

STATEMENT OF ACCOUNTS

Derry City and Strabane District Council

For the year ended 31st March 2018

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Derry City and Strabane District Council

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Narrative Report

Introduction

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

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

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

The purpose of the Narrative Report is to provide information on the authority, 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. Derry City and Strabane District Council owns 100% of the shares in City of Derry Airport (Operations) Limited, which commenced trading on 1st April 2010, and accordingly Council is required to prepare Group Financial Statements incorporating the Airport. Derry City and Strabane District Council continues to provide support to CODA (Operations) Limited to ensure it meets its' day to day working and fixed capital requirements. There are going concern issues at the airport and these are clearly outlined in the governance statement, note 11 and in the Group Financial Statements in notes 1 and 5.

The Movement in Reserves Statement

This Statement, as set out on page 31, shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'Surplus or (deficit) on the provision of services' line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. 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 statutory and other reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from statutory and other reserves undertaken by the Council.

The Comprehensive Income and Expenditure Statement

This statement, as set out on page 30, 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 Balance Sheet

The Balance Sheet, as set out on page 32, 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, 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 (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 authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

The Cash Flow Statement

The Cash Flow Statement 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.

Performance Report

Community Planning

On 07 November 2017 Derry City and Strabane District Council, alongside its statutory and support partners, launched a long-term plan for the City and District named its inclusive, 'Strategic Growth Plan' (Community Plan). The Plan was developed in accordance with the statutory duty of Community Planning as set out in the Local Government Act (2014). The duty has created a new partnership between all the tiers of government, the community and voluntary sector and business to improve the wellbeing of its citizens. Community Planning provides a form of strong integrated, partnership governance that takes a strategic view and is evidence based, people focused and place-centred. It helps ensure that by working together and pooling resources we can strategically grow and improve social, economic and environmental wellbeing for all.

The draft plan was developed as a result of an extensive co-design process and has been informed by a robust evidence base. It was subject to a significant public consultation process over the summer and early autumn of 2017. 16 public consultation events were held across the council area with other engagements with interested stakeholders provided on request. 16,000 copies of a bespoke children's version of the Strategic Growth Plan were circulated to all primary school pupils in the City and District also seeking their views.

In total 206 responses were submitted as part of the public consultation on the draft Strategic Growth Plan/Community Plan. This significant feedback demonstrated an overwhelming support for the Growth Plan and the aspirations within it. The consultation evidenced and validated the approach to co-design and co-produce as they supported the outcomes, indicators and actions within the plan and reinforced the key need for the transformative projects to deliver social, economic and environmental wellbeing and regeneration.

The Council and its partners have convened around a common and agreed vision:

Our vision is a thriving, prosperous and sustainable City and District with equality of opportunity for all.

The Strategic Growth Plan sets out the eight outcomes the partnership wishes to achieve between 2017 and 2032. Under the economic wellbeing pillar the partnership aspires to be 'better skilled and educated', 'to prosper through a strong, competitive economy' and to 'live in the cultural destination of choice'. Under the environmental wellbeing pillar the partnership aspires to 'live sustainably – protecting the environment' and 'to connect people and opportunities through our infrastructure'. In terms of the social pillar, the partnership aspires that local people will 'live long, healthy and fulfilling lives', 'live in a shared, equal and safe community' and that 'our children and young people have the best start in life'. These outcomes have been mapped and aligned to the draft outcomes articulated in the draft Programme for Government and central governments Outcome Delivery Plan 2018-19.

35 population-wide indicators are also outlined within the plan to measure progress in achieving the eight outcomes. Over 200 actions are also detailed in the plan including the expansion of the University of Ulster at Magee, the development of transport infrastructure and models of prevention and early intervention to reduce levels of health inequalities and deprivation.

Combined, these actions will have a significant impact on the Derry City and Strabane District. The Partnership commissioned an economic forecast of the impacts of the plan, its interdependencies and risks. The economic forecast has projected that the plan could generate capital expenditure in the region of £3.8bn creating in turn £450m additional Gross Value Added for our local economy, it will create 15,000 additional jobs, grow the Council area's resident population by 10,000 people and generate £100m in additional tax revenue.

The implementation of the plan is ongoing and it will be governed by the Strategic Growth Partnership and its eight outcome delivery partnerships. In accordance with the legislation, the Council and its partners are required to publish a statement on progress on achieving the outcomes, indicators and actions within the plan within two years of publication – which will be November 2019 and review the plan in 2021.

The Council is fully committed to leading and facilitating this process with its partners. For further information on the Strategic Growth Plan for the Derry City and Strabane District Council area please see www.growderrystrabane.com.

One of the key risks to delivery is ensuring the necessary finances are secured, both public and private. In this regard, Council is progressing discussions around securing a City Growth Deal for the City Region which it is hoped will provide funding for the critical catalyst projects required to transform the City Region and build on the significant progress made in recent years.

Organisational structure and Financial performance

The Council has been structurally organised to ensure that it is poised and ready to deliver on outcomes and actions within the Strategic Growth Plan. Three directorates have been formed to align with the three pillars of social, economic and environmental wellbeing. Our Health and Community Directorate is aligned to the social wellbeing pillar, our Business and Culture directorate is aligned to the economic pillar of wellbeing and our Environment and Regeneration directorate has been aligned to the environmental pillar of wellbeing. Subsidiary to the directors, each of the outcome delivery partnerships have been allocated Heads of Service or Senior Responsible Owners which will assist the Outcome delivery partnership to deliver on its actions. The actions within the Strategic Growth Plan that are attributable to Council are featured within our Service Plans and the Council has aligned its performance improvement objectives to the outcomes. Together this demonstrates organisational readiness for delivery of Strategic Growth in the coming years.

The new organisational structure and committee structure is based on these three directorates which are supported by Cross-Cutting support services (including Council, Finance, Legal, Human Resources, Internal Audit, Performance Improvement and Corporate funding). Budgets are managed and controlled on this basis. Additional budget areas are included for City of Derry Airport and also Capital projects and loan charges which is a key organisational priority as identified in the Strategic Growth Plan.

For the year ended 31 March 2018 the Council increased its General Fund reserve by £101,784 to £4,794,901. The Council's budget of £56,163,211 was adjusted by £4,235,636 representing funds transferred to and from reserves and £1,000,000 transferred to reserves for provision against potential non-domestic rating appeals for the revaluation of domestic properties in 2015. Financial performance for the year has been summarised in the table below:-

Area	Annual Budget	Net Expenditure	Variance
	£000	£000	£000
Cross Cutting Corporate Services	5,139	4,775	(364)
Council	1,264	1,145	(119)
Health & Community	9,445	8,951	(494)
Business & Culture	7,328	6,985	(343)
Environment & Regeneration	21,557	21,467	(90)
Capital and loans (excluding City of Derry Airport)	5,654	5,176	(478)
City of Derry Airport (including capital and loans)	3,950	3,999	49
Other costs/ transfers to reserves to fund other costs	(1,411)	821	2,232
Total net expenditure	52,926	53,319	393
Sources of funding:-			
Rates support grant	(3,757)	(3,607)	150
Rates (including derating grant)	(52,615)	(53,709)	(1,094)
Transferring Functions Grant	(340)	(340)	0
Transfers to and from reserves	4,236	4,236	0
Total funding	(52,476)	(53,420)	(944)
(Surplus)/ Deficit	450	(101)	(551)
Opening District Fund		(4,694)	
Closing District fund		(4,795)	

The surplus has been enabled by Council's efficiency programme, strong financial management and control, ratebase growth and a strong growth in Council's planning and building control income which is a positive sign of growth and activity in the new Council area. This has been offset by the impact of Central Government grant cuts, most notably Rates Support Grant, which represents a significant financial challenge for Council moving forward.

A detailed analysis of income and expenditure for each service area is provided in Note 2c to the accounts in line with the "Telling the Story" format of accounts. This is then reconciled in Note 2a to the expenditure and income included in the Comprehensive Income and Expenditure Statement.

Efficiency programme

Since the inception of the new Council, recurrent efficiencies of £2.289m have been identified. A key part of this has been enabled through organisational restructuring and severance payments to officers who have left the organisation. Included within 2017/18 net expenditure (other costs) is a sum of £418,535 relating to officer severance payments. The Council has not had to borrow or utilise capitalisation directions to fund these costs.

As part of the rates estimates process for 2017/18 and 2018/19, these efficiencies have been reinvested into the key areas of need and growth as identified within the Strategic Growth plan. These include loan charges funding for Council's capital plan (£1.27m), a major festivals fund (£500k), a third party capital projects fund (£75k), and further investment in rural community services and grant aid (£167k).

Identification of further efficiencies remains a priority for the new Council to fund further investment in Council's growth ambitions.

Capital Expenditure

Capital expenditure is a key priority for the new Council as identified in the Strategic Growth Plan. Since inception, the new Council has completed projects (mostly commenced by legacy Councils) to the value of £36.97m of which £15.77m has been secured from external sources. A further £41.879m of projects have been approved, in progress and are fully financed of which £29.5m has been secured from external sources. Council has also recently allocated further funding of £24.4m to progress further projects which it is hoped will lever external funding of £30.67m and deliver total further investment of £55.07m. In addition, Council has a number of strategic projects which it is aiming to progress. These will require further rates investment and will form part of Council's City Growth Deal proposals.

Expenditure on capital projects during the year amounted to £13,756,965. The breakdown of this expenditure is shown in Note 11 (Fixed Assets Schedules) to the Financial Statements. The major items of expenditure, including work in progress, were as follows:-

	£
Brandywell Stadium	5,755,366
Vehicles & Equipment	1,729,490
Melvin 3G Pitch	950,717
Leisure and pitches	605,360
Greenways & public realm	124,712
Community Centres	205,460
Office reorganisation and IT equipment	212,759
Maritime Museum	94,010
Brooke Park Restoration	335,879
Drumahoe Play	776,641
SIF Play projects	2,587,230
Strathfoyle Play	303,628
Other Parks & Play Areas	23,192
City of Derry Airport	51,597
Other sundry	925

Grants to the value of £4,159,224 were received or were receivable to partly fund the capital expenditure.

The Council can finance Capital Expenditure using:

- Loan Finance (loan or lease)
- Grant Aid
- Capital Receipts - proceeds from the sale of capital assets
- Repairs and Renewals/Capital Funds
- Transfers of funds from revenue resources

Details of the financing of capital expenditure for the year are shown in Note 12 to the Financial Statements. The total amount outstanding on Government Loans as at 31st March 2018 was £53,670,322. Advances of £4,774,000 were taken up during the year. Capital expenditure unfinanced at 31st March 2018 for which loans will be drawn down was £9,724,719.

Expenditure and Funding Analysis

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

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 Chief Executive on 24 September 2018.

The Chief Financial Officer's Responsibilities

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

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

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

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

The Chief Financial Officer is also required to:

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

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

Derry City & Strabane District 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, efficiency and effectively.

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

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

Derry City & Strabane District Council is required to prepare an Annual Governance Statement which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is on our website at www.derrystrabane.com. 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 a statement on internal control.

The Purpose of the Governance Framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the local government body'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 the local authority for the year ended 31 March 2018 and up to the date of approval of the financial statements.

The governance framework

The key elements of the systems and processes that comprise the Council's governance arrangements include the

- **Identifying and communicating Derry City & Strabane District Council's vision of its purpose and intended outcomes for citizens and service users.**

The Council communicates its vision of its purpose and intended outcomes through a number of channels, namely its community plan, local community plans, its corporate plan and its ongoing approach to communications and engagement.

In accordance with Section 10 of the Local Government Act (2014) Derry City and Strabane District Council commenced a significant 24-month engagement and co-design process to develop a Community Plan for the City and District. Community Planning is defined as "a process led by Councils, in conjunction with partners and communities to develop and implement a shared vision for their area, a long term vision which relates to all aspects of community life and which also involves working together to plan and deliver better services which make a real difference to people's lives."

Following a significant consultation, engagement and co-design process, a draft Plan was approved by the Council and its partners on 31st May 2017 and launched for a 16-week public consultation period (to allow for the summer recess period) closing on 15th September 2017. During this time the general public and key interested parties were invited to provide their views on the content of the draft plan through a variety of channels and modes. The plan was published on Council's website. Hard copies were made available in public buildings, an online survey was developed, 16 consultation events were held during the month of June, information on the consultation events was published widely through advertising and through a leaflet, there were daily social media posts and any feedback received from social media was logged, opinion pieces were developed on key elements of the plan with key spokespersons and circa 3,000 email invitations to the local consultation events were issued to seek feedback on the plan. Stakeholder engagements with interested groups were held on request - such as separate focus groups with Ulster University Staff, Ulster University students' union, young people, Mighty Oaks Age Friendly Group and Marie Curie.

In summary, 206 responses were submitted as part of the consultation on the draft Strategic Growth Plan. 144 attended the sixteen consultation events in June, 30 online survey responses and 30 written email responses were received. 21 individuals responded and 39 responded on behalf of an organisation. This significant feedback demonstrated an overwhelming support for the Growth Plan and the aspirations within it. The survey data revealed an average 90% satisfaction with the outcomes and an 85% satisfaction with the indicators within the plan. The consultation evidenced and validated the approach to co-design and co-production as they supported the outcomes and indicators within the plan and reinforced the key need for the transformative projects to deliver social, economic and environmental regeneration.

16,000 copies of a bespoke children's version of the Strategic Growth Plan was also circulated to all primary school pupils in the City and District. An easy read version has also been developed.

Following this detailed public consultation and co-design process, Derry City and Strabane District launched its first Community Plan on the 07 November 2017.

All reports are available on our dedicated community planning website www.growderrystrabane.com

The Council also has initiated eight local community planning processes, in each of the seven District Electoral Areas and one for Strabane Town Centre. These local community planning processes have engaged local people in at least six workshops to consider the strategic outcomes for the community plan and then how these outcomes can be delivered in their local areas. This process has engaged in the region of 320 residents. Further information on this engagement can also be found on the Community Planning pages of our website.

Pending the completion of the Strategic Community Plan, the Council agreed an interim Corporate Plan for 2017/18 which was informed by six engagement sessions which involved Elected Members and senior staff, approximately 260 staff and local and regional Trade Union representatives. These engagement events were designed to co-develop the strategic direction and principles which formed the organisational design. The outputs from these have been used to formulate our first corporate plan and structure of the organisation. Twelve local engagement sessions were also held early in the Council's formation to engage directly with citizens and to ascertain their views and aspirations for the new Council.

Copies of the draft corporate plan which includes the Performance Improvement Plan were made available in hardcopy, on the website, and e-mail during the consultation process. The final document is available to the public (and interested parties) on request and via the Council's website.

The Council has a specific communication plan for the rates information and a dedicated website and social media messages are utilised to support access to information by citizens and service users. A Google URL link was devised to monitor visitors to the rates page via social media, within 24 hours.

In addition to this, the Council provides a daily media service for updating the public on corporate initiatives and achievements through PR campaigns and initiatives, regular news stories and press releases and proactive social media channels that are monitored and evaluated to measure reach and engagement.

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

Arising out of the Corporate Planning / engagement process the Council has identified the following mission:

"Deliver improved social, economic and environmental outcomes for everyone."

Our corporate objectives are to:

1. Grow our business and facilitate cultural development.
2. Protect our environment and deliver physical regeneration.
3. Promote healthy communities.
4. Provide effective and facilitative cross functional support services.

Governance and decision-making arrangements were reviewed prior to the Annual Meeting in March 2015 and the Council has adopted a committee structure which reflects the above objectives / priorities. Accordingly, there are 6 committees: Environment & Regeneration, Health & Community, Business and Culture, Planning, Governance & Strategic Planning and Assurance, Audit & Risk. With exception to the inclusion of an additional committee to look specifically at the development of the Local Development Plan, the governance and decision-making arrangements remain unchanged for 2017/18.

In addition, the objectives / priorities identified above are reflected in the organisational structure which is based on 3 outcome focused directorates – Environment & Regeneration, Health & Community and Business and Culture plus a number of strategic support units.

These corporate objectives will be reviewed bi-annually with our various stakeholders using our Community Planning database as a platform and a process of engagement will collate feedback and ensure any necessary amendments are made to Council objectives. The corporate objectives were also cascaded into Directorate Delivery Plans.

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

The Council has reviewed (and updated as necessary) its Customer Service Charter which sets the standards of customer service the public can expect when contacting the Council. There is also a procedure in relation to making comments, compliments or complaints. Updated documentation was subsequently presented to the May 2016 meeting of the Governance and Strategic Planning Committee.

Service delivery standards were also reviewed in the context of the annual service/ delivery planning process and work is ongoing in establishing new baselines and monitoring arrangements.

A Citizen Engagement campaign was approved by Committee in December 2014 the objectives of which were to:

- Communicate key pieces of information on the new organisation to citizens in Strabane and Derry;
- Generate awareness and interest amongst stakeholders, participants and the media in Derry City & Strabane District Council;
- Promote key messages on community planning, citizen services, new council structure and brand; and
- Roll out Citizen Road show to visit key events and locations.

These corporate campaigns are monitored and evaluated to determine the level of effectiveness and depth of engagement. From this Council can identify potential gaps and devise methods to mitigate these.

As part of the Community Planning process a Citizen Survey was also undertaken and the results published in 2015. This survey included details of citizen satisfaction with services and is available on the link: <http://www.derrystrabane.com/Subsites/Community-Planning/Citizen-Survey-2015>

At a service level, individual services undertake tailored surveys to establish customer views.

- **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.**

A Code of Governance was developed for the Council for the year 2017/2018, based on the seven principles set out in the CIPFA/SOLACE 'Delivering Good Governance in Local Government: A Framework' 2016 Edition.

Terms of Reference have been documented and approved for the Audit Committee, detailing their scrutiny function.

Job descriptions and job specifications are in place for all Council positions including all senior manager roles, which clearly define and document the roles and responsibilities of senior officers. Organisation charts are in place in each department, showing clear reporting lines. Regular senior management team meetings take place on a fortnightly basis and each department has their own arrangements in place for effective communication including departmental meetings and staff briefings.

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

The Northern Ireland Local Government Code of Conduct for Councillors came into force on 28th May 2014. All Elected Members within Derry City and Strabane District Council have signed up to the Code of Conduct. The Council also has Role Descriptions in place for Members. Training was provided to Members on the Code of Conduct.

The Code of Conduct for Local government is written into Employee contracts.

The new Code of Conduct for Local Government Employees was issued in November 2014 and came into effect for all staff from 1st April 2015. Council has embarked on a training programme to ensure that all staff are aware of their responsibilities in relation to the Code of Conduct. This includes a mandatory session on Council's e-learning system as well as face to face awareness sessions.

- **reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality**

Standing Orders, Financial Procedures, a Scheme of Delegation and a Planning Scheme of Delegation have been prepared for Derry City & Strabane District Council. In addition to this, there is a protocol in place for the Operation of the Planning Committee. These documents clearly define how decisions are taken and the processes and controls required to manage risks.

Council's Lead Legal Services Officer continuously reviews the effectiveness of the Council's decision making framework, including delegation arrangements and decision making.

Council appointed an Information and Customer Services Officer in 2017/2018. One of the key functions of this role is to ensure that the Council is meeting the new GDPR regulations.

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

A Risk Management Strategy was reviewed and updated in 2016 and approved by the Assurance, Audit & Risk Committee in November 2016.

The Risk Management Strategy forms part of Derry City & Strabane District Council's internal control and corporate governance framework. It has been developed to provide clarity and direction on current and future risk management activity across the Council to ensure a consistent approach is taken to risks, which may have an adverse impact on the Council's ability to achieve its strategic aims and objectives. The Strategy defines the roles and responsibilities for risk identification and management and sets out how this is delivered.

A comprehensive database for managing identified risks across all services is maintained by the Insurance & Risk Manager (GRACE Governance Solutions Software). Regular meetings are held with Service Managers, Heads of Service, Lead Officers and Directors to assess the progress made in treating risks and to ascertain if new risks have been identified. Regular risk management reports are presented to the Assurance, Audit & Risk Committee.

Risk Registers are in place for all Service Areas within the Council and are reviewed on a continuous basis by the Insurance and Risk Manager.

A rolling programme is in place to ensure that each service area is reviewed at least once annually. However high risk areas are reviewed more frequently e.g. monthly / quarterly.

The Corporate Risk Register is reviewed and monitored by the Senior Leadership Team quarterly and reported to the Assurance, Audit & Risk Committee bi-annually.

Every risk within the Council's Risk Management System has been allocated to a Service Manager, Head of Service, Lead Officer or Director.

Training is provided to senior managers by the Insurance & Risk Manager continuously on a one-to-one basis, as risk registers are being reviewed and updated.

Derry City & Strabane District Council agreed a new risk appetite process during 2016. Council has identified four key corporate objectives, which set Council's overall strategic direction. It is recognised that Council's risk appetite will vary depending on the circumstances at a particular time, and also depending on the corporate objective to which the risk relates. Plans are in place to mitigate against all high scoring risks.

Risk Management is embedded across all activities of Derry City & Strabane District Council; however it is important to note that risk management is a continuous evolving process, which is monitored closely by the Insurance & Risk Manager, the Internal Audit Manager and the Lead Assurance Officer.

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

The Council has a 'Counter Fraud Policy', which includes a Fraud Response Plan. The Policy was reviewed, updated and communicated to all members of staff during 2017/18.

The risk of fraud is identified and managed on all risk registers. Fraud risk assessments have been developed as part of the Risk Management Framework.

The Council also has an Anti-Bribery Policy. The Policy was reviewed, updated and communicated to all members of staff during 2017/18.

The Internal Audit plan for 2016/17 and 2017/18 included provision for the development and implementation of a programme of fraud awareness training. The fraud awareness training commenced in mid-2016. Up to end of December 2017, over two hundred staff have attended the training. Internal Audit has also delivered three fraud awareness training courses for the staff at City of Derry Airport (CoDA Ltd). Additionally, at the meeting of the AARC on Thursday 1st December 2016, it was proposed that Fraud Awareness Training was organised and made available to Members. Therefore, a Fraud Awareness Training Course was delivered to Members on 12th May 2017.

As part of internal audit assignments, fraud risks, fraud awareness, design of systems to guard against fraud, sound business practices and ethical behaviour is discussed with management and staff generally and with direct relevance to the areas under review.

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

Derry City and Strabane District Council managed a seamless transfer of services and functions to the new organisation in April 2015. The organisational structure of the new organisation was clearly defined in 2015 and has been fully embedded. Corporate values, vision and objectives are clearly defined. A staff engagement strategy has been approved by Council and routine staff engagement sessions have been held. Staff newsletters are issued on a six monthly basis and regular JCNC meetings are held. Approximately £3m of efficiency savings have been realised as a result of the creation of the new Council and the Council continues to invest these savings into transformative projects highlighted within the community plan.

- **ensuring the authority'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**

The Chief Executive is the Chief Financial Officer of Derry City & Strabane District Council. In fulfilling this role, the Chief Executive was supported by the Lead Finance Officer during 2017/2018, a professionally qualified accountant. The Chief Financial Officer leads the promotion and delivery by the whole organisation of good financial management to ensure that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively. The Lead Finance Officer reports directly to the Chief Executive and is a member of the Senior Leadership Team. The Council's governance arrangements allow the Lead Finance Officer direct access to the Chief Executive, to other Senior Leadership Team members, the Assurance, Audit & Risk Committee and External Audit. The Lead Finance Officer has the skills, knowledge, experience and resources to perform effectively in both the financial and non-financial areas of their role and the scope of the Lead Finance Officer responsibilities ensure that financial matters are not compromised.

The 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) as set out in the Application Note to Delivering Good Governance in Local Government: A Framework.

- **ensuring the authority'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 Internal Audit Manager has a critical role within Council; helping the organisation achieve its objectives by providing assurance on the adequacy of its internal control arrangements and playing a key role in promoting good corporate governance.

The Council is satisfied that the assurance arrangements in place conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010).

The Internal Audit Manager helps the organisation to deliver its strategic objectives by:

1. 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
2. Giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.

The Internal Audit Manager:

1. Has regular and open engagement across the organisation, particularly with the Leadership Team and the Audit Committee.
2. Leads and directs an internal audit team that is resourced to be fit for purpose; and
3. Is professionally qualified and suitably experienced.

- **ensuring effective arrangements are in place for the discharge of the monitoring officer function**

The effective arrangements for the discharge of the monitoring officer functions are ultimately overseen by the Chief Executive. However, the Council's Lead Legal Services Officer will provide continuous advice and guidance in relation to all of these areas.

- **ensuring effective arrangements are in place for the discharge of the head of paid service function**

The effective arrangements for the discharge of the head of paid service functions are ultimately overseen by the Chief Executive. The Chief Executive will be supported in this role by the Senior Leadership Team.

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

Derry City & Strabane District Council has an Assurance, Audit & Risk Committee. The Committee is a Standing Committee of Council and meets monthly. 14 Elected Members and 1 (externally recruited) independent advisor sit on the Committee. All meetings are attended by the Chief Executive, the Directors, the Lead Assurance Officer and the Internal Audit Manager. A representative from the NIAO is invited to attend all meetings.

The Audit Committee oversee the work of the Internal Audit Section including the approval of the annual programme of work. The Internal Audit Service operates to the Public Sector Internal Audit Standards 2013. The Council's assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010).

Audit Committee Terms of Reference have been documented and approved by the Committee. The terms of reference set out a clear statement of purpose that it will provide an independent assurance on the adequacy of the Council's risk management framework and associated control environment. It will provide 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.

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

The Lead Assurance Officer leads on risk management activities within Council, in line with the Council's Risk Management Strategy. Activities have focused on the development, management, monitoring and reporting of risk registers. Corporate, departmental and operational risk registers are in place across the organisation.

Managers are aware of their responsibility for ensuring:

- Compliance with relevant laws and regulations, internal policies and procedures.
- Compliance with statutory responsibilities with regard to Health & Safety.
- That expenditure is lawful within their area of responsibility.
- That staff conduct council business in accordance with the law and proper standards.
- That public money, for which they are responsible, is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Council has an in-house legal team, which contributes to providing assurance that relevant laws and regulations are complied with. The Chief Financial Officer is the designated Officer responsible for ensuring that expenditure is lawful and ensuring the proper administration of the Council's financial affairs.

All committee reports are obliged to note any legal or financial issues arising. Council has a scheme of delegation in respect of officer decisions and also has a reporting policy in respect of delegated decisions and maintains a register of such decisions in line with the policy.

In addition to this, when carrying out audits, Internal Audit will carry out testing to ensure that relevant laws and regulations, internal policies and procedures are in place and adhered to, and that expenditure is lawful. Internal Audit use a system of risk based auditing and all high risk areas are audited as a matter of priority and in line with the Assurance, Audit & Risk Committee's approved Audit Needs Assessment.

- **whistleblowing and for receiving and investigating complaints from the public**

Derry City & Strabane District Council's Whistleblowing Policy was presented to and approved by the Assurance, Audit & Risk Committee in November 2015. Following this it was communicated to all staff. The Whistleblowing Policy was reviewed and updated in April 2017 and presented to the Assurance, Audit & Risk Committee in May 2017.

The Council has a Customer Service Charter, which sets the standards of customer services the public can expect when contacting the Council. There is also a procedure in relation to making comments, compliments or complaints.

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

There is a Learning and Development Programme agreed for Members for the period 2016 -2019. This Programme was developed following completion of a Member Training Needs Analysis and covers all identified learning and development needs required to support Members to effectively fulfil their role within Council.

Council has also achieved the NI Charter for Elected Member Development and is progressing to the higher Charter Plus standard.

The Council has an appraisal process for its employees, which is linked to job descriptions and the Local Government competency framework.

In addition to this, there is also a considered approach to training as training needs are identified by senior officers in relation to their strategic role.

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

To facilitate clear channels of communication with all sections of the community and other stakeholders the Council utilised the following approaches / mechanisms in 2017/18:

- Community Planning Sessions – strategic and local.
- The establishment of 8 outcome delivery partnerships
- Corporate Plan.
- Website, media placements and social media engagement through various platforms and channels for various service-users i.e. corporate, festival and events, sports and leisure etc.
- Equality group established to assist in development of the Community Plan, thus ensuring equality was at the forefront of participation and engagement.
- Elected members acting as spokespersons for the local government organisation.
- Council and Committee meetings – open meetings and communicating key messaging derived from the Council meetings as well as live-streaming of full Council meetings.
- Database development for community services and business and cultural organisations.
- Specialist interest database for events and initiatives.
- Service / issue specific engagement including Children and Young People and Civic Alcohol Forum, for example.
- Media database for local, regional and ROI media.
- Regular e-zine programme of information for database groupings.
- Improved access to committee meeting agenda, reports and minutes via website and 'app' service

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

According to the Community Planning duty the Community Planning Partnership is due to publish a statement of progress on its community plan in November 2019. The Strategic Community Planning Partnership meets in public each quarter. During these meetings key presentations are given on progress on initiatives within the community plan. The Council has also led the establishment of eight outcome delivery partnerships and eight outcome delivery plans with named "action leads" tasked with co-ordination and reporting on the actions to assist in the delivery of the community plan. A website has also been developed to aid communication and reporting on progress of the community plan www.growderystrabane.com

Moreover, a range of public service providers often frequently attend Council Committees to present plans and strategies. Council led partnerships - such as the PCSP - facilitate performance monitoring and reporting of police performance.

- **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 the authority'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.

Moreover, a range of public service providers often frequently attend Council Committees to present plans and strategies. Council led partnerships - such as the PCSP - facilitate performance monitoring and reporting of police performance.

The Local Government Act (NI) 2014 legislated the Council's general power of competence enabling a Council to take any action it considered appropriate provided the action was not prohibited by any other legislation. Councils have been provided with the ability to act in their own interests and to develop innovative approaches to addressing issues in their area.

Decisions taken under the power of general competence must be taken in line with the council's standing orders and council's constitution. There is no such provision for such decisions to be taken under the Council's scheme of delegation.

Review of Effectiveness

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

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

- **the authority**

A Committee Structure was in place within Derry City & Strabane District Council during 2017/2018 consisting of the following:

- Governance & Strategic Planning Committee;
- Planning Committee;
- Business & Culture Committee;
- Health & Community Committee;
- Environment & Regeneration Committee; and
- Assurance, Audit & Risk Committee.

- **the executive**

Directors, Heads of Service and Lead Officers completed an Annual Assurance Statement for 2017/2018 for their Directorate/Service Area. In signing the Assurance Statements, opinions were informed by the following:

- Assurance from the relevant Department's management team.
- Corporate and Departmental Service Plans including Key Performance Indicators.
- Service Risk Registers.
- Operational policies and procedures.
- Regular management and monitoring information.
- Internal and external audit reports.
- Administrative procedures (including segregation of duties).
- Management supervision.
- A system of delegation and accountability.

- **The Audit Committee / Overview and Scrutiny Committees / Risk Management Committee**

Derry City & Strabane District Council has an Assurance, Audit & Risk Committee. The Committee is a Standing Committee of Council and meets monthly. 14 Elected Members and 1 (externally recruited) independent advisor sit on the Committee. Meetings are attended by the Chief Executive, the Directors, the Lead Assurance Officer and the Internal Audit Manager. A representative from the NIAO is invited to attend all meetings.

The Audit Committee provides an independent assurance on the adequacy of the Council's risk management framework and associated control environment. It 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.

- **Internal audit**

Derry City and Strabane District Council has a dedicated in-house internal audit team. The work of the Internal Audit Section is directed by and approved by the Assurance, Audit & Risk Committee.

The key challenge for the Internal Audit Section in 2017-2018 was to continue to carry out the planned audit work and to provide an appropriate level of assurance to the Council whilst also delivering on a number of competing demands. The Audit Plan was not completed in full for 2017/2018, however, despite this fact the Internal Audit Manager is satisfied that a significant amount of assurance work was carried out and the associated audit reports were provided to the Committee on high risk areas facing the organisation. Internal Audit also provided advice and guidance continuously during 2017/18 throughout the Council in relation to audit, risk and governance issues. In addition to this, the Internal Audit team achieved its target for the delivery of Fraud Awareness Training, with over 200 staff now having received this training.

The general level of control in the organisation remains at satisfactory. In preparing the overall audit opinion the Internal Audit Manager reviewed all audit and risk activity carried out in the period April 2017 to March 2018 and placed some reliance on the work carried out by External Audit.

- **Other explicit review/assurance mechanisms**

Risk Management

Risk Management is embedded across all the activities of Council and is a continuously evolving process, which is monitored closely by the Insurance & Risk Manager. Risk Registers are in place for all Service Areas within the Council and a comprehensive database is maintained for managing risks and action plans. Risk Management Reports are presented quarterly to the Senior Leadership Team and the Assurance, Audit & Risk Committee.

External Funding

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

Local Government Audit

Work carried out by the Local Government Auditor during 2017/2018 is also used by the Council as an additional assurance mechanism.

Health & Safety

The management of Health & Safety within the organisation is a key priority for all staff. Derry City and Strabane District Council received the OHSAS 18001 accreditation in 2015. As a result of having this accreditation the Council is subject to three external audits per annum. The Council has continued to retain this accreditation during 2017/18 with no major non-conformances identified.

City of Derry Airport

City of Derry Airport (CODA) Operations Ltd became an incorporated entity on 1st April 2010 and is a wholly owned subsidiary of Derry City & Strabane District Council. At that time some assets and employees belonging to the Council were transferred over to the new Company. Derry City & Strabane District Council, as part of the Annual Rates Estimates, approved an annual revenue subvention to CODA Operations Ltd for 2017/2018. CODA Operations Ltd is governed by a Board of Directors, which meets monthly. The Board of Directors consists of 9 Directors / Members including 4 non-executive Directors (including the Chairman), 3 Elected Members from Derry City & Strabane District Council, Derry City & Strabane District Council's Chief Executive and Lead Finance Officer. The Lead Assurance Officer attends the Board meetings as an observer. The Board meetings are also attended by the Company Secretary and representatives from RCA (Management Company). Derry City & Strabane District Council's Internal Audit Section deliver the annual Internal Audit Plan and a Risk Management Service for CODA Operations Ltd is also provided by Council. All reports are presented to CODA's Assurance, Audit & Risk Committee, which meets quarterly. Work undertaken at CODA Operations Ltd is also discussed at Council's Assurance, Audit & Risk Committee. CODA Operations Ltd have their own external auditors. The external auditors of CODA (Operations) Limited have included a "material uncertainty relating to going concern" paragraph in their audit opinion for 2017/18 but have not modified their audit opinion in respect of this. The Directors acknowledge that there remains a material uncertainty relating to going concern due to funding discussions however they consider it appropriate to prepare the financial statements on a going concern basis.

As a result of the withdrawal of the London Stansted route by Ryanair, support was secured with the Department for Transport (DfT) in early 2017 to operate a Public Service Obligation (PSO) route to London for an initial two-year period. Additional support was also agreed with DCSDC to provide its share of funding for the new PSO route. Probable changes to the funding structure of the PSO from May 2019 would require significant additional funding commitment which DCSDC has indicated it is not presently in a position to provide. In order to address this going concern issue the company is in discussion with the Northern Ireland Executive and the DfT in relation to the funding of the PSO route beyond 2019. The company requires access to the £2.5m Route Development Fund set aside by the Northern Ireland Executive which together with the DfT input will enable the London PSO to continue after May 2019. On the basis of the discussions to date, the Directors are hopeful that this funding will be released in which case DCSDC's current subsidy will be sufficient to fund the airport at its current level of operation until 31st March 2021.

In the event that these funds are not secured, DCSDC's current subsidy will be sufficient to meet the cost of operations at a reduced level for a minimum period of six months after May 2019 during which the viability of the airport over the short and medium term will be considered and appropriate actions taken.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Assurance, Audit /& Risk Committee/ Overview and Scrutiny Committee/ Risk Management Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Significant Governance Issues

In response to the issues raised in the Annual Governance Statement for 2016/2017, we can confirm that these issues were highlighted in appropriate risk registers, risk owners allocated and actions were put in place to address them. Actions taken in managing these issues were reported as appropriate to the Assurance, Audit & Risk Committee. However, it should be noted that given the nature of some of the risks identified, some actions are still ongoing.

As part of the process of preparing this year's Annual Governance Statement the Chief Executive, Directors, Heads of Service and Lead Officers have been asked to consider significant governance issues that require action and disclosure. The most significant issues for the Council are detailed below:

Governance Issue	Proposed Action
As noted in the Review of Effectiveness there remains a material uncertainty around going concern at CODA Operations Ltd. The development of new routes for CODA Operations Ltd was a key risk and challenge for 2017/2018 and continues to be for 2018/19. Council was awarded £2.5m from the Northern Ireland Executive in October 2016 for route development; however, the Council have not been able to access this funding due to the current political uncertainty.	The company is in discussion with the Northern Ireland Executive and the DfT in relation to the funding of the PSD route beyond 2019. On the basis of the discussions to date, the Directors are hopeful that the required funding will be released in which case DCSDC's current subsidy will be sufficient to fund the airport at its current level of operation until 31st March 2021. In the event that these funds are not secured, DCSDC's current subsidy will be sufficient to meet the cost of operations at a reduced level for a minimum period of six months after May 2019 during which the viability of the airport over the short and medium term will be considered and appropriate actions taken.
Central Government reduced budgets and political uncertainty is currently causing Council significant financial issues. The Rates Support Grant has been reduced by over 9% and central government grant cuts have had a direct rates impact of 0.23% in 17/18 and 0.76% for 18/19.	A detailed report was presented to Council advising Members of the Central Government funding cuts and their implications. Approval was obtained to proceed with a 7 Council delegation to Government following recent confirmation of funding cuts.
There were a number of high scoring residual risks facing Council including the implications of central government funding reductions; the inability to avail of funding from the NI Assembly for CODA and the inability to maintain existing or develop new routes at City of Derry Airport.	All risks identified during the risk management process are subject to continuous monitoring and review. Action plans are in place for all high scoring risks and these are reviewed and monitored continuously to ensure that they are being implemented. Risk Management is reported quarterly to the Senior Leadership Team and bi-annually to the Assurance, Audit & Risk Committee. In addition to this, Internal Audit have a system in place of Risk Based Auditing – essentially meaning that all risk registers are subject to audit as the Strategic & Operational audit plans are being delivered.
The NWRWMG Residual Waste Project was abandoned during 2013/2014. In common with other Councils in Northern Ireland, there is a continuing risk that the Council would incur fines for non-achievement of Waste Management targets.	Derry City and Strabane District are at present meeting residual waste to landfill targets through contracts procured through The North West Region Waste Management Group. The Group are shortly to retender this service with a view to securing a longer medium term contract with a residual waste treatment provider. The Council will also shortly commence a review of its Waste Management Plan and will use this opportunity to consider longer term options.

<p>Internal Audit Reports – Improvement Needed:</p> <ul style="list-style-type: none"> • Waste and Environmental Management – recommendations have been made in the following areas: <ul style="list-style-type: none"> - Enforcement of Environmental Legislation; - Site licences and working plans; - Waste Management; - Street Cleansing; - Bulky waste collections; - Commercial waste; and - Contract Management. • Licensing – a number of recommendations were made to help improve the audit trail evidence going forward so that the licensing section is able to provide assurance that key risks are being managed effectively across the various licence types and to ensure that the necessary information for review and decision making is provided to management and Committee. 	<p>Internal audit recommendations, agreed with Management, to be implemented within agreed timeframes. Follow up audits to be completed as per the Audit Plan.</p> <p>Internal Audit are working closely with Management to ensure that all of the recommendations made as a result of the audits are implemented as soon as possible.</p>
<p>High levels of absenteeism.</p>	<p>Management are continuously monitoring absenteeism and introducing additional control measures to try to reduce the figures. A new Attendance Policy was introduced during 2017/18 and absence levels reduced by 0.8%. Absenteeism will be continuously monitored during 2018/2019.</p>

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed
Chief Financial Officer



Date 24 September 2018

Signed
Chair of Assurance, Audit and Risk Committee



Date 24 September 2018

On behalf of the Committee of Derry City and Strabane District Council or the Members of the body meeting as a whole and by the Chief Executive.

REMUNERATION REPORT FOR THE YEAR ENDED 31 MARCH 2018

INTRODUCTION

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

ALLOWANCE AND REMUNERATION ARRANGEMENTS

COUNCILLORS

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

Guidance and determinations on Councillors' Allowances applicable from 1 April 2017 was issued by the Department for Communities on 15 February 2017 (in the update Circular LG 03/2017). Details of the allowances paid to individual councillors are published on council websites.

Following local elections on 22 May 2014, 462 councillors were elected to the 11 new councils for a four year term. Derry City and Strabane District Council had 40 councillors in 2017/18.

SENIOR EMPLOYEES

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

ALLOWANCES PAID TO COUNCILLORS

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

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

Allowance	2017/18		2016/17	
	Total Allowances £	Number of Councillors receiving the Allowance	Total Allowances £	Number of Councillors receiving the Allowance
Basic Allowance	579,237	41	572,563	40
Mayor Allowance	30,113	1	30,197	1
Deputy Mayor Allowance	7,528	1	7,549	1
Special Responsibility Allowance	71,408	19	70,829	22
Dependents' Carers Allowance	5,462	3	6,289	5
PCSP Allowance	6,840	11	7,500	11
Employer Costs	128,250	-	136,931	-
Mileage Allowance	28,303	20	37,024	24
Courses/ Conferences Visits (registration & joining fees)	380	-	7,358	-
Travel and Subsistence	3,427	10	943	-
General Secretarial Services	1,766	41	-	-
Other Costs	1,605	41	-	-
Communication and Support Costs	5,353	41	4,643	12
TOTAL ALLOWANCES	869,672	-	881,825	-

Details of the allowances paid to individual councillors in 2017/18 are published on the council website at www.derrystrobane.com.

REMUNERATION OF SENIOR EMPLOYEES

The remuneration of senior employees covers the Executive Management Team/Senior Management Team. The following table provides details of the remuneration paid to senior employees:

Table 2: Remuneration of Senior Employees - Including salary (audited information)

Officers	2017/18				2016/17			
	Salary (Full year equivalent in brackets where applicable) £'000	Bonus Payments £'000	Benefits in kind (to nearest £100) £'000	Total £'000	Salary (Full year equivalent in brackets where applicable) £'000	Bonus Payments £'000	Benefits in kind (to nearest £100) £'000	Total £'000
Chief Executive - John Kelpie	110-115	0	0	110-115	105-110	0	0	105-110
Director of Business & Culture - Stephen Gillespie	80-85	0	0	80-85	80-85	0	0	80-85
Director of Health & Community - Karen McFarland	80-85	0	0	80-85	75-80	0	0	75-80
Director of Environment & Regeneration - Karen Phillips	80-85	0	0	80-85	75-80	0	0	75-80
Director of Legacy - Oonagh McGillion	65-70	0	0	65-70	65-70	0	0	65-70

Councils are required to disclose the 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.

The banded remuneration of the highest paid member of the Executive Management Team/Senior Management Team in the financial year 2017/18 was £110k-115k. This was 4.65 times the median remuneration of the workforce, which was £24,148.

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)

	2017/18	2016/17
Salary Band of Highest Paid member of the Executive Management Team/ Senior Management Team	110-115	105-110
Median Total Remuneration £'000	24	24
Ratio	4.65	4.34

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

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

Salary

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

Bonus Payments

Bonus payments are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2017/18 relate to performance in 2017/18.

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 (audited information)

Severance Package Cost Band	2017/18				2016/17			
	Number of Compulsory Redundancies	Number of Other departures agreed	Total Number of Exit Packages in each Cost Band	Total Cost of Packages in each Cost Band £'000	Number of Compulsory Redundancies	Number of Other departures agreed	Total Number of Exit Packages in each Cost Band	Total Cost of Packages in each Cost Band £'000
£0 - £20,000	0	0	0	0	0	2	2	11
£20,001 - £40,000	0	0	0	0	0	0	0	0
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	1	1	80
£80,001 - £100,000	0	0	0	0	0	3	3	249
£100,001 - £150,000	0	3	3	418	0	8	8	997
£150,001 - £200,000	0	0	0	0	0	0	0	0
Total	0	3	3	418	0	14	14	1337

Pension Benefits

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

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

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

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

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

Table 5: Employee Contribution Rates

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

Employers' contribution rates are determined by the fund's actuary every three years at the triennial valuation. A formal triennial actuarial valuation of the Fund as at 31 March 2016 was carried out in 2016/17 and set the employer contribution rates for the 3 years commencing 1 April 2017 as follows:

Table 6: Employer Contribution Rates

Year	Employer Contribution Rate
1 April 2017 - 31 March 2018	18%
1 April 2018 - 31 March 2019	19%
1 April 2019 - 31 March 2020	20%

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

Councillors have been able to join the Scheme since May 2011 and therefore have not accrued significant benefits thus far. However, the in-year pension contributions made by the Council for all councillors during 2017/18 was £75,233.

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

Table 7: Pension Benefits of senior staff (audited information)

Officers	Accrued Pension at pension age as at 31/3/18 £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/3/18 £'000	CETV at 31/3/17 £'000	Real increase in CETV £'000
Chief Executive - John Kelpie	20-25 plus lump sum 20-25	2.5-5 plus lump sum 0-2.5	338	290	28
Director of Business & Culture - Stephen Gillespie	15-20 plus lump sum 0-2.5	0-2.5 plus lump sum 0-2.5	219	192	15
Director of Health & Community - Karen McFarland	35-40 plus lump sum 70-75	0-2.5 less lump sum 0-2.5	657	604	27
Director of Environment & Regeneration - Karen Philips	15-20 plus lump sum 10-15	0-2.5 less lump sum 0-2.5	171	148	11
Director of Legacy - Oonagh McGillion	20-25 plus lump sum 25-30	0-2.5 less lump sum 0-2.5	273	253	7

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
24 September 2018

Certificate of the Chief Financial Officer

I certify that:

- (a) the Statement of Accounts for the year ended 31st March 2018 on pages 30 to 115 has been prepared in the form directed by the Department for Communities and under the accounting policies set out on pages 34 to 58.

- (b) in my opinion the Statement of Accounts gives a true and fair view of the income and expenditure and cash flows for the financial year and the financial position as at the end of the financial year ending 31st March 2018.



Chief Financial Officer

Date 24 September 2018

Council Approval of Statement of Accounts

These accounts will be approved by resolution of Council in September 2018.



Chair of Assurance, Audit and Risk Committee

Date 24 September 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DERRY CITY AND STRABANE DISTRICT COUNCIL

Opinion on financial statements

I have audited the financial statements of Derry City and Strabane District Council and its group for the year ended 31 March 2018 under the Local Government (Northern Ireland) Order 2005. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement, together with the Group Accounts and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

In my opinion the financial statements:

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

Emphasis of matter

I draw attention to Note 11 of the Council financial statements and Note 5 of the Group financial statements which outlines the potential impact on the carrying value of assets connected to the City of Derry Airport should the going concern issue of the airport crystallise. My audit opinion is not modified in respect of this matter.

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 Derry City and Strabane District Council in accordance with the ethical requirements of the Financial Reporting Council's Revised Ethical Standard 2016, and have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Other Information

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

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material

misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

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

Responsibilities of the Chief Financial Officer for the financial statements

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Matters on which I report by exception

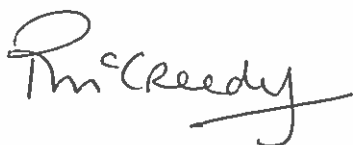
I have nothing to report in respect of the following matters which I report to you if:

- in my opinion:
 - the Annual Governance Statement:
 - does not reflect compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18;
 - does not comply with proper practices specified by the Department for Communities;
 - is misleading or inconsistent with other information I am aware of from my audit; or

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

Certificate

I certify that I have completed the audit of accounts of Derry City and Strabane District 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

27 September 2018

Derry City and Strabane District Council

Comprehensive Income and Expenditure Statement for the year ended 31 March 2018

	Notes	2017/18			Restated 2016/17		
		Gross Expenditure £	Gross Income £	Net Expenditure £	Gross Expenditure £	Gross Income £	Net Expenditure £
Service Expenditure							
Cross Cutting Support Services	2	6,581,378	(1,240,221)	5,341,156	5,809,223	(957,063)	4,852,160
Environment & Regeneration	2	30,680,956	(3,510,647)	27,170,308	28,568,549	(3,030,347)	25,538,202
Business & Culture	2	12,723,224	(3,422,459)	9,300,765	11,640,191	(2,706,161)	8,934,031
Health & Community	2	16,980,827	(5,239,572)	11,741,255	15,706,783	(4,958,506)	10,748,277
Council	2	1,237,893	(1,150)	1,236,743	1,129,785	(1,525)	1,128,260
City of Derry Airport	2	4,083,349	(1,767,504)	2,315,845	2,271,927	(331)	2,271,596
Other Corporate	2	1,425,927	(449,755)	976,172	2,928,797	(999)	2,927,798
Cost of Services on Continuing Operations		73,713,554	(15,631,308)	58,082,244	68,055,255	(11,654,932)	56,400,324
Other Operating Expenditure	8	174,986	(6,424)	168,562	1,936,446	(298,426)	1,638,020
Financing and Investment Income and Expenditure	9	5,758,216	(30,800)	5,727,416	5,438,042	(61,363)	5,376,679
Net Operating Expenditure		79,646,756	(15,668,532)	63,978,222	75,429,743	(12,014,721)	63,415,023
Taxation and Non-Specific Grant Income	10	-	(65,637,114)	(65,637,114)	-	(57,364,263)	(57,364,263)
(Surplus)/Deficit on the Provision of Services		79,646,756	(81,305,646)	(1,658,892)	75,429,743	(69,378,984)	6,050,759
(Surplus)/Deficit on revaluation of non-current assets	25b			(23,110,682)			56,722
Remeasurements of the Net Defined Benefit Liability (Asset)	25c			327,054			10,495,700
Other Comprehensive Income and Expenditure				(22,783,628)			10,552,422
Total Comprehensive Income and Expenditure				(24,442,520)	75,429,743	(69,378,984)	16,603,181

The figures above are prepared to two decimal places but rounding due to formatting may occur.

Derry City and Strabane District Council
Movement In Reserves Statement for the year ended 31 March 2018

	General Fund Summary	Other Fund Balances and Reserves	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
	£	£	£	£	£	£
Balance as at 1 April 2016	4,250,552	15,985,059	742,142	20,977,753	92,272,502	113,250,255
Movement in reserves during the year						
Surplus/ (Deficit) on the provision of services	(6,050,759)	-	-	(6,050,759)	-	(6,050,759)
Other Comprehensive Income and Expenditure	-	-	-	-	(10,552,422)	(10,552,422)
Total Comprehensive Income and Expenditure	(6,050,759)	-	-	(6,050,759)	(10,552,422)	(16,603,181)
Adjustments between accounting basis & funding under regulations	7,506,661	(762,497)	37,500	6,781,664	(6,686,914)	94,750
Net Increase before transfers to Statutory and Other Reserves	1,455,902	(762,497)	37,500	730,905	(17,239,336)	(16,508,431)
Transfers to / from Statutory and Other Reserves	(1,013,346)	1,013,346	-	-	-	-
Increase/ Decrease in year	442,556	250,849	37,500	730,905	(17,239,336)	(16,508,431)
Balance as at 31 March 2017	4,693,108	16,235,908	779,642	21,708,658	75,033,166	96,741,824
Movement in reserves during the year						
Surplus/ (Deficit) on the provision of services	1,658,892	0	0	1,658,892	0	1,658,892
Other Comprehensive Income and Expenditure	0	0	0	0	22,783,628	22,783,628
Total Comprehensive Income and Expenditure	1,658,892	0	0	1,658,892	22,783,628	24,442,520
Adjustments between accounting basis & funding under regulations	2,370,623	3,247,450	0	5,618,073	(5,615,520)	2,553
Net Increase before transfers to Statutory and Other Reserves	4,029,515	3,247,450	0	7,276,965	17,168,108	24,445,073
Transfers to / from Statutory and Other Reserves	(3,927,732)	4,280,636	0	352,904	(352,904)	0
Increase in year	101,783	7,528,086	0	7,629,869	16,815,204	24,445,073
Balance as at 31 March 2018	4,794,891	23,763,994	779,642	29,338,527	91,848,370	121,186,897

The figures above are prepared to two decimal places but rounding due to formatting may occur.

Derry City and Strabane District Council
Balance Sheet as at 31 March 2018

	Note	31st March 2018	31st March 2017
		£	£
Fixed Assets	11	193,919,288	168,522,091
Long Term Debtors	15	596,455	655,380
LONG TERM ASSETS		194,515,743	169,177,471
Inventories	14	253,019	154,623
Short Term Debtors	15	22,428,692	16,214,966
Cash and Cash Equivalents	23	15,304,371	18,847,015
Assets Held for Sale	11	650,000	-
CURRENT ASSETS		38,636,082	35,216,604
Short Term Borrowing	17	3,436,172	3,086,464
Short Term Creditors	18	12,032,217	13,856,441
Provisions	19	1,044,209	838,232
CURRENT LIABILITIES		16,512,598	17,781,137
Provisions	19	4,446,170	4,040,288
Long Term Borrowing	17	50,234,150	48,896,317
Other Long Term Liabilities	21	40,772,000	36,934,500
LONG TERM LIABILITIES		95,452,320	89,871,105
NET ASSETS		121,186,907	96,741,833
USABLE RESERVES			
Capital Receipts Reserve	24	779,642	779,642
Capital Grants Unapplied Account	24	11,116,788	7,294,566
Capital Fund	24	3,619,955	3,094,246
Renewal and Repairs Fund	24	4,344,627	2,964,588
Other Balances and Reserves	24	4,682,624	2,882,508
General Fund	24	4,794,901	4,693,118
		29,338,537	21,708,667
UNUSABLE RESERVES			
Capital Adjustment Account	25	58,526,732	58,519,118
Revaluation Reserve	25	74,814,411	53,818,386
Pensions Reserve	25	(40,772,000)	(36,934,500)
Accumulated Absences Account	25	(367,869)	(369,839)
Provisions Discount Rate Reserve	25	(352,904)	-
		91,848,370	75,033,165
NET WORTH		121,186,907	96,741,833

The figures above are prepared to two decimal places but rounding due to formatting may occur.

Derry City and Strabane District Council
Cash Flow Statement at 31 March 2018

	Note	2017/18	2016/17
		£	£
Net Surplus/(Deficit) on the provision of services		1,658,891	(6,050,751)
Adjustment for non-cash movements		9,523,944	11,839,439
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(7,981,446)	(2,448,388)
Net cash flows from operating activities	23	3,201,389	3,340,300
Cash flows from Investing Activities	23	(8,431,568)	(2,216,966)
Net Cash flows from Financing Activities	23	1,687,534	(296,594)
Net increase or decrease in cash and cash equivalents		(3,542,644)	826,740
Cash and cash equivalents at the beginning of the reporting period		18,847,015	18,020,275
Cash and cash equivalents at the end of the reporting period		15,304,371	18,847,015

The figures above are prepared to two decimal places but rounding due to formatting may occur.

Derry City and Strabane District Council
Notes to the Financial Statements
For the year ended 31 March 2018

1 Accounting Policies

a General Principles

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 also requires disclosure in respect of:

Summary of Significant Accounting Policies

i) Accruals of Income and Expenditure

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

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

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

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

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

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

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

The Council has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred before the Council implemented its Single Status Policy.

iii) **Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than 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.

iv) **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.

v) **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.

vi) **Employee Benefits**

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

Termination benefits

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

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

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

Post Employment Benefits

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

The Northern Ireland Local Government Officers' Pension Fund

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

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

Liabilities are discounted to their value at current prices, using a discount rate based on the Aon Hewitt GBP Select AA Curve over 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 seven components:

Within the Cost of Services

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

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

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

Within Financing and Investment Income and Expenditure

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)

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

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

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

Within the Movement in Reserves Statement Appropriations

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).

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

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

Discretionary Benefits

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

As a result of Local Government Reform on 1 April 2015, staff that transferred from Central Government to the Council retained membership of the Northern Ireland Civil Service (NICS) Pension Scheme. The scheme 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.

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

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

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

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

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

viii) **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.

ix) **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 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.

x) **Financial Instruments**

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

Financial Liabilities
Amortised Cost

Financial Assets
Loans and Receivables
Available for Sale

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the 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.

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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the 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 District Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

a. loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market

b. available-for-sale assets – that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

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

When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. No such impairments have been identified by Derry City and Strabane District Council.

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

Available-for-Sale Assets

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

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

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

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

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

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

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

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

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

xi) 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.

xii) Government Grants and Contributions

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

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

Amounts recognised as due are not credited to the 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 acquired using the grant or contribution are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

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

xiii) 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, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in Cost of Services on Continuing Operations in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in Cost of Services on Continuing Operations in the 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 District Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £5,000) the Capital Receipts Reserve.

xiv) **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.

xv) **Investment Property**

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line in the 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 District Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

xvi) **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.

xvii) **Leases**

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

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

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

The Council as Lessee - Finance Lease

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

Lease payments are apportioned between:

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

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

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

Operating Leases:

Rentals paid under operating leases are charged to the 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 asset (long term debtor) together with any premiums received, and
- b. finance income (credited to the Financing and Investment income and Expenditure line in the 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 will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are paid, the element for the charge for the acquisition of the interest in the property is used to write down the lease asset (debtor). At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

The Council as Lessor - Operating Lease

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the 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.

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

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

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

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

When an asset is disposed of, or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the 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 exceeding £5,000 are categorised as capital receipts and credited to the Capital Receipts Reserve. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the 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 – depreciated historical cost
- community assets and assets under construction - cost
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV or Depreciated Replacement Cost- DRC)

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 sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end. A full revaluation was carried out by Land and Property Services at 31st March 2018 and will be updated at yearly intervals going forward. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement 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, 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 Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Buildings, installations and fittings are depreciated on a straight line basis on their carrying value over the estimated remaining useful life of the asset as advised by the valuer from Land & Property Services. Depending on the type of building, installation or fitting the maximum useful life will be in the range of 10 to 60 years.
- Plant, vehicles and equipment (excluding IT equipment) are depreciated on a straight line basis on historic cost using a standard useful life of between 5 and 20 years
- IT equipment is depreciated on a straight line basis on historic cost using a standard useful life of 5 years. Intangible assets are amortised over the estimated lives of the assets.

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 and they are held by this authority in pursuit of our overall objectives in relation to the maintenance of heritage.

The Council has a large number of items which are deemed to be classed as Heritage Assets under the definition in IFRS. These have been categorised into a range of different classes and are located in a number of Council owned facilities. Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation with valuations provided by the external valuers appointed to determine values for Insurance purposes and with reference to appropriate commercial markets where they exist. These assets are valued annually by suitably qualified professional valuers to ensure they are correctly valued for Insurance purposes. Assets on loan from the Council are deemed to remain as part of Council's assets while items on loan to the Council are deemed to remain in the ownership of the loaning body.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, eg 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 Authority's general policies on impairment – see note 1xix) in this summary of significant accounting policies.

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.

xxii) **Reserves**

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

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

xxiii) **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.

xxiv) 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.

xxv) 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.

xxvi) The Carbon Reduction Commitment Scheme (CRC)

The Council is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions, i.e. carbon dioxide produced as energy is used. As carbon dioxide is produced (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

xxvii) 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 at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

For 2018/19 it is anticipated that the introduction of IFRS 9 - Financial Instruments may have a material impact on the Council's core financial statements. IFRS 9 Financial Instruments, which introduces extensive change in the classification and measurement of financial assets by providing a single approach. A new "expected credit loss" model has also been introduced for impairing financial assets. As such the council are required to reassess the classification of assets which are currently disclosed as loans and receivables, and available for sale to amortised cost and fair value through other comprehensive income respectively based on the contractual cash flows and business model for holding the assets.

c 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.

As noted in the Governance Statement CODA Operations Limited is in discussions with the Northern Ireland Executive and the DfT in relation to the funding of the PSO route beyond 2019. On the basis of the discussions to date, the Directors are hopeful that the required funding will be released in which case DCSDC's current subsidy will be sufficient to fund the airport at its current level of operation until 31st March 2021.

In the event that these funds are not secured, DCSDC's current subsidy will be sufficient to meet the cost of operations at a reduced level for a minimum period of six months after May 2019 during which the viability of the airport over the short and medium term will be considered and appropriate actions taken. On this basis the accounts have been prepared on a going concern basis.

(i) 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.

2

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/ services/ departments

	2017/18			2016/17		
	Net Expenditure Chargable to the General Fund	Adjustments between the Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargable to the General Fund	Adjustments between the Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£	£	£	£	£	£
Cross Cutting Support Services	4,775,029	(566,127)	5,341,156	4,705,895	(146,265)	4,852,160
Environment & Regeneration	21,466,534	(5,703,774)	27,170,308	21,285,233	(4,252,969)	25,538,202
Business & Culture	6,985,005	(2,315,760)	9,300,765	7,724,909	(1,209,122)	8,934,031
Health & Community	8,950,553	(2,790,702)	11,741,255	8,557,033	(2,191,244)	10,748,277
Council	1,144,991	(91,752)	1,236,743	1,170,246	41,986	1,128,260
City of Derry Airport	3,998,510	1,682,665	2,315,845	3,626,851	1,355,255	2,271,596
Capital Financing	5,175,971	5,175,971	-	4,771,425	4,771,425	-
Other Corporate	821,654	(154,518)	976,172	1,700,880	(1,226,918)	2,927,798
Transfers to/from Reserves & Provisions	4,235,636	4,235,636	-	968,346	968,346	-
Net Cost of Services	57,553,883	(528,361)	58,082,244	54,510,817	(1,889,507)	56,400,324
Other Income and Expenditure	(57,655,667)	2,085,469	(59,741,136)	(54,953,375)	(4,603,811)	(50,349,564)
(Surplus) or Deficit for the year	(101,785)	1,557,107	(1,658,892)	(442,558)	(6,493,318)	6,050,760
Opening General Fund	4,693,118			4,250,552		
Surplus/ (Deficit) on General Fund Balance in Year	101,785			442,558		
Closing General Fund	4,794,903			4,693,110		

Net expenditure charged to general fund of £57,553,883 is effectively the 2017-18 net accrued cost of running the council that has to be funded by both rates or from existing surplus in the general fund. Consequently this cost includes financing and Investment Income and Expenditure of £4,858,216 (Note 9). As this is not part of the "cost of services on continuing operations" in the CIES then in order to reconcile back to the net figure of £58,082,244 in the CIES, the £4,858,216 is reversed out in the 'adjustments column' totalling £528,361. Of the financing cost of £4,858,216, Loan interest costs of £491,909 relating to Airport capital expenditure and CODA share write-down cost of £2,408,616 are included within City of Derry Airport costs above. Furthermore the airport has also been allocated its portion of the minimum revenue provision (£717,987). The Airport is the only area that has been charged its share of financing and Investment Income and Expenditure. The remaining capital financing costs of £5,175,971 consist of both the unallocated to service heads elements of loan interest and minimum revenue provision costs.

2

b) Note to the Expenditure and Funding Analysis

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

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

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net Change for the Pension Adjustments	Other Statutory Adjustments	Other Differences	Total
	£	£	£	£	£
Cross Cutting Support Services	(211,871)	(355,085)	829	-	(566,127)
Environment & Regeneration	(4,366,437)	(982,726)	(354,611)	-	(5,703,774)
Business & Culture	(1,944,922)	(369,316)	(1,522)	-	(2,315,760)
Health & Community	(2,071,732)	(723,341)	4,371	-	(2,790,702)
Council	(76,306)	(60,447)	-	45,000	(91,752)
City of Derry Airport	(1,974,198)	-	-	3,656,863	1,682,665
Capital Financing	-	-	-	5,175,971	5,175,971
Other Corporate	-	(122,085)	-	(32,433)	(154,518)
Transfers to/from Reserves & Provisions	-	-	-	4,235,636	4,235,636
Net Cost of Services	(10,645,466)	(2,613,000)	(350,933)	13,081,037	(528,361)
Other Income and Expenditure from the Expenditure and Funding Analysis	7,806,461	(900,000)	-	(4,820,992)	2,085,469
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(2,839,005)	(3,513,000)	(350,933)	8,260,046	1,557,107

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:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- 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.
- Taxation and Non Specific Grant Income and Expenditure – Capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pension Adjustments

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

- For services this represents the removal of the employer pension contributions made by the authority as permitted by statute and the replacement with current service costs and past service costs.
For Financing and investment income and expenditure - the net interest on the defined benefit liability is charged to the CIES.

Other Statutory Adjustments / Other Differences

Other Differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:
The charge for services here is a statutory adjustment for a financial instrument relating to a decision by services to issue soft loans to community organisations. Soft loans are loans below market rates.
For Financing and investment income and expenditure the other differences column recognises adjustments to General Fund for the timing differences for premiums and discounts.
The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax 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.

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

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net Change for the Pension Adjustments	Other Statutory Adjustments	Other Differences	Total
	£	£	£	£	£
Cross Cutting Support Services	(160,555)	17,685	(3,395)	-	(146,265)
Environment & Regeneration	(4,273,716)	49,062	(26,516)	(1,800)	(4,252,969)
Business & Culture	(1,218,854)	18,000	(8,268)	-	(1,209,122)
Health & Community	(2,208,674)	38,110	(20,680)	-	(2,191,244)
Council	(6,158)	3,143	-	45,000	41,986
City of Derry Airport	(1,972,769)	-	-	3,328,023	1,355,255
Capital Financing	-	-	-	4,771,425	4,771,425
Other Corporate	-	(931,000)	-	(295,918)	(1,226,918)
Transfers to/from Reserves & Provisions	-	-	-	968,346	968,346
Net Cost of Services	(9,840,724)	(805,000)	(58,859)	8,815,076	(1,889,507)
Other Income and Expenditure from the Expenditure and Funding Analysis	511,942	(758,000)	-	(4,357,753)	(4,603,811)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(9,328,782)	(1,563,000)	(58,859)	4,457,324	(6,493,318)

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 Pension Adjustments

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

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

Other Statutory Adjustments / Other Differences

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

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

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

The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax 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.

2

c Segmental Income and Expenditure

Income and expenditure on a segmental basis are analysed below:

	2017/18		
	Gross expenditure	Income	Net expenditure as reported to Council
	£	£	£
CHIEF EXECUTIVE	1,636,612	(924,109)	712,503
PERSONNEL	799,422	(75,145)	724,277
POLICY & IMPROVEMENT GOVERNANCE	1,659,939	(12,944)	1,646,995
STRATEGIC FINANCE & FUNDING	997,563	(26,222)	971,341
LEGAL SERVICES	522,032	(18,430)	503,603
CROSS CUTTING CORPORATE SERVICES	399,682	(183,371)	216,312
ENVIRONMENT & REGEN. OFFICE	6,015,251	(1,240,221)	4,775,029
PLANNING & REGENERATION	611,379	(124,331)	487,049
ENVIRONMENT SERVICE	1,836,867	(1,082,888)	753,979
CAPITAL DEV. & BUILDING CONTROL	20,819,747	(1,392,840)	19,426,907
ENVIRONMENT & REGENERATION DIRECTORATE	1,709,188	(910,588)	798,600
BUSINESS & CULTURE DIRECTOR	24,977,182	(3,510,647)	21,466,535
BUSINESS	279,987	(29,371)	250,616
CULTURE	3,809,955	(2,946,804)	863,151
BUSINESS & CULTURE DIRECTORATE	6,317,521	(446,283)	5,871,238
HEALTH & COMMUNITY OFFICE	10,407,464	(3,422,459)	6,985,005
COMMUNITY WELLBEING	425,733	(1,663)	424,070
COMMUNITY DEV. & LEISURE	2,486,346	(624,409)	1,861,937
HEALTH & COMMUNITY DIRECTORATE	11,278,047	(4,613,500)	6,664,546
COUNCIL	14,190,125	(5,239,572)	8,950,553
CITY OF DERRY AIRPORT	1,146,140	(1,150)	1,144,990
CAPITAL FINANCING	5,766,015	(1,767,504)	3,998,511
PENSIONER COSTS	5,175,971		5,175,971
OTHER COSTS	462,455		462,455
BANK INTEREST AND CHARGES	834,907	(449,755)	385,151
OTHER COSTS	4,848	(30,801)	(25,953)
TRANSFERS TO/ FROM RESERVES	1,302,210	(480,556)	821,654
TAXATION AND OTHER INCOME	4,235,636		4,235,636
NET COST OF SERVICES	0	(57,655,668)	(57,655,668)
	73,215,993	(73,317,777)	(101,784)

	2016/17 RESTATED		Net expenditure as reported to Council
	Gross expenditure	Income	
	£	£	£
CHIEF EXECUTIVE	1,522,150	(722,745)	799,405
PERSONNEL	755,029	(23,727)	731,302
POLICY & IMPROVEMENT	1,522,477	(35,272)	1,487,205
GOVERNANCE	994,630	(16,780)	977,850
STRATEGIC FINANCE & FUNDING	508,288	(10,076)	498,212
LEGAL SERVICES	360,383	(148,463)	211,920
CROSS CUTTING CORPORATE SERVICES	5,662,957	(957,063)	4,705,895
ENVIRONMENT & REGEN. OFFICE	534,710	(121,247)	413,463
PLANNING & REGENERATION	1,753,130	(1,062,419)	690,711
ENVIRONMENT SERVICE	20,412,190	(895,772)	19,516,418
CAPITAL DEV. & BUILDING CONTROL	1,617,349	(952,709)	664,639
ENVIRONMENT & REGENERATION DIRECTORATE	24,317,379	(3,032,147)	21,285,232
BUSINESS & CULTURE DIRECTOR	251,244	(20,378)	230,866
BUSINESS	2,891,522	(1,937,228)	954,293
CULTURE	7,288,304	(748,554)	6,539,749
BUSINESS & CULTURE DIRECTORATE	10,431,069	(2,706,161)	7,724,909
HEALTH & COMMUNITY OFFICE	430,220	0	430,220
COMMUNITY WELLBEING	2,540,196	(576,654)	1,963,543
COMMUNITY DEV. & LEISURE	10,545,123	(4,381,852)	6,163,270
HEALTH & COMMUNITY DIRECTORATE	13,515,539	(4,958,506)	8,557,033
COUNCIL	1,171,771	(1,525)	1,170,246
CITY OF DERRY AIRPORT	3,627,181	(331)	3,626,850
CAPITAL FINANCING	4,771,425		4,771,425
PENSIONER COSTS	121,657	0	121,657
OTHER COSTS	1,617,966	(1,000)	1,616,966
BANK INTEREST AND CHARGES	21,819	(59,562)	(37,743)
OTHER COSTS	1,761,442	(60,562)	1,700,880
TRANSFERS TO/ FROM RESERVES	968,346		968,346
TAXATION AND OTHER INCOME	0	(54,953,375)	(54,953,375)
NET COST OF SERVICES	66,227,111	(66,669,671)	(442,559)

The 2016/17 detailed analysis of income and expenditure for each service area is restated in line with the "Telling the Story" format of accounts. This is then reconciled in Note 2a to the expenditure and income included in the Comprehensive Income and Expenditure Statement.

3 Expenditure and Income Analysed by Nature

Expenditure		2017/18	2016/17
	Notes	£	£
Employee Benefits Expenses	7A	30,894,784	30,481,009
Other Services Expenditure		32,173,306	27,733,523
Depreciation, Amortisation, Impairment	4A	10,645,464	9,840,723
Interest Payments	9A	2,449,600	2,535,043
Deficit on Non-Current Assets	8A	174,986	1,898,946
Other Expenditure		3,308,616	2,940,499
Total Expenditure		79,646,756	75,429,743

Income		2017/18	2016/17
	Notes	£	£
Interest and Investment Income	9B	(30,800)	(61,363)
District rate income	10D	(51,735,569)	(48,767,391)
Government grants and Contributions	10A,B,C	(13,901,545)	(8,596,872)
Support Service Income		(15,631,308)	(11,654,932)
Other Income	8A,B	(6,424)	(298,426)
Total Income		(81,305,646)	(69,378,984)

(Surplus) or Deficit on the Provision of Services		(1,658,890)	6,050,759
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4 Adjustments between an Accounting Basis and Funding Basis under Regulations
 Amounts included in the Comprehensive Income and Expenditure Statement but required by statute to be excluded when determining the Movement on the General Fund Balance for the year:

	Notes	2017/18		2016/17	
		£	£	£	£
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:					
Impairments (losses & reversals) of non-current assets		(76,948)	-		
Revaluation increases/decreases taken to Surplus/Deficit on the Provision of Services	11	1,673,343		1,610,691	
Depreciation charged in the year on non-current assets	11	9,049,069	10,645,464	8,230,032	9,840,723
Net Revenue expenditure funded from capital under statute	11		-		-
Carrying amount of non current assets sold	8	174,986		1,936,446	
Proceeds from the sale of PP&E, investment property and intangible assets	23,24		174,986	(37,500)	1,898,946
Difference between finance costs calculated on an accounting basis and finance costs calculated in accordance with statutory requirements	25		-		-
Net charges made for retirement benefits in accordance with IAS 19	21		7,940,000		6,691,000
Direct revenue financing of Capital Expenditure	12,24		(241,803)		(239,974)
Capital Grants and Donated Assets Receivable and Applied in year	10B		(287,502)		(590,082)
Capital Grants Receivable and Unapplied in year	10C, 24B		(7,693,945)		(1,820,807)
Rates Claw-Back Reserve	25		-		-
Adjustments in relation to Short-term compensated absences	25		(1,970)		58,859
Adjustments in relation to Lessor Arrangements			-		-
Landfill Regulations Reserve Adjustment	25		-		-
Provisions Discount Rate Reserve Adjustment	25		-		-
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	25		(3,737,607)		(3,204,004)
Employers contributions payable to the NILGOSC and retirement benefits payable direct to pensioners	21		(4,427,000)		(5,128,000)
			2,370,623		7,506,661

Net transfers (to) from statutory and other earmarked reserves:

	Notes	2017/18		2016/17	
		£	£	£	£
Capital Fund					
Transfer to General Fund	24	736,541		260,046	
Transfer from General Fund	24	(1,171,903)	(435,362)	(639,898)	(379,852)
Renewal and Repairs Fund					
Transfer to General Fund	25	224,612		1,132,604	
Transfer from General Fund	25	(2,222,769)	(1,998,158)	(1,000,605)	131,999
Landfill Provision Discount Rate Reserve					
Transfer from General Fund	25	352,904	352,904	-	-
Other Funds and earmarked reserves					
Transfer to General Fund	24	462,434		1,073,126	
Transfer from General Fund	24	(2,309,550)	(1,847,116)	(1,838,619)	(765,493)
			(3,927,732)		(1,013,346)

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 benefiting the area or its residents nor is it limited by existing powers.

The actual expenditure under the power of competence amounted to £0 during 2017/18 (£0 in 2016/17).

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.

	2017/18	2016/17
	£	£
External Audit Fees *	55,000	56,000
Other Fees - Performance Audit Fees	16,400	16,333
Other Fees - National Fraud Initiative Fees	-	1,201
	71,400	73,534

* The figure of £55,000 includes an amount of -£2,000 in respect of over accrued audit fees for 2016/17. There was -£2,000 also over accrued in 2016/17 for 2015/16.

There were no other fees incurred in respect of any other services provided by the appointed auditor over and above those described above (£0 2016/17).

6 Operating and Finance Leases Council as Lessor

a Finance Leases (Council as lessor)

The Council does not have any leases that would be classified as Finance Leases under the IFRS Code.

b Operating Leases (Council as lessor)

The Council, in accordance with its statutory and discretionary responsibilities, leases out land and property 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 Comprehensive Income and Expenditure Statement in the current year amounts to £111,393 (2016-17: £103,704). No contingent rents were recognised.

The lease contracts are all non-cancellable and do not include an extension option. The lease terms are between 1 and 1000 years. Future minimum lease income is set out below:

	2017/18		2016/17	
	Land and Buildings	Vehicles, Plant and Equipment	Land and Buildings	Vehicles, Plant and Equipment
	£	£	£	£
Minimum lease rentals receivable:				
No later than 1 year	71,759	-	92,674	-
Later than 1 year and no later than 5 years	197,546	-	229,340	-
Later than 5 years	119,027	-	155,983	-
	388,332	-	477,997	-

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

	2017/18		2016/17	
	Land and Buildings	Vehicles, Plant and Equipment	Land and Buildings	Vehicles, Plant and Equipment
	£	£	£	£
Cost	2,817,145	-	2,793,242	-
Additions during the year	(638)	-	836,599	-
Accumulated depreciation and impairments at 1 April	(74,838)	-	(91,752)	-
Depreciation charge for the year	(55,884)	-	(55,241)	-
Revaluation/Impairments for the year	915,410	-	(620,541)	-
	3,601,195	-	2,862,307	-

Council as Lessee
c Finance Leases (Council as lessee)

The Council does not have any leases that would be classified as Finance Leases under the IFRS Code.

d Operating Leases (Council as lessee)

The Council has a number of office photocopiers and printers acquired by entering into operating leases with typical lives of 5 years. It also has leased various sites all of which are treated as Operating Leases due to their short terms.

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

	2017/18		2016/17	
	Land and Buildings	Vehicles, Plant and Equipment	Land and Buildings	Vehicles, Plant and Equipment
	£	£	£	£
Minimum lease payments	261,033	31,555	239,211	31,572
Total	261,033	31,555	239,211	31,572

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

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

	2017/18		2016/17	
	Land and Buildings	Vehicles, Plant and Equipment	Land and Buildings	Vehicles, Plant and Equipment
	£	£	£	£
Minimum lease rentals payable:				
No later than 1 year	155,183	3,294	179,113	32,116
Later than 1 year and no later than 5 years	275,289	-	392,186	7,393
Later than 5 years	130,133	-	145,458	1,668
Total	560,605	3,294	716,757	41,177

7 Employee Costs and Member Allowances		
a Staff Costs		
	2017/18	2016/17
	£	£
Salaries and Wages	24,662,568	24,134,330
Employers NIC	2,209,016	2,099,332
Employers Superannuation - NILGOSC	3,777,653	4,003,728
Employers Superannuation - Civil Service	245,547	243,619
Total staff costs	30,894,784	30,481,009

The Employer's superannuation figure in Note 6a above does not include £232,920 for the capital costs incurred in respect of the Council's 2017-18 exit packages (2016-17 £1,096,923).

In addition, agency costs during the year amounted to £518,241 (2016-17 £723,686).

The Council's current contribution rate to NILGOSC scheme is 18% (2016-17 18%). At the last actuarial valuation, dated 31 March 2016, the Fund's assets as a whole were sufficient to meet 96% of the liabilities accrued up to that date. The Council also paid £419,822 during 2017-18 (2016-17 £1,433,016) in respect of former employees who were granted early retirement or redundancy or employees who continued to pay their contributions during periods of absence such as career breaks.

Average Number of Employees - where FTE represents fulltime equivalent employees

b Average Number of Employees		
	2017/18	2016/17
	FTE	FTE
Full-time numbers employed	816	769
Part-time numbers employed	93	115
Total Number	909	884

	2017/18	2016/17
	Actual Numbers	Actual Numbers
Full-time numbers employed	825	786
Part-time numbers employed	172	204
Total Number	997	990

c Senior Employees Remuneration		
	2017/18	2016/17
	£	£
£50,001 to £60,000	11	14
£60,001 to £70,000	4	1
£70,001 to £80,000	-	2
£80,001 to £90,000	3	1
£90,001 to £100,000	-	-
£100,001 to £110,000	-	1
£110,001 to £120,000	1	-
Total Number	19	19

d Members' Allowances		
	2017/18	2016/17
	£	£
Basic allowance	579,237	572,563
Mayor's Allowance	30,113	30,197
Deputy Mayor's Allowance	7,528	7,549
Special Responsibility Allowances	71,408	70,829
Dependents' carers allowance	5,462	6,289
PCSP allowance	6,840	7,500
Employer costs	128,250	136,931
Mileage	28,303	37,024
Conferences, Courses & Visits	380	7,358
Travel & Subsistence Costs	3,427	943
General Secretarial Services	1,766	-
Other Costs	1,605	-
Communication and Support Costs	5,353	4,643
Total	869,672	881,825

Northern Ireland Civil Service Pension Arrangements

As a result of Reform on 1st April 2015, staff transferred from Central Government to the Council and 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 at 01/04/15 was unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31/03/2012. This valuation is then reviewed by the Scheme Actuary and updated to reflect current conditions and rolled forward to the reporting date of the DOF Superannuation and Other Allowances Resource Accounts as at 31 March 2018.

For 2017-18, employers' contributions of £245,547 (2016/17: £243,619) were payable to the NiCS pension arrangements at one of three rates in the range 20.8% to 26.3% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. A new scheme funding valuation based on data as at 31/03/2012 was completed by the Actuary during 2014-15. This valuation was used to determine employer contribution rates for the introduction of alpha, a new career average earning scheme from April 2015. For 2018-19 the rates will range from 20.8% to 26.3% however the salary bands differ. The contribution rates are set to meet the cost of the benefits accruing during 2017-18 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Nobody retired early on ill-health grounds, 1 person retired (age 60 at no cost to employer), 1 person resigned their position (at no cost to employer), one further person was dismissed due to capability (at no cost to employer). The actuarial cost for employees for the early payment of retirement benefits was £0 (2016/17: £0).

8 Other Operating Expenditure

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

	2017/18	2016/17
	£	£
Proceeds from sale	-	(37,500)
Carrying amount of non-current assets sold (excl Investment Properties)	174,986	1,936,446
	174,986	1,898,946

b Other Operating Income/Expenditure

	2017/18	2016/17
	£	£
Income	(6,424)	(260,926)
Expenditure	-	-
	(6,424)	(260,926)

Other Operating Expenditure	2017/18	2016/17
	£	£
(Surplus) / Deficit on Non Current Assets	174,986	1,898,946
Other Operating (Income) / Expenditure	(6,424)	(260,926)
	168,562	1,638,020

The above figures are prepared to two decimal places but rounding due to formatting may occur.

9 Financing and Investment Income and Expenditure

a Interest Payable and Similar Charges

	2017/18	2016/17
	£	£
Lease/hire purchase interest	-	-
Bank interest	1,838	3,512
Government Loan interest	2,444,808	2,510,472
Other interest (please specify)	2,954	21,059
	2,449,600	2,535,043

b Interest and Investment Income

	2017/18	2016/17
	£	£
Bank interest	29,005	58,133
Employee car loan interest	1,795	1,430
NIHE Loan interest receivable	-	-
Investment income on Fund Balances		
Capital Fund	-	-
Repairs & Renewals Fund	-	-
Other Funds	-	-
Other Investment income	-	-
	30,800	59,563

c Pensions interest costs

	2017/18	2016/17
	£	£
Net Interest on the net defined benefit liability (asset)	900,000	758,000
	900,000	758,000

d Surplus/(Deficit) on trading operations

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

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

	2017/18	2016/17
	£	£
Income/Expenditure from Investment Properties:		
Income including rental income	-	(1,800)
Expenditure	-	-
De-recognition in relation to amounts written off	-	-
Net income from investment properties	-	(1,800)
Surplus/deficit on sale of Investment Properties		
Proceeds from sale	-	-
Carrying amount of investment properties sold	-	-
(Surplus)/deficit on sale of Investment Properties:	-	-
Changes in Fair Value of Investment Properties		
	-	(1,800)

Financing and Investment Income and Expenditure	2017/18			2016/17		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£	£	£	£	£	£
Interest Payable and Similar Charges	2,449,600	-	2,449,600	2,535,043	-	2,535,043
Interest and Investment Income	-	(30,800)	(30,800)	-	(59,563)	(59,563)
Pensions Interest cost	900,000	-	900,000	758,000	-	758,000
Surplus/(Deficit) on trading operations	-	-	-	-	-	-
Other Investment Income	-	-	-	-	(1,800)	(1,800)
Writedown of value of shares purchased in CODA (Operations) Limited	2,408,616	-	2,408,616	2,144,999	-	2,144,999
Changes in Fair Value of Investment Properties	-	-	-	-	-	-
	5,758,216	(30,800)	5,727,416	5,438,042	(61,363)	5,376,679

10 Taxation and Non Specific Grant Income

a Revenue Grants

	2017/18	2016/17
	£	£
General	(5,920,099)	(6,185,984)
Other	-	-
	<u>(5,920,099)</u>	<u>(6,185,984)</u>

b Revenue Grants - Unapplied

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

b Capital Grants and Donated Assets - Applied

	2017/18	2016/17
	£	£
Government & Other Grants - Conditions met and applied in year	(287,501)	(590,081)
Government & Other Grants - Transfer from receipts in advance	-	-
Donated Assets - Conditions met	-	-
Donated Assets - transfer from donated assets creditor	-	-
	<u>(287,501)</u>	<u>(590,081)</u>

c Capital Grants - Unapplied

	2017/18	2016/17
	£	£
Government & Other Grants - Conditions met and not applied in year	(7,693,945)	(1,820,807)
Other	-	-
	<u>(7,693,945)</u>	<u>(1,820,807)</u>

d District Rates

	2017/18	2016/17
	£	£
Current year	(50,245,960)	(48,454,668)
Finalisation - previous year	(2,077,254)	(587,645)
Transitional Relief	-	-
Finalisation - other years	587,645	274,922
	<u>(51,735,569)</u>	<u>(48,767,391)</u>

Taxation and Non Specific Grant Income

	2017/18	2016/17
	£	£
District Rate Income	(51,735,569)	(48,767,391)
Revenue Grants	(5,920,099)	(6,185,984)
Capital Grants and Contributions	(7,981,446)	(2,410,888)
	<u>(65,637,114)</u>	<u>(57,364,263)</u>

Cost or Valuation	Land	Buildings	Infrastructure Assets	Landfill Sites	Vehicles, Plant & Equipment	Community Assets	PF&E Under Construction	Surplus Assets	Total PF&E Heritage Assets	Investment Properties	Intangible Assets	Assets Held for Resale	TOTAL
Balance as at 1 April 2017	25,113,847	83,934,510	70,482,937	-	39,377,442	7,502,657	3,708,065	1,069,864	231,189,322	44,000	655,772	-	236,093,490
Adjustments between cost/value & depreciation/impairment	-	(39,099,956)	-	-	-	-	-	(25,678)	(39,125,634)	-	-	-	(39,125,634)
Balance as at 1 April 2017	25,113,847	44,834,554	70,482,937	-	39,377,442	7,502,657	3,708,065	1,044,186	192,063,688	44,000	655,772	-	194,947,856
Addition	10,000	(36,597)	(83,541)	-	1,921,598	184,461	11,748,644	-	13,744,545	12,400	-	-	13,756,945
Revaluation increases/(decreases) to Surplus or Deficit on the Provision of Services	4,271,071	18,615,734	-	-	-	-	-	25,409	22,912,214	196,000	-	-	23,108,244
Revaluation increases/(decreases) to Surplus or Deficit on the Provision of Services	(524,528)	(623,694)	-	-	-	-	-	(100,133)	(1,248,355)	(70,148)	-	-	(1,318,503)
Impairment to Surplus or Deficit on the Provision of Services	-	(296,413)	-	-	(58,427)	-	-	-	(354,840)	-	-	-	(354,840)
Derecognition - Disposals	-	(23,141)	-	-	(903,646)	-	-	-	(926,787)	-	-	-	(926,787)
Derecognition - Other	(131,000)	-	-	-	-	-	-	-	(131,000)	-	-	-	(131,000)
Reclassifications & Transfers	(1,640,642)	67,880,043	(59,579,528)	-	2,607,945	(9,476,057)	208,239	-	-	-	-	-	-
Reclassified to (-) / from (+) Held for Sale	-	-	-	-	-	-	(650,000)	-	(650,000)	-	-	-	(650,000)
Balance as at 31 March 2018	27,098,748	130,350,486	10,819,868	-	42,944,912	7,687,118	5,988,652	527,701	225,409,485	44,000	655,772	-	230,451,935
Depreciation and Impairment													
	Land	Buildings	Infrastructure Assets	Landfill Sites	Vehicles, Plant & Equipment	Community Assets	PF&E Under Construction	Surplus Assets	Total PF&E Heritage Assets	Investment Properties	Intangible Assets	Assets Held for Resale	TOTAL
Balance as at 1 April 2017	-	2,971,991	35,605,999	-	28,362,551	-	-	5,208	64,945,829	-	625,570	-	67,571,319
Adjustments between cost/value & depreciation/impairment	-	(39,099,956)	-	-	-	-	-	(25,678)	(39,125,634)	-	-	-	(39,125,634)
Balance as at 1 April 2017	-	(36,127,965)	35,605,999	-	28,362,551	-	-	(20,370)	27,820,195	-	625,570	-	28,445,765
Depreciation Charge	-	3,104,922	847,521	-	3,044,508	-	-	9,975	7,004,931	-	9,600	-	7,016,531
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	-	2,029,335	339	-	-	-	-	2,864	2,032,538	-	-	-	2,032,538
Impairment losses/reversals to Revaluation Reserve	-	(2,438)	-	-	-	-	-	-	(2,438)	-	-	-	(2,438)
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	-	(18,521)	-	-	(58,427)	-	-	-	(76,948)	-	-	-	(76,948)
Derecognition - Disposals	-	(14,488)	-	-	(868,313)	-	-	-	(882,801)	-	-	-	(882,801)
Reclassifications & Transfers	-	31,049,790	(31,057,341)	-	-	-	-	7,551	-	-	-	-	-
Balance as at 31 March 2018	-	20,640	5,396,518	-	30,480,319	-	-	-	35,897,477	-	635,170	-	36,532,647
Balance as at 31 March 2018	27,098,748	130,329,846	5,423,350	-	12,464,593	7,687,118	5,988,652	527,701	189,512,008	44,000	20,602	-	193,919,288

Cost or Valuation	Land	Buildings	Infrastructure Assets (landfill sites)	Vehicles, Plant & Equipment	Community Assets	PP&E Under Construction	Surplus Assets	Total PP&E Heritage Assets	Investment Properties	Intangible Assets	Assets Held for Resale	TOTAL
Balance as at 1 April 2016	25,006,072	87,571,142	70,179,259	37,955,454	5,235,315	7,238,648	4,068,714	237,254,404	44,000	628,272	-	241,984,779
Adjustment between cost/value & depreciation/impairment	-	(6,715,728)	-	-	-	-	(881,908)	(7,597,634)	-	-	-	(7,597,634)
Balance as at 1 April 2016	25,006,072	80,855,414	70,179,259	37,955,454	5,235,315	7,238,648	3,186,806	229,656,768	44,000	628,272	-	234,387,143
Additions (Note 11)	3,000	1,354,277	303,678	1,931,019	247,384	2,220,539	-	6,059,897	-	36,500	-	6,204,105
Revaluation increases/decreases to Revaluation Reserve	126,775	378,891	-	-	-	-	(601,133)	(95,487)	-	-	-	(56,722)
Impairment to Surplus or Deficit on the Provision of Services	-	(841,175)	-	-	-	-	(769,516)	(1,610,691)	-	-	-	(1,610,691)
Derecognition - Disposals	(2,042)	(1,787,700)	-	(1,031,643)	-	-	-	(2,821,385)	-	(9,000)	-	(2,830,385)
Reclassifications & Transfers	(19,958)	3,560,623	-	522,612	2,019,958	(5,751,122)	(332,113)	-	-	-	-	-
Reclassified to/(from) Surplus Assets	-	414,180	-	-	-	-	(414,180)	-	-	-	-	-
Balance as at 31 March 2017	25,113,847	83,934,510	70,482,937	39,377,442	7,502,657	3,708,865	1,059,864	231,189,322	44,000	655,772	-	234,093,490
Depreciation and Impairment												
Balance as at 1 April 2016	-	6,715,728	33,052,759	26,546,979	-	-	901,506	67,216,972	-	615,970	-	67,832,942
Adjustment between cost/value & depreciation/impairment	-	(6,715,728)	-	-	-	-	(881,908)	(7,597,634)	-	-	-	(7,597,634)
Balance as at 1 April 2016	-	-	33,052,759	26,546,979	-	-	19,598	59,619,336	-	615,970	-	60,235,306
Depreciation Charge	-	2,120,757	1,542,337	2,709,511	-	-	5,288	6,377,893	-	9,600	-	6,387,493
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	-	831,636	1,010,903	-	-	-	-	1,842,539	-	-	-	1,842,539
Derecognition - Disposals	-	19,598	-	(893,939)	-	-	(19,598)	(893,939)	-	-	-	(893,939)
Reclassifications & Transfers	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2017	-	2,771,911	35,405,999	28,342,551	-	-	5,288	66,945,829	-	625,570	-	67,571,399
Net Book Values												
Balance as at 31 March 2017	25,113,847	80,962,519	34,878,938	11,014,891	7,502,657	3,708,865	1,044,576	164,243,493	44,000	30,202	-	168,522,091
Balance as at 31 March 2018	27,098,748	130,339,846	5,429,350	12,444,593	7,687,118	5,980,652	527,701	189,512,008	44,000	20,602	-	193,919,288

Valuations

A revaluation of Land, Buildings, Surplus Assets and Investment Properties was carried out by an independent valuer from Land and Property Services as at 31 March 2018. A combination of desk valuations and physical inspections were carried out by the valuer. This included material asset additions and material reclassifications of assets which are revalued in the year of completion/transfer. Please refer to Note 13 for further information on revaluation and depreciation policies. The net revaluation gain/loss and impairments have been reflected in the above figures for 2017/18.

Heritage assets were revalued for insurance purposes by an independent body as at 31 March 2018.

City of Derry Airport

The classification of some City of Derry Airport assets has been revised so that assets previously held as infrastructure (mainly in relation to the runway and associated works) have now been transferred and reclassified as buildings. Council has transferred some additional operational assets at the Airport in the sum of £27,890 to City of Derry Airport (Operations) Limited during 2017/18 (2016/17 £133,128) in consideration for shares in the company to the net book values of the Assets transferred. These shares are deemed to have no market value due to the current trading conditions of the Airport, and the transfer has resulted in a loss on disposal of these assets (see Note 3). A number of assets associated with the Airport have not yet been transferred by Council to the new Company.

The City of Derry Airport is a fully owned subsidiary of Council and as disclosed in the Narrative Report and Governance Statement, there are issues in relation to the going concern status of the airport. If funds are not secured to continue to operate a PSO route to London from the airport, it is predicted that Council's current airport subsidy will only be sufficient to meet the cost of operations at a reduced level for a minimum six month period after May 2019. During this period the short and medium term viability of the airport will be considered. If the issues regarding going concern crystallise this may result in a significant impairment to the airport assets held by Council. The value of these assets in note 11, on a going concern basis are £5,294M of land and £39,617M of buildings with an associated total revaluation reserve on these assets of £27,782M.

Impairment

Due to flooding which occurred in August 2017 a number of Council facilities were damaged and remained non-operational as at 31 March 2018. Work is ongoing to rectify the damage caused.

11 c Intangible Assets

The Council owns Intangible Assets which relate to various pieces of software purchased by the Council to assist in the delivery of services. These assets are being depreciated over their estimated useful lives.

Intangible Assets	31/03/2018	31/03/2017
	£	£
Computer Software and Telephone Systems	20,602	30,202
	20,602	30,202

d Investment Properties

The following items of income and expense have been recognised in the Comprehensive Income and Expenditure Statement:

Investment Properties	31/03/2018	31/03/2017
	£	£
Rental Income from Investment Activities	-	1,800
Net gain/(loss)	-	1,800

e Heritage Assets

Heritage Assets are valued for insurance purposes with the latest valuation date being as at 31st March 2018. This valuation incorporates the majority of legacy Derry and Strabane assets with the remaining assets valued using historical information.

Sculptures

The Council's collection of sculptures are reported in the Balance Sheet at an insurance valuation which is based on market values. These insurance values are reviewed annually.

The collection of sculptures has particularly significant items in terms of both value and public visibility. The collection includes the sculptures funded through the HEART project which are located in five towns across the district, Where Dreams are Made and Myles After Myles sculptures which are located beside the Alley Theatre and Let the Dance Begin Sculpture which is located on the Lifford Road.

Art Collection

The Council's art collection is reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are reviewed annually.

The art collection includes the Dunbar Museum Collection, the Civic Chain of Office, an abstract painting by Felim Egan and several paintings and art pieces which are displayed throughout the main Council buildings.

Additions during the year

A number of additions to heritage assets were recorded during the year. These include the purchase of the main bell from RMS Laurentic which sank in Lough Swilly in 1917 as well as the recognition of an anchor located at the Strand Road offices, the Pegasus sculpture located on Skeoge roundabout and the Stitch in Time illumination.

f Assets Held for Sale

Assets Held for Sale	Current	Non Current	Total
	£	£	£
Cost or Valuation			
Balance as at 1 April 2017	-	-	-
Transferred from Non-Current Assets during year	650,000	-	650,000
Balance as at 31 March 2018	650,000	-	650,000
Net Book Value			
Balance as at 31 March 2018	650,000	-	650,000

The Council intends to dispose of the former Lisnagelvin Leisure Centre site following the opening of Foyle Arena. Council officers are working alongside an appointed estate agent to progress the marketing and sale of the site.

9 Fair Value Hierarchy for Surplus Assets

Details of the Council's surplus assets and information about the fair value hierarchy as at 31 March 2018 and 2017 are as follows:

2017/18 Recurring fair value measurements using	Quoted Prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31st March 2018
£	£	£	£	£
Existing at 01 April	942,945	121,630	-	1,064,575
Transfers from Operational during year	-	200,688	-	200,688
Depreciation, impairments and transfers between levels of hierarchy and movements to Held For Sale	(942,945)	205,382	-	(737,563)
Total	-	527,700	-	527,700

2016/17 Recurring fair value measurements using	Quoted Prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31st March 2017
£	£	£	£	£
Existing at 01 April	292,945	2,874,262	-	3,167,207
Transfers from Operational during year	-	(746,293)	-	(746,293)
Depreciation, impairments and transfers between levels of hierarchy and movements to Held For Sale	650,000	(2,006,339)	-	(1,356,339)
Total	942,945	121,630	-	1,064,575

Transfers between levels of the fair value hierarchy

A number of public conveniences transferred from operational to surplus during the year.

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

Level 1

Quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.

Level 2

Inputs other than quoted prices included with Level 1 that are observable for the asset, either directly or indirectly.

Level 3

Unobservable inputs for the asset.

Highest and best use of surplus assets

In estimating the fair value of the Council's surplus assets, the highest and best use of the assets is their current use.

Gains arising from changes in the fair value of surplus assets are recognised in the revaluation reserve, unless they reverse a previous impairment charged to the Surplus or Deficit on the Provision of Services. Losses arising from changes in the fair value of the surplus assets reduce any revaluation reserve balance relating to that asset and, thereafter, are recognised in Surplus or Deficit on the Provision of Services.

Valuation Process for Surplus Assets

The full revaluation of all surplus assets was carried out as at 31 March 2018. All valuations are 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.

h Fair Value Hierarchy for Investment Properties

Details of the Council's Investment Properties and information about the fair value hierarchy as at 31 March 2018 and 2017 are as follows

2017/18 Recurring fair value measurements using	Quoted Prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31st March 2018
£	£	£	£	£
Office Units	16,000	-	-	16,000
Other Assets	28,000	-	-	28,000
Total	44,000	-	-	44,000

2016/17 Recurring fair value measurements using	Quoted Prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs	Fair value as at 31st March 2017
£	£	£	£	£
Office Units	16,000	-	-	16,000
Other Assets	28,000	-	-	28,000
Total	44,000	-	-	44,000

Transfers between levels of the fair value hierarchy

There were no transfers between Levels 1 and 2 during the year.

Valuation Techniques

There has been no change in the valuation techniques used during the year for Investment Properties. The relevant properties have been valued by Land & Property Services as at 31 March 2018 at open market value.

Valuation Process for Surplus Assets

Gains or losses arising from changes in the fair value of the investment property are recognised in Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure line.

12 Capital Expenditure and Capital Financing

Capital Expenditure		2017/18	2016/17
		£	£
Opening Capital Financing Requirement		56,184,587	56,683,417
Capital Investment			
Property, Plant and Equipment	11	13,756,965	6,167,645
Intangible Assets	11	-	36,500
Sources of Finance			
Government Grants and Other Contributions	4a, 10b, 25a	(287,501)	(590,081)
Government Grants and Other Contributions applied from prior year	24b, 25a	(3,871,723)	(2,302,170)
Capital contributions received from external sources	25a		(74,800)
Transfers from Earmarked Reserves	25a	(574,772)	(291,946)
Summs set aside from Revenue:			
Direct Revenue Contributions	4, 24f, 25a	(241,803)	(239,974)
Minimum Revenue Provision	4, 25a	(3,737,607)	(3,204,004)
Closing Capital Financing Requirement		61,228,146	56,184,587
Explanation of Movements in Year		2017/18	2016/17
		£	£
Increase in underlying need to borrow		5,043,559	(498,830)
Increase/(decrease) in Capital Financing Requirement		5,043,559	(498,830)

** The Council's MRP policy is as follows:-

- . borrowings made before the introduction of MRP - Loan Principal payments in year,
- . borrowings following the introduction of MRP - Annuity Method (commencing in the year following completion of the asset),

13 Future Capital Commitments

The Council has an ongoing programme of capital works and the estimated cost of the schemes is as follows:

	Gross Cost £	Grant Aid £	Net Cost £
Schemes underway	17,333,616	10,556,023	6,777,593
Other Commitments	2,140,591	164,000	1,976,591
Total	19,474,207	10,720,023	8,754,184

14 Inventories

	2017/18 £	2016/17 £
Stock Derry Fuel	8,578	11,787
Stock Strabane	41,592	42,325
Stock Derry Bins	18,849	47,437
Stock Stores Items	-	53,074
Stock Derry Vehicle items	183,999	-
Total	253,018	154,623

The cost of inventories written down, recognised as an expense and included in 'services' amounted to £0 (2016/17: £0).

15 Debtors

a Long Term Debtors	2017/18	2016/17
Employee car loans	54,167	22,390
Gas Income	542,288	632,990
Total Long-Term Debtors	596,455	655,380

b Short Term Debtors	2017/18 £	2016/17 £
Government Departments	10,181,184	11,766,115
Other Councils	220,677	171,433
Employee car loans	32,188	17,073
Revenue Grants	1,386,697	373,727
Capital Grants	7,985,135	1,530,786
Value Added Tax	1,630,159	1,167,218
NHS	4,670	70,485
Gas Income	175,275	183,382
Prepayments	48,732	34,094
Other	563,682	806,320
Trade receivables	701,883	706,390
Impairment loss - Trade receivables	(501,590)	(612,057)
Total Short-Term Debtors	22,428,692	16,214,966

Total Debtors 23,025,147 16,870,346

16 Investments

a Long Term Investments	2017/18 £	2016/17 £
Investments - general	-	-
Investments - repairs and renewals	-	-
Investments - capital fund	-	-
Investments - other	-	-
Total Long-term Investments	-	-

Analysed over:	2017/18 £	2016/17 £
Shares purchased in CODA (Operations) Limited	2,436,506	2,278,127
Writedown of value of shares purchased in CODA (Operations) Limited	(2,436,506)	(2,278,127)
Total Long-term Investments	-	-

The difference between the value above of £2,436,506 for the writedown of value of shares purchased in CODA and the value of £2,408,616 in Note 9 is £27,890. This relates to CODA fixed asset additions purchased in 2017-18 of which £27,890 were disposed off for 'nil' consideration to CODA and which is reflected in the disposal of fixed assets figure of £174,986 within the Capital Adjustment Account.

17	Borrowings		
a	Short Term Borrowing	2017/18	2016/17
		£	£
	Loans re-payable within one year	3,436,172	3,086,464
	Total Short Term Borrowing	3,436,172	3,086,464
b	Long Term Borrowing	2017/18	2016/17
		£	£
	Between 1 and 2 years	3,391,711	3,174,325
	Between 2 and 5 years	9,856,778	9,180,512
	Between 5 and 10 years	12,832,052	12,674,323
	In more than 10 years	24,153,609	23,867,157
	Government Loans Fund	50,234,150	48,896,317
	Total Borrowing	53,670,322	51,982,781

Interest rates on Government Loans range between 1.16% and 16.25%

18	Creditors		
a	Short Term Creditors	2017/18	2016/17
		£	£
	Government Departments	1,586,120	1,517,745
	Other Councils	90,348	27,124
	Remuneration due to employees	257,029	102,981
	Accumulated Absences	367,869	369,839
	Creditor Accruals	1,419,814	2,004,626
	Receipts in advance	2,592,668	3,171,446
	Trade creditors	3,271,657	3,875,732
	Loan Interest Payable	393,588	396,618
	Capital Creditors	1,734,473	2,014,924
	Other	318,651	375,406
	Total Short Term Creditors	12,032,217	13,856,441

* Included within Receipts in advance is a balance of £1.8M (£2.1M at 31.03.17) provided to Derry City and Strabane District Council by the Republic of Ireland Government under the terms of the Fresh Start Agreement.

Total Creditors	12,032,217	13,856,441
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c Payment of Invoices

The Council default target for paying supplier invoices, where no other terms are agreed, is within 30 calendar days.

During the year the Council paid 22,177 invoices totalling £65,329,732.

The Council paid:

9,671 invoices (43.61%) within the 10 day target;
 18,172 invoices (81.94%) within the 30 day target; and
 4,005 invoices (18.06%) outside of the 30 day target.

The average number of days taken to pay suppliers during the year was 20 days.

The Council's policy is to pay invoices as quickly as possible and it will keep it's performance under review.

Provisions	Balance as at	Increase in	Utilised during year	Unused amounts reversed	Interest cost and/or discount rate changes	Balance as at 31
	1 April 2017	provision during year				March 2018
	£	£	£	£	£	£
Landfill closure	2,810,450	438,113	(62,510)	-	-	3,186,053
Claims management	1,369,840	379,132	(390,132)	-	-	1,358,840
Reorganisation	698,230	418,535	(171,279)	-	-	945,486
Total	4,878,520	1,235,780	(623,921)	-	-	5,490,379

Current Provisions	838,232	418,535	(212,558)	-	-	1,044,209
Long Term Provisions	4,040,288	817,245	(411,363)	-	-	4,446,170

Total	4,878,520	1,235,780	(623,921)	-	-	5,490,379
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Comparative Year

Provisions	Balance as at	Increase in	Utilised during year	Unused amounts reversed	Interest cost and/or discount rate changes	Restated Balance
	1 April 2016	provision during year				as at 31 March 2017
	£	£	£	£	£	£
Landfill closure	3,265,393	309,319	(764,262)	-	-	2,810,450
Claims management	1,052,172	379,593	(61,925)	-	-	1,369,840
Reorganisation	954,463	1,384,350	(1,640,583)	-	-	698,230
Total	5,272,028	2,073,262	(2,466,770)	-	-	4,878,520

Current Provisions	1,806,200	1,384,350	(2,352,318)	-	-	838,232
Long Term Provisions	3,465,828	688,912	(114,452)	-	-	4,040,288

Total	5,272,028	2,073,262	(2,466,770)	-	-	4,878,520
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Landfill closure

The restoration of Culmore Landfill Site is complete and it is estimated that the remainder of the aftercare costs for 52 years will be £3,186,053.

During 2017-18 guidance was sought from Department of Communities and based on that guidance the Council has applied the Arlingclose recommended discount rates to the Landfill Provision which are based on PWLB borrowing rates adjusted for inflation. The Department guidance has also resulted in a negative reserve being created in the balance sheet for £352,904.

Claims Management

This provision relates to the estimated costs to the Council under its self-insurance policy of unsettled Public & Employer Liability claims as at 31 March 2018.

Reorganisation

At 31 March 2018 there remains a number of single status claims/appeals and severance payments outstanding which are expected to be resolved or paid during the 2018-19 year.

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

Credit Risk

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

Trade debtors, inclusive of VAT, can be analysed by age as follows:

Trade debtors, inclusive of VAT, can be analysed by age as follows:		£
Less than three months		525,216
Three to six months		107,277
Six months to one year		37,762
More than one year		228,178
**		898,433

** Includes the government element of trade debtors which is reflected in the Government Department figure in Note 158.

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

Liquidity Risk

As the Council has ready access to borrowings from the Department of Finance's Consolidated Fund, there is no significant risk that it will be unable to raise finance to meet its commitments under Financial Instruments. The maturity analysis of financial liabilities is included in notes 17 to 19. All trade and other payables are due for payment within one year.

Market Risk

Interest rate risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments. 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 bank account denominated in euros but there is no material exposure to loss arising from movements in exchange rates, as whatever the euro funds translate to is the amount of the expenditure that will be incurred.

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 £71,962,440 broken down as follows:

	£
Government Loans	71,962,440
Total	71,962,440

21 Retirement Benefits

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

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

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

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

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

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

The following transactions have been made in the 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	2017/18 £	2016/17 £
Net cost of services:			
Current service cost		6,919,000	5,002,000
Past service cost/(gain)		121,000	931,000
Net Interest on net defined benefit Liability (asset)		900,000	758,000
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services		7,940,000	6,691,000
Movement in Reserves Statement:			
Reversal of net charges made for retirement benefits in accordance with IAS 19 and the Code		(7,940,000)	(6,691,000)
Employers' contributions payable to scheme		4,427,000	5,128,000
Net adjustment to General Fund		(3,513,000)	(1,563,000)

The service cost figures include an allowance for administration expenses of £0.086M.

Remeasurements recognised in Other Comprehensive Income and Expenditure	Note	2017/18 £	2016/17 £
Liability gains/(losses) due to changes in assumptions		(3,534,000)	(33,625,000)
Liability gains/(losses) due to changes in demographic assumptions		-	1,092,000
Liability experience gains/(losses) arising in the year		(744,000)	1,004,000
Actuarial gains/(losses) on plan assets		3,842,000	21,078,000
Total gains/(losses) recognised in Other Comprehensive Income and Expenditure		(436,000)	(10,451,000)

c Assets and liabilities in relation to retirement benefits Reconciliation of present value of the scheme liabilities

	Note	2017/18 £	2016/17 £
Balance as at 1 April		188,061,000	148,541,000
Current service cost		6,919,000	5,002,000
Interest cost		4,853,000	5,003,000
Contributions by members		1,357,000	1,295,000
Remeasurement (gains) and losses:			
Actuarial (gains)/losses arising from changes in financial assumptions		3,534,000	33,625,000
Actuarial (gains)/losses arising from demographic changes		-	(1,092,000)
Actuarial (gains)/losses arising on liabilities from experience		744,000	(1,004,000)
Past service costs/(gains)		121,000	931,000
Estimated unfunded benefits paid		(109,000)	(106,000)
Estimated benefits paid		(4,180,000)	(4,134,000)
Balance as at 31 March		201,300,000	188,061,000

Reconciliation of present value of the scheme assets:	Note	2017/18 £	2016/17 £
Balance as at 1 April		151,238,000	123,732,000
Interest income		3,953,000	4,245,000
Contributions by members		1,357,000	1,295,000
Contributions by employer		4,318,000	5,022,000
Contributions in respect of unfunded benefits		109,000	106,000
Remeasurement gain/(loss)		3,842,000	21,078,000
Unfunded benefits paid		(109,000)	(106,000)
Benefits paid		(4,180,000)	(4,134,000)
Balance as at 31 March		160,528,000	151,238,000

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 median real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was a gain of £7,795,000 (2016/17 gain of £25,323,000).

Fair Value of Plan Assets	31/03/2018 £	31/03/2017 £
Equity investments	114,616,992	112,672,310
Bonds	19,905,472	17,392,370
Property	16,052,800	15,879,990
Cash	7,223,760	3,932,188
Other	2,728,976	1,361,142
	160,528,000	151,238,000

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

The bid value of assets for the Fund as a whole as at 31 March 2018 were provided by the Administering Authority.

The amounts included in the fair value of plan assets for property occupied by the Council was £0.

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

	31/03/2018 £	31/03/2017 £
Fair Value of Employer Assets	160,528,000	151,238,000
Present value of funded defined benefit obligation	(199,309,000)	(186,077,000)
Pension asset/(liability) of Funded Scheme	(38,781,000)	(34,839,000)
Present Value of unfunded defined benefit obligation	(1,991,000)	(1,984,000)
Net asset/(liability) arising from the defined benefit obligation	(40,772,000)	(36,823,000)
Amount in the Balance sheet:		
Liabilities	(40,772,000)	(36,823,000)
Net Asset/(Liability)	(40,772,000)	(36,823,000)

d Scheme History

Analysis of scheme assets and liabilities	31/03/2018 £	31/03/2017 £
Fair Value of Assets in pension scheme	160,528,000	151,238,000
Present Value of Defined Benefit Obligation	(201,300,000)	(188,061,000)

Surplus/(deficit) in the Scheme (40,772,000) (36,823,000)

Amount recognised in Other Comprehensive Income and Expenditure:	31/03/2018 £	31/03/2017 £
Actuarial gains/(losses)	(436,000)	(10,451,000)
Remeasurements recognised in Other Comprehensive Income and Expenditure	(436,000)	(10,451,000)
Cumulative actuarial gains and losses	(4,558,000)	(4,122,000)
History of experience gains and losses:		
Experience gains and (losses) on assets	3,842,000	21,078,000
Experience gains and (losses) on liabilities	(4,278,000)	(31,529,000)

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £40,772,000 has a substantial impact on the net worth of the Council as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the Council should remain healthy. The deficit on the Northern Ireland Local Government Officers' Pension Fund should 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 2019

	31/03/2019 £
Projected current cost	7,369,000
Net interest on the net defined benefit liability (asset)	949,000
	8,318,000

The total contributions expected to be made to the Northern Ireland Local Government Officers' Pension Fund by the council in the year to 31 March 2019 is £4,671,000.

History of experience gains and losses

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

	31/03/2018 %	31/03/2017 %
Experience gains and (losses) on Assets	2.39%	13.94%
Experience gains and (losses) on Liabilities	2.13%	16.77%

• 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 2016.

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

Pension Assumptions Sensitivity Analysis

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

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

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

Funded Pension Scheme Benefits

Discount Rate Assumption		
Adjustment to discount rate	+0.1%p.a.	-0.1%p.a.
Present value of the total obligation(£M)	195,462	203,232
% change in the present value of the total obligation	-1.90%	2.00%
Projected service cost (£M)	7,156	7,587
Approximate % change in projected service cost	-2.90%	3.00%
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(£M)	200,475	198,154
% change in the present value of the total obligation	0.60%	-0.60%
Projected service cost (£M)	7,369	7,369
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(£M)	202,053	196,605
% change in the present value of the total obligation	1.40%	-1.40%
Projected service cost (£M)	7,587	7,156
Approximate % change in projected service cost	3.00%	-2.90%
Post Retirement Mortality Assumption		
Adjustment to mortality age rating assumption*	- 1 Year	+1 Year
Present value of the total obligation(£M)	205,208	193,442
% change in the present value of the total obligation	3.00%	-2.90%
Projected service cost (£M)	7,630	7,110
Approximate % change in projected service cost	3.50%	-3.50%

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

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

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

g Northern Ireland Civil Service Pension Arrangements

The Northern Ireland Civil Service Pension arrangements are unfunded multi-employer defined benefit schemes but the Department of Communities was unable to identify the share of the underlying assets and liabilities transferred to Councils at 01 April 2015. The most up to date actuarial valuation was carried out as at 31/03/2016. 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 2018.

h Pension Liability Former Gasworks Employee

Gasworks Pension Liability	Note	31/03/2018	31/03/2017
		£	£
Balance as at 01 April		111,500	75,939
Payments during the year		-2,554	-9,139
Increase/(Decrease) in liability		-108,946	44,700
Balance as at 31 March		0	111,500

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 the obligation, or
- b) the amount of the obligation cannot be measured with sufficient reliability.

Guaranteed Minimum Pension (GMP) is a portion of pension that was accrued by individuals who were contracted out of the State Second Pension prior to 6 April 1997. At present there is an inequality of benefits between male and female members who have GMP. Until it is known how GMP equalisation will be carried out, the impact of allowing for it in the pension liabilities is uncertain and no allowance for GMP equalisation has been made.

Other than this GMP issue, the Council is not aware of any other contingent liabilities.

23 Other cash flow disclosures

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

Adjustment to surplus or deficit on the provision of services for noncash movements	Notes	2017/18	2016/17
		£	£
Depreciation	11	9,049,069	8,230,032
Impairment & downward revaluations (& non-sale derecognitions)	11	1,596,395	1,610,691
(Increase)/Decrease in Stock		(98,395)	4,536
(Increase)/Decrease in Debtors		(3,668,736)	(66,890)
Increase/(decrease) in impairment provision for bad debts		(110,467)	175,293
Increase/(Decrease) in Creditors		(1,540,743)	(1,198,595)
Increase/(Decrease) in Interest Creditors		(3,030)	(21,566)
Payments to NILGOSC	21	3,513,000	1,563,000
Carrying amount of non-current assets sold	8a	174,986	1,936,446
Contributions to Other Reserves/Provisions		611,865	(393,508)
		9,523,944	11,839,439

Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	Notes	2017/18	2016/17
		£	£
Proceeds from the sale of PP&E, investment property and intangible assets	4, 8, 11, 24	-	(37,500)
Capital grants included in "Taxation & non-specific grant income"	10	(7,981,446)	(2,410,888)
		(7,981,446)	(2,448,388)

b Cash and Cash Equivalents

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

	2017/18	2016/17	Restated 2015/16
	£	£	£
Cash and Bank balances	3,044,834	2,903,174	2,030,500
Short Term Deposits (considered to be Cash Equivalents)	12,259,537	15,943,841	15,989,775
	15,304,371	18,847,015	18,020,275

c Cash Flow Statement: Operating Activities

	2017/18	2016/17
	£	£
The cash flows from operating activities include:		
Interest received	9b	30,800
		56,832
Interest paid	9a	2,449,600
		2,535,549

d Cash flows from Investing Activities

	2017/18	2016/17
	£	£
Purchase of PP&E, investment property and intangible assets	(14,037,416)	(6,275,785)
Proceeds from the sale of PP&E, investment property and intangible assets	-	37,500
Capital Grants and Contributions Received	5,605,848	3,946,519
Other Receipts from Investing Activities	-	74,800
Net Cash flows from Investing Activities	(8,431,568)	(2,216,966)

e Cash flows from Financing Activities

	2017/18	2016/17
	£	£
Cash Receipts from Short and Long Term Borrowing	4,774,000	2,667,600
Repayment of Short and Long Term Borrowing	(3,086,466)	(2,964,194)
Net Cash flows from Financing Activities	1,687,534	(296,594)

24 Usable Reserves

a Capital Receipts Reserve

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

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

Capital Receipts Reserve	Notes	31/03/2018	31/03/2017
		£	£
At 1 April		779,642	742,142
Movement			
Disposal of Non Current Assets/ Capital Sales	4, 8, 11, 23	-	37,500
At 31 March		779,642	779,642

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	31/03/2018	31/03/2017
		£	£
At 1 April		7,294,566	7,765,117
Movement			
Unapplied Capital Grants received in year	4, 10c	7,693,945	1,820,807
Grants transferred to Revenue in year		-	10,812
Unapplied Capital Grants transferred to CAA in year	12, 25a	(3,871,723)	(2,302,170)
At 31 March		11,116,788	7,294,566

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. Details of how this fund has been earmarked are noted below.

Capital Fund	Notes	31/03/2018	31/03/2017
		£	£
At 1 April		3,094,246	2,867,209
Transfers (to)/from Revenue	4	1,171,903	639,898
Transfers from Repairs & Renewals Reserve		74,000	-
Transfers from Economic Development Reserve		47,000	-
Transfers between statutory & other reserves & the General Fund	4	(736,541)	(260,046)
Transfers between Capital Fund & CAA to finance Capital Expenditure	12	(30,654)	(152,815)
At 31 March		3,619,955	3,094,246

	£
Capital Plan	1,906,082
Culmore Landfill	289,869
Convergence Costs	107,388
City of Derry Airport PSO	690,232
Other Commitments and reserves	626,382
Total	3,619,953

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. Details of how this fund has been earmarked are noted below.

Renewal and Repairs Fund	Notes	31/03/2018	31/03/2017
		£	£
At 1 April		2,964,588	3,235,718
Transfers from General Fund		2,222,769	1,000,605
Transfers to General Fund	4	(224,612)	(1,132,604)
Transfers to Capital Fund	4	(74,000)	-
Transfers between Renewal & Repair Fund & CAA to finance Capital Expenditure	12	(544,118)	(139,131)
At 31 March		4,344,627	2,964,588

	£
Leisure refurbishment and fit out costs	384,439
Computer Hardware/Disaster Recovery	271,064
Recycling - Brown Bins	300,000
Digitisation of Building Control Records	75,000
Sports pavilions health and safety works	97,717
Melvin 3d Design and Construction	113,310
Resurface Ballyfatton	80,000
Flooding repairs and riverside health and safety works	1,134,506
Car park maintenance	91,500
General	1,797,091
Total	4,344,627

e Other Balances & Reserves

Other Balances & Reserves	Notes	31/03/2018	31/03/2017
		£	£
At 1 April		2,882,508	2,117,015
Transfers from General Fund	4	2,309,550	1,838,619
Transfers to General Fund	4	(462,434)	(1,073,126)
Transfers to Capital Fund		(47,000)	-
At 31 March		4,682,624	2,882,508

£4,399,624 of this reserve is used for Economic Development purposes and £283,000 is to equalise (smooth) the cost of elections by building up a fund to cover the costs of future elections by making contributions, as and when required, to the reserve.

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	31/03/2018	31/03/2017
		£	£
At 1 April		4,693,118	4,250,552
Applied Capital Grants	10, 12	(287,501)	(590,081)
Unapplied Capital Grants received in year		(7,693,945)	(1,820,807)
Direct Revenue Financing	4, 12, 25a	(241,803)	(239,974)
Depreciation and Impairment adjustment	4	10,645,464	9,840,723
Statutory Provision for financing Capital Investment	4	(3,737,607)	(3,204,004)
Surplus/(Deficit) on the Provision of Services	CIES	1,658,891	(6,050,750)
Transfers between Statutory and Other Reserves and the General Fund	4	(3,927,732)	(1,013,346)
Net movements on Pension Reserve	4, 21	3,513,000	1,563,000
Disposal of Fixed Assets/Capital Sales	4, 11, 23	174,986	1,898,946
Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements	4, 25d	(1,970)	58,859
At 31 March		4,794,901	4,693,118

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

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

Capital Adjustment Account	Notes	31/03/2018	31/03/2017
		£	£
At 1 April		58,519,119	61,750,774
Applied Capital Grants	4a, 10b, 12	287,501	590,081
Unapplied Capital Grants transferred to CAA in year	12, 24b	3,871,723	2,302,170
Contributions received from External Sources	12	-	74,800
Direct Revenue Financing	4, 12, 24f	241,803	239,974
Depreciation & Impairment adjustment	4, 11	(10,645,464)	(9,840,723)
Statutory Provision for financing Capital Investment	4, 12	3,737,607	3,204,004
Disposal of Fixed Assets/ Capital Sales	4, 11	(174,986)	(1,936,446)
Other Movements		2,114,657	1,842,539
Transfers between Capital Fund/Renewal & Repair Fund & CAA to finance capital expenditure	12	574,772	291,946
At 31 March		58,526,732	58,519,119

b Revaluation Reserve

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

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

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

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

Revaluation Reserve	Notes	31/03/2018	31/03/2017
		£	£
At 1 April		53,818,386	55,717,647
Revaluation & Impairment	11, 24	23,110,682	(56,722)
Other Movements		(2,114,657)	(1,842,539)
At 31 March		74,814,411	53,818,386

c Pension Reserve

Pension Reserve	Notes	31/03/2018	31/03/2017
		£	£
At 1 April		(36,934,500)	(24,884,939)
Net Movements on Pension Reserve	4, 21	(3,510,446)	(1,553,861)
Revaluation & Impairment	21	(327,054)	(10,495,700)
At 31 March		(40,772,000)	(36,934,500)

d Accumulated Absences Account

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

Accumulated Absences Account	Notes	31/03/2018	31/03/2017
		£	£
At 1 April		(369,839)	(310,980)
Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements	4	1,970	(58,859)
At 31 March		(367,869)	(369,839)

e Landfill Provision Discount Rate Reserve

The Landfill Provision Discount Rate Reserve covers the arrangement, put in place by the Department under its amendment to the 2017/18 accounts direction (see Department for Communities circular LG 17/18), to allow for mitigation of the impact on the General Fund of changes to the interest rates used to discount the landfill provision.

Provisions Discount Rate Reserve	Notes	31/03/2018	31/03/2017
		£	£
At 1 April		-	-
Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements	4	352,904	-
At 31 March		352,904	-

26 Significant Trading Operations

The Council considers its only significant trading operation to be the provision of car parking facilities. The results for this are disclosed in Note 2 under the heading 'Business & Culture', namely Income of £1,344,201 (2016-17 £1,181,717) and costs of £677,339 (2016-17 £455,522).

27 Agency Services

BIDS Company

The Council acts as an agent, collecting the income for Strabane Business Improvement District Limited (called the 'BIDS' company). The BIDS company was set up as part of a new UK wide initiative to help regenerate town centres following a poll held amongst the business in the Strabane town centre which resulted in a majority vote. As a result the BIDS company issues a levy on the business in Strabane Town Centre.

During 2017-18 £41,103 (2016/17 £41,947) was collected on behalf of the BIDS company and at 31 March 2018 £6,586 (2016/17: £41,947) is included within Creditor Accruals in the Balance Sheet. At 31 March 2018 £0 (2016/17 £6,500) was also owed by the BIDS company to the Council for invoices paid on their behalf.

The Council employs the BIDS Officer the cost of which is reflected in the Council's accounts and there is 1 senior officer of the Council on the board of Directors. The BIDS Company produces a separate set of annual accounts showing their total income and expenditure.

Northwest Greenway

Together with Donegal County Council and Sustrans, Council is working towards the delivery of the North West Greenway Network Project funded by the Special EU Programme Body (SEUPB). During 2017-18, Council received a letter of offer from SEUPB for €14.9M of which Donegal County Council were allocated €8.3M, Sustrans were allocated €267K and Council were allocated €6.3M. Each recipient is responsible for preparing their own claims direct to SEUPB. All funds will be paid by SEUPB to Council who will then forward the funds to the partner bodies.

During 2017-18, Council received no funding from SEUPB to be reimbursed to the partner organisations.

At 31 March 2018, Council recognised a revenue grant debtor of £107,422 and a capital grant debtor of £4,393,846 relating to its element of the grant aid.

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

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

Community Groups/Associations/Other Bodies

On the basis of information currently available to it, Derry City and Strabane District Council has been involved in the following transactions during 2017/2018:

(A) Payments below £25,000

Council made payments in aggregate of £40,002 (2016/17 £48,866), each individually below £25,000, to 11 (2016/17: 9) Community Groups/Associations or other bodies which were deemed to be related parties of Council. This relationship has arisen due to one or more Councillors/Chief Officers being appointed by Council to serve on the Management Committee, acting in a non-beneficial capacity, Councillors/Chief Officers acting in a voluntary capacity as members of the Management Committee or Councillors being an employee of the Community Group/Association involved.

(B) Payments above £25,000

Council made 11 (2016/17: 10) payments/contributions to running costs above £25,000 to Community Groups/Associations or other bodies on which Councillors/Chief Officers were on the Management Committee, acting in a non-beneficial capacity since these were Council appointments. Details of these payments are as follows:-

	2017/18	2016/17
City Centre Initiative	133,207	124,769
ERNACT EEIG	53,368	52,286
Citizen's Advice Bureau	538,852	450,553
RAPID Limited	109,511	30,484
IESE Board	-	37,981
W.E.L.B.	132,445	130,160
N.I. Local Government Association	68,484	59,132
The Resource Centre	63,834	61,071
Dove House	154,041	136,572
Derry Theatre Trust	538,903	445,045
Derry Visitor & Convention Bureau	516,776	518,346
Neighbourhood Renewal Partnership: Waterside	123,583	-
North West Regional College	66,905	-

(C) Car Loans

Council makes available car loans to employees for whom it is necessary to have access to a car to carry out their work. This applies to all employees, and not just Chief Officers, so no benefits solely apply to this Group. Total Car Loans outstanding as at 31st March 2018 was £86,355 (31st March 2017: £39,463). The total outstanding for Chief Officers was £18,255 (31st March 2017: £13,638).

(D) Department of Communities (formerly known as the Department of Environment)

Council receives an annual operating grant from the Department of Communities. During 2017/2018 it received £5,920,099 (2016/17 £6,185,984), details of which are given in Note 10.

(E) Derry Visitor & Convention Bureau / Visit Derry

Council is represented by 4 Councillors on the Board of Derry Visitor & Convention Bureau (VCB), out of a total of 11 Board Members. A Chief Officer of the Council also acted as secretary of the company. It is a company limited by guarantee with no share capital, set up for the promotion of tourism in the Council area.

During 2017/2018 Council paid £492,000 (2016/17 £498,000) in Management Fees to the Bureau. Council also paid £24,776 to the Bureau during 2017/2018 (2016/17 £20,346) for Advertising, Marketing and Tourism Promotion. The Bureau is situated in a Council owned building for which Council received £36,000 (2016/17 £36,000) from a lease arranged through the Land & Property Services, an independent body. Derry City and Strabane District Council has provided a guarantee to NILGOSC in relation to the pension rights of VCB staff. The Bureau's Accounts are prepared and audited by an independent Audit Firm.

(F) Derry Theatre Trust

Council is represented by 3 Councillors on the Board of Derry Theatre Trust, out of the total Board of 8 Directors. This is a registered charity in the form of a company limited by guarantee and not having share capital. It has been set up to manage the Millennium Forum, the theatre in the City.

During 2017/2018 Council paid £531,960 (2016/17 £443,300) in Management Fees to Derry Theatre Trust. Derry City and Strabane District Council has provided a guarantee to NILGOSC in relation to the pension rights of Derry Theatre Trust staff. The Trust's Accounts are prepared and audited by an independent Audit firm. Council paid £6,943 to the Trust during 2017/2018 (2016/17: £1,745) for Joint Productions and initiatives.

(G) ERNACT EEIG

Council is a member of ERNACT EEIG. ERNACT (European Regions Network for the Application of Communications Technology) is an international network of European regional and city public authorities that work together to access European Union digital technology programmes and funding for the benefit of their areas, companies and universities. The Council along with Donegal County Council is represented on the Board of Management by 2 Councillors and the Strategic Director of Business and Culture. Both Councils have given a commitment to provide deficit funding to ERNACT EEIG and during 2017/2018 a sum of £53,368 (2016/17 £51,561) was provided by Derry City and Strabane District Council to cover core costs of the organisation. There is also a potential liability that both Councils would have to face if the organisation became insolvent.

(H) Derry Policing and Community Safety Partnership

Council is represented by 10 Councillors on the Derry Policing and Community Safety Partnership, one of which acts as Chairperson. During 2017/2018 Council made no net contribution (2016/17: £0) to the running costs of the Partnership. Council also provides legal, financial and personnel services to the Partnership for which it received £9,300 during 2017/2018 (2016/17 £9,300).

(I) Other Local Authorities

During 2017/2018 the Council had expenditure of £166,404 (2016/17 £128,539) to other Local Authorities of which £90,348 (Note 18) was outstanding at 31st March 2018 (31st March 2017: £27,124). The Council also received £611,655 (2016/17: £389,000) from other Local Authorities of which £220,677 (Note 15) was outstanding as at 31st March 2018 (31st March 2017: £171,433). These amounts mainly relate to services provided in the areas of Legal, Environmental Health, North West Regional Waste Management Group administration and Property Certificate fee income.

(J) City of Derry Airport (Operations) Limited

With effect from 1st April 2010 the Council transferred the operation of City of Derry Airport to a new company, CODA (Operations) Limited, with Council being the sole shareholder in this new company. Council is represented by 5 Members/Officers out of the total Board of 9 Directors. During 2017/18 further operational assets in the value of £27,890 (2016/17: £133,128) were transferred to the company in exchange for shares with an issued value of £27,890 (2016/17: £133,128). The Infrastructure Assets have not yet been transferred to the company but are being operated by the company under Licence. Council also purchased additional shares during 2017/18 to the value of £2,408,616, which are also deemed to be of minimal value (2016/17: £2,144,999). Council continued to provide support services to the new company which have not been charged to the company but are shown in Council's Cost of Services.

During 2017/2018 the Council invoiced CODA (Operations) Limited for £22,297 for expenditure incurred on its behalf (2016/17: £20,056) and also received invoices from the Company for £42,976 (2016/17: £215,667) mainly for capital expenditure incurred by the Company on behalf of the Council. At 31 March 2018 £19,900 was owed to the company by Derry City and Strabane District Council (2016/17: £4,939) and £21,125 was receivable from the company (2016/17 £12,239).

In addition to the above the Council pays directly for costs associated with the PSO route to London of which 88% grant funding is received from Department of Transport.

(K) North West Region Waste Management Group Joint Committee

Derry City and Strabane District Council is a member of the NWRWMG Joint Committee, which is a partnership of 2 Councils established to collaborate in implementing the Waste Management Plan to develop an integrated network of regional waste management facilities which would be cost effective to the public. Total expenditure by the Committee during the year was £236,518 (2016/17: £180,662). The transactions for the Joint Committee are not reflected in the Accounts for Derry City and Strabane District Council but are instead reflected in the Joint Committee's Statement of Accounts for the year ended 31st March 2018. These Accounts are prepared under the Local Government (Northern Ireland) Order 2005 and are subject to audit by a Local Government Auditor.

Derry City and Strabane District Council acts as the lead Council for the NWRWMG Joint Committee and deals with all the financial transactions for the Group. The staff are also deemed to be employees of the Council. The Council provides office accommodation and support services to the Joint Committee for which it received £15,000 during 2017/2018 (2016/17: £15,000). Council paid a sum of £87,202 to the Joint Committee as its share of operating costs for 2017/2018 (2016/17: £90,127) and a further sum of £13,256 (2016/17: £1,256) towards costs incurred on behalf of a number of Councils.

As the Joint Committee uses Derry City and Strabane District Council to cashflow its activities there was a balance owed to the Council as 31st March 2018 of £16,385 in relation to 2017/18 (31st March 2017: £16,622 in relation to 2016/17).

(L) North West Air Access Consortium

Derry City and Strabane District Council is a member of the North West Air Access Consortium which was set up to develop air access to the North West area of Ireland. The other members include Donegal County Council and Tourism Ireland.

Derry City and Strabane District Council acts as the lead Council and as at 31st March 2018 had a sum of £282,745 in its Bank Account and within Receipts in Advance which belonged to the Consortium (2016/17: £282,745). These funds are to be used for joint marketing campaigns to develop air routes for the region.

(M) North West Regional Development Group

The Fresh Start Agreement of November 2015 committed to supporting the regional development work of the North West Gateway Initiative which involves Donegal County Council and Derry City and Strabane District Council and is part of the work programme of the North South Ministerial Council. Funding of €2.5m was set aside by both the ROI Government and Northern Ireland Executive to support the Initiative. The arrangements and structures required to inform the necessary cross border strategic and operational context for regional growth for the North West Region of the island of Ireland are in place and include the North West Strategic Growth Partnership and the North West Regional Development Group.

Derry City and Strabane District Council and Donegal County Council are partners in the North West Regional Development Group with membership comprising 6 elected representatives from both Councils. Derry City and Strabane District Council is the lead administrative Council with all income and expenditure reflected in its' accounts for the year ended 31st March 2018. The following expenditure has been incurred and reflected in cost of services:-

	2017/18	2014/17
	£	£
Expenditure:-		
Administration:-		
Salaries and Wages	123,849	126,872
Overheads	2,968	4,078
Joint Project Expenditure:-		
Foreign Direct Investment Support	46,660	60,795
Trade Missions and Visits	9,481	61,567
BREXIT analysis	46	20,374
NW Joint Economic Marketing	14,968	-
Capacity Building	57,753	14,772
Total Expenditure:-	255,725	288,458
Income:-		
Donegal County Council	(144,229)	144,229
NI Grant Funding	77,000	-
ROI Grant Funding	467,183	-
Total Income	399,954	144,229
Net Expenditure Charged to Net Cost of Services	(144,229)	144,229

Derry City and Strabane District Council has received €2.5m from the ROI Government. A further €2.5m letter of offer was received from the Northern Ireland Executive during the year meaning that the entire funding is now accessible by the group.

In 2016-17 the costs were shared equally between the two partner Councils on the basis of Government funding not being confirmed. Now that letters of offer have been received the 2016-17 Council contributions of £144,229 has been reversed in 2017-18.

The cumulative spend to 31 March 2018 for the group in line with the Partnership Agreement priorities is detailed below.

	2017/18
	£
Partnership Agreement Priorities/Theme:-	
Regional Economic Growth and Investment	213,890
Regional Physical and Environmental Development	
Regional Social and Community Cohesion and Wellbeing	
Cross-cutting: Capacity Building, Collaborative Working and Planning for Balanced Regional Development	330,293
Additional Emerging opportunities for Regional Development and Growth	
Total Expenditure to 31 March 2018	544,183

29 Events after the Reporting Period

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

Derry City and Strabane District Council

Group Comprehensive Income and Expenditure Statement for the year ended 31 March 2018

	2017/18			Restated 2016/17		
	Gross Expenditure £	Gross Income £	Net Expenditure £	Gross Expenditure £	Gross Income £	Net Expenditure £
Service Expenditure						
Cross Cutting Support Services	6,581,378	(1,224,019)	5,357,359	5,809,223	(957,063)	4,852,160
Environment & Regeneration	30,680,956	(3,508,442)	27,172,514	28,568,549	(3,030,347)	25,538,202
Business & Culture	12,723,224	(3,422,459)	9,300,765	11,640,191	(2,706,161)	8,934,030
Health & Community	16,980,827	(5,239,363)	11,741,464	15,706,783	(4,958,506)	10,748,277
Council	1,237,893	(1,150)	1,236,743	1,129,785	(1,525)	1,128,260
City of Derry Airport	9,427,269	(4,137,032)	5,290,237	6,949,991	(2,301,434)	4,648,557
Other Corporate	1,425,927	(449,755)	976,172	2,928,797	(999)	2,927,798
Cost of Services on Continuing Operations	79,057,474	(17,982,220)	61,075,254	72,733,319	(13,956,035)	58,777,284
Other Operating Expenditure	147,096	(6,424)	140,672	1,936,446	(298,426)	1,638,020
Financing and Investment Income and Expenditure	3,363,600	(30,800)	3,332,800	3,302,043	(61,363)	3,240,680
Net Operating Expenditure	82,568,170	(18,019,444)	64,548,726	77,971,808	(14,315,824)	63,655,984
Taxation and Non-Specific Grant Income	-	(65,637,114)	(65,637,114)	-	(57,364,264)	(57,364,263)
(Surplus)/Deficit on the Provision of Services	82,568,170	(83,656,558)	(1,088,388)	77,971,808	(71,680,088)	6,291,720
(Surplus)/Deficit on revaluation of non-current assets			(23,110,682)			1,899,261
Remeasurements of the Net Defined Benefit Liability (Asset)			140,054			10,692,700
Other Comprehensive Income and Expenditure			(22,970,628)			12,591,961
Total Comprehensive Income and Expenditure			(24,059,016)	77,971,808	(71,680,088)	18,883,681

The figures above are prepared to two decimal places but rounding due to formatting may occur.

Derry City and Strabane District Council

Group Movement in Reserves Statement for the year ended 31 March 2018

	General Fund Summary	Other Fund Balances and Reserves £	Capital Receipts Reserve £	Total Usable Reserves £	Total Unusable Reserves £	Total Council Reserves £
Balance as at 1 April 2016	4,360,881	15,985,060	742,142	21,088,083	92,871,908	113,959,991
Movement in reserves during the year						
Surplus/ (Deficit) on the provision of services	(6,291,713)	-	-	(6,291,713)	-	(6,291,713)
Other Comprehensive Income and Expenditure	-	-	-	-	(12,591,961)	(12,591,961)
Total Comprehensive Income and Expenditure	(6,291,713)	-	-	(6,291,713)	(12,591,961)	(18,883,674)
Adjustments between accounting basis & funding under regulations	7,840,884	(762,497)	37,500	7,115,887	(5,045,470)	2,070,417
Net increase before transfers to Statutory and Other Reserves	1,549,171	(762,497)	37,500	824,174	(17,637,431)	(16,813,257)
Transfers to / from Statutory and Other Reserves	(1,013,346)	1,013,346	-	-	-	-
Increase/ Decrease in year	535,825	250,849	37,500	824,174	(17,637,431)	(16,813,257)
Balance as at 31 March 2017	4,896,706	16,235,909	779,642	21,912,257	75,234,477	97,146,734
Movement in reserves during the year						
Surplus/ (Deficit) on the provision of services	1,088,388	0	0	1,088,388	0	1,088,388
Other Comprehensive Income and Expenditure	0	0	0	0	22,970,628	22,970,628
Total Comprehensive Income and Expenditure	1,088,388	0	0	1,088,388	22,970,628	24,059,016
Adjustments between accounting basis & funding under regulations	2,739,117	3,247,450	0	5,986,567	-5,984,014	2,553
Net increase before transfers to Statutory and Other Reserves	3,827,505	3,247,450	0	7,074,955	16,986,614	24,061,569
Transfers to / from Statutory and Other Reserves	-3,927,732	4,280,636	0	352,904	-352,904	0
Increase in year	-100,227	7,528,086	0	7,427,859	16,633,710	24,061,569
Balance as at 31 March 2018	4,796,479	23,763,995	779,642	29,340,116	91,868,187	121,208,303

The figures above are prepared to two decimal places but rounding due to formatting may occur.

Derry City and Strabane District Council
Group Balance Sheet as at 31 March 2018

	Note	31st March 2018	31st March 2017
		£	£
Fixed Assets	Group Note 5	194,562,479	169,372,776
Long Term Debtors	15	596,455	655,380
LONG TERM ASSETS		195,158,934	170,028,156
Inventories	14	379,100	288,905
Short Term Debtors	15	23,010,232	16,474,978
Cash and Cash Equivalents	Group Note 7	15,445,677	19,005,668
Assets Held for Sale	11	650,000	-
CURRENT ASSETS		39,485,009	35,769,551
Short Term Borrowing	17	3,436,172	3,086,464
Short Term Creditors	18	12,874,936	14,201,170
Provisions	19	1,044,209	838,232
CURRENT LIABILITIES		17,355,317	18,125,866
Provisions	19	4,446,170	4,040,288
Long Term Borrowing	17	50,234,150	48,896,317
Other Long Term Liabilities	Group Note 6	41,400,000	37,588,500
LONG TERM LIABILITIES		96,080,320	90,525,105
NET ASSETS		121,208,306	97,146,736
USABLE RESERVES			
Capital Receipts Reserve	Group MIRS	779,642	779,642
Capital Grants Unapplied Account	Group MIRS	11,116,788	7,294,566
Capital Fund	Group MIRS	3,619,955	3,094,246
Renewal and Repairs Fund	Group MIRS	4,344,627	2,964,588
Other Balances and Reserves	Group MIRS	4,682,624	2,882,508
General Fund	Group MIRS	4,796,482	4,896,708
		29,340,118	21,912,258
UNUSABLE RESERVES			
Capital Adjustment Account	Groups MIRS	59,174,550	59,374,431
Revaluation Reserve	Group MIRS	74,814,411	53,818,386
Pensions Reserve	Group MIRS	(41,400,000)	(37,588,500)
Accumulated Absences Account	Group MIRS	(367,869)	(369,839)
Provisions Discount Rate Reserve	Group MIRS	(352,904)	-
		91,868,188	75,234,478
NET WORTH		121,208,306	97,146,736

The figures above are prepared to two decimal places but rounding due to formatting may occur.

Derry City and Strabane District Council
Group Cash Flow Statement as at 31 March 2018

	Note	2017/18	2016/17
		£	£
Net Surplus/(Deficit) on the provision of services		1,088,388	(6,291,720)
Adjustment for non-cash movements	Group Note 7c	10,077,101	12,017,520
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	Group Note 7a	(7,981,446)	(2,448,389)
Net cash flows from operating activities		3,184,043	3,277,411
Cash flows from Investing Activities	Group Note 7c	(8,431,568)	(2,083,837)
Net Cash flows from Financing Activities	Group Note 7e	1,687,534	(296,593)
Net increase or decrease in cash and cash equivalents		(3,559,991)	896,981
Cash and cash equivalents at the beginning of the reporting period		19,005,668	18,108,687
Cash and cash equivalents at the end of the reporting period		15,445,677	19,005,668

The figures above are prepared to two decimal places but rounding due to formatting may occur.

1a Group Accounts

The Group Accounting Policies are the same as the Council policies and have not been repeated again in these Notes.

Since there are no significant changes to the Consolidated Group Balance Sheet as compared to the Council's Balance Sheet, except for Fixed Assets and Pensions, most of the other supporting notes have not been deemed necessary. The reader should refer to the Council's Balance Sheet notes for further detail on these areas.

City of Derry Airport (Operations) Limited

Derry City and Strabane District Council is the sole shareholder in City of Derry Airport (Operations) Limited and has included the financial results for the company in the Council's Group Accounts.

The Income & Expenditure for the company is included within the City of Derry Airport service expenditure line in the Group Comprehensive Income & Expenditure

The Fixed Assets which have been transferred from Council to CODA (Operations) Limited have been included in the Group Balance Sheet as have the other Assets/Liabilities of the company. The loss on disposal triggered by the transfer of the Equipment & Vehicles has been removed from the Group Accounts. The remaining Assets in use at the Airport have not yet been transferred but are being operated under licence by the company.

The losses incurred by CODA (Operations) Limited during 2017/18 have been reflected in the Cost of Services and District Fund Balances. These losses have been mainly offset by the removal of the loss on investment incurred by the Council on the shares purchased during the financial year.

1b Going Concern of Wholly Owned Subsidiary - CODA (Operations) Limited

Derry City and Strabane District Council (DCSDC) currently provides annual funding of £2.145m to the company. DCSDC will be requested to continue with this level of funding until 31 March 2021 as part of its medium term strategy proposal for the airport.

As a result of the withdrawal of the London Stansted route by Ryanair, support was secured with the Department for Transport (DfT) in early 2017 to operate a Public Service Obligation (PSO) route to London for an initial two year period. Additional support was also agreed with DCSDC to provide its share of funding for the new PSO route. Probable changes to the funding structure of the PSO from May 2019 would require significant additional funding commitment which DCSDC has indicated it is not presently in a position to provide.

The company is in discussion with the Northern Ireland Executive and the DfT in relation to the funding of the PSO route beyond 2019. The company requires access to the £2.5m Route Development Fund set aside by the Northern Ireland Executive which together with the DfT input will enable the London PSO to continue after May 2019. On the basis of the discussions to date, the Directors are hopeful that this funding will be released in which case DCSDC's current subsidy will be sufficient to fund the airport at its current level of operation until 31 March 2021.

In the event that these funds are not secured, DCSDC's current subsidy will be sufficient to meet the cost of operations at a reduced level for a minimum period of six months after May 2019 during which the viability of the airport over the short and medium term will be considered and appropriate actions taken.

The external auditors of CODA (Operations) Limited have included a "material uncertainty relating to going concern" paragraph in their audit opinion and have not modified their audit opinion in respect of this.

Whilst there remains material uncertainty around going concern due to funding discussions as outlined in the Council's financial statements (narrative statement page 1, governance statement page 17 and group fixed asset note - note 5a), Council consider it appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from a withdrawal of the support outlined.

Group Note 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/ services/ departments

	2017/18			2016/17		
	Net Expenditure Chargable to the General Fund	Adjustments between the Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargable to the General Fund	Adjustments between the Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£	£	£	£	£	£
Cross Cutting Support Services	4,791,231	(566,127)	5,357,358	4,705,895	(146,265)	4,852,160
Environment & Regeneration	21,468,739	(5,703,774)	27,172,513	21,285,233	(4,252,969)	25,538,202
Business & Culture	6,985,005	(2,315,760)	9,300,765	7,724,909	(1,209,122)	8,934,031
Health & Community	8,950,762	(2,790,702)	11,741,464	8,557,033	(2,191,244)	10,748,277
Council	1,144,991	(91,752)	1,236,743	1,170,246	41,986	1,128,260
City of Derry Airport	4,181,904	(1,108,333)	5,290,237	3,533,590	(1,114,967)	4,648,557
Capital Financing	5,175,971	5,175,971	-	4,771,425	4,771,425	-
Other Corporate	821,654	(154,518)	976,172	1,700,880	(1,226,918)	2,927,798
Transfers to/from Reserves & Provisions	4,235,636	4,235,636	-	968,346	968,346	-
Net Cost of Services	57,755,893	(3,319,359)	61,075,252	54,417,557	(4,359,728)	58,777,285
Other Income and Expenditure	(57,655,667)	4,507,975	(62,163,642)	(54,953,375)	(2,467,812)	(52,485,563)
(Surplus) or Deficit for the year	100,226	1,188,616	(1,088,390)	(535,818)	(6,827,540)	6,291,722
Opening General Fund	4,896,708			4,360,881		
Surplus/ (Deficit) on General Fund Balance in Year	(100,226)			535,818		
Closing General Fund	4,796,482			4,896,699		

Net expenditure charged to the general fund of £57,755,893 is effectively the 2017-18 net accrued cost of running the group that has to be funded by rates or from the existing surplus in the general fund.

This cost includes financing and investment income of £2,412,376. As this is not part of the "cost of services on continuing operations" in the Comprehensive Income and Expenditure Statement (CIES), in order to reconcile back to the net figure of £61,075,252 in the CIES, the £2,412,376 is reversed out in the "adjustments column" totalling £3,319,359.

The Airport is the only service head that has been charged its share of financing and investment income and expenditure. The remaining capital financing costs of £5,175,971 consist of loan interest and minimum revenue provision costs unallocated to service heads.

Group Note 2

b Note to the Expenditure and Funding Analysis

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

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

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net Change for the Pension Adjustments	Other Statutory Adjustments	Other Differences	Total
	£	£	£	£	£
Cross Cutting Support Services	(211,871)	(355,085)	829	-	(566,127)
Environment & Regeneration	(4,366,437)	(982,726)	(354,611)	-	(5,703,774)
Business & Culture	(1,944,922)	(369,316)	(1,522)	-	(2,315,760)
Health & Community	(2,071,732)	(723,341)	4,371	-	(2,790,702)
Council	(76,306)	(60,447)	-	45,000	(91,753)
City of Derry Airport	(2,209,582)	(147,000)	-	1,248,249	(1,108,333)
Capital Financing	-	-	-	5,175,971	5,175,971
Other Corporate	-	(122,085)	-	(32,433)	(154,518)
Transfers to/from Reserves & Provisions	-	-	-	4,235,636	4,235,636
Net Cost of Services	(10,880,850)	(2,760,000)	(350,933)	10,672,423	(3,319,360)
Other Income and Expenditure from the Expenditure and Funding Analysis	7,834,351	(914,000)	-	(2,412,378)	4,507,973
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(3,046,499)	(3,674,000)	(350,933)	8,260,045	1,188,613

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

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net Change for the Pension Adjustments	Other Statutory Adjustments	Other Differences	Total
	£	£	£	£	£
Cross Cutting Support Services	(160,555)	17,685	(3,395)	-	(146,265)
Environment & Regeneration	(4,273,716)	49,062	(26,516)	(1,800)	(4,252,970)
Business & Culture	(1,218,854)	18,000	(8,268)	-	(1,209,122)
Health & Community	(2,208,674)	38,110	(20,680)	-	(2,191,244)
Council	(6,158)	3,143	-	45,000	41,985
City of Derry Airport	(2,245,992)	(52,000)	-	1,183,024	(1,114,968)
Capital Financing	-	-	-	4,771,425	4,771,425
Other Corporate	-	(931,000)	-	(295,918)	(1,226,918)
Transfers to/from Reserves & Provisions	-	-	-	968,346	968,346
Net Cost of Services	(10,113,949)	(857,000)	(58,859)	6,670,077	(4,359,731)
Other Income and Expenditure from the Expenditure and Funding Analysis	511,942	(767,000)	-	(2,212,754)	(2,467,812)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(9,602,007)	(1,624,000)	(58,859)	4,457,323	(6,827,543)

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 Pension Adjustments

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

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

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

Other Statutory Adjustments / Other Differences

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

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

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

The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax 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.

Group Note 3

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	2017/18		2016/17	
		£	£	£	£
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:					
Impairments (losses & reversals) of non-current assets	Group Note 5	(76,948)			
Derecognition (other than disposal) of non-current assets					
Revaluation increases/decreases taken to Surplus/Deficit on the Provision of Services	Group Note 5	1,673,343		1,610,691	
Depreciation charged in the year on non-current assets	Group Note 5	9,284,453	10,880,848	8,503,255	10,113,946
Net Revenue expenditure funded from capital under statute					
Carrying amount of non current assets sold	Group Note 5	147,096		1,936,446	
Proceeds from the sale of PP&E, investment property and intangible assets			147,096	(37,500)	1,898,946
Difference between finance costs calculated on an accounting basis and finance costs calculated in accordance with statutory requirements					
Net charges made for retirement benefits in accordance with IAS 19	Group Note 6		8,319,000		7,015,000
Direct revenue financing of Capital Expenditure	12.23		(241,803)		(239,974)
Capital Grants and Donated Assets Receivable and Applied in year	10B		(287,502)		(590,082)
Capital Grants Receivable and Unapplied in year	10C		(7,693,945)		(1,820,807)
Rates Claw-Back Reserve	23				
Adjustments in relation to Short-term compensated absences	24		(1,970)		58,859
Adjustments in relation to Lessor Arrangements					
Landfill Regulations Reserve Adjustment	23				
Provisions Discount Rate Reserve Adjustment	23				
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	23		(3,737,607)		(3,204,004)
Employers contributions payable to the NILGOSC and retirement benefits payable direct to pensioners	Group Note 6		(4,645,000)		(5,391,000)
			2,739,117		7,840,884

b Net transfers (to)/from statutory and other	Notes	2017/18		2016/17	
		£	£	£	£
Capital Fund					
Transfer to General Fund		736,541		260,046	
Transfer from General Fund		(1,171,903)	(435,362)	(639,898)	(379,852)
Renewal and Repairs Fund					
Transfer to General Fund		224,612		1,132,604	
Transfer from General Fund		(2,222,769)	(1,998,157)	(1,000,605)	131,999
Landfill Provision Discount Rate Reserve					
Transfer to General Fund		352,904		-	
Transfer from General Fund		-	352,904	-	-
Other Funds and earmarked reserves					
Transfer to General Fund		462,434		1,073,126	
Transfer from General Fund		(2,309,550)	(1,847,116)	(1,838,619)	(765,493)
			(3,927,731)		(1,013,346)

Group Note 4

4 Employee Costs and Member Allowances		
a Staff Costs		
	2017/18	2016/17
	£	
Salaries and Wages	26,948,663	25,854,317
Employers NIC	2,407,072	2,265,229
Employers Superannuation - NILGOSC	3,995,653	4,266,728
Employers Superannuation - Civil Service	245,547	243,619
Total staff costs	33,596,935	32,629,893

The Employer's superannuation figure in Note 6a above does not include £232,920 for the capital costs incurred in respect of the Council's 2017-18 exit packages (2016-17 £1,096,923).

In addition, agency costs during the year amounted to £518,241 (2016-17 £723,686).

The Council's current contribution rate to NILGOSC scheme is 18% (2016-17 18%). At the last actuarial valuation, dated 31 March 2016, the Fund's assets as a whole were sufficient to meet 96% of the liabilities accrued up to that date. The Council also paid £419,822 during 2017-18 (2016-17 £1,433,016) in respect of former employees who were granted early retirement or redundancy or employees who continued to pay their contributions during periods of absence such as career breaks.

b Average Number of Employees - where FTE represents fulltime equivalent employees

Average Number of Employees		
	2017/18	2016/17
	FTE	
Full time numbers employed	816	769
Part time numbers employed	93	115
Other	109	110
Total Number	1,018	994

	2017/18	2016/17
	Actual Numbers	
Full-time numbers employed	934	896
Part-time numbers employed	172	204
Total Number	1,106	1,100

c Senior Employees' Remuneration		
	2017/18	2016/17
	£	
£50,001 to £60,000	11	14
£60,001 to £70,000	4	1
£70,001 to £80,000	-	2
£80,001 to £90,000	3	1
£90,001 to £100,000	-	-
£100,001 to £110,000	-	1
£110,001 to £120,000	1	-
Total Number	19	19

Category	Land	Buildings	Infrastructure Assets	Landfill Sites	Vehicle, Plant & Equipment	Community Assets	PFI Under Construction	Surplus Assets	Total PFI	Heritage Assets	Investment Properties	Intangible Assets	Assets Held for Sale	TOTAL
Balance as at 1 April 2017														
Adjustments between cost/value & depreciation/impairment	25,113,847	83,934,510	70,482,937	-	44,919,048	7,500,657	3,709,065	1,049,864	254,786,938	4,204,376	44,000	655,772	-	241,485,104
Balance as at 1 April 2017	25,113,847	44,834,514	70,482,937	-	44,919,048	7,522,457	3,709,065	1,049,864	254,786,938	4,204,376	44,000	655,772	-	(39,125,434)
Acquisitions	10,000	(36,973)	(83,541)	-	1,971,918	(84,461)	11,748,644	-	13,748,585	12,400	-	-	-	13,756,985
Revaluation increases/ (decreases) to Revaluation Reserve	4,273,071	18,615,734	-	-	-	-	-	25,409	22,912,214	196,030	-	-	-	23,108,244
Revaluation increases/ (decreases) to Surplus or Deficit on the Provision of Services	(524,528)	(623,694)	-	-	(58,427)	-	-	(100,133)	(1,248,355)	(70,148)	-	-	-	(1,318,503)
Impairment to Surplus or Deficit on the Provision of Services	-	(296,473)	-	-	(58,427)	-	-	-	(354,900)	-	-	-	-	(354,900)
Recognition of Intangible Assets	-	(23,141)	-	-	(875,754)	-	-	-	(898,895)	-	-	-	-	(898,895)
Reclassification - Other	1131,000	-	-	-	-	-	-	208,239	(131,000)	-	-	-	-	(131,000)
Reclassification - Other	(1,640,642)	67,880,043	(59,279,528)	-	2,607,945	-	(9,476,057)	-	(650,000)	-	-	-	-	(650,000)
Reclassified to (/ from) Held for Sale	27,078,748	130,350,484	(8,819,848)	-	48,544,818	7,487,118	5,980,452	527,701	231,028,991	4,342,678	44,000	655,772	-	234,071,441
Depreciation and Impairment														
Balance as at 1 April 2017														
Adjustments between cost/value & depreciation/impairment	-	2,971,391	35,405,979	-	33,103,402	-	-	5,388	71,484,740	-	-	625,570	-	72,312,330
Balance as at 1 April 2017		(39,099,954)	31,405,111		33,103,402			(25,678)	(39,125,434)			625,570		(39,125,434)
Depreciation Charge	-	3,104,927	84,251	-	3,779,927	-	-	9,975	7,242,315	-	-	9,600	-	7,251,915
Depreciation written out on Revaluation Reserve	-	(2,029,335)	339	-	-	-	-	2,864	2,032,538	-	-	-	-	2,032,538
Depreciation written out on Revaluation Reserve	-	(2,438)	-	-	-	-	-	-	(2,438)	-	-	-	-	(2,438)
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	-	(18,521)	-	-	(58,427)	-	-	-	(76,948)	-	-	-	-	(76,948)
Disposals	-	(14,468)	-	-	(668,313)	-	-	-	(682,781)	-	-	-	-	(682,781)
Disposals - Other	-	31,049,790	(31,057,341)	-	7,551	-	-	-	-	-	-	-	-	-
Reclassifications & Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eliminated on reclassification to Held for Sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2018	27,078,748	130,350,484	5,433,350		13,107,764	7,487,118	5,980,452	527,701	190,155,199	4,342,678	44,000	655,772		174,512,472
Balance as at 31 March 2018	27,078,748	130,350,484	5,433,350		13,107,764	7,487,118	5,980,452	527,701	190,155,199	4,342,678	44,000	655,772		174,512,472

Cost on Valuation	Land	Buildings	Infrastructure Assets	Landfill Sites	Vehicles Plant & Equipment	Community Assets	PFLE Under Construction	Surplus Assets	Total PFLE	Heritage Assets	Investment Properties	Intangible Assets	Assets Held for Sale	TOTAL
Balance as at 1 April 2016	25,006,072	87,571,142	70,179,259	-	43,417,040	5,235,315	7,238,648	4,068,714	242,716,190	4,057,903	44,000	6,282,272	-	247,466,365
Adjustments between cost/value & depreciation/impairment	(6,715,278)	(6,715,278)	-	-	-	-	-	(881,908)	(7,597,636)	-	-	-	-	(15,190,092)
Balance as at 1 April 2016	25,004,072	80,855,864	70,179,259	-	43,417,040	5,235,315	7,238,648	3,186,806	235,118,554	4,057,903	44,000	428,272	-	237,848,777
Additions (Note 11) Disposal	3,000	1,334,277	303,678	-	2,064,147	247,384	2,220,539	-	6,191,025	107,748	-	36,500	-	6,337,273
Revaluation increases/decreases to	126,275	378,891	-	-	-	-	-	(601,133)	(195,447)	38,745	-	-	-	(56,722)
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment to Surplus or Deficit on the Provision of Services	-	(841,175)	-	-	-	-	-	(769,516)	(1,610,691)	-	-	-	-	(1,610,691)
Disrecognition - Disposals	(2,042)	(1,787,700)	-	-	(1,034,741)	-	-	-	(3,824,483)	-	-	(9,000)	-	(2,833,483)
Disrecognition - Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification & transfers	(19,958)	3,540,623	-	-	52,612	2,019,958	(5,731,122)	(332,113)	-	-	-	-	-	-
Reclassified to / from (1) Surplus Assets	-	414,180	-	-	-	-	-	(414,180)	-	-	-	-	-	-
Balance as at 31 March 2017	25,113,847	83,934,510	72,482,937	-	44,949,058	7,502,657	3,758,045	1,614,644	234,752,928	4,204,391	44,000	455,772	-	241,485,104
Depreciation and Impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 1 April 2016	-	6,715,278	33,052,759	-	31,017,785	-	-	901,506	71,487,778	-	-	615,970	-	72,303,748
Adjustments between cost/value & depreciation/impairment	-	(6,715,278)	-	-	-	-	-	(881,908)	(7,597,636)	-	-	-	-	(15,190,092)
Balance as at 1 April 2016	-	21,002,500	33,052,759	-	31,017,785	-	-	19,598	64,090,142	-	-	415,970	-	64,406,112
Depreciation Charge	-	2,130,257	1,542,337	-	2,982,234	-	-	5,288	4,651,116	-	-	9,600	-	6,440,714
Depreciation written out on Revaluation Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation written out on Revaluation Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation Reserve	-	831,636	1,010,903	-	-	-	-	-	1,842,539	-	-	-	-	1,842,539
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disrecognition - Disposals	-	-	-	-	(897,037)	-	-	-	(897,037)	-	-	-	-	(897,037)
Disrecognition - Other	-	-	-	-	-	-	-	(19,598)	-	-	-	-	-	-
Reclassification & transfers	-	19,598	-	-	-	-	-	-	-	-	-	-	-	-
Eliminated on reclassification to Surplus Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2017	-	2,921,911	35,655,999	-	33,103,482	-	-	5,288	71,484,760	-	-	625,570	-	72,312,330
Net Book Values	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2017	25,113,847	80,942,519	34,874,935	-	11,865,574	7,502,657	3,758,045	1,614,644	145,942,178	4,204,391	44,000	30,202	-	148,322,174
Balance as at 31 March 2018	27,078,748	130,329,846	5,423,350	-	13,107,784	7,487,118	5,190,452	527,701	190,155,197	4,342,478	44,000	20,402	-	144,532,479

Valuations

A revaluation of Land, Buildings, Surplus Assets and Investment Properties was carried out by an independent valuer from Land and Property Services as at 31 March 2018. A combination of desk top valuations and physical inspections were carried out by the valuer. This included material asset additions and material reclassifications of assets which are revalued in the year of completion/transfer. Please refer to Note 11 for further information on revaluation and depreciation policies. The net revaluation gain/loss and impairments have been reflected in the above figures for 2017/18.

Heritage assets were revalued for insurance purposes by an independent body as at 31 March 2018.

City of Derry Airport

The classification of some City of Derry Airport assets has been revised so that assets previously held as infrastructure (mainly in relation to the runway and associated works) have been transferred and reclassified as buildings. Council has transferred some additional operational assets of the Airport in the sum of £27,890,133 (£133,128) in consideration for shares in the company to the net book values of the assets transferred. These shares are deemed to have no market value due to the current holding conditions at the Airport. The loss on disposal has been eliminated upon consolidation. A number of assets associated with the Airport have not yet been transferred by Council to City of Derry Airport (Operations) Limited.

City of Derry Airport is a fully owned subsidiary of Council. As disclosed in group note 11, issues exist surrounding the going concern status of the airport. If funds are not secured to continue the operation of a PSO route to London from the airport, it is predicted that Council's current airport subsidy will be sufficient to meet the cost of operations at a reduced level for a minimum six month period after May 2019. During this period, the short and medium term viability of the airport will be considered, if the issues regarding going concern crystallise, this may result in a significant impairment to the airport asset held by Council. The net book values of these assets included above, on a going concern basis, are £11,123m of plant and equipment, £39,617m of buildings and £5,29m of land and the associated revaluation reserve in respect of these airport assets is £27,782m.

Impairment

Due to flooding which occurred in August 2017 a number of Council facilities were damaged and remained non-operational as at 31 March 2018. Work is ongoing to rectify the damage caused.

Group Note 6
Retirement Benefits

6a 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 Group offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Group has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Group 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 Group and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

6b Transactions relating to retirement benefits- Comprehensive Income and Expenditure Statement Charges:

The Group 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 Group is required to make against expenditure 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 Account and the adjustments between accounting basis & funding basis under regulations line, in the Movement on Reserves Statement during the year:

	Note	2017/18	2016/17
		£	£
Net cost of services:			
Current service cost		7,284,000	5,273,000
Past service cost/(gain)		121,000	975,000
Gains and losses on settlements or curtailments		0	0
Net operating expenditure:			
Net Interest on net defined benefit liability (asset)		914,000	767,000
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services		8,319,000	7,015,000
Adjustments between accounting basis & funding basis under regulations:			
Reversal of net charges made for retirement benefits in accordance with IAS 19		(8,319,000)	(7,015,000)
Actual amount charged against the general fund balance for pensions in the year:			
Employers' contributions payable to scheme		4,645,000	5,391,000
Net charge to the Comprehensive Income and Expenditure Statement		(3,674,000)	(1,624,000)

The service cost figures include an allowance for administration expenses of £0.090m.

Remeasurements recognised in Other Comprehensive Income and Expenditure

	Note	2017/18	2016/17
		£	£
Liability gains/(losses) due to changes in assumptions		(3,534,000)	(33,790,000)
Liability experience gains/(Losses) arising in the year		(764,000)	1,004,000
Actuarial gains/(losses) on plan assets		4,049,000	22,138,000
Other - (if applicable)		0	0
Total gains/(losses) recognised in Other Comprehensive Income and Expenditure		(249,000)	(10,648,000)

6c Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

	Note	2017/18	2016/17
		£	£
Balance as at 1 April 2017		196,846,000	155,467,000
Current service cost		7,284,000	5,273,000
Interest cost		5,082,000	5,246,000
Contributions by members		1,433,000	1,372,000
Remeasurements (gains) and losses:			
Actuarial gains/losses arising on liabilities from experience		744,000	(1,004,000)
Actuarial gains/losses arising from demographic changes		0	(1,092,000)
Actuarial gains/losses arising from changes in financial assumptions		3,554,000	34,882,000
Other (if applicable)		0	0
Past service costs/(gains)		121,000	975,000
Losses/(gains) on curtailments		0	0
Liabilities extinguished on settlements		0	0
Estimated unfunded benefits paid		(109,000)	(106,000)
Estimated benefits paid		(4,213,000)	(4,167,000)
Balance as at 31 March 2018		210,742,000	196,846,000

Reconciliation of present value of the scheme assets:

	Note	2017/18	2016/17
		£	£
Balance as at 1 April 2017		159,369,000	130,262,000
Interest income		4,168,000	4,479,000
Contributions by members		1,433,000	1,372,000
Contributions by employer		4,536,000	5,285,000
Contributions in respect of unfunded benefits		109,000	106,000
Remeasurements gain/(loss)		4,049,000	22,138,000
Assets distributed on settlements		0	0
Unfunded benefits paid		(109,000)	(106,000)
Benefits paid		(4,213,000)	(4,167,000)
Balance as at 31 March 2018		169,342,000	159,369,000

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 gain of £8,217,000 (2016/17 £26,617,000)

Fair Value of Plan Assets

	31/03/2018	31/03/2017
	£	£
Equity investments	120,909,992	118,729,310
Bonds	20,998,472	18,327,370
Property	16,933,800	16,733,990
Cash	7,620,760	4,144,188
Other	2,878,976	1,434,142
	169,342,000	159,369,000

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

The bid value of assets for the Fund as a whole as at 31 March 2018 were provided by the Administering

The amounts included in the fair value of plan assets for property occupied by the Council was £0.

The Group's share of the Net Pension Liability (included in the Balance Sheet):

	31/03/2018	31/03/2017
	£	£
Fair Value of Employer Assets	169,342,000	159,369,000
Present value of funded defined benefit obligation	(208,751,000)	(194,862,000)
Pension asset/(liability) of Funded Scheme	(39,409,000)	(35,493,000)
Present Value of Unfunded defined benefit obligation	(1,991,000)	(1,984,000)
Unrecognised Past Service Cost	0	0
Other movement in the liability (asset) (if applicable)	0	0
Net Asset/(Liability) arising from the defined benefit obligation	(41,400,000)	(37,477,000)
<i>Amount in the Balance sheet:</i>		
Liabilities	(41,400,000)	(37,477,000)
Assets	0	0
Net Asset/(Liability)	(41,400,000)	(37,477,000)

The liabilities show the underlying commitments that the Group has in the long run to pay retirement benefits. The total liability of £41,400,000 has a substantial impact on the net worth of the Group as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the Group 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 2019

	31.03.19
	£
Projected current cost	7,747,000
Interest on obligation	962,000
Expected return on assets	0
Past service cost	0
Gains and losses on settlements or curtailments	0
	8,709,000

The total contributions expected to be made to the Northern Ireland Local Government Officers' Pension Fund by the Group in the year to 31 March 2019 is £5,062,000.

History of experience gains and losses

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

	2017/18	2016/17
	%	%
Experience gains and (losses) on Assets	2%	14%
Experience gains and (losses) on Liabilities	-2%	-17%

6d 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 Group's Fund liabilities have been assessed by AON Hewitt Limited, an independent firm of actuaries, estimates for the Group Fund being based on data pertaining to the latest full valuation of the scheme as at 31 March 2016.

	2017/18	2016/17
Mortality assumptions:		
<i>Longevity at 65 current pensioners:</i>		
Men	23.3	23.2
Women	25.9	25.8
<i>Longevity at 65 for future pensioners:</i>		
Men	25.5	25.4
Women	28.2	28.1
Inflation/Pension Increase Rate	2.10%	2.00%
Salary Increase Rate	3.60%	3.50%
Discount Rate	2.60%	2.60%
Pension Accounts Revaluation Rate	2.10%	2.00%
Take-up of option to convert annual pension into retirement lump		
Service to April 2009	75%	75%
Service post April 2009	0%	0%

6e Pension Assumptions Sensitivity Analysis

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

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

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

Funded Pension Scheme Benefits

Discount Rate Assumption		
Adjustment to discount rate	+0.1%p.a.	-0.1%p.a.
Present value of the total obligation (£M)	195,462	203,232
% change in the present value of the total obligation	-1.90%	2.00%
Projected service cost (£M)	7.156	7.587
Approximate % change in projected service cost	-2.90%	3.00%
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 (£M)	200,475	198,154
% change in the present value of the total obligation	0.60%	-0.60%
Projected service cost (£M)	7.369	7.369
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 (£M)	202,053	196,605
% change in the present value of the total obligation	1.40%	-1.40%
Projected service cost (£M)	7.587	7.156
Approximate % change in projected service cost	3.00%	-2.90%
Post Retirement Mortality Assumption		
Adjustment to mortality age rating assumption*	- 1 Year	+1 Year
Present value of the total obligation (£M)	205,208	193,442
% change in the present value of the total obligation	3.00%	-2.90%
Projected service cost (£M)	7.630	7.110
Approximate % change in projected service cost	3.50%	-3.50%

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

6f 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:

	2017/18	2016/17
	%	%
Equity investments	71.4	74.5
Property	5.2	10.5
Government Bonds	7.2	5.4
Corporate Bonds	10	6.1
Cash	4.5	2.6
Other	1.7	0.9
	100.0	100.0

6g Pension Liability Former Gasworks Employees

Council also has a liability for Pension payment for 1 former employee of the City Gasworks. This payment is funded by the Council each year from the Rates Estimates and is not related to a Pension Scheme. Due to the small scale of this liability no Actuarial valuation of the liability has taken place. The liability at the end of each year is calculated using the formula for the capital cost of compensatory added years, which takes into account the age of the person, gender and a market value adjustment.

The Pension Liability is as follows:

	Note	2017/18	2016/17
		£	£
Balance as at 1 April 2017		111,500	75,939
Payments during year	3	(2,554)	(9,139)
Increase/(Decrease) in liability		(108,946)	44,700
Balance as at 31 March 2018		0	111,500

6h Northern Ireland Civil Service Pension Arrangements

The Northern Ireland Civil Service Pension arrangements are unfunded multi-employer defined benefit schemes but the Department of Communities was unable to identify the share of the underlying assets and liabilities transferred to Councils at 01 April 2015. The most up to date actuarial valuation was carried out as at 31/03/2016. 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 2018.

Derry City and Strabane District Council
Notes to the Group Financial Statements
For the year ended 31 March 2018

Group Note 7

Other cash flow disclosures

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

Adjustment to surplus or deficit on the provision of services for noncash movements			
	Notes	2017/18	2016/17
		£	£
Depreciation	Group Note 5	9,284,453	8,503,255
Impairment & downward revaluations (& non-sale derecognitions)	Group Note 5	1,596,395	1,610,691
Amortisation (included with depreciation above)		-	-
(Increase)/Decrease in Stock		(90,195)	(4,320)
(Increase)/Decrease in Debtors		(4,014,623)	14,910
Increase/(decrease) in impairment provision for bad debts		(110,467)	175,293
Increase/(Decrease) in Creditors		(1,018,395)	(1,294,560)
Increase/(Decrease) in Interest Creditors		(3,030)	(21,566)
Payments to NILGOSC	Group Note 6	3,731,000	1,826,000
Carrying amount of non-current assets sold	Group Note 7	147,096	1,936,446
AIC/WIP written off to Net Cost of Services		-	-
Contributions to Other Reserves/Provisions		554,867	(728,629)
Movement in value of investment properties-included		-	-
Amounts posted to CIES from Donated Assets Account		-	-
		10,077,101	12,017,520

Adjust for items included in the Group net surplus or deficit on the provision of services that are investing and financing activities			
	Notes	2017/18	2016/17
		£	£
Purchase of short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)		-	-
Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)		-	-
Proceeds from the sale of PP&E, investment property and intangible assets		-	(37,500)
Capital grants included in "Taxation & non-specific grant income"		(7,981,446)	(2,410,889)
		(7,981,446)	(2,448,389)

b Cash and Cash Equivalents

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

		2017/18	2016/17
		£	£
Cash and Bank balances		3,186,140	3,061,827
Short Term Deposits (considered to be Cash)		12,259,537	15,943,841
Short Term Investments (considered to be Cash)		-	-
Bank Overdraft		-	-
		15,445,677	19,005,668

c Cash Flow Statement: Operating Activities		2017/18	2016/17
		£	£
The cash flows from operating activities include:			
Interest received		30,800	56,832
Interest paid		2,449,600	2,535,549

d Cash flows from Investing Activities		2017/18	2016/17
		£	£
Purchase of PP&E, investment property and intangible assets		(14,037,416)	(6,142,657)
Purchase of Short Term Investments (not considered to be		-	-
Purchase of Long Term Investments		-	-
Other Payments for Investing Activities		-	-
intangible assets		-	37,500
Proceeds from Short Term Investments (not considered to be		-	-
Proceeds from Long Term Investments		-	-
Capital Grants and Contributions Received		5,605,848	3,946,520
Other Receipts from Investing Activities		-	74,800
Net Cash flows from Investing Activities		(8,431,568)	(2,083,837)

e Cash flows from Financing Activities		2017/18	2016/17
		£	£
Cash Receipts from Short and Long Term Borrowing		4,774,000	2,667,600
Other Receipts from Financing Activities		-	-
Cash payments for the reduction of the outstanding liability		-	-
Repayment of Short and Long Term Borrowing		(3,086,466)	(2,964,193)
Other payments for Financing Activities		-	-
Net Cash flows from Financing Activities		1,687,534	(296,593)

Derry City and Strabane District Council
Financial Statements
For the year ended 31 March 2018

Date of Authorisation for Issue

The Chief Financial Officer authorised these Financial Statements for issue on 24 September 2018.



Chief Financial Officer