds; (2018-2019, one hundred and forty-seven thousand pounds), inclusive of all associated costs including contract fees, expenses and services. The rest of the Executive Management Team were in post for the full year and the following table provides details of the remuneration paid to those officers.

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

Officers	2019/2020				2018/2019			
	Salary (Full year equivalent in brackets where applicable) £'000	Bonus Payments £'000	Benefits in kind (to nearest £100) £	Total £'000	Salary (Full year equivalent in brackets where applicable) £'000	Bonus Payments £'000	Benefits in kind (to nearest £100) £	Total £'000
Chief Executive R Wilson	120 – 125	0	0	120 – 125	115 – 120	0	0	115 – 120
Director of Place O Murtagh	90 - 95	0	0	90 - 95	90 – 95	0	0	90 - 95
Director of Position S O’Gorman	90 - 95	0	0	90 - 95	90 – 95	0	0	90 – 95
Interim Director of People M Reardon*	0	0	0	0	30 – 35 (85 – 90)	0	0	30 – 35 (85 – 90)
Director of Performance S McNicholl	90 – 95	0	0	90 – 95	85 – 90	0	0	85 – 90

*Interim Director of People left employment of the Council in July 2018

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 2019/20 was £120k - £125k. This was 5.3 times the median remuneration of the workforce, which was £23.2k. (2018/2019 5.1 times)

Table 3: Relationship between the remuneration of the highest paid member of the Executive Management Team/Senior Management Team and the median remuneration of the Councils workforce (audited information)

	2019/20 £'000	2018/19 £'000
Salary Band of Highest Paid member of the Executive Management Team	£120 - £125	£115 - £120
Median Total Remuneration	£23.2	£22.9
Ratio	5.3	5.1

In 2019/2020, 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.

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.

Exit Packages for staff

The number of exit packages provided to all staff by the Council, 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 2019/2020 (audited information)

Severance Package Cost Band	2019/2020				2018/19			
	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	7	7	71	0	1	1	18
£20,001-£40,000	0	13	13	417	0	3	3	105
£40,001-£60,000	0	7	7	364	0	13	13	619
£60,001-£80,000	0	1	1	73	0	3	3	207
£80,001-£100,000	0	3	3	279	0	4	4	355
£100,001-£150,000	0	2	2	219	0	9	9	1,062
£150,001-£200,000	0	0	0	0	0	4	4	713
£200,001-£250,000	0	0	0	0	0	1	1	291
Total	0	33	33	1,423	0	38	38	3,370

Costs of exit packages in 2019/2020 relate to staff for whom decisions to grant voluntary redundancies were approved by Council prior to 31 March 2020. This includes staff who left before 31 March 2020 as well as those still in Council employment in 2020/2021.

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 2019, were as follows:

Table 5: Employee Contribution Rates

Band	Range	Employee Contribution Rate
1	£0 - £14,800	5.5%
2	£14,801 - £22,600	5.8%
3	£22,601 - £37,700	6.5%
4	£37,701 - £45,700	6.8%
5	£45,701 - £90,400	8.5%
6	More than £90,400	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 2019 was carried out in 2019/2020 and set the employer contribution rates for the 3 years commencing 1 April 2020 as follows:

Table 6: Employer Contribution Rates

Year	Employer Contribution Rate	Deficit Funding
1 April 2019 – 31 March 2020	20%	£498,300
1 April 2020 – 31 March 2021	19.5%	£nil
1 April 2021 – 31 March 2022	19.5%	£nil
1 April 2022 – 31 March 2023	19.5%	£nil

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. 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 in-year pension contributions made by the Council for all councillors during 2019/20 was £145k (2018/19 £134k).

The value of pension benefits for the Executive Management Team of the Council accrued during the year was as follows:

Table 7: Pension Benefits of Senior Staff in 2019/2020 (audited information)

Executive Management Team Officers	Accrued Pension at pension age as at 31/3/2020 and related lump sum £'000	Real increase (decrease) in pension and related lump sum at pension age £'000	CETV at 31/3/2020 £'000	CETV at 31/3/2019 £'000	Real increase in CETV £'000
Chief Executive R Wilson	45 - 50	2.5 – 5.0	765	705	35
	70 – 75 (Lump Sum)	(0 – 2.5) (Lump Sum)			
Director of Place O Murtagh	35 – 40	0 – 2.5	679	628	31
	60 – 65 (Lump Sum)	0 – 2.5 (Lump Sum)			
Director of Position S O’Gorman	30 - 35	0 – 2.5	479	439	22
	40 – 45 (Lump Sum)	0 – 2.5 (Lump Sum)			
Director of Performance S McNicholl	35 – 40	2.5 – 5.0	601	538	46
	55 – 60 (Lump Sum)	0 – 2.5 (Lump Sum)			

The Current Interim Director of People is not a member of the NI Local Government Pension Scheme and Council did not contribute to any other pension schemes on their behalf. The Previous Interim Director of People was not a member of the NI Local Government Pension Scheme and Council did not contribute to any other pension schemes on their behalf.

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.



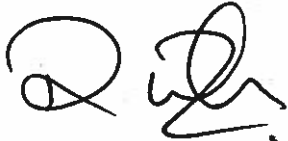
Chief Executive
10th December 2020

Certificate of the Chief Financial Officer

I certify that:

- a. The Statement of Accounts for the year ended 31 March 2020 on pages 40 to 104 has been prepared in the form directed by the Department for Communities and under the accounting policies set out on pages 44 to 64.

- 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 ended 31 March 2020.



Chief Financial Officer

Date 10/12/2020

Council Approval of Statement of Accounts

These accounts were approved by resolution of the Performance & Audit Committee on 10th December 2020.

Chair



Date 10/12/2020

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 2020 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 including significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the 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 2019-20, of the financial position of Armagh City, Banbridge and Craigavon Borough Council as at 31 March 2020 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 opinion

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.

Conclusions relating to going concern

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

- Armagh City, Banbridge and Craigavon Borough Council's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- Armagh City, Banbridge and Craigavon Borough Council has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about Armagh City, Banbridge and Craigavon Borough Council's ability to continue to adopt the going concern basis.

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 that 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 Statement of Accounts for the financial year ended 31 March 2020 is consistent with the financial statements.

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.

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

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

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.

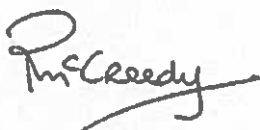
Matters on which I report by exception

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 2019-20;
 - 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 Articles 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

17 December 2020

Armagh City Banbridge & Craigavon Borough Council
Comprehensive Income and Expenditure Statement for the year ended 31 March 2020

The Comprehensive Income and Expenditure Statement 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 statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Service Expenditure	Notes	2019/20			2018/19 Restated *		
		Gross Expenditure £	Gross Income £	Net Expenditure £	Gross Expenditure £	Gross Income £	Net Expenditure £
Place Directorate	2	13,613,694	(2,859,701)	10,753,993	13,038,692	(2,867,112)	10,171,580
People Directorate	2	64,300,071	(16,389,579)	47,910,492	62,639,171	(12,279,116)	50,360,055
Position Directorate	2	12,643,921	(3,574,304)	9,069,617	11,913,865	(3,569,121)	8,344,744
Performance Directorate	2	9,948,542	(299,554)	9,648,988	10,238,471	(257,387)	9,981,084
Other Services	2	3,184,111	(247,926)	2,936,185	3,383,235	-	3,383,235
Cost of Services on Continuing Operations		103,690,339	(23,371,064)	80,319,275	101,213,434	(18,972,736)	82,240,698
Other Operating Expenditure/ Income	8	168,955		168,955	33,168		33,168
Financing and Investment Income and Expenditure	9	3,997,547	(457,268)	3,540,279	3,766,209	(484,919)	3,281,290
Net Operating Expenditure		107,856,841	(23,828,332)	84,028,509	105,012,811	(19,457,655)	85,555,156
Taxation and Non-Specific Grant Income	10	-	(74,354,747)	(74,354,747)	-	(71,534,210)	(71,534,210)
(Surplus)/Deficit on the Provision of Services		107,856,841	(98,183,079)	9,673,762	105,012,811	(90,991,865)	14,020,946
(Surplus)/Deficit on revaluation of non-current assets	11			(6,710,129)			(7,261,110)
Remeasurements of the Net Defined Benefit Liability (Asset)	21			4,212,000			(3,749,000)
Other Comprehensive Income and Expenditure				(2,498,129)			(11,010,110)
Total Comprehensive Income and Expenditure				7,175,633			3,010,836

The "Other Services" heading in CIES relates to amounts pertaining to decisions made on Council Services that are not attributed to the Directorate Services, such as expenditure on other reserve projects, transformation, provisions, redundancy and Covid 19 costs.

*The 2018/19 figures restated for reallocation of other services costs.

Armagh City Banbridge & Craigavon Borough Council
Movement in Reserves Statement for the year ended 31 March 2020

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustment required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

	General Fund Summary	Other Fund Balances and Reserves	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
	£	£	£	£	£	£
Balance as at 1 April 2018	20,382,555	7,277,308	874,399	28,534,263	74,997,602	103,531,865
Movement in reserves during the year						
Surplus/ (Deficit) on the provision of services	(14,020,946)	-	-	(14,020,946)	-	(14,020,946)
Other Comprehensive Income and Expenditure	-	-	-	-	11,010,110	11,010,110
Total Comprehensive Income and Expenditure	(14,020,946)	-	-	(14,020,946)	11,010,110	(3,010,836)
Adjustments between accounting basis & funding under regulations	14,912,356	(467,984)	(874,399)	13,569,973	(13,569,973)	-
Net increase before transfers to Statutory and Other Reserves	891,409	(467,984)	(874,399)	(450,973)	(2,559,863)	(3,010,836)
Transfers to / from Statutory and Other Reserves	(1,476,000)	1,476,000	-	-	-	-
Increase/ Decrease in year	(584,591)	1,008,016	(874,399)	(450,973)	(2,559,863)	(3,010,836)
Balance as at 31 March 2019	19,797,964	8,285,325	(0)	28,083,289	72,437,738	100,521,027
Movement in reserves during the year						
Surplus/ (Deficit) on the provision of services	(9,673,762)	-	-	(9,673,762)	-	(9,673,762)
Other Comprehensive Income and Expenditure	-	-	-	-	2,498,129	2,498,129
Total Comprehensive Income and Expenditure	(9,673,762)	-	-	(9,673,762)	2,498,129	(7,175,633)
Adjustments between accounting basis & funding under regulations	8,252,674	-	-	8,252,674	(8,252,674)	-
Net increase/(decrease) before transfers to Statutory and Other Reserves	(1,421,088)	-	-	(1,421,088)	(5,754,545)	(7,175,633)
Transfers to / from Statutory and Other Reserves	(542,606)	542,606	-	-	-	-
Increase in year	(1,963,694)	542,606	-	(1,421,088)	(5,754,545)	(7,175,633)
Balance as at 31 March 2020	17,834,270	8,827,931	(0)	26,662,201	66,683,193	93,345,393

Armagh City Banbridge & Craigavon Borough Council
Balance Sheet as at 31 March 2020

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. 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, ie 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. The second category of reserves is 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'.

	Note	31st March 2020	31st March 2019
		£	£
Fixed Assets	11, 11d, 11e	243,996,020	212,511,291
Long Term Debtors	15	1,294,182	1,418,507
LONG TERM ASSETS		245,290,202	213,929,798
Inventories	14	463,522	346,443
Short Term Debtors	15	11,474,370	7,605,960
Cash and Cash Equivalents	25	1,517,693	789,948
CURRENT ASSETS		13,455,585	8,742,351
Short Term Borrowing	17	17,007,021	1,998,607
Short Term Creditors	18	12,887,456	13,763,777
Provisions	19	465,075	399,232
CURRENT LIABILITIES		30,359,552	16,161,616
Long Term Creditors	18	29,289	29,889
Provisions	19	3,810,430	4,104,188
Long Term Borrowing	17	55,989,122	38,670,666
Other Long Term Liabilities	21	75,212,000	63,184,763
LONG TERM LIABILITIES		135,040,841	105,989,506
NET ASSETS		93,345,394	100,521,027
USABLE RESERVES			
Capital Receipts Reserve	26	-	-
Capital Fund	26	3,848,079	3,848,079
Renewal and Repairs Fund	26	515,517	515,517
Other Balances and Reserves	26	4,464,335	3,921,729
General Fund	26	17,834,270	19,797,964
		26,662,201	28,083,289
UNUSABLE RESERVES			
Capital Adjustment Account	27	53,654,837	51,297,712
Revaluation Reserve	27	89,743,545	85,876,934
Pensions Reserve	27	(75,212,000)	(63,178,000)
Accumulated Absences Account	27	(1,011,245)	(952,742)
Provisions Discount Rate Reserve	27	(491,944)	(606,166)
		66,683,193	72,437,738
NET WORTH		93,345,394	100,521,027

Armagh City Banbridge & Craigavon Borough Council
Cash Flow Statement at 31 March 2020

The Cash Flow Statement 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 (ie borrowing) to the Council.

	Note	2019/20	2018/19
		£	£
Net Deficit on the provision of services		(9,673,762)	(14,020,946)
Adjustment for non-cash movements	25	8,861,214	23,070,756
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	25	(1,348,170)	(163,949)
Net cash flows from operating activities	25	(2,160,718)	8,885,861
Cash flows from Investing Activities	25	(29,431,642)	(12,721,749)
Net Cash flows from Financing Activities	25	32,320,105	(2,212,465)
Net increase or decrease in cash and cash equivalents		727,745	(6,048,353)
Cash and cash equivalents at the beginning of the reporting period		789,948	6,838,301
Cash and cash equivalents at the end of the reporting period		1,517,693	789,948

**Armagh City Banbridge & Craigavon Borough Council
Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2020**

1. Accounting Policies

a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. 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 2019/20, 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 2019/20 also requires disclosure in respect of:

Summary of Significant Accounting Policies

i. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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 receivable on investments and payable on borrowings is accounted for respectively as income and expenditure 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 and Discontinued Operations

Council has neither acquired nor discontinued 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 highly liquid 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. Employee Benefits

Short-term employee benefits are those due to be settled wholly 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 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 in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of:

- a) when the Council can no longer withdraw the offer, 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 2.3% (based on the Aon Hewitt GBP Select AA Curve, using the constituents of the iBoxx index of AA rated corporate bonds and the duration of the Employer's liabilities).

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 the following 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 – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statements.

- 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) charged to the Pensions Reserve as Other Comprehensive Income and Expenditure. 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 net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, charged to the Pensions Reserves as Other Comprehensive Income and Expenditure."

- 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, this means that there are transfers 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.

viii. 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:

- 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
- 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 Statement of Accounts may subsequently be adjusted up to the date when they are authorised for issue. This date will be recorded on the Statement of Accounts and is usually the date the Local Government Auditor issues the 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.

ix. 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.

x. 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, i.e. 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 (unless stated otherwise) 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.

xi. Financial Instruments

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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, 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 Comprehensive Income and Expenditure Statement to the net charge 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.

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.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost 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 subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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 financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure is the amount receivable for the year in the loan agreement.

The Council has made a loan to a voluntary organization 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 forgone 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 Accounts in the Movement in Reserves Statement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost [or where relevant FVOCI], either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL 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. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices - the market price
- other instruments with fixed and determinable payments - discounted cash flow analysis.

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.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

xii. 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 Comprehensive Income and Expenditure Statement if material.

xiii. 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:

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

Amounts recognised as due are not credited to the Comprehensive Income and Expenditure Statement 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 in the form of 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 Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, 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.

xiv. 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 demonstrable 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 and they are therefore carried at revalued cost. 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 the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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 General 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.

xv. 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 consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

xvi. 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, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measureable date. As a non-financial asset, investment properties are measured at highest and best use. 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 Comprehensive Income and Expenditure Statement 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 General 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.

xvii. 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.

xviii. 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, plant or equipment 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, plant or equipment – 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 (where ownership of the asset does not transfer to the Council at the end of the lease period).

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 contribution is made from revenue towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement 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 debtor together with any premiums received, and
- b. finance income (credited to the Financing and Investment income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is 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 capital receipt for the disposal of the asset is used to write down the lease 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 District rates, as the cost of non-current 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 Comprehensive Income and Expenditure Statement. 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.

xix. 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 Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on the Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as assets 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 decommissioned i.e. to be 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 Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement 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 non-current 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.

xx. 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 over £5k 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. Assets are grouped under Land, Buildings, Infrastructure, Vehicle Plant & Equipment, Community, Surplus and shown within Note 11a and b. Further groupings are Intangible and Investment properties that are shown in note 11d and e respectively.

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 does not have commercial substance (ie it will not lead to a variation in the cash flows of the Council). In the latter case, where an 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 Comprehensive Income and Expenditure Statement, 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 Comprehensive Income and Expenditure Statement, 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
- surplus assets - the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- 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 Comprehensive Income and Expenditure Statement.
- b. where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

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 basis:

- 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.

- infrastructure - straight line allocation up to 25 years.

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.

xxi. 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.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policy on impairment.

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.

A range of categories of Heritage assets held at various council locations including FE McWilliam Gallery and Studio, the Civic Buildings and some Town Halls were last valued as at 31 March 2019.

xxii. 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 Comprehensive Income and Expenditure Statement 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.

xxiii. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. 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 Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance 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.

xxiv. 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.

xxv. 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 Comprehensive Income and Expenditure Statement 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.

xxvi. 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.

xxvii. 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:

- in the principal market for the asset or liability, or
- 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 Council 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 Council 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 Council'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.

For 2019/20, the accounting policy changes that need to be reported are:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

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 2020 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.

Valuation exercises are carried out by an independent valuer from Land and Property Services (LPS). These are carried out with based on information as at 31 March each year and subject

to assumptions at that time. There have been additional estimations used due to Covid-19 restrictions as referred in note 11c.

ii. Heritage assets

Valuation exercise of categories of Heritage assets are carried out by an independent valuer. These are carried out with based on information as at 31 March each year and subject to assumptions at that time.

iii. Fair Value Measurement

The Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value.

iv. 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.

Provisions are inherently uncertain, however the details included in note 19 have been carried out based on information as at 31 March each year and subject to assumptions at that time, and/or independent valuations were applicable.

v. 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.

vi. Arrears

A collective assessment of the outstanding debt balances was completed based on the Council's credit control procedures and an allowance for impairment loss for trade receivables has been included.

2

a 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.

	2019/20			2018/19 Restated		
	Net Expenditure Chargeable to the General Fund	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£	£	£	£	£	£
Place Directorate	8,542,074	2,211,919	10,753,993	7,833,686	2,337,894	10,171,580
People Directorate	36,288,593	11,621,898	47,910,491	36,720,023	13,640,032	50,360,055
Position Directorate	8,040,960	1,028,657	9,069,617	6,659,525	1,685,219	8,344,744
Performance Directorate	8,698,776	950,213	9,648,989	8,654,864	1,326,220	9,981,084
Other Services	2,929,797	6,388	2,936,185	3,383,235		3,383,235
Net Cost of Services	64,500,200	15,819,075	80,319,275	63,251,333	16,989,365	82,240,698
Other Income and Expenditure	(62,536,506)	(8,109,007)	(70,645,513)	(62,666,743)	(5,553,009)	(68,219,752)
Surplus or Deficit	1,963,694	7,710,068	9,673,762	584,590	13,436,356	14,020,946
Opening General Fund			19,797,964			20,382,555
Surplus/ (Deficit) on General Fund Balance In Year			(1,963,694)			(584,591)
Closing General Fund			17,834,270			19,797,964

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.

The "Other Services" heading in 2019/20 CIES relates to amounts pertaining to decisions made on Council Services that are not attributed to the Directorate Services, such as expenditure on other reserve projects, transformation, provisions and Covid 19 costs.

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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
2019/20

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 non-statutory Adjustments	Total adjustments
	£	£	£	£	£
Place Directorate	1,602,469	611,139	(1,689)	-	2,211,919
People Directorate	7,365,565	4,239,476	16,857	-	11,621,898
Position Directorate	351,668	650,399	26,590	-	1,028,657
Performance Directorate	34,873	899,579	15,761	-	950,213
Other Services	-	5,406	982	-	6,388
Net Cost of Services	9,354,575	6,405,999	58,501	-	15,819,075
Other Income and Expenditure from the Expenditure and Funding Analysis	(8,868,179)	1,416,000	(114,222)	(542,606)	(8,109,007)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	486,396	7,821,999	(55,721)	(542,606)	7,710,068

Adjustments between Funding and Accounting Basis
2018/19 Restated

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 non-statutory Adjustments	Total adjustments
	£	£	£	£	£
Place Directorate	1,419,266	919,311	(683)	-	2,337,894
People Directorate	7,474,824	6,193,020	(27,812)	-	13,640,032
Position Directorate	233,420	1,451,435	364	-	1,685,219
Performance Directorate	29,266	1,299,234	(2,280)	-	1,326,220
Other Services	-	-	-	-	-
Net Cost of Services	9,156,776	9,863,000	(30,411)	-	18,989,365
Other Income and Expenditure from the Expenditure and Funding Analysis	(5,473,094)	1,361,000	35,085	(1,476,000)	(5,553,009)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	3,683,682	11,224,000	4,674	(1,476,000)	13,436,356

Adjustments for Capital Purposes

Adjustments to General Fund Balances to meet the requirements of generally accepted accounting practices, 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 Pensions 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 allowed 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 differences

Other statutory adjustments between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

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

The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for district rates and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code.

Other non-statutory adjustments

Other non-statutory adjustments represent amounts debited/credited to service segments which need to be adjusted against the 'Other income and expenditure from the Expenditure and Funding Analysis' line to comply with the presentational requirements in the Comprehensive Income and Expenditure Statement:

For financing and investment income and expenditure the other non-statutory adjustments column recognises adjustments to service segments, eg for interest income and expenditure and changes in the fair values of investment properties.

For taxation and non-specific grant income and expenditure the other non-statutory adjustments column recognised adjustments to service segments, eg for unringfenced government grants.

Transfer to and from reserves.

3 a Expenditure and Income Analysed by Nature

Expenditure		2019/20	2018/19
	Notes	£	£
Employee Benefits Expenses	7	49,253,542	48,012,959
Other Services Expenditure		46,662,312	45,348,871
Depreciation, Amortisation, Impairment	11	7,774,485	7,851,604
Interest Payments	9	3,934,577	3,706,346
Loss on the Disposal of Assets	8b	168,955	33,168
Other Expenditure	9d	62,970	59,863
Total Expenditure		107,856,841	105,012,811

Income		2019/20	2018/19
	Notes	£	£
Fees, Charges and other service Income		(23,371,064)	(18,972,736)
Interest and Investment Income	9	(152,022)	(154,641)
District rate income	10	(65,481,687)	(63,067,398)
Government grants and Contributions	10	(8,873,060)	(8,466,812)
Other Income	9d	(305,246)	(330,278)
Total Income		(98,183,079)	(90,991,865)
(Surplus) or Deficit on the Provision of Services		9,673,762	14,020,946

b Revenue from contracts with service recipients

The Council does not receive material revenue from Contracts with Service recipients.

4 Adjustments between an Accounting Basis and Funding Basis under Regulations
 a 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	2019/20		2018/19		
	£	£	£	£	
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:					
Investment Property Revaluation Movement to CIES	11e	10,606		(15,000)	
Revaluation increases/decreases taken to Surplus/Deficit on the Provision of Services	11a	91,345		(236,944)	
Depreciation charged in the year on non-current assets	11a	7,683,140	7,785,091	8,088,548	7,836,604
Net Revenue expenditure funded from capital under statute	12		1,580,088		1,305,172
Carrying amount of non current assets sold	8	180,563		45,796	
Proceeds from the sale of PP&E, investment property and intangible assets	8	(11,608)	168,955	(12,628)	33,168
Net charges made for retirement benefits in accordance with IAS 19	21		16,193,000		17,960,000
Direct revenue financing of Capital Expenditure	12		(1,873,529)		
Capital Grants and Donated Assets Receivable and Applied in year	10		(1,336,562)		(151,321)
Adjustments in relation to Short-term compensated absences	27g		58,503		(30,411)
Provisions Discount Rate Reserve Adjustment	27h		(114,222)		35,085
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					
Statutory Provision for the financing of Capital Investment	12		(5,837,650)		(5,339,941)
Employers contributions payable to the NILGOSC and retirement benefits payable direct to pensioners	21		(8,371,000)		(6,736,000)
			8,252,674		14,912,356

Notes	2019/20		2018/19		
	£	£	£	£	
Net transfers (to)/from statutory and other earmarked reserves:					
Capital Fund					
Other Funds and earmarked reserves					
Other	26	(542,606)	(542,606)	(1,476,000)	(1,476,000)
Unusable reserves					
Capital Adjustment Account		-	-	-	-
			(542,606)		(1,476,000)

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 general power of competence (Nil in 2018/19).

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 Council's external auditors.

	2019/20	2018/19
	£	£
External Audit Fees	71,500	65,000
Other Fees	6,600	23,200
	78,100	88,200

The other fees of £6,600 (2018/19 £23,200) were incurred in respect of performance audit services provided by the appointed auditor.

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 88 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.

	31st March 2020	31st March 2019
	£	£
Current	945	931
Non-current	115,394	117,278
Gross Investment in the lease	116,339	118,209

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	31st March 2020	31st March 2019	31st March 2020	31st March 2019
	£	£	£	£
Not later than one year	945	931	945	931
Later than one year and not later than five years	3,850	3,794	3,850	3,794
Later than five years	111,544	113,484	111,544	113,484
	116,339	118,209	116,339	118,209

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 £426,369 (2018/19 £408,507).

The lease contracts are all non-cancellable and do not include an extension option. The lease terms are between 1 and 19 years. Future minimum lease income is set out below:

	31st March 2020	31st March 2019
	£	£
Not later than 1 year	297,909	351,267
Later than 1 year and no later than 5 years	957,593	987,050
Later than 5 years	332,148	342,595
	1,587,650	1,680,912

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 11h-leased assets).

The vehicles and equipment acquired under these leases are carried in the Balance Sheet at the following net amounts:

	31st March 2020	31st March 2019
	£	£
Vehicles, Plant, Furniture and Equipment	6,762	46,636
	6,762	46,636

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31st March 2020	31st March 2019
	£	£
Finance leases liabilities (net present value of minimum lease payments):		
Current	6,762	39,874
Non- Current	-	6,763
Minimum Lease Payments	6,762	46,637

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31st March 2020	31st March 2019	31st March 2020	31st March 2019
	£	£	£	£
Not later than one year	6,762	39,874	6,762	39,874
Later than one year and not later than five years	-	6,763	-	6,763
	6,762	46,637	6,762	46,637

d Operating Leases (Council as lessee)

The Council has acquired photocopiers and land under operating leases.

The future minimum lease payments due under non-cancellable leases in future years are:

	31st March 2020	31st March 2019
	£	£
Not later than 1 year	85,917	104,210
Later than 1 year and no later than 5 years	146,917	250,236
Later than 5 years	294,000	334,461
	526,834	688,907

The expenditure charged to the service charge line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2019/20	2018/19
	£	£
Minimum lease payments	149,002	104,804
Total	149,002	104,804

7 Employee Costs and Member Allowances

a Staff Costs

	2019/20	2018/19
	£	£
Salaries and Wages	37,283,833	37,092,946
Employers NIC	3,140,189	2,936,576
Employers Superannuation	7,377,531	6,632,585
Total staff costs	47,801,553	46,662,107

In addition, agency costs during the year amounted to £490,777 (2018/19 £412,644).

Investment salary expenses of £24,943 is included in both the salary note above and the expenses in note 11c.

The Council's current contribution rate to NILGOSC scheme is 20% plus a Deficit Recovery Contribution of £498,300.

At last actuarial valuation dated 31st March 2019 there was a surplus of £836.9m relative to the liabilities.

The funding level was 112%.

Average Number of Employees - where FTE represents fulltime equivalent employees

b Average Number of Employees

	2019/20	2018/19
	FTE	FTE
Place Directorate	95	102
People Directorate	849	849
Position Directorate	163	163
Performance Directorate	111	116
Total Number	1,218	1,230

	2019/20	2018/19
	Actual Numbers	Actual Numbers
Full-time numbers employed	988	1,000
Part-time numbers employed	390	386
Total Number	1,378	1,386

c Senior Employees' Remuneration

	2019/20	2018/19
	£	£
£50,001 to £60,000	10	12
£60,001 to £70,000	17	9
£80,001 to £90,000	-	1
£90,001 to £100,000	3	2
£110,001 to £120,000	-	1
£120,001 to £130,000	1	
Total Number	31	25

d Members' Allowances

	2019/20	2018/19
	£	£
Basic allowance	617,913	605,113
Mayor's & Deputy Mayor's Allowance	27,593	27,053
Special Responsibility Allowances	101,410	102,745
Dependents' carers allowance	2,520	2,030
Employer costs	211,776	201,267
Mileage	30,460	42,896
Conferences and Courses	-	8,503
Travel & Subsistence Costs	1,031	854
Miscellaneous Costs	-	1,124
Total	992,703	991,585

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 Department for Communities 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 March 2016. 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 2020.

For 2019-20, employers' contributions of £407,609 (2018-19 £300,612) were payable to the NICS pension arrangements at one of three rates in the range 28.7% to 34.2% of pensionable pay, based on salary bands.

The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The scheme funding valuation based on data as at 31 March 2016 was completed by the Actuary during 2018-19. 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 2019-20 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

8 Other Operating Income & Expenditure

a Surplus/Deficit on Non-Current Assets (excl Investment Properties)

	2019/20	2018/19
	£	£
Proceeds from sale	(11,608)	(12,628)
Carrying amount of non-current assets sold (excl Investment Properties)	180,563	45,796
	168,955	33,168

b Other Operating Expenditure

	2019/20	2018/19
	£	£
(Surplus) / Deficit on Non Current Assets	168,955	33,168
	168,955	33,168

9 Financing and Investment Income and Expenditure

a Interest Payable and Similar Charges

	2019/20	2018/19
	£	£
Lease/hire purchase interest	4,094	4,094
Bank interest	12,942	15,642
Government Loan Interest	2,501,541	2,325,610
	2,518,577	2,345,346

b Interest and Investment Income

	2019/20	2018/19
	£	£
Bank Interest	43,127	37,602
Employee car loan interest	-	156
NIHE Loan interest receivable	107,486	115,400
Investment income on Fund Balances	-	-
Other Investment income	1,409	1,483
	152,022	154,641

c Pensions interest costs and expected return on pensions assets

	2019/20	2018/19
	£	£
Net interest on the net defined benefit liability (asset)	1,416,000	1,361,000
	1,416,000	1,361,000

d Income, Expenditure and changes in Fair Value of Investment Properties

	2019/20	2018/19
	£	£
Income/Expenditure from Investment Properties:		
Income including rental income	(305,246)	(315,278)
Expenditure	52,364	59,863
Net income from investment properties	(252,882)	(255,415)
Changes in Fair Value of Investment Properties	10,606	(15,000)
	(242,276)	(270,415)

Financing and Investment Income and Expenditure

	2019/20			2018/19		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£	£	£	£	£	£
Interest Payable and Similar Charges	2,518,577	-	2,518,577	2,345,346	-	2,345,346
Interest and Investment Income	-	(152,022)	(152,022)	-	(154,641)	(154,641)
Pensions interest cost	1,416,000	-	1,416,000	1,361,000	-	1,361,000
Other investment income	52,364	(305,246)	(252,882)	59,863	(315,278)	(255,415)
Changes in Fair Value of Investment Properties	10,606	-	10,606	-	(15,000)	(15,000)
	3,997,547	(457,268)	3,540,279	3,766,209	(484,919)	3,281,290

10 Taxation and Non Specific Grant Income

a Revenue Grants

	2019/20	2018/19
	£	£
General	(7,291,498)	(7,364,781)
Other	(245,000)	(950,710)
	(7,536,498)	(8,315,491)

These Revenue Grants appear in the Planning and Development Service line of the Comprehensive Income and Expenditure Statement than Taxation and Non-Specific Grant Income line. Hence they are not included in the total at the bottom of Note 9.

b Capital Grants and Donated Assets - Applied

	2019/20	2018/19
	£	£
Government & Other Grants - Conditions met and applied in year	(1,336,562)	(151,321)
	(1,336,562)	(151,321)

c District Rates

	2019/20	2018/19
	£	£
Current year	(65,481,687)	(63,067,398)
	(65,481,687)	(63,067,398)

Taxation and Non Specific Grant Income

	2019/20	2018/19
	£	£
District Rate Income	(65,481,687)	(63,067,398)
Revenue Grants	(7,536,498)	(8,315,491)
Capital Grants and Contributions	(1,336,562)	(151,321)
	(74,354,747)	(71,534,210)

Armagh City Banbridge & Craigavon Borough Council
Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2020

11 a Long - Term Assets - Current Year

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	Assets Held for Resale	TOTAL
	£	£	£	£	£	£	£	£	£	£	£	£
Balance as at 1 April 2019	45,234,102	126,547,014	8,700,264	-	15,681,576	1,543,125	11,984,968	3,782,512	213,473,561	7,954,621	-	221,428,182
Adjustments between cost/value & depreciation/impairment	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 1 April 2019	45,234,102	126,547,014	8,700,264	-	15,681,576	1,543,125	11,984,968	3,782,512	213,473,561	7,954,621	-	221,428,182
Additions	12,530	1,195,588	1,000	-	1,878,812	66,411	29,175,307	-	32,329,648	-	-	32,329,648
Donations	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation increases/ (decreases) to Revaluation Reserve	150,583	250,924	(76,427)	-	-	-	-	(57,512)	267,568	-	-	267,568
Revaluation increases/ (decreases) to Surplus or Deficit on the Provision of Services	36,418	(216,643)	50,000	-	-	-	-	-	(130,225)	-	-	(130,225)
Impairment to Surplus or Deficit on the Provision of Services	-	-	-	-	-	-	-	-	-	-	-	-
Derecognition - Disposals	-	-	-	-	(1,110,161)	-	-	-	(1,110,161)	-	-	(1,110,161)
Derecognition - Other	-	-	-	-	-	-	-	-	-	-	-	-
Derecognition - to rebus	-	-	-	-	-	-	-	-	-	-	-	-
Reclassifications & Transfers	-	1,630,229	-	-	-	-	(1,630,229)	-	-	-	-	-
Reclassified to(-) / from(+) Held for Sale	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2020	45,433,633	129,407,112	8,674,837	-	16,450,227	1,609,536	39,530,046	3,725,000	244,830,391	7,954,621	-	252,785,012

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	Assets Held for Resale	TOTAL
	£	£	£	£	£	£	£	£	£	£	£	£
Balance as at 1 April 2019	-	-	-	-	11,253,352	405,405	-	-	11,658,757	138,134	-	11,796,891
Adjustments between cost/value & depreciation/impairment	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 1 April 2019	-	-	-	-	11,253,352	405,405	-	-	11,658,757	138,134	-	11,796,891
Depreciation Charge	-	6,175,935	305,506	-	1,151,059	50,172	-	-	7,682,672	468	-	7,683,140
Depreciation written out on Revaluation Reserve	-	(6,137,055)	(305,506)	-	-	-	-	-	(6,442,561)	-	-	(6,442,561)
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	-	(38,880)	-	-	-	-	-	-	(38,880)	-	-	(38,880)
Impairment losses/reversals to Revaluation Reserve	-	-	-	-	-	-	-	-	-	-	-	-
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	-	-	-	-	-	-	-	-	-	-	-	-
Derecognition - Disposals	-	-	-	-	(929,598)	-	-	-	(929,598)	-	-	(929,598)
Derecognition - Other	-	-	-	-	-	-	-	-	-	-	-	-
Reclassifications & Transfers	-	-	-	-	-	-	-	-	-	-	-	-
Eliminated on reclassification to Held for Sale	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2020	-	-	-	-	11,474,813	455,577	-	-	11,930,390	138,602	-	12,068,992
Balance as at 31 March 2020	45,433,633	129,407,112	8,674,837	-	4,975,414	1,153,959	39,530,046	3,725,000	232,900,001	7,816,019	-	240,716,020

b Long - Term Assets - Comparative Year

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	Assets Held for Resale	TOTAL
	£	£	£	£	£	£	£	£	£	£	£	£
Balance as at 1 April 2018	44,182,723	125,520,111	8,898,397	-	15,574,819	498,276	4,197,977	3,538,320	202,410,623	6,021,426	-	208,432,049
Adjustments between cost/value & depreciation/impairment	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 1 April 2018	44,182,723	125,520,111	8,898,397	-	15,574,819	498,276	4,197,977	3,538,320	202,410,623	6,021,426	-	208,432,049
Additions	3,000	1,907,225	-	-	838,459	-	10,194,962	6,087	12,949,733	-	-	12,949,733
Donations	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation increases/decreases to Revaluation Reserve	1,056,889	(2,370,621)	(198,133)	-	-	-	-	190,216	(1,321,649)	1,794,125	-	472,476
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(20,123)	278,234	-	-	-	-	-	(21,167)	236,944	-	-	236,944
Impairment to Surplus or Deficit on the Provision of Services	-	-	-	-	-	-	-	-	-	-	-	-
Derecognition - Disposals	-	-	-	-	(626,610)	-	-	-	(626,610)	-	-	(626,610)
Derecognition - Other	-	-	-	-	(26,320)	-	-	-	(26,320)	-	-	(26,320)
Derecognition - to Rebus	-	-	-	-	-	-	(10,089)	-	(10,089)	-	-	(10,089)
Reclassifications & Transfers	11,613	1,212,066	-	-	(78,772)	1,044,849	[2,397,882]	69,056	(139,070)	139,070	-	-
Reclassified to(-) / from(+) Held for Sale	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2019	45,234,102	126,547,015	8,700,264	-	15,681,576	1,543,125	11,984,968	3,782,512	213,473,562	7,954,621	-	221,428,183

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	Assets Held for Resale	TOTAL
	£	£	£	£	£	£	£	£	£	£	£	£
Balance as at 1 April 2018	-	-	-	-	10,607,246	496,866	-	-	11,104,112	-	-	11,104,112
Cost/value & depreciation/impairment	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 1 April 2018	-	-	-	-	10,607,246	496,866	-	-	11,104,112	-	-	11,104,112
Depreciation Charge	-	6,411,622	297,041	-	1,332,012	-	-	-	8,040,675	47,873	-	8,088,548
Depreciation written out on Revaluation Reserve	-	(6,491,593)	(297,041)	-	-	-	-	-	(6,788,634)	-	-	(6,788,634)
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	-	-	-	-	-	-	-	-	-	-	-	-
Impairment losses/reversals to Revaluation Reserve	-	-	-	-	-	-	-	-	-	-	-	-
to Surplus or Deficit on the Provision of Services	-	-	-	-	-	-	-	-	-	-	-	-
Derecognition - Disposals	-	-	-	-	(580,814)	-	-	-	(580,814)	-	-	(580,814)
Derecognition - Other	-	-	-	-	(26,320)	-	-	-	(26,320)	-	-	(26,320)
Reclassifications & Transfers	-	79,972	-	-	(78,772)	(91,461)	-	-	(90,261)	90,261	-	-
Eliminated on reclassification to Held for Sale	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2019	-	-	-	-	11,253,352	405,405	-	-	11,658,758	138,134	-	11,796,892
Net Book Values												
Balance as at 31 March 2019	45,234,102	126,547,015	8,700,264	-	4,428,224	1,137,720	11,984,988	3,782,512	201,814,805	7,816,487	-	209,631,291
Balance as at 31 March 2020	45,433,633	129,407,112	8,674,837	-	4,975,414	1,153,959	39,530,046	3,725,000	232,900,001	7,816,019	-	240,716,020

11 c **Property, plant and equipment**
Impairment

Council has recognised an impairment in relation to a number of assets of £91,345 in the financial year.

Revaluations

The last valuation of freehold and leasehold properties was carried out as at 31 March 2020 by an independent valuer from Land and Property Services (LPS). Please refer to Note 1a(xx) 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. The valuation as at 31 March 2020 was 100% desktop valuation due to Covid 19 restrictions.

As part of the valuation process, therefore, it has been assumed that there have been no material changes to the physical attributes of any property, or the nature of its location or use, since the last inspection or previous revaluation by LPS, unless all relevant information and pertinent details have been expressly disclosed.

Any assets not previously valued by LPS have been included within the portfolio where the Council have supplied all necessary property details and other information, such as date of acquisition, confirmation of site area, scaled plans and drawings, itemisation of expenditure and proposed use, to enable LPS to undertake as robust an assessment of the asset as possible.

It has been agreed with LPS that an enhanced inspection regime will be undertaken in Year 4 and Year 5 of the rolling programme to ensure that by the end of the five year cycle 100% of client assets will have been physically inspected. 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 2019.

A range of categories of heritage assets held at various council locations including FE McWilliam Gallery and Studio, the Civic Buildings and some Town Halls were valued as at 31 March 2019.

LPS Valuation Report Caveat declaration extract included in their report to Council

"The outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity material valuation uncertainty.

As at the valuation date we continue to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of relevant/sufficient market evidence on which to base our judgements. Our valuation is therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, in respect of these valuations less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case.

For the avoidance of doubt this explanatory note, including the 'material valuation uncertainty' declaration, does not mean that the valuation(s) cannot be relied upon. Rather, this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the valuation date.

Where a material uncertainty declaration is being used, its purpose is to ensure that any client relying upon that specific valuation report understands that it has been prepared under extraordinary circumstances. The term is not meant to suggest that the valuation cannot be relied upon; rather, it is used in order to be clear and transparent with all parties, in a professional manner that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case. Indeed, with regard to the process itself, professional valuers will almost certainly have undertaken far more due diligence than normal, in order to arrive at their estimate of value."

Non-operational Property, Plant and Equipment (Surplus Assets)

The Council holds a number of non operational properties included under Surplus Assets in note 11.

d Intangible Assets

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

Intangible Assets	2019/20	2018/19
	£	£
Balance at start of year:		
Gross carrying amounts	10,000	10,000
Accumulated amortisation	-	-
Net carrying amount at start of year	10,000	10,000
Net carrying amount at end of year	10,000	10,000
Comprising:		
Gross carrying amounts	10,000	10,000
Net carrying amount at end of year	10,000	10,000
Intangible Assets	31/03/2020	31/03/2019
	£	£
Market Trading Rights	10,000	10,000
	10,000	10,000

e Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

Investment Properties	31/03/2020	31/03/2019
	£	£
Rental Income from Investment Activities	305,246	315,278
Direct Operating expenses arising from investment properties	(52,364)	(59,863)
Net gain/(loss)	252,882	255,415

The Council investment properties consist of shop units and offices. Investment property salary expenses of £24,943 is included in both the expenses above and Salary note 7a. The following table summaries the movement in the fair value of investment properties over the year:

Investment Properties	2019/20	2018/19
	£	£
Balance at start of the year	2,870,000	2,855,000
Additions	410,606	-
Disposals	-	-
Net gains/losses from fair value adjustments	(10,606)	15,000
Transfers to/ from inventories	-	-
Transfers to/ from property, plant and equipment	-	-
Other changes	-	-
Balance at end of the year	3,270,000	2,870,000

Valuation process for Investment Properties

The fair value of the Council's investment property is measured annually at each reporting date. All valuations are carried out externally by an independent valuer from Land and Property Services (LPS), in accordance with the methodologies and bases for estimate set out in the professional standards of the Royal Institution of Chartered Surveyors.

f Heritage Assets

A range of categories of Heritage assets held at various council locations including FE McWilliam Gallery and Studio, the Civic Buildings and some Town Halls were last valued as at 31 March 2019.

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

g Assets Held for Sale

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

h Long-Term Assets - Leased Assets

	Vehicles £	Equipment £	TOTAL £
Cost or Valuation			
At 1 April 2019	364,586	86,465	451,051
Revaluation adjustment	(1,533)	-	(1,533)
Disposals	(86,278)	-	(86,278)
At 31 March 2020	276,775	86,465	363,240
Depreciation			
At 1 April 2019	282,830	29,467	312,297
Disposals	(64,709)	-	(64,709)
Provided for year	11,219	10,060	21,279
At 31 March 2020	229,340	39,527	268,867
Net Book Value	47,435	46,938	94,373

	Vehicles £	Equipment £	TOTAL £
Cost or Valuation			
At 1 April 2018	468,053	92,565	560,618
Revaluation	1,533		1,533
Disposals	(105,000)	(6,100)	(111,100)
At 31 March 2019	364,586	86,465	451,051
Depreciation			
At 1 April 2018	318,285	25,507	343,792
Disposals	(61,250)	(6,100)	(67,350)
Provided for year	25,795	10,060	35,855
At 31 March 2019	282,830	29,467	312,297
Net Book Value	81,756	56,998	138,754

I Fair Value Hierarchy for Surplus Assets

Valuation Process for Surplus Assets

The fair value of the Council's Surplus Assets is measured annually by external valuers. All valuations were carried out externally by Land & Property Services, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

12 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI 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 by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that is yet to be financed. The CFR is analysed in the second part of this note.

Capital Expenditure		2019/20 £	2018/19 £
Opening Capital Financing Requirement		75,336,644	67,938,102
Capital Investment			
Property, Plant and Equipment	11	32,329,648	12,949,732
Investment Properties	11e	410,606	-
Revenue Expenditure Funded from Capital under Statute		1,580,088	1,305,172
Derecognise Other /REFCUS	11	-	(10,089)
Sources of Finance			
Capital Receipts	26	(11,608)	(887,027)
Government Grants and Other Contributions	10	(1,336,562)	(151,321)
Transfers from Earmarked Reserves	26	-	(467,984)
Sums set aside from Revenue:			
Direct Revenue Contributions		(1,873,529)	-
Minimum Revenue Provision		(5,837,650)	(5,339,941)
Closing Capital Financing Requirement		100,597,637	75,336,644
Explanation of Movements in Year		2019/20 £	2018/19 £
Increase in underlying need to borrow		25,260,993	7,398,542
Increase/(decrease) in Capital Financing Requirement		25,260,993	7,398,542

13 Future Capital Commitments

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

Schemes underway at year end amounted to £13m, the majority of which relates to the purchase of Vehicles & Equipment, and a number of smaller schemes at contract stage.

	Gross Cost £	Grant Aid £	Net Cost £
Schemes underway	16,895,164	3,971,073	12,924,091
Total	16,895,164	3,971,073	12,924,091

14 Inventories

	2019/20 £	2018/19 £
Oil and Fuel	60,926	84,249
Stores	322,057	173,539
Other Stock	80,539	88,655
Total	463,522	346,443

The cost of inventories written down, recognised as an expense and included in 'services' amounted to £3,666.26

15 Debtors		
a Long Term Debtors		
	2019/20	2018/19
	£	£
Government Departments	-	-
Other Councils	-	-
Public corporations and trading funds	-	-
Bodies external to general government	-	-
Employee car loans	-	-
Revenue Grants	-	-
Capital Grants	-	-
Interest Receivable	-	-
Capital Debtors	-	-
Loans and advances	-	-
Finance lease debtors	-	-
Trade debtors	-	-
NIHE Loans	1,149,471	1,267,848
Other	144,711	150,659
Impairment of loans and receivables	-	-
Contract Receivables	-	-
Total Long-Term Debtors	1,294,182	1,418,507

b Short Term Debtors		
	2019/20	2018/19
	£	£
Government Departments	6,833,675	4,619,863
Other Councils	261,425	143,787
Public corporations and trading funds	-	-
Bodies external to general government	340,911	376,207
NIHE loans	118,377	120,037
Employee car loans	-	-
Revenue Grants	-	-
Capital Grants	242,508	53,000
Interest Receivable	1,467	-
Capital Debtors	-	-
Value Added Tax	2,696,208	1,776,844
Prepayments	497,864	322,249
Finance lease debtors	945	-
Other	280,877	109,830
Trade receivables	445,841	350,168
Impairment loss - Trade receivables	(245,728)	(266,025)
Contract Receivables	-	-
Total Short-Term Debtors	11,474,370	7,605,960

Total Debtors	12,768,552	9,024,467
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The largest proportion of the increase of the Council's debtors relates to the movement in the Government Grants and the increase in VAT debtor due to the increase in capital investment.

16 Investments		
a Long Term Investments		
	2019/20	2018/19
	£	£
Investments - general	-	-
Investments - repairs and renewals	-	-
Investments - capital fund	-	-
Investments - other	-	-
Total Long-term Investments	-	-
Analysed over:		
	2019/20	2018/19
	£	£
Money market deposits	-	-
Other deposits	-	-
Total Long-term Investments	-	-

b Short-Term Investments		2019/20	2018/19
		£	£
Investments - general		-	-
Investments - repairs and renewals		-	-
Investments - capital fund		-	-
Investments - other		-	-
Total Short-term Investments		-	-

Analysed over:		2019/20	2018/19
		£	£
Money market deposits		-	-
Other deposits		-	-
Total Short-term Investments		-	-

Total Long Term and Short-term Investments		2019/20	2018/19
		£	£
		-	-

17 Borrowings

a Short Term Borrowing		2019/20	2018/19
		£	£
Loans re-payable within one year		17,000,259	1,958,733
Finance Lease Principal		6,762	39,874
Total Short Term Borrowing		17,007,021	1,998,607

b Long Term Borrowing		2019/20	2018/19
		£	£
Between 1 and 2 years		2,761,922	1,941,200
Between 2 and 5 years		11,282,377	7,622,142
Between 5 and 10 years		13,359,936	9,866,927
In more than 10 years		28,584,887	19,240,397
Total Long term Borrowing		55,989,122	38,670,666

Total Borrowing		2019/20	2018/19
		£	£
		72,996,143	40,669,273

18 Creditors

a Short Term Creditors		2019/20	2018/19
		£	£
Government Departments		1,534,682	762,461
Other Councils		237,893	81,321
VAT		244,639	187,395
Remuneration due to employees		1,683,727	3,923,241
Accumulated Absences		1,011,245	952,742
Receipts in advance		1,008,786	911,405
Other		7,166,484	6,945,212
Total Short Term Creditors		12,887,456	13,763,777

The largest proportion of the decrease of the Council's creditors relates to the movement in the remuneration to employees.

b Long Term Creditors		2019/20	2018/19
Other creditors falling due after more than one year		£	£
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		29,289	29,889
Contract Payables		-	-
Total Long Term Creditors		29,289	29,889
Total Creditors		12,916,745	13,793,666

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 30,225 invoices totalling £88,110,104. (2018/2019- 30,766 invoices totalling £54,973,674).

The number of disputed invoices were 2,500.

The Council paid:

20,105 (66.5%) invoices within 30 calendar days target; (22,894 (74.4%) - 2018/19)
 5,713 (19%) invoices within 10 working days target; (6,784 (22%) - 2018/19) and
 10,120 (33.5%) invoices outside of the 30 day target. (7,872 (25.6%) - 2018/19)

The average number of days taken to pay suppliers during the year was 19.26 days. (20.78 days 2018/19)

19 Provisions

	Balance as at 1 April 2019 £	Increase/ (decrease) in provision during year £	Utilised during year £	Unused amounts reversed £	Interest cost and/or discount rate changes £	Balance as at 31 March 2020 £
Landfill Closure- Craigavon	3,604,188	(1,049,120)	(30,416)	-	(114,222)	2,410,430
Single Status	399,232	65,843	-	-	-	465,075
Legal Issues	500,000	900,000	-	-	-	1,400,000
Total	4,503,420	(83,277)	(30,416)	-	(114,222)	4,275,505
Current Provisions	399,232	65,843	-	-	-	465,075
Long Term Provisions	4,104,188	(149,120)	(30,416)	-	(114,222)	3,810,430
Total	4,503,420	(83,277)	(30,416)	-	(114,222)	4,275,505

Comparative Year

Provisions	Balance as at 1 April 2018 £	Increase in provision during year £	Utilised during year £	Unused amounts reversed £	Interest cost and/or discount rate changes £	Restated Balance as at 31 March 2019 £
Landfill Closure- Craiga	3,550,576	57,396	(51,497)	-	47,713	3,604,188
Single Status	386,185	13,047	-	-	-	399,232
Legal Issues	500,000	-	-	-	-	500,000
Total	4,436,761	70,443	(51,497)	-	47,713	4,503,420
Current Provisions	386,185	13,047	-	-	-	399,232
Long Term Provisions	4,050,576	57,396	(51,497)	-	47,713	4,104,188
Total	4,436,761	70,443	(51,497)	-	47,713	4,503,420

Landfill closure - Craigavon

NI Environment Agency required that an adequate provision is made for landfill aftercare costs. This was formally revalued in 2019/20 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. These have been updated for 2019/20 rates. 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 2020/21 financial year.

Legal Issues

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

20 Financial Instruments

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

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. A collective assessment of the outstanding debt balances, was completed based on the Council's credit control procedures and an allowance for impairment loss for trade receivables has been included.

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.

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 2019/20. 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 £87,599,768 broken down as follows:

	£
Government Loans	67,019,754
Government Loans	14,547,014
Market Loans	6,033,000
Total	87,599,768

The fair value of these loans is not included in the provision of services.

The Council made a loan to an organisation at less than market rates (soft loans). Thus the fair value of the loan would be less than the amount of the cash lent. The fair value is included below, however the amount taken to the provision of services is immaterial.

Voluntary Body in Receipt of Loan	Amount	Amount	Repayment Due
	£	£	
	2019/20	2018/19	
Armagh Business Centre	32,769	36,767	30/06/2028

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

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 Comprehensive Income and Expenditure Statement and the adjustments between accounting basis & funding basis under regulations line, in the Movement on Reserves Statement during the year:

	Note	2019/20 £	2018/19 £
Net cost of services:			
Current service cost		13,197,000	10,468,000
Past service cost/(gain)		1,580,000	6,131,000
Net Interest on net defined benefit Liability (asset)		1,416,000	1,361,000
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services		16,193,000	17,960,000
Movement in Reserves Statement:			
Reversal of net charges made for retirement benefits in accordance with IAS 19 and the Code		(16,193,000)	(17,960,000)
Employers' contributions payable to scheme		8,371,000	6,736,000
Net adjustment to General Fund		(7,822,000)	(11,224,000)

The service cost figures include an allowance for administration expenses of £0.163m (1.2%).

Remeasurements recognised in Other Comprehensive Income and Expenditure			
	Note	2019/20 £	2018/19 £
Liability (gains)/losses due to change in assumptions		(6,442,000)	16,874,000
Liability (gains)/losses due to due to demographic changes		(9,650,000)	(11,514,000)
Liability experience (gains)/losses arising in the year		(84,000)	255,000
Actuarial (gains)/losses on plan assets		20,388,000	(9,364,000)
Total (gains)/losses recognised in Other Comprehensive Income and Expenditure		4,212,000	(3,749,000)

Assets and liabilities in relation to retirement benefits			
Reconciliation of present value of the scheme liabilities:			
	Note	2019/20 £	2018/19 £
Balance as at 1 April		282,938,000	256,618,000
Current service cost		13,197,000	10,468,000
Interest cost		6,749,000	6,641,000
Contributions by members		2,055,000	1,985,000
Remeasurement (gains) and losses:			
Actuarial (gains)/losses arising from changes in financial assumptions		(6,442,000)	16,874,000
Actuarial (gains)/losses arising from demographic changes		(9,650,000)	(11,514,000)
Actuarial (gains)/losses arising on liabilities from experience		(84,000)	255,000
Past service costs/(gains)		1,580,000	6,131,000
Estimated unfunded benefits paid		(88,000)	(93,000)
Estimated benefits paid		(5,585,000)	(4,427,000)
Balance as at 31 March		284,670,000	282,938,000

Reconciliation of present value of the scheme assets:			
	Note	2019/20 £	2018/19 £
Balance as at 1 April		219,760,000	200,915,000
Interest income		5,333,000	5,280,000
Contributions by members		2,055,000	1,985,000
Contributions by employer		8,283,000	6,643,000
Contributions in respect of unfunded benefits		88,000	93,000
Remeasurement gain/(loss)		(20,388,000)	9,364,000
Unfunded benefits paid		(88,000)	(93,000)
Benefits paid		(5,585,000)	(4,427,000)
Balance as at 31 March		209,458,000	219,760,000

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was a loss of £15.055m (2018/19 gain of £14.644m).

Fair Value of Plan Assets	2019/20 £	2018/19 £
Equity investments	89,229,108	130,757,200
Bonds	81,060,246	51,643,600
Property	20,945,800	24,613,120
Cash	9,844,526	5,933,520
Other	8,378,320	6,812,560
	209,458,000	219,760,000

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

Details of estimates made by the Fund Manager when assessing the fair values of plan assets

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):

	2019/20 £	2018/19 £
Fair Value of Employer Assets	209,458,000	219,760,000
Present value of funded defined benefit obligation	(283,494,000)	(281,632,000)
Pension asset/(liability) of Funded Scheme	(74,036,000)	(61,872,000)
Present Value of unfunded defined benefit obligation	(1,176,000)	(1,306,000)
Net asset/(liability) arising from the defined benefit obligation	(75,212,000)	(63,178,000)
Amount in the Balance sheet:		
Liabilities	(75,212,000)	(63,178,000)
Net Asset/(Liability)	(75,212,000)	(63,178,000)

d) Scheme History

Analysis of scheme assets and liabilities	2019/20 £	2018/19 £
Fair Value of Assets in pension scheme	209,458,000	219,760,000
Present Value of Defined Benefit Obligation	(284,670,000)	(282,938,000)

Surplus/(deficit) in the Scheme	(75,212,000)	(63,178,000)
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Amount recognised in Other Comprehensive Income and Expenditure:	2019/20 £	2018/19 £
Actuarial (gains)/losses	(16,176,000)	5,615,000
Expected Return on Plan Assets	20,388,000	(9,364,000)
Remeasurements recognised in Other Comprehensive Income and Expenditure	4,212,000	(3,749,000)
Cumulative actuarial gains and losses	16,954,000	12,742,000
History of experience gains and losses:		
Experience (gains) and losses on assets	20,388,000	(9,364,000)
Experience (gain)s and losses on liabilities	(16,176,000)	5,615,000

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £75.212m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a net Liability of £75.212m.

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 2021

	31/03/2021 £	31/03/2021
Projected current cost	12,625,000	37.4%
Net Interest on the net defined benefit liability (asset)	1,654,000	- 4.9%
	14,279,000	42.3%

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 2021 is £6.668m, of which £0.089m relates to unfunded benefits.

History of experience gains and losses

The actuarial gains/losses identified as movements on the Pensions Reserve 2019/20 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2020.

	2019/20	2018/19
	%	%
Experience gains and losses on Assets	-9.73%	4.26%
Experience gains and losses on Liabilities	-5.68%	1.98%

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 2020.

Pension scheme assumptions:	2019/20	2018/19
	%	%
Equity investments	42.6%	59.5%
Bonds	38.7%	23.5%
Property	10.0%	11.2%
Cash	4.7%	2.7%
Other	4.0%	3.1%
Mortality assumptions:		
Longevity at 65 for current pensioners:	Years	Years
Men	21.8	22.6
Women	25.0	24.9
Longevity at 45 for future pensioners:		
Men	23.2	24.3
Women	26.4	26.7
Inflation/Pension Increase Rate	2.00%	2.20%
Salary Increase Rate	3.50%	3.70%
Expected Return on Assets	-2.50%	7.20%
Discount Rate	2.30%	2.40%
Pension accounts revaluation rate	2.00%	2.20%
Take-up of option to convert annual pension into retirement lump sum:		
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 (£283.494m) of the funded defined benefit obligation as at 31 March 2020 and the projected service cost (£12.625m) for the period ending 31 March 2021 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

Discount Rate Assumption		
Adjustment to discount rate	+0.1%p.a.	-0.1%p.a.
Present value of the total obligation	277,855,000	289,247,000
% change in the present value of the total obligation	-2.00%	2.00%
Projected service cost	12,184,000	13,080,000
Approximate % change in projected service cost	-3.50%	3.60%
Rate of General Increase in Salaries		
Adjustment to salary increase rate	+0.1%p.a.	-0.1%p.a.
Present value of the total obligation	284,863,000	282,142,000
% change in the present value of the total obligation	0.50%	-0.50%
Projected service cost	12,625,000	12,625,000
Approximate % change in projected service cost	0.00%	0.00%
Rate of Increase to Pensions in Payment and Deferred Pension Assumption		
Adjustment to pension increase rate	+0.1%p.a.	-0.1%p.a.
Present value of the total obligation	288,827,000	278,279,000
% change in the present value of the total obligation	1.90%	-1.80%
Projected service cost	13,080,000	12,184,000
Approximate % change in projected service cost	3.60%	-3.50%
Post Retirement Mortality Assumption		
Adjustment to mortality age rating assumption*	- 1 Year	+ 1 Year
Present value of the total obligation	292,650,000	274,426,000
% change in the present value of the total obligation	3.20%	-3.20%
Projected service cost	13,103,000	12,151,000
Approximate % change in projected service cost	3.80%	-3.80%

* 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.

Major categories of plan assets as percentage of total plan assets

The Northern Ireland Local Government Officers' Pension Fund's assets consist of the following categories, by proportion of the total assets held:

	2019/20 %	2018/19 %
Equity investments	42.60%	59.50%
Government Bonds	26.10%	16.50%
Corporate Bonds	12.60%	7.00%
Property	10.00%	11.20%
Cash	4.70%	2.70%
Other	4.00%	3.10%
Total	100.00%	100.00%

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 March 2019 (previously March 2016). 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 2020.

22 Donated Assets Account	Note	2019/20 £	2018/19 £
Opening balance		-	-
Add: new donated assets received (condition of use not met)		-	-
Less: amounts released to the District Fund - Comprehensive Income and Expenditure Account		-	-

Analysis of Donated Assets Account

The Council has no donated assets.

Additional narrative

23 Capital Grants Received in Advance	Note	2019/20 £	2018/19 £
Opening balance		-	-
Add: new capital grants received in advance (condition of use not met)		-	-
Less: amounts released to the Comprehensive Income and Expenditure Statement		-	-

Analysis of Capital Grants Receipts in Advance Balance

The Council utilised all Capital Grants received in year.

24 Contingencies

In accordance with the Code (and IAS 37), Councils should disclose by way of note if there is a possible obligation arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the authority, or a present obligation that arises from past events but is not recognised because:

- a) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle, or
- b) the amount of the obligation cannot be measured with sufficient reliability.

Contingent Liability

Legal:

The Council has a number of ongoing outstanding legal cases, the outcomes of which are unclear at this point in time and are difficult to predict.

Armagh City Banbridge & Craigavon Borough Council
Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2020

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	2019/20	2018/19
		£	£
Depreciation	11	7,683,140	8,088,548
Impairment & downward revaluations (& non-sale derecognitions)	11	91,345	(236,944)
Amortisation (included with depreciation above)		-	-
(Increase)/Decrease in inventories	14	(117,078)	(1,443)
(Increase)/Decrease in Debtors	15	(3,723,789)	567,811
Increase/(decrease) in impairment provision for bad debts	15	(20,297)	48,403
Increase/(Decrease) in Creditors	18	(2,837,362)	3,282,926
Increase/(Decrease) in Interest Creditors		-	-
Payments to NILGOSC	21	7,822,000	11,224,000
Carrying amount of non-current assets sold	8	180,563	45,796
AIC/WIP written off to Net Cost of Services	11	-	-
Movement in Provisions	19	(227,914)	66,659
Movement in value of investment properties		10,606	(15,000)
Amounts posted to CIES from Donated Assets Account		-	-
Contract Costs		-	-
Contract Assets		-	-
Contract Liabilities		-	-
Deferred revenue		-	-
		8,861,214	23,070,756

Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing	Notes	2019/20	2018/19
		£	£
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	(11,608)	(12,628)
Capital grants included in "Taxation & non-specific grant income"	10	(1,336,562)	(151,321)
		(1,348,170)	(163,949)

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:

	2019/20	2018/19	2017/18
	£	£	£
Cash and Bank balances	1,517,693	789,948	1,838,302
Short Term Deposits (considered to be Cash Equivalents)	-	-	5,000,000
Short Term Investments (considered to be Cash Equivalents)	-	-	-
Bank Overdraft	-	-	-
	1,517,693	789,948	6,838,302

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. As at 31 March 2020 third party investments totalled £29,289 (2018-19 £29,889) .

Council administers and operates an 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.

c Cash Flow Statement: Operating Activities

	2019/20	2018/19
The cash flows from operating activities include:	£	£
Interest received	152,022	154,641
Interest paid	2,518,577	2,345,346

d Cash flows from Investing Activities

	2019/20	2018/19
	£	£
Purchase of PP&E, investment property and intangible assets	(30,779,812)	(12,885,698)
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	11,608	12,628
Proceeds from Short Term Investments (not considered to be cash equivalents)	-	-
Proceeds from Long Term Investments	-	-
Capital Grants and Contributions Received	1,336,562	151,321
Other Receipts from Investing Activities	-	-
Net Cash flows from Investing Activities	(29,431,642)	(12,721,749)

e Cash flows from Financing Activities	2019/20	2018/19
	£	£
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	-	-
Increase/(Repayment) of Short and Long Term Borrowing	32,320,105	(2,212,465)
Other payments for Financing Activities	-	-
Net Cash flows from Financing Activities	32,320,105	(2,212,465)

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	2019/20	2018/19
		£	£
At 1 April		-	874,399
Movement			
		-	-
Proceeds from sale of Property, Plant and Equipment	8	11,608	12,628
Capital Receipts used to finance capital expenditure	3, 11	(11,608)	(887,027)
Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements		-	-
Other Movements		-	-
At 31 March		-	-

b Capital Grants Unapplied Account

Where a capital grant or contribution (or part thereof) has been recognised as income in the Comprehensive Income and Expenditure Statement, 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	2019/20	2018/19
			£	£
At 1 April			-	-
Movement				
Unapplied Capital Grants received in year			-	-
Unapplied Capital Grants transferred to CAA in year			-	-
At 31 March			-	-

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	31/03/2020	31/03/2019
			£	£
At 1 April			3,848,079	4,316,063
Transfers between statutory & other reserves & the General Fund			-	-
Transfers between Capital Fund & CAA to finance Capital Expenditure		12	-	(467,984)
At 31 March			3,848,079	3,848,079

Analysis		£
Capital Programme		3,848,079
Total		3,848,079

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. Councils should disclose details where any of these reserves are earmarked for specific purposes.

Renewal and Repairs Fund		Notes	31/03/2020	2018/19
			£	£
At 1 April			515,517	515,517
Transfers between statutory & other reserves & the General Fund			-	-
Transfers between Renewal & Repair Fund & CAA to finance Capital Expenditure			-	-
At 31 March			515,517	515,517

Analysis		£
Repairs and Renewal		515,517
Total		515,517

e Other Balances & Reserves

Other Balances & Reserves	Notes	31/03/2020	2018/19
		£	£
At 1 April		3,921,729	2,445,729
Transfers between statutory & other reserves & the General Fund	4b	542,606	1,476,000
Transfers between Capital Fund/Renewal & Repair Fund &		-	-
At 31 March		4,464,335	3,921,729

Analysis	31/03/2020	31/03/2019
	£	£
Development Fund	1,271,008	1,529,000
Transformation Fund	1,749,540	1,000,000
Backlog Maintenance	668,787	758,000
Financial Assistance	525,000	450,000
Economic Regeneration & Public Realm	-	184,729
Insurance Fund	250,000	-
Total	4,464,335	3,921,729

This reserve is used to fund Economic Regeneration projects, Backlog maintenance, Development Fund, Transformation fund and Financial Assistance. During the year there was a redistribution of funds between projects based on revised cost estimates.

f 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	2019/20	2018/19
		£	£
At 1 April		19,797,964	20,382,555
Applied Capital Grants	10, 12	(1,336,562)	(151,321)
Unapplied Capital Grants received in year		-	-
Direct Revenue Financing	4, 12	(1,873,529)	-
Depreciation and Impairment adjustment	4	7,785,091	7,836,604
Statutory Provision for financing Capital Investment	4	(5,837,650)	(5,339,941)
Net Revenue expenditure funded from capital under statute			
	4, 12	1,580,088	1,305,172
Surplus/(Deficit) on the Provision of Services	CIES	(9,673,762)	(14,020,947)
Transfers between Statutory and Other Reserves and the General Fund			
	4	(542,606)	(1,476,000)
Net movements on Pension Reserve	4, 21	7,822,000	11,224,000
Disposal of Fixed Assets/Capital Sales	4, 8	168,955	33,168
Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements	27g	58,503	(30,411)
Other Movements	27h	(114,222)	35,085
At 31 March		17,834,270	19,797,964

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 Comprehensive Income and Expenditure Statement, with reconciling postings from the Revaluation Reserve to convert fair value figures to an historic cost basis.

The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and subsequent costs.

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	2019/20	31/03/2019
		£	£
At 1 April		51,297,712	50,799,271
Applied Capital Grants	10, 12	1,336,562	151,321
Unapplied Capital Grants transferred to CAA in year		-	-
Direct Revenue Financing	4, 12	1,873,529	-
Depreciation & Impairment adjustment	11	(7,785,091)	(7,836,604)
Statutory Provision for financing Capital Investment	4, 12	5,837,650	5,339,941
Net Revenue expenditure funded from Capital under statute	4, 12	(1,580,088)	(1,305,172)
Disposal of Fixed Assets/ Capital Sales	4, 11	(180,563)	(45,796)
Capital Receipts used to finance capital expenditure	4, 12	11,608	887,027
Other Movements - CAA Revaluation	27c	2,843,518	2,839,740
Other Movements		-	-
Transfers between Capital Fund/Renewal & Repair Fund & CAA to finance capital expenditure	12	-	467,984
At 31 March		53,654,837	51,297,712

b Financial Instruments Adjustment Account

Financial Instruments Adjustment Account	Notes	2019/20	2018/19
		£	£
At 1 April		-	-
Transfers in / out on adoption of IFRS9 - Financial Instruments		-	-
Difference between finance and other costs and income		-	-
At 31 March		-	-

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	2019/20	31/03/2019
		£	£
At 1 April		85,876,934	81,455,564
Revaluation & Impairment	-11	6,710,129	7,261,110
Movements from associates & joint ventures			-
Other Movements	27a	(2,843,518)	(2,839,740)
At 31 March		89,743,545	85,876,934

d Available for Sale Financial Instruments Adjustment Reserve and Financial Instruments Revaluation Reserve

Councils need to include a note if relevant or state not applicable.

Available for Sale Financial Instruments Adjustment Reserve	Notes	2019/20	2018/19
		£	£
At 1 April		-	-
Transfers out on adoption of IFRS 9 - Financial Instruments		-	-
Revaluation & Impairment		-	-
At 31 March		-	-

Financial Instruments Revaluation Reserve	Notes	2019/20	2018/19
		£	£
At 1 April		-	-
Transfers in on adoption of IFRS 9 - Financial Instruments		-	-
Revaluation & Impairment		-	-
At 31 March		-	-

e Pension Reserve

Pension Reserve	Notes	2019/20	2018/19
		£	£
At 1 April		(63,178,000)	(55,703,000)
Net Movements on Pension Reserve	4, 21	(7,822,000)	(11,224,000)
Revaluation & Impairment	21	(4,212,000)	3,749,000
At 31 March		(75,212,000)	(63,178,000)

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

f Deferred Capital Receipts Account

The Deferred Capital Receipts Account holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

Capital Receipts Deferred Account	Notes	2019/20	2018/19
		£	£
At 1 April		-	-
Other Movements		-	-
At 31 March		-	-

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	2019/20	2018/19
		£	£
At 1 April		(952,742)	(983,152)
Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements	4	(58,503)	30,411
At 31 March		(1,011,245)	(952,742)

h Provisions Discount Rate Reserve

The Provisions Discount Rate Reserve covers the arrangement, put in place by the Department under its amendment to the 2017/18 accounts direction (see DfC circular 17/18), to allow for mitigation of the costs not allowed for by Councils who had adopted the HM Treasury Central Government discount rate for long-term provisions such as Landfill costs.

Provisions Discount Rate Reserve	Notes	2019/20	2018/19
		£	£
At 1 April		(606,166)	(571,081)
Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements	4	114,222	(35,085)
Other Movements		-	-
At 31 March		(491,944)	(606,166)

28 Significant Trading Operations

The Council does not have any significant trading operations.

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 30) these are not deemed to be Related Party Transactions.

Council received an annual operating grant and a special one off payment from the Department for Communities. During 2019/20 it received £7.3m in grant and a one off payment relating to Covid-19 of £245k (2018/19 £8.3m) 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 is as follows:

The Council paid grants of £411,494 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	Other
	No	£	£
Armagh, Banbridge and Craigavon Sports Forum	6	62,283	
East Border Region Board	3	20,000	
ICBAN	5	12,500	
National Association of Councillors	8		3,750
Lagan Navigation Trust	1	990	
NILGA	8	-	125,633
PCSP	10	146,749	
Local Government Partnership Travellers	3		1,000
Somme Advisory Council	2	1,832	1,692
Lough Neagh Partnership Heritage	6	96,275	
Education Authority Meetings	11	70,865	108,891
	63	411,494	240,966

Council is represented by 10 Councillors on the Policing & Community Safety Partnership, one of which acts as Chairperson. During 2019/20 Council provided £147k of funding to the Partnership and annually provides legal, financial and personnel services for which it received £nil grant in 2019/20 (2018/19 £nil).

Councillors were also associated with the following organisations to which no payments were made during 19/20.

Membership of External Bodies	Councillors
	No
Armagh City Centre Management Committee	6
Armagh City Centre Townscape Heritage Partnership	10
City Growth Deals Governance Working Group	4
Community Development Member Reference Group	11
Community Planning Strategic Partnership	5
East Border Region Members Forum	6
Elected Member Development Charter	11
Local Action Group (LAG)	12
NI Amenity Council	2
NILGA Planning and Regeneration Policy and Learning network (Local Economic development, investment and international Affairs)	1
NILGA Planning and Regeneration Policy and Learning network (Health, Social and Environmental Well-being)	1
NILGA Planning and Regeneration Policy and Learning network (Place Shaping and Infrastructure)	1
NILGA Planning and Regeneration Policy and Learning network (Elected member Development)	
NILGA Planning and Regeneration Policy and Learning network (Reform, Devolution and Improvement)	1
Northern Ireland Housing Council	1
Northern Ireland Strategic Migration Partnership	1
Partnership Panel For Northern Ireland	1
Peace IV Partnership	10
Reserve Cadet Forces and Cadets Association for NI	1
	85

Payments were also made During 19/20 to the following Local Authorities

	Payment
	£
Ards and North Down Borough Council	240
Mid and East Antrim Borough Council	16,896
Lisburn and Castlereagh City Council	124,786
Mid Ulster District Council	41,321
Causeway Coast & Glens Borough Council	31,619
Belfast City Council	95,772
Fermanagh and Omagh District Council	77,140
Derry City and Strabane District Council	13,834
	<u>401,608</u>

32 Prior Year Re - statement

Council has no prior year restatements

33 Events after the Reporting Period

Covid 19

The Council has been affected by COVID-19. Costs that were incurred and which pertained to the 2019/20 financial year have been included in the accounts. In terms of post 31st March 2020 there has been a significant reduction in income resulting from the closure of facilities and this has therefore impacted directly on available resources. The Council has however reacted promptly to this situation by adjusting budgets to limit expenditure across the organisation and by the creation of Recovery Working Groups to help the organisation manage the challenges posed by the pandemic, to minimise losses and to ensure the financial integrity and stability of the Council as a going concern into the future. This work continues and issues relating to COVID-19 are expected to require further time and effort in the coming months to manage but the Council is committed to maintaining the financial integrity of the organisation and will make the hard decisions necessary to help protect business and households across the Borough.

However this is an ongoing issue that will be reviewed and monitored.

Tribunal case

On 17 October 2020, the First-tier Tribunal issued its decision in relation to a dispute concerning the VAT liability in respect of charges for access to sport and leisure facilities provided by Mid-Ulster District Council. HMRC contended that the charges should bear VAT at the standard rate, while Mid-Ulster District Council contended that the charges in dispute did not attract VAT.

The appeal by Mid-Ulster District Council was allowed and now the quantum has to be agreed between both parties.

However, pursuant to Rule 39 of the Tribunal Procedure (First-tier Tribunal) (Tax Chamber) Rules 2009, any party dissatisfied with the decision has a right to apply for permission to appeal not later than 56 days after the date of this decision.

Therefore, at this stage it is too early to assess the impact of this decision on council finances.

34 Date of authorisation for issue

The Chief Financial Officer authorised these financial statements for issue on 17 December 2020