

# STATEMENT OF ACCOUNTS

**Derry City and Strabane District Council**

**For the period ended 31st March 2020**

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## **Narrative Report**

### **Introduction**

The Council's financial performance for the year ended 31st March 2020 is as set out in the Comprehensive Income and Expenditure Statement and its financial position is as set out in the Balance Sheet and Cash Flow Statement.

These financial statements have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom for the year ended 31st March 2020 (the Code) and the Department for Communities Accounts Direction, Circular LG 03/20. 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 2019/20 and its financial position at the end of that year. It follows approved accounting standards and is necessarily technical in parts.

The purpose of the Narrative Report is to provide information on the 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. In 2020, as a result of the COVID 19 pandemic, the Council and CODA has faced previously unseen and unprecedented challenges to its finances and operations. Significant governance issues as a result of the crisis are identified in the Annual Governance Statement on page 20 along with the current controls and actions being taken.

### **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 (CIES). These are different from the statutory amounts required to be charged to the General Fund Balance for Local Tax purposes. The 'Net increase/decrease before transfers to 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 the 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.

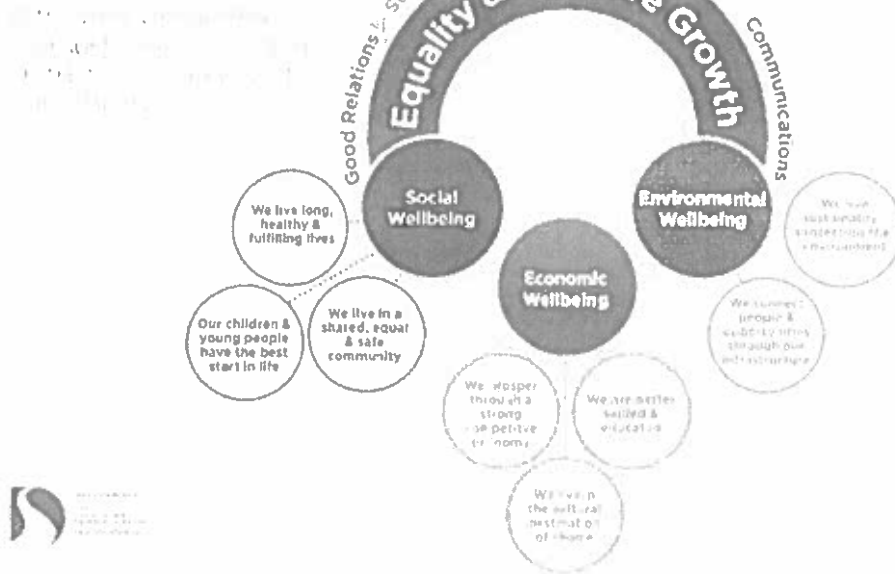
In total 206 responses were submitted as part of the public consultation on the draft Strategic Growth Plan/Community Plan. This significant feedback demonstrated an overwhelming support for the Growth Plan and the aspirations within it. The consultation evidenced and validated the approach to co-design and co-production 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.*

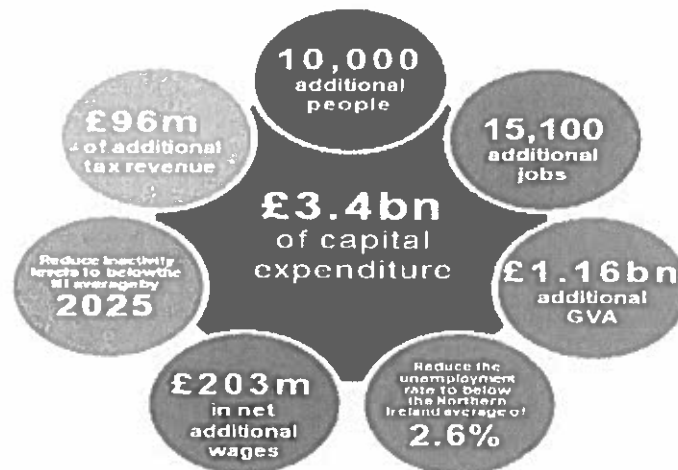
The Strategic Growth Plan sets out the eight outcomes the partnership wishes to achieve between 2017 and 2032. Under economic wellbeing pillar the partnership aspires to be 'better skilled and educated', 'to prosper through a strong, competitive economy' and to 'live in the cultural destination of choice'. 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.

## Our vision:



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 shall generate capital expenditure in the region of £3.4bn, 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 £96m in additional tax revenue.



The implementation of the plan is ongoing and is governed by the Strategic Growth Partnership and its eight outcome delivery partnerships. In accordance with the legislation, the Council and its partners were required to publish a 'statement on progress' on achieving the outcomes, indicators and actions within the plan in November 2019. This statement was aimed to provide transparency around the business of community planning and the performance of the statutory and support partners in its delivery. The detailed Statement was duly published in November 2019 based on current data on each of the population indicators; performance measure scorecards, with a progress report on each of the outcomes alongside case studies of key collaborative actions which are making a real difference to people's lives. The report has shown that early, tangible progress has been made across many of our outcomes and progress is more significant and visible than what was expected at this early stage. The Strategic Growth Plan is due for review 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](http://www.growderrystrabane.com).

## City Deal

One of the key risks to delivery of the Strategic Growth Plan is ensuring the necessary finances are secured, both public and private. In this regard, further match funding for the Derry and Strabane District Area City Deal from the Northern Ireland Executive was announced in May 2020 bringing the total investment package to circa £250m. The overall investment package announced comprises a £50M 'City Deal' and a £55M 'Inclusive Future Fund' from the UK Government, £105m match funding from the NI Executive and £40m from project partners including Council. This is the culmination of a long period of engagement with Government in relation to advancing priority projects and initiatives within the City and District's Inclusive Strategic Growth Plan and City Deal proposals.

The catalytic impact of this could result in the single biggest ever combined and integrated funding injection in the City and District, that will enable progress and delivery of a number of key infrastructure, tourism and regeneration projects contained within the Strategic Growth plan as follows:-

- Cognitive Analytics Research Laboratory (CARL)
- Centre for Industrial Digitalisation, Robotics and Advanced Manufacturing (CIDRA)
- Transformation for Healthcare Research Innovation and Value based ecosystem (HRI-THRIVE)
- Northern Ireland Graduate Entry Medical School (NIGEMS)
- Digital Enabling Infrastructure
- SMART Cities initiatives
- Major Strabane Town Centre Regeneration project
- Derry Central Riverfront Regeneration (including Queens Quay)
- DNA Maritime Museum
- Tourism/ Economic Investment within the Walled City

The bid has been supported and endorsed by all local and regional political parties and representatives and devised around the key strategic economic projects outlined in the City and District's Inclusive Strategic Growth Plan 2017-2032. At the core of the bid is education, innovation, job creation and skills development with a key focus being the advancement of the much sought after expansion and growth of the Magee campus of Ulster University.

This new investment builds on a significant programme of investment already completed or underway including the A6 roads project, the multi-modal transport hub, and Council's ambitious capital programme of over £100m community capital investment.

## 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 Head of Service or Senior Responsible Owner who will assist the Outcome delivery partnership 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. They are also supported by Cross-Cutting support services (including 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 are key organisational priorities identified in the Strategic Growth Plan.

For the year ended 31 March 2020 the Council increased its General Fund reserve by £16,788 to £5,135,677. 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	6,080	5,922	(158)
Council	1,274	1,183	(91)
Health & Community	10,596	10,400	(196)
Business & Culture	8,089	7,910	(179)
Environment & Regeneration	24,478	24,351	(127)
Capital and loans (excluding City of Derry Airport)	7,485	4,813	(2,672)
City of Derry Airport (including capital and loans)	3,728	3,723	(5)
Other costs and income (including exceptional items)	(1,996)	1,743	3,742
<b>Total net expenditure</b>	<b>59,734</b>	<b>60,045</b>	<b>311</b>
<b>Sources of funding:-</b>			
Rates support grant	(3,168)	(3,168)	0
Rates (including derating grant)	(57,669)	(58,597)	(928)
Transferring Functions Grant	(363)	(363)	0
Transfers from and (to) reserves	2,066	2,066	0
<b>Total funding</b>	<b>(59,134)</b>	<b>(60,062)</b>	<b>(928)</b>
<b>(Surplus)/ Deficit</b>	<b>600</b>	<b>(16)</b>	<b>(616)</b>
<b>Opening District Fund</b>		<b>(5,119)</b>	
<b>Closing District fund</b>		<b>(5,135)</b>	

The surplus has been enabled by Council's efficiency programme, significant ratebase growth and strong financial management and control. Moving forward, however, Council faces an extremely challenging financing environment due to the significant financial impact of the COVID19 pandemic.

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 income and expenditure included in the Comprehensive Income and Expenditure Statement.

## COVID 19 Pandemic

The Council's finances have been significantly impacted by the effects of the COVID 19 pandemic on Council income streams and service costs. The financial results reported for the year have been impacted by £383k, including £158k of lost income from Council services (mainly leisure, planning, building control and off street car parking), £42k of exceptional expenditure and £183k of additional waste management costs. Thankfully, a total funding package of £350k has been reimbursed from Department for Communities, DAERA and from the Government Coronavirus Job Retention Scheme ensuring that Council's District Fund has not been significantly impacted in the current financial year.

These impacts have continued into the 2020/21 financial year as Council continues to absorb significant service income losses and absorb additional costs pressures associated with waste management and adapting to new ways of working and service delivery. Thankfully, regional engagement with Government through the Association of Local Government Finance Officers and SOLACE has secured the following significant funding support for the 11 Northern Ireland Councils in respect of losses incurred in 2020/21 as a result of the pandemic:-

- £75m from Department for Communities to cover loss of income from Council services and additional cost pressures being absorbed by Councils;
- £15.3m from DAERA to cover additional waste management service pressures and costs associated with the changes to waste collection regimes and impact on recycling markets;
- Access to the Coronavirus Job Retention Scheme for up to 250 Council employees placed on furlough which has now been extended until March 2021.

In addition to this, Derry City and Strabane District Council has secured operational funding support from the UK and NI Governments of up to £2.157m in respect of City of Derry Airport costs which will result in a reduction in subvention required by Council during 2020/21 and subsequent cost savings to Council.

Council has also approved a financial contingency plan including overhead savings, staff vacancy retention, capital project savings and reallocation of reserves totalling £5.585m to provide further contingency for future losses associated with the pandemic.

As a result of the above actions, it is forecast that all Council losses incurred as a result of the pandemic in 2020/21 will be covered. Council also retains an available District Fund balance of £5.136m of which £4.233m remains unallocated at 31st March 2020 and which represents 6.63% of forecast net expenditure for 2020/21 and is in line with best practice guidelines.

The rates process for 2021/22 will be exceptionally challenging with the following significant pressures already identified:-

- Impact of pandemic on domestic and non-domestic rates income;
- Continued impact of pandemic on income from Council services eg leisure, planning, building control moving forward;
- Staff pay awards;
- Increased employer contributions to pension scheme as already advised by NILGOSC;
- Likely increases to waste management costs and costs associated with new health and safety requirements and ways of working in the new environment;
- Funding required to further progress Council's ambitious capital programme / City Deal and other strategic priorities

In order for Councils to plan with certainty and ensure critical services can continue to be provided and minimise impacts on ratepayers, engagement is continuing with Government to secure further support particularly in relation to ratebase income and support for ratepayers. Failure to secure this will inevitably have significant implications for Council services and sustainability going forward.

## Efficiency programme

Since the inception of the new Council, cumulative recurrent efficiencies of £3.281m 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 2019/20 net expenditure (other costs and income) is a sum of £819,559 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 processes from 2017/18 to 2020/21, these efficiencies along with some new rates investment have enabled Council to reinvest £4.81m in growth and new service developments as identified within the Strategic Growth plan. These include loan charges funding for Council's capital plan and city deals (£2.825m), festivals and events funding including a new major festivals fund (£872k), a third party capital projects fund (£75k), and further investment in rural community services and grant aid (£217k) as well as a range of other service developments and new initiatives.

Identification of further efficiencies remains a priority for the new Council to fund further investment in the 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 in 2015, the new Council has completed projects to the value of £56.3m of which £25.5m has been secured from external funders. A further £46.1m of projects have been approved, in progress and are fully financed of which £33.7m has been secured from external funders. Council has also allocated further funding of circa £36.1m to progress a range of other community and strategic projects which will lever significant external funding as part of Council's City Deal proposals and from other funding sources.

Expenditure on capital projects during the year amounted to £8,566,771. The breakdown of this expenditure is shown in Note 11 (Fixed Assets) to the Financial Statements. The major items of expenditure, including work in progress, were as follows:-

	£
Community Centres	2,786,611
Vehicles and Equipment	1,677,335
Leisure, Recreation and Pitches	1,478,140
Greenways and Public Realm	961,448
Parks and Play Areas Development	717,584
Tourism Projects and Facilities	562,331
City of Derry Airport	195,938
Office Works and IT Equipment	136,906
Other works	25,190
New Cemetery Provision	21,771
Off Street Car Parking	15,517

Grants/Donations to the value of £3,174,921 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 2020 was £46,842,432. No new loans were drawn down during the year. Capital expenditure unfinanced at 31st March 2020 for which loans will be drawn down was £12,453,427.

## 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 07th December 2020.

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

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

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

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

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

The Chief Financial Officer is also required to:

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

## ANNUAL GOVERNANCE STATEMENT

### 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, properly accounted for and used economically, efficiently and effectively.

The Council also has a duty under Part 12 of the Local Government Act (NI) 2014 to make arrangements for continuous improvement in the way which its functions are exercised, having regard to a combination of strategic effectiveness, service quality, service availability, fairness, sustainability, efficiency and innovation.

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

The Council has prepared an Annual Governance Statement which is consistent with the principles of the CIPFA / SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is on our website at [www.derrystrabane.com](http://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

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Derry City & Strabane District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Derry City & Strabane District Council for the year ending 31st March 2020 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 following:

- **Identifying and communicating the 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/"Inclusive Strategic Growth Plan", Local Growth Plans (aligned to each District Electoral Area and one for Strabane Town), its Corporate Plan and its ongoing approach to communications and engagement.

A dedicated webpage has been developed for the Community Planning process which articulates the intended long term outcomes for social, economic and environmental wellbeing. All partnership meetings are held in public and the papers are made available to the public. A range of digital tools and social media campaigns have also been developed to communicate the aims of the Strategic Growth Plan and its performance. See: [www.growderrystrabane.com](http://www.growderrystrabane.com).

The Council's Corporate Plan for 2019/20 was informed by six engagement sessions at the start of the Council term which involved new council 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 the 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.

Each year the Council produces a Corporate Plan and Performance Improvement Plan by 30th June in line with the Performance Improvement Duty.

The draft version of this annual document is subject to consultation. During the consultation phase, copies of the draft corporate plan which includes the Performance Improvement Plan were made available in hardcopy, on the website, and via the e-mail, on request.

The final document for 2019/20 is available to the public (and interested parties) on request and via the Council's website :

[https://www.derrystrobane.com/getmedia/4a825670-7852-4774-815d-d3470a8ca4e1/Corporate-Plan-and-Performance-Improvement-Plan-2019\\_-20\\_v0-8-\(1\).pdf](https://www.derrystrobane.com/getmedia/4a825670-7852-4774-815d-d3470a8ca4e1/Corporate-Plan-and-Performance-Improvement-Plan-2019_-20_v0-8-(1).pdf)

The Council's Corporate Communications Section provides a daily media service to update the public on corporate initiatives and achievements through PR campaigns and initiatives that are shared through news stories & features and press releases. These are shared with the media and on the Council website and through a series of social media channels. This information is monitored and evaluated to measure reach, engagement and tone.

The Council has a specific communication plan for the rates information and a dedicated website and social media messages 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.

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

Arising out of the Corporate Planning / engagement process at the start of the 2015 term, 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.

Pending the development of the Community Plan and the bedding in of a new council in 2019, these objectives were reviewed annually and continued to be reflected in the Council Corporate Plan. It was anticipated to review / update the Corporate Plan, as necessary, in the 2020/21 year to reflect the Community Plan and its first review.

Governance and decision-making arrangements were reviewed prior to the Annual Meeting in March 2015 and June 2019 and the Council has adopted a committee structure which reflects the above objectives / priorities. Accordingly, there are 6 committees: Environment & Regeneration, Health & Community, Business & Culture, Planning, Governance & Strategic Planning and Assurance, Audit & Risk.

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 & Culture plus a number of strategic support units.

The corporate objectives were also cascaded into Directorate Delivery Plans for 2019/20.

- **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 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.

Service delivery standards continue to be 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.

One dimension of this programme was the publication of a Council Connect magazine in 2019/20. This publication is scheduled for release on a 6 monthly basis. The last 2 editions were published in February 2019 and September 2019, however due to covid 19 the March 2020 edition was not completed.

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.derrystrobane.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 2019/2020, 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 Assurance, Audit & Risk Committee, detailing their scrutiny function.

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.

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 meeting and staff briefings.

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. Training on this was rolled out to staff on the Council's e-learning platform.

- **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 at inductions following council elections.

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. Training on this was rolled out to staff on the Council's e-learning platform to ensure that all staff are aware of their responsibilities in relation to the Code of Conduct.

- **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 and a Scheme of Delegation have been prepared for Derry City & Strabane District Council. These documents clearly define how decisions are taken and the processes and controls required to manage risks.

By virtue of section 7(1)(a) of the Local Government Act (NI) 2014, Council can arrange for the discharge of functions by an officer, subject to limited exceptions in section 7(3). The Council has in place a scheme of delegation (which forms part of the council constitution) and paragraph 2.3 of the scheme allows the Chief Executive broad powers to act under delegated authority in case of emergency. These powers apply for the duration of the emergency.

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 GDPR regulations.

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

A Risk Management Strategy was developed during 2014/2015 for the new Derry City & Strabane District Council. This Strategy was approved by Committee in January 2015. The Strategy was last reviewed and updated in 2019 and approved by the Assurance, Audit & Risk Committee in January 2020.

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 and the high scoring risks and a sample of service risk registers are reported to the Assurance, Audit and Risk Committee every other month.

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. In 2019/20, the policy was reviewed and updated and amalgamated with the whistleblowing and anti-bribery policies to create a single policy document. The updated policy document was to be presented to the Assurance, Audit & Risk Committee in March 2020 and then communicated to all members of staff during 2020/2021. This work was postponed due to the Covid19 pandemic but will occur as soon as practicable.

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 Internal Audit plan for 2016/17, 2017/18 2018/19 and 2019/20 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 2019, 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). In 2018/19 and 2019/20 fraud awareness sessions were delivered as and when the need arose. Within the 2019/20 year sessions were delivered to leisure services staff in December 2019 and January 2020.

Additionally, at the meeting of the Assurance, Audit & Risk Committee 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. Delivery of Fraud Awareness Training is included on the Internal Audit Plan for 2020/21. Sessions will be organised as and when the need arises.

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.

The Council completes regular fraud risk assessments as part of the risk management framework. Fraud risk review meetings are held approximately every 6 months and attended by the Lead Assurance Officer, the Internal Audit Manager and the Insurance & Risk Manager. The Fraud Risk Review reports are printed from the Grace Risk Management System and signed as evidence that the review took place. These documents are retained on file by Internal Audit for future comparison and review purposes. The most recent meetings took place on 14/06/19 and 18/10/19.

Internal Audit staff are available to consult with when significant new Council systems are being developed so that fraud risks can be identified and managed.

- **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 2019/2020, 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 giving assurance on 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 Assurance, Audit & Risk 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 initially met on a monthly basis, however, in the new council elected in May 2019, this committee now meets 6 times a year. 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 Assurance, Audit and Risk 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).

The Assurance, Audit and Risk 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. In 2019/20, the policy was reviewed and updated and amalgamated with the counter fraud and anti-bribery policies to create a single policy document. The updated policy document was approved by the Assurance, Audit & Risk Committee in July 2020. The Policy is currently being reviewed again to take account of the Raising Concerns document issued by the Northern Ireland Audit Office.

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 2019-2023 which was agreed at the Governance and Strategic Planning Committee in September 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 Plus standard and are due to be reassessed this year to maintain this 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 2019/20:

- Publication of our citizens magazine and its distribution to every household in the district
- Ongoing consultation and engagement with Citizens in accordance with the community planning process
- 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 (Equality assurance & Oversight Group) established to assist in development and ongoing review 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 for example Children and Young People and Civic Alcohol Forum.
- Media database for local, regional and ROI media.
- Regular e-zine programme of information for database groupings.
- Access to committee meeting agenda, reports and minutes via website and 'app' service
- Establishment of a consultation hub "Citizen Space"

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

According to the Community Planning duty the Community Planning Partnership published 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.growderrystrobane.com](http://www.growderrystrobane.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.

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 Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness within Derry City & Strabane District Council has been informed by a governance review completed by the Lead Assurance Officer; the work of the managers within the Council who have responsibility for the development and maintenance of the governance environment; the Internal Audit Manager's annual report and also by comments made by the external auditors.

The Assurance, Audit & Risk 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.

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 2019/2020 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 2019/2020 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 during 2018-19 met monthly (in the new council, elected in May 2019, this committee now meets 6 times a year). 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, Assurance & Risk 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 and approved by the Assurance, Audit & Risk Committee.

The key challenge for the Internal Audit Section in 2019-2020 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 2019/2020, 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 2019/20 throughout the Council in relation to audit, risk and governance issues. In addition to this, the Internal Audit team also provided an internal audit and risk service to CODA Operations Ltd and reported to their Assurance, Audit & Risk Committee.

A number of audits were completed throughout the year and received a satisfactory assurance rating. These included the audits of years 2 and 3 of the Ilex project of the transfer of the Ilex Strategy and Regeneration function to the Council, Templemore Sports Complex Income Collection, Licensing follow up, the North West Region Waste Management Group and the Police and Community Safety Partnership audits of years 2017/18 and 2018/19.

All internal audit recommendations, are agreed with Management, and are to be implemented within agreed timeframes. Follow up audits will be completed as per the Audit Plan. 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.

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 2019 to March 2020 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 regularly.

- 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 2019/2020 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 ISO 45001 accreditation in November 2019. As a result of having this accreditation the Council is subject to two external audits per annum. The Council has continued to retain this accreditation during 2020 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 2019/2020. CODA Operations Ltd is governed by a Board of Directors, which meets monthly. The Board of Directors consists of 8 Directors / Members including 3 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. 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. Work undertaken at CODA Operations Ltd is also discussed at Council's Assurance, Audit & Risk Committee. CODA Operations Ltd have their own external auditors.

CODA Operations Ltd appointed a new Airport Manager in January 2020 and RCA's management contract ended in April 2020. CODA Operations Ltd is now managed in-house.

The COVID19 Pandemic has had a significant impact on the operations of CODA Operations Ltd and the airlines which operate from CODA. In close liaison with the Department of Transport and the Northern Ireland Executive, funding was secured to ensure that critical links to London were maintained during the emergency. As a result of this the PSO flight, operated by Loganair, from Derry to London Stansted has continued to operate throughout the emergency period.

Government funding secured for the Airport includes:

- Funding of up to £2.157m secured from UK and NI Government towards operating costs of City of Derry Airport from April 2020 to March 2021.

- An additional £323K PSO funding for the London connection for the period April to June 2020.

The Government support received, in addition to Council's financial commitment to the airport, will ensure sustainability of CODA to at least December 2021.

In line with the significant central Government support provided to Regional Airports throughout Europe, formal engagement has commenced with Government to provide the support required to ensure the medium term sustainability of CODA for a further 5 year period until critical transport infrastructure (A5 and A6) is progressed and roads connectivity to the North West is significantly enhanced.

We have been advised on the implications of the result of the effectiveness of the governance framework by the Assurance, Audit & Risk 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 2018/2019, 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 each year's Annual Governance Statement the Chief Executive, Directors and Heads of Service/Lead Officers are asked to consider significant governance issues that require action and disclosure. In 2020, as a result of the COVID 19 pandemic, the Council has faced previously unseen and unprecedented challenges to its finances and operations. Therefore, the significant governance issues identified in the Annual Governance Statement are as a result of the crisis. The most significant issues for the Council are detailed in the table below; which highlights the Governance Issue, the current controls in place and the proposed actions being taken to deal with the issue.

Governance Issue	Controls in place & proposed actions
<p>Covid19 Pandemic: Inability to ensure the future financial stability of Council in relation to implications arising from COVID 19.</p>	<p>Regional engagement with Government through the Association of Local Government Finance Officers and SOLACE has secured the following significant funding support for the 11 Northern Ireland Councils in respect of losses incurred in 2020/21 as a result of the pandemic:-</p> <ul style="list-style-type: none"> <li>- £75m from Department for Communities to cover loss of income from Council services and additional cost pressures being absorbed by Councils;</li> <li>- £15.3m from DAERA to cover additional waste management service pressures and costs associated with the changes to waste collection regimes and impact on recycling markets;</li> <li>- Access to the Coronavirus Job Retention Scheme for up to 250 Council employees placed on furlough which has now been extended until March 2021.</li> </ul>
	<p>In addition to this, Derry City and Strabane District Council has secured operational funding support from the UK and NI Governments of up to £2.157m in respect of City of Derry Airport costs which will result in a reduction in subvention required by Council during 2020/21 and subsequent cost savings to Council.</p> <p>Council has also approved a financial contingency plan including overhead savings, staff vacancy retention, capital project savings and reallocation of reserves totalling £5.585m to provide further contingency for future losses associated with the pandemic.</p> <p>As a result of the above actions, it is forecast that all Council losses incurred as a result of the pandemic in 2020/21 will be covered. Council also retains an available District Fund balance of £5.136m of which £4.233m remains unallocated at 31st March 2020 and which represents 6.63% of forecast net expenditure for 2020/21 and is in line with best practice guidelines.</p>

<p>COVID 19 Pandemic: Inability to secure the future viability of CODA</p>	<p>While CODA continues to be loss making we are content it remains financially secure to at least December 2021 due to Council subvention funding and government support. In close liaison with the Department of Transport and the Northern Ireland Executive, funding was secured to ensure that critical links to London were maintained during the emergency. As a result of this the PSO flight, operated by Loganair, from Derry to London Stansted has continued to operate throughout the emergency period.</p> <p>Government funding secured for the Airport includes:</p> <ul style="list-style-type: none"> <li>- Funding of up to £2.157m secured from UK and NI Government towards operating costs of City of Derry Airport from April 2020 to March 2021.</li> <li>- An additional £323K PSO funding for the London connection for the period April to June 2020.</li> </ul> <p>The Government support received, in addition to Council's financial commitment to the airport, will ensure the sustainability of CODA until at least December 2021.</p> <p>In line with the significant central Government support provided to Regional Airports throughout Europe, formal engagement has commenced with Government to provide the support required to ensure the medium term sustainability of CODA for a further 5 year period until critical transport infrastructure (A5 and A6) is progressed and roads connectivity to the North West is significantly enhanced.</p>
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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 we will monitor their implementation and operation as part of our next annual review.

**Signed**  
**Mr John Kelpie**  
**Chief Executive**



**Date** 07th December 2020

**Signed**  
**Alderman Keith Kerrigan**  
**On behalf of Assurance Audit and Risk Committee**



**Date** 07th December 2020

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 2020**

### **INTRODUCTION**

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

### **ALLOWANCE AND REMUNERATION ARRANGEMENTS**

#### **COUNCILLORS**

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

Guidance and determinations on Councillors' Allowances applicable from 1 April 2019 were issued by the Department for Communities on 6 March 2019 (Circular LG 07/2019). Details of the allowances paid to individual councillors are published on the council website.

Following local elections on 2 May 2019, 462 councillors were elected to the 11 new councils for a four year term. Derry City and Strabane District Council had 40 councillors in 2019/20.

#### **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.

The Council employs an independent member who sits on the Assurance Audit and Risk Committee. This member was paid £990 in year (2018-19 £1,700). There is no pension entitlement.

## ALLOWANCES PAID TO COUNCILLORS

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

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

Allowance	2019/20		2018/19	
	Total Allowances £	Number of Councillors receiving the Allowance	Total Allowances £	Number of Councillors receiving the Allowance
Basic Allowance	600,426	40	590,172	40
Mayor Allowance	31,491	1	30,113	1
Deputy Mayor Allowance	7,872	1	7,528	1
Special Responsibility Allowance	65,693	24	72,695	21
Dependents' Carers Allowance	2,424	2	3,452	3
PCSP Allowance	5,040	17	6,361	13
Employer Costs	156,800	40	124,724	40
Mileage Allowance	16,561	27	31,861	20
Courses/ Conferences & Visits	2,060	-	165	-
Travel and Subsistence	548	8	1,435	10
General Secretarial Services	1,802	40	4,750	40
Other Costs	990	40	1,332	40
Communication and Support Costs	2,190	40	2,512	40
<b>TOTAL ALLOWANCES</b>	<b>893,897</b>		<b>877,100</b>	

Details of the allowances paid to individual councillors in 2019/20 are published on the council website at [www.derrystrabane.com](http://www.derrystrabane.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 - Table 2: Remuneration (Including salary)(audited information)**

Officers	2019/20				2018/19			
	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	115-120	0	0	115-120	110-115	0	0	110-115
Director of Business & Culture - Stephen Gillespie	85-90	0	0	85-90	80-85	0	0	80-85
Director of Health & Community - Karen McFarland	85-90	0	0	85-90	80-85	0	0	80-85
Director of Environment & Regeneration - Karen Philips	85-90	0	0	85-90	80-85	0	0	80-85
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 2019/20 was £115k - £120k. This was 4.6 times the median remuneration of the workforce, which was £26,317.

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

	2019/20	2018/19
Salary Band of Highest Paid member of the Executive Management Team/ Senior	115-120	110-115
Median Total Remuneration	26	26
Ratio	4.6	4.47

In 2019/20, 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 2019/20 relate to performance in 2019/20.

#### Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument.

#### Exit Packages for staff

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

**Table 4: Exit Packages in 2019/20 (audited information)**

Severance Package Cost Band	2019/20				2018/19			
	Number of Compulsory Redundancies	Number of Other departures agreed	Total Number of Exit Packages in each Cost Band	Total Cost of Packages in each Cost Band £'000	Number of Compulsory Redundancies	Number of Other departures agreed	Total Number of Exit Packages in each Cost Band	Total Cost of Packages in each Cost Band £'000
£0 - £20,000	0	0	0	9	1	1	2	11
£20,001 - £40,000	0	0	0	0	0	1	1	24
£40,001 - £60,000	0	1	1	40	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	1	1	63
£80,001 - £100,000	0	0	0	0	0	2	2	191
£100,001 - £150,000	0	3	3	408	0	7	7	895
£150,001 - £200,000	0	2	2	363	0	4	4	690
<b>Total</b>	<b>0</b>	<b>4</b>	<b>4</b>	<b>820</b>	<b>1</b>	<b>16</b>	<b>17</b>	<b>1,874</b>

## 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 of the bands for tiered contribution rates are revised by the Department for Communities in April each year in accordance with the increase applied to a pension in payment. The bands, effective from 1 April 2019, were as follows:

**Table 5: Employee Contribution Rates**

Band	Range	Employee Contribution Rate
1	£0 - £14,800	5.50%
2	£14,801 - £22,600	5.80%
3	£22,601 - £37,700	6.50%
4	£37,701 - £45,700	6.80%
5	£45,701 - £90,400	8.50%
6	More than £90,400	10.50%

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 6A: Employer Contribution Rates**

Year	Employer Contribution Rate
1 April 2017 - 31 March 2018	18% + 2% deficit recovery contribution
1 April 2018 - 31 March 2019	19% + 2% deficit recovery contribution
1 April 2019 - 31 March 2020	20% + 2% deficit recovery contribution

A further triennial actuarial valuation of the Fund as at 31 March 2019 was carried out in 2019/20 and set the employer contribution rates for the 3 years commencing 1 April 2020 as follows:

**Table 6B: Employer Contribution Rates**

Year	Employer Contribution Rate
1 April 2020 - 31 March 2021	19.7%
1 April 2021 - 31 March 2022	19.7%
1 April 2022 - 31 March 2023	19.7%

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 2019/20 was £105,513.

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

**Table 7: Pension Benefits of senior staff in 2019/20 (audited information)**

Officers	Accrued Pension at pension age as at 31/3/20 £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/3/20 £'000	CETV at 31/3/19 £'000	Real increase in CETV £'000
Chief Executive - John Kelpie	30-35 plus lump sum 20-25	2.5-5 plus lump sum 0-2.5	484	422	42
Director of Business & Culture - Stephen Gillespie	20-25 plus lump sum 0-2.5	0-2.5 plus lump sum 0-2.5	313	279	22
Director of Health & Community - Karen McFarland	40-45 plus lump sum 75-80	0-2.5 plus lump sum 0-2.5	844	785	39
Director of Environment & Regeneration - Karen Phillips	20-25 plus lump sum 10-15	0-2.5 plus lump sum 0-2.5	254	225	18
Director of Legacy - Oonagh McGillion	20-25 plus lump sum 25-30	0-2.5 plus lump sum (0-2.5)	356	332	13

**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 does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period. However, the real increase calculation uses common actuarial factors at the start and end of the period so that it disregards the effect of any changes in factors and focuses only on the increase that is funded by the employer.

Mr John Kelpie  
Chief Executive  
07 December 2020



### **Certificate of the Chief Financial Officer**

I certify that:

- (a) the Statement of Accounts for the year ended 31st March 2020 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 55.
  
- (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 2020.



**Mr John Kelpie  
Chief Financial Officer**

**Date** 07 December 2020

### **Council Approval of Statement of Accounts**

These accounts were approved by resolution of the Council/Committee on 07 December 2020.



**Alderman Keith Kerrigan  
On behalf of Assurance, Audit and Risk Committee**

**Date** 07 December 2020

## **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 2020 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 including significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

In my opinion the financial statements:

- give a true and fair view, in accordance with relevant legal and statutory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20, of the financial position of Derry City and Strabane District Council and its group as at 31 March 2020 and its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 and the Department for Communities' directions issued thereunder.

### **Emphasis of Matter**

I draw attention to the current funding issues at the airport as highlighted at page 20 in the Governance statement and in note 11 of the financial statements on page 70. These highlight the potential impact on the accounts including the carrying value of assets associated with the City of Derry Airport should Council not secure further Government financial support post December 2021. 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.

### **Conclusions relating to going concern**

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

- the Derry City and Strabane District Council's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Derry City and Strabane District Council have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Derry City and Strabane District Council's ability to continue to adopt the going concern basis.

## **Other Information**

The Chief Financial Officer is responsible for the other information included in the Statement of Accounts. The other information comprises the information included in the Statement of Accounts other than the financial statements, the parts of the Remuneration Report described in 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 Statement of Accounts for the financial year ended 31 March 2020 is consistent with the financial statements.

## **Responsibilities of the Chief Financial Officer for the financial statements**

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

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

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

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

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://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 2019-20;
    - does not comply with proper practices specified by the Department for Communities;
    - is misleading or inconsistent with other information I am aware of from my audit; or
  - adequate accounting records have not been kept; or
  - the statement of accounts and the part of the remuneration Report to be audited are not in agreement with the accounting records; or
  - I have not received all of the information and explanations I require for my audit, or
- I issue a report in the public interest under Article 9 of the Local Government (Northern Ireland) Order 2005; or
- I designate under Article 12 of the Local Government (Northern Ireland) Order 2005 any recommendation made to the Council; or
- I exercise the other special powers of the auditor under 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

21 December 2020





**Derry City and Strabane District Council**  
**Comprehensive Income and Expenditure Statement for the year ended 31 March 2020**

	Notes	2019/20			2018/19		
		Gross Expenditure £	Gross Income £	Net Expenditure £	Gross Expenditure £	Gross Income £	Net Expenditure £
<b>Service Expenditure</b>							
Cross Cutting Support Services	2	7,975,462	(1,395,037)	6,580,425	7,351,025	(1,686,885)	5,664,140
Environment & Regeneration	2	34,354,749	(5,386,826)	28,967,923	30,085,908	(3,468,679)	26,617,229
Business & Culture	2	14,889,344	(5,597,583)	9,291,761	13,526,050	(4,486,725)	9,039,325
Health & Community	2	19,852,670	(5,993,349)	13,859,321	18,811,646	(5,455,039)	13,356,606
Council	2	1,609,983	(2,753)	1,607,229	1,207,579	(146)	1,207,433
City of Derry Airport	2	3,922,074	(2,073,720)	1,848,354	3,902,468	(1,812,524)	2,089,944
Other Corporate	2	2,747,075	(61,728)	2,685,347	7,246,266	(13,584)	7,232,682
<b>Cost of Services on Continuing Operations</b>		<b>65,351,357</b>	<b>(20,510,996)</b>	<b>64,840,360</b>	<b>82,130,942</b>	<b>(16,923,582)</b>	<b>65,207,359</b>
Other Operating Expenditure/ Income	8	1,083,186	(92,139)	991,047	379,739	(37,064)	342,675
Financing and Investment Income and Expenditure	9	5,748,904	(30,935)	5,717,969	5,948,962	(46,384)	5,902,578
<b>Net Operating Expenditure</b>		<b>92,183,447</b>	<b>(20,634,070)</b>	<b>71,549,376</b>	<b>88,459,643</b>	<b>(17,007,030)</b>	<b>71,452,612</b>
Taxation and Non-Specific Grant Income	10	-	(67,629,127)	(67,629,127)	-	(69,793,407)	(69,793,407)
<b>(Surplus)/Deficit on the Provision of Services</b>		<b>92,183,447</b>	<b>(88,263,197)</b>	<b>3,920,249</b>	<b>88,459,643</b>	<b>(86,800,437)</b>	<b>1,659,205</b>
(Surplus)/Deficit on revaluation of non-current assets	11			(6,738,794)			(6,711,492)
Impairment losses on non-current assets charged to the Revaluation Reserve	11			-			(677)
Remeasurements of the Net Defined Benefit Liability (Asset)	21			4,162,000			(3,794,000)
<b>Other Comprehensive Income and Expenditure</b>				<b>(2,576,794)</b>			<b>(10,506,169)</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>1,343,455</b>			<b>(8,846,964)</b>

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 2020**

	General Fund Summary	Other Fund Balances and Reserves	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
	£	£	£	£	£	£
<b>Balance as at 1 April 2018</b>	<b>4,774,902</b>	<b>23,743,973</b>	<b>779,442</b>	<b>29,331,517</b>	<b>91,846,370</b>	<b>121,184,907</b>
<b>Movement in reserves during the year</b>						
Surplus/ (Deficit) on the provision of services	(1,659,206)	-	-	(1,659,206)	-	(1,659,206)
Other Comprehensive Income and Expenditure	-	-	-	-	10,506,169	10,506,169
<b>Total Comprehensive Income and Expenditure</b>	<b>(1,659,206)</b>	<b>-</b>	<b>-</b>	<b>(1,659,206)</b>	<b>10,506,169</b>	<b>8,846,964</b>
Adjustments between accounting basis & funding under regulations	4,397,546	4,668,728	37,064	9,103,338	(9,091,272)	12,066
<b>Net increase before transfers to Statutory and Other Reserves</b>	<b>2,738,341</b>	<b>4,668,728</b>	<b>37,064</b>	<b>7,444,133</b>	<b>1,414,897</b>	<b>8,859,030</b>
Transfers to / from Statutory and Other Reserves	(2,414,353)	2,061,449	(12,064)	(364,968)	352,904	(12,064)
<b>Increase / (Decrease) in year</b>	<b>323,987</b>	<b>6,730,177</b>	<b>25,000</b>	<b>7,079,165</b>	<b>1,767,801</b>	<b>8,846,966</b>
<b>Balance as at 31 March 2019</b>	<b>5,118,889</b>	<b>30,494,170</b>	<b>804,642</b>	<b>36,417,702</b>	<b>93,616,171</b>	<b>130,033,873</b>
<b>Movement in reserves during the year</b>						
Surplus/ (Deficit) on the provision of services	(3,920,249)	-	-	(3,920,249)	-	(3,920,249)
Other Comprehensive Income and Expenditure	-	-	-	-	2,576,794	2,576,794
<b>Total Comprehensive Income and Expenditure</b>	<b>(3,920,249)</b>	<b>-</b>	<b>-</b>	<b>(3,920,249)</b>	<b>2,576,794</b>	<b>(1,343,455)</b>
Adjustments between accounting basis & funding under regulations	5,908,704	1,266,547	92,139	7,267,390	(7,241,941)	25,449
<b>Net increase before transfers to Statutory and Other Reserves</b>	<b>1,988,455</b>	<b>1,266,547</b>	<b>92,139</b>	<b>3,347,141</b>	<b>(4,665,147)</b>	<b>(1,318,006)</b>
Transfers to / from Statutory and Other Reserves	(1,971,667)	1,971,667	(25,449)	(25,449)	-	(25,449)
<b>Increase / (Decrease) in year</b>	<b>16,788</b>	<b>3,238,214</b>	<b>66,690</b>	<b>3,321,691</b>	<b>(4,665,147)</b>	<b>(1,343,456)</b>
<b>Balance as at 31 March 2020</b>	<b>5,135,678</b>	<b>33,732,384</b>	<b>871,332</b>	<b>39,739,393</b>	<b>88,951,024</b>	<b>128,690,417</b>

**Derry City and Strabane District Council**  
**Balance Sheet as at 31 March 2020**

	Note	31st March 2020	31st March 2019
		£	£
Fixed Assets	11	203,767,260	198,481,582
Long Term Debtors	15	15,438,305	12,797,108
<b>LONG TERM ASSETS</b>		<b>219,205,565</b>	<b>211,278,690</b>
Inventories	14	677,079	348,877
Short Term Debtors	15	15,840,564	15,410,954
Cash and Cash Equivalents	24	10,726,616	17,366,201
Assets Held for Sale	11	1,150,000	650,000
<b>CURRENT ASSETS</b>		<b>28,394,259</b>	<b>33,776,032</b>
Short Term Borrowing	17	3,372,458	3,391,711
Short Term Creditors	18	12,382,696	14,721,309
Provisions	19	587,358	953,266
<b>CURRENT LIABILITIES</b>		<b>16,342,512</b>	<b>19,066,286</b>
Provisions	19	3,572,922	3,493,126
Long Term Borrowing	17	43,469,974	46,842,439
Other Long Term Liabilities	21	55,524,000	45,619,000
<b>LONG TERM LIABILITIES</b>		<b>102,566,896</b>	<b>95,954,565</b>
<b>NET ASSETS</b>		<b>128,690,416</b>	<b>130,033,871</b>
<b>USABLE RESERVES</b>			
Capital Receipts Reserve	25	871,332	804,642
Capital Grants Unapplied Account	25	18,731,083	16,404,901
Capital Fund	25	8,300,991	5,636,363
Renewal and Repairs Fund	25	4,660,188	3,992,785
Other Balances and Reserves	25	2,040,121	4,460,121
General Fund	25	5,135,677	5,118,889
		<b>39,739,372</b>	<b>36,417,701</b>
<b>UNUSABLE RESERVES</b>			
Capital Adjustment Account	26	62,069,915	60,472,271
Revaluation Reserve	26	82,816,864	79,174,655
Pensions Reserve	26	(55,524,000)	(45,619,000)
Accumulated Absences Account	26	(411,755)	(411,755)
		<b>88,951,024</b>	<b>93,616,170</b>
<b>NET WORTH</b>		<b>128,690,416</b>	<b>130,033,871</b>

**Derry City and Strabane District Council**  
**Cash Flow Statement at 31 March 2020**

	Note	2019/20	2018/19
		£	£
Net Deficit on the provision of services		(3,920,249)	(1,659,206)
Adjustment for non-cash movements	24	10,817,021	20,465,123
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	24	(5,593,242)	(9,155,337)
<b>Net cash flows from operating activities</b>	<b>24</b>	<b>1,303,530</b>	<b>9,650,580</b>
Cash flows from Investing Activities	24	(4,551,397)	(4,152,576)
Net Cash flows from Financing Activities	24	(3,391,717)	(3,436,174)
<b>Net increase or decrease in cash and cash equivalents</b>		<b>(6,639,585)</b>	<b>2,061,830</b>
Cash and cash equivalents at the beginning of the reporting period		17,366,201	15,304,371
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>10,726,616</b>	<b>17,366,201</b>

**Derry City and Strabane District Council**  
**Notes to the Financial Statements**  
**FOR THE YEAR ENDED 31 MARCH 2020**

**1 Accounting Policies**

**a General Principles**

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The Council is required to prepare an annual Statement of Accounts in a form directed by the Department for Communities in accordance with regulations 3 (7) and (8) in the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 also requires disclosure in respect of:

**Summary of Significant Accounting Policies**

**i Accruals of Income and Expenditure**

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

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

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

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

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

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

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

ii) **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 as a result of the Council implementing its Single Status Policy. The provision has been reduced significantly following success at the initial hearing stage of a claim by leavers.

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 highly liquid 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 wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, and are recognised as an expense in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

**Termination benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to a corporate service segment of the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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 national 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
- utilised securities – current bid price

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

Service cost comprising:

Current Service Cost – the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

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

Any Gains or Losses on Settlement – 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), – ie net interest expense for the Council, the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) of the beginning of the period - taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

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) charged to the Pensions Reserve as Other Comprehensive Income and Expenditure. This includes interest, dividends and other income derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of managing plan assets, and any tax payable by the plan itself other than tax included in the actuarial assumptions used to measure the present value of the defined benefit obligation.

Actuarial Gains and Losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

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, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

## Discretionary Benefits

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

As a result of Local Government Reform on 1 April 2015, staff that transferred from Central Government to the Council retained membership of the Northern Ireland Civil Service (NICS) Pension Scheme. The 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 Statement of Accounts may subsequently be adjusted up to the date when they are authorised for issue. This date will be recorded on the Statement of Accounts and is usually the date the Local Government Auditor issues the certificate and opinion. Where material adjustments are made in this period they will be disclosed.

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

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 (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

x) **Financial Instruments**

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

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

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

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

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

### **Financial Assets Measured at Amortised Cost**

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

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 General 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 derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

#### **Expected Credit Loss Model**

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

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

#### **Financial Assets Measured at Fair Value through Profit or Loss**

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on Provision of Services.

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

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

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

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

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

**xii) Foreign Currency Translation**

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

**xiii) Government Grants and Contributions**

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

- 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 in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

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

**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 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 the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

**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, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measureable date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

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, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

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

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

**The Council as Lessee - Finance Lease**

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

Lease payments are apportioned between:

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

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

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

### **Operating Leases:**

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

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

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

Lease rentals receivable are apportioned between:

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

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

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

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

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

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

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

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

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of, or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal 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.

## xix) **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 does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

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

- vehicles, plant and equipment – depreciated historical cost
- 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)

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 current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end. A full revaluation was carried out by Land and Property Services as at 31 March 2019 and values 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),
- b. where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

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

## Depreciation

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

Depreciation is calculated on the following bases:

- buildings are depreciated on a straight line basis on their carrying value over the estimated remaining useful life of the asset as advised by Land and Property Services. Depending on the type of building, installation or fitting the maximum useful life will be in the range of 2 to 60 years.
- plant, vehicles and equipment are depreciated on a straight line basis on historic cost on a useful life ranging between 3 and 25 years.
- infrastructure assets are depreciated on a straight line basis on historic cost using original useful lives ranging between 5 and 20 years.
- intangible assets are amortised over the estimated useful lives of the asset.

In 2019/20, the Council made a change to its accounting estimate for vehicles within property, plant and equipment. New vehicles have been deemed to have a useful life of 7 years as opposed to the previous estimate of 5 years. As a result, the depreciation charge for the new vehicles of £208k for 2019/20 was £83k lower than it would have been if the useful lives had been assessed using the previous estimate of 5 years for the calculations. The impact of this change will carry forward into 2020/21 and will also affect future years.

## Componentisation

As part of Land and Property Services annual valuation, a detailed schedule is provided to Council of asset components. As far as possible, this schedule has been used to determine the various components of each asset with each component being depreciated according to the useful life provided by Land and Property Services.

## 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.

## xix] 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 of 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 measured at cost and donations are recognised at a value determined 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 part of the Council's assets while assets 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 Council's general policy on impairment.

xxi] **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 transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against District Rates for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement benefits and employee 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**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current 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 contribution 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 amortisation are therefore replaced by the the 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 from Her Majesty's Revenue and Customs.

**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 Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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

The following are new or revisions to accounting standards that have been issued but not yet adopted and which commence on or before 01 January 2019:-

- a) amendments to IAS 40 Investment Property: Transfers of Investment Property
- b) annual Improvements to IFRS Standards 2014-2016 Cycle
- c) IFRIC 22 Foreign Currency Transactions and Advance Consideration
- d) IFRIC 23 Uncertainty over Income Tax Treatments
- e) amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation.

The impact on the accounts of the revisions from these standards is currently not identifiable.

**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.

**City of Derry Airport** - as noted in the Governance Statement in 2020, as a result of the COVID 19 pandemic the council has faced previously unseen and unprecedented challenges to its finances and operations. In close liaison with the Department of Transport and the Northern Ireland Executive, funding was secured to ensure that critical links to London were maintained during the emergency. As a result of this the PSO flight, operated by Loganair, from Derry to London Stansted has continued to operate throughout the emergency period.

Government funding secured for the Airport includes:

- Funding of up to £2.157m secured from UK and NI Government towards operating costs of City of Derry Airport from April 2020 to March 2021.
- An additional £323K PSO funding for the London connection for the period April to June 2020.

The Government support received, in addition to Council's financial commitment to the airport, will ensure the sustainability of CODA until at least December 2021.

In line with the significant central Government support provided to Regional Airports throughout Europe, formal engagement has commenced with Government to provide the support required to ensure the medium term sustainability of CODA for a further 5 year period until critical transport infrastructure (A5 and A6) is progressed and roads connectivity to the North West is significantly enhanced.

**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.

At the last actuarial valuation, dated 31 March 2019, there was a surplus of £836.9M relative to the liabilities and a funding level of 112%. However since the valuation date the effect of measures being taken to limit the impact of the Covid19 pandemic on economic activity and asset valuations may mean that the fund is no longer in surplus by the time of the next valuation due as at 31 March 2022.

Pension Contributions for 2021/22 and 2022/23 have been based on the valuation results as at 31 March 2019, as a result these pension contributions are subject to confirmation and may be increased in order to avoid a higher increase being required from 1 April 2023 if the funding level falls below its 31 March 2019 level.

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). Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

	2019/20			2018/19		
	Net Expenditure Chargable to the General Fund	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargable to the General Fund	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
Cross Cutting Support Services	5,921,735	(658,890)	6,580,425	5,220,015	(444,125)	5,664,140
Environment & Regeneration	24,351,638	(4,616,285)	28,967,923	23,575,847	(3,041,382)	26,617,229
Business & Culture	7,910,146	(1,381,615)	9,291,761	7,861,772	(1,177,553)	9,039,325
Health & Community	10,399,690	(3,459,631)	13,859,321	9,974,133	(3,382,473)	13,356,606
Council	1,192,926	(424,303)	1,607,229	1,267,934	60,501	1,207,433
City of Derry Airport	3,722,544	1,874,190	1,848,354	4,079,281	1,989,337	2,089,944
Capital financing	4,813,330	4,813,330	-	5,454,930	5,454,930	-
Other Corporate	1,743,293	(942,049)	2,695,347	1,631,919	(5,600,763)	7,232,682
Transfers to/from Reserves & Provisions	2,065,929	2,065,929	-	1,285,310	1,285,310	-
<b>Net Cost of Services</b>	<b>62,111,235</b>	<b>(2,729,125)</b>	<b>64,840,360</b>	<b>60,351,140</b>	<b>(4,856,219)</b>	<b>65,207,359</b>
<b>Other Income and Expenditure</b>	<b>(62,128,025)</b>	<b>(1,207,913)</b>	<b>(60,920,111)</b>	<b>(60,675,131)</b>	<b>2,873,023</b>	<b>(63,548,154)</b>
<b>Surplus or Deficit</b>	<b>(16,790)</b>	<b>(1,937,938)</b>	<b>3,920,249</b>	<b>(323,991)</b>	<b>(1,983,196)</b>	<b>1,659,205</b>
Opening General Fund			5,118,889			4,794,902
<b>Surplus/ Deficit on General Fund Balance in Year</b>			<b>16,788</b>			<b>323,987</b>
Closing General Fund			5,135,678			5,118,889

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

Net expenditure charged to general fund of £62,111,235 is effectively the 2019-2020 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 £4,728,904 (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 £64,840,360 in the CIES, the £4,728,904 is reversed out in the 'adjustments column' totalling £2,729,125.

Of the financing cost of £4,728,904, loan interest costs of £422,466 relating to Airport capital expenditure and CODA share write-down cost of £2,480,000 are included within City of Derry Airport costs above. Furthermore the airport has also been allocated its portion of the minimum revenue provision £782,225. 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 £4,813,330 consist of both the unallocated to service heads elements of loan interest and minimum revenue provision costs.

Note to the Expenditure and Funding Analysis

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

Adjustments between Funding and Accounting Basis  
2019/20

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net Change for the Pension Adjustments	Other Statutory Adjustments	Other non-statutory Adjustments	Total adjustments
Cross Cutting Support Services	(154,232)	(504,458)	-	-	(658,690)
Environment & Regeneration	(3,313,285)	(1,540,526)	237,526	-	(4,616,285)
Business & Culture	(822,605)	(559,010)	-	-	(1,381,615)
Health & Community	(2,340,984)	(1,118,647)	-	-	(3,459,631)
Council	(6,157)	(86,359)	-	(331,788)	(424,303)
City of Derry Airport	(1,811,439)	-	-	3,685,629	1,874,190
Capital Financing	-	-	-	4,813,330	4,813,330
Other Corporate	-	(914,000)	-	(28,049)	(942,049)
Transfers to/from Reserves & Provisions	-	-	-	2,065,929	2,065,929
<b>Net Cost of Services</b>	<b>(6,448,702)</b>	<b>(4,723,000)</b>	<b>237,526</b>	<b>10,205,051</b>	<b>(2,729,125)</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	4,510,056	(1,020,000)	-	(4,697,969)	(1,207,913)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(3,938,646)	(5,743,000)	237,526	5,507,092	(3,937,038)

Adjustments between Funding and Accounting Basis  
2018/19

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net Change for the Pension Adjustments	Other Statutory Adjustments	Other non-statutory Adjustments	Total adjustments
Cross Cutting Support Services	(153,895)	(285,278)	(4,952)	-	(444,125)
Environment & Regeneration	(3,189,331)	(842,750)	990,698	-	(3,041,382)
Business & Culture	(868,555)	(303,923)	(5,075)	-	(1,177,553)
Health & Community	(2,759,248)	(612,708)	(10,517)	-	(3,382,473)
Council	(6,158)	(48,341)	-	145,000	60,501
City of Derry Airport	(1,844,444)	-	-	3,833,781	1,989,337
Capital Financing	-	-	-	5,454,930	5,454,930
Other Corporate	-	(5,561,000)	-	(39,763)	(5,600,763)
Transfers to/from Reserves & Provisions	-	-	-	1,285,310	1,285,310
<b>Net Cost of Services</b>	<b>(6,821,632)</b>	<b>(7,654,000)</b>	<b>970,155</b>	<b>10,649,258</b>	<b>(4,856,219)</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	8,775,598	(987,000)	-	(4,915,575)	2,873,023
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(46,034)	(8,641,000)	970,155	5,733,683	(1,983,196)

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

**Adjustments for Capital Purposes**

Adjustments to General Fund Balances to meet the requirements of generally accepted accounting practices. This column adds in depreciation and impairment and revaluation gains and losses in the services line and for:

i) Other operating expenditure - adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

ii) financing and investment income and expenditure - the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from financing and investment income and expenditure as these are not chargeable under generally accepted accounting practices.

iii) Taxation and Non Specific Grant Income and Expenditure - Capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

**Net change for the Pensions Adjustments**

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

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

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

**Other statutory differences / Other differences**

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

Other differences - adjusts for Interest payable and receivable, write off in the value of CODA shares, transfers to/from General Fund, Accumulated Absences, Revenue Contributions to Capital and Minimum Revenue Provision.

2

Segmental Income and Expenditure

Income and expenditure on a segmental basis are analysed below:

	2019/20		Net expenditure as reported to Council
	Gross expenditure	Income	
	£	£	
CHIEF EXECUTIVE	2,587,344	(1,234,695)	1,352,649
PERSONNEL	768,082	(11,499)	756,583
POLICY & IMPROVEMENT	1,869,191	(22,578)	1,846,613
GOVERNANCE	1,037,696	(18,584)	1,019,112
STRATEGIC FINANCE & FUNDING	730,067	(19,821)	710,247
LEGAL SERVICES	373,291	(136,759)	236,531
<b>CROSS CUTTING CORPORATE SERVICES</b>	<b>7,365,671</b>	<b>(1,443,935)</b>	<b>5,921,735</b>
ENVIRONMENT & REGEN. OFFICE	1,256,352	(826,853)	429,498
PLANNING & REGENERATION	2,323,932	(1,047,634)	1,276,298
ENVIRONMENT SERVICE	24,291,156	(2,467,627)	21,823,529
CAPITAL DEV. & BUILDING CONTROL	1,936,658	(1,114,347)	822,312
<b>ENVIRONMENT &amp; REGENERATION DIRECTORATE</b>	<b>29,808,098</b>	<b>(5,456,460)</b>	<b>24,351,637</b>
BUSINESS & CULTURE DIRECTOR	173,498	0	173,498
BUSINESS	5,247,529	(4,132,297)	1,115,233
CULTURE	8,158,991	(1,537,576)	6,621,415
<b>BUSINESS &amp; CULTURE DIRECTORATE</b>	<b>13,580,019</b>	<b>(5,669,873)</b>	<b>7,910,146</b>
HEALTH & COMMUNITY OFFICE	443,742	0	443,742
COMMUNITY WELLBEING	2,691,092	(824,322)	1,866,770
COMMUNITY DEV. & LEISURE	13,303,155	(5,213,977)	8,089,178
<b>HEALTH &amp; COMMUNITY DIRECTORATE</b>	<b>16,437,989</b>	<b>(6,038,299)</b>	<b>10,399,690</b>
<b>COUNCIL</b>	<b>1,185,479</b>	<b>(2,753)</b>	<b>1,182,926</b>
CITY OF DERRY AIRPORT	5,796,264	(2,073,720)	3,722,544
CAPITAL FINANCING	4,813,330	0	4,813,330
PENSIONER COSTS	463,179	0	463,179
OTHER COSTS	1,369,762	(61,594)	1,308,168
BANK INTEREST AND CHARGES	2,886	(30,935)	(28,049)
OTHER COSTS	1,835,827	(92,529)	1,743,299
TRANSFERS TO/ FROM RESERVES	2,065,929	0	2,065,929
TAXATION AND OTHER INCOME	0	(62,128,024)	(62,128,024)
<b>NET COST OF SERVICES</b>	<b>82,888,805</b>	<b>(82,905,594)</b>	<b>(16,788)</b>

	2018/19		Net expenditure as reported to Council
	Gross expenditure	Income	
	£	£	
CHIEF EXECUTIVE	2,272,200	(1,481,415)	790,786
PERSONNEL	774,508	(28,558)	745,950
POLICY & IMPROVEMENT	1,745,696	(19,644)	1,726,051
GOVERNANCE	1,031,619	(17,401)	1,014,218
STRATEGIC FINANCE & FUNDING	742,953	(38,675)	704,278
LEGAL SERVICES	409,999	(171,267)	238,732
<b>CROSS CUTTING CORPORATE SERVICES</b>	<b>6,976,974</b>	<b>(1,756,960)</b>	<b>5,220,015</b>
ENVIRONMENT & REGEN. OFFICE	549,594	(51,711)	497,883
PLANNING & REGENERATION	2,211,564	(981,238)	1,230,326
ENVIRONMENT SERVICE	22,455,855	(1,550,419)	20,905,436
CAPITAL DEV. & BUILDING CONTROL	1,880,622	(938,420)	942,202
<b>ENVIRONMENT &amp; REGENERATION DIRECTORATE</b>	<b>27,097,633</b>	<b>(3,521,788)</b>	<b>23,575,847</b>
BUSINESS & CULTURE DIRECTOR	296,891	(29,944)	266,947
BUSINESS	4,314,393	(3,220,542)	1,093,851
CULTURE	7,816,403	(1,315,429)	6,500,974
<b>BUSINESS &amp; CULTURE DIRECTORATE</b>	<b>12,427,687</b>	<b>(4,565,915)</b>	<b>7,861,772</b>
HEALTH & COMMUNITY OFFICE	454,831	0	454,831
COMMUNITY WELLBEING	2,631,626	(641,275)	1,990,351
COMMUNITY DEV. & LEISURE	12,382,793	(4,853,842)	7,528,951
<b>HEALTH &amp; COMMUNITY DIRECTORATE</b>	<b>15,469,251</b>	<b>(5,495,117)</b>	<b>9,974,134</b>
<b>COUNCIL</b>	<b>1,268,079</b>	<b>(146)</b>	<b>1,267,934</b>
CITY OF DERRY AIRPORT	5,891,804	(1,812,524)	4,079,282
CAPITAL FINANCING	5,454,930	0	5,454,930
PENSIONER COSTS	462,339	0	462,339
OTHER COSTS	1,207,346	0	1,207,346
BANK INTEREST AND CHARGES	6,618	(44,384)	(37,767)
OTHER COSTS	1,676,303	(44,384)	1,631,918
TRANSFERS TO/ FROM RESERVES	1,285,310	0	1,285,310
TAXATION AND OTHER INCOME	0	(60,675,140)	(60,675,140)
<b>NET COST OF SERVICES</b>	<b>77,547,976</b>	<b>(77,871,974)</b>	<b>(323,998)</b>

**a Expenditure and Income Analysed by Nature**

Expenditure		2019/20	2018/19
Notes	£	£	£
	7	35,563,992	34,163,157
		41,338,664	39,145,154
	4, 11	8,448,701	8,821,631
	9	2,248,904	2,401,235
	4, 8	991,047	342,675
		3,592,139	3,584,791
<b>Total Expenditure</b>		<b>92,183,447</b>	<b>88,459,443</b>

Income		2019/20	2018/19
Notes	£	£	£
	9	(30,935)	(44,384)
	10	(56,398,575)	(53,797,765)
	10	(11,230,552)	(15,995,642)
		(20,603,135)	(16,962,646)
<b>Total Income</b>		<b>(88,263,197)</b>	<b>(86,800,437)</b>

(Surplus) or Deficit on the Provision of Services  
**3,920,250** **1,659,006**

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

**b Income from Council Services excluding Grant Income and Internal Charges**

Amounts included in the Comprehensive Income and Expenditure Statement excluding grant income and internal charges

		2019/20	2018/19
Notes	£	£	£
		154,237	214,464
		2,819,326	2,589,272
		2,063,617	1,975,096
		3,280,036	2,876,445
		2,753	145
		2,400	11,990
<b>Total Income</b>		<b>8,322,369</b>	<b>7,667,612</b>

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	2019/20		2018/19	
		£	£	£	£
<b>Amounts included in the Comprehensive Income and Expenditure Statement but required by statute to be excluded when determining the Movement on the General Fund Balance for the year:</b>					
Revaluation increases/decreases taken to Surplus/Deficit on the Provision of Services	11	(201,806)		367,524	
Depreciation charged in the year on non-current assets	11	8,650,507	8,448,701	8,454,107	8,821,431
Carrying amount of non-current assets sold	8	1,093,186		379,739	
Proceeds from the sale of PP&E investment property and intangible assets	8, 24	(92,139)	991,047	(37,064)	342,675
Net charges made for retirement benefits in accordance with MAS 19	21		11,918,000		14,282,000
Direct revenue financing of Capital Expenditure	12, 25f, 26a		(93,147)		(316,730)
Capital Grants and Donated Assets Receivable and Applied in year	10B		1940,303		(1,059,232)
Capital Grants Receivable and Unapplied in year	10C		(4,540,795)		18,059,041
Adjustments in relation to short-term compensated absences	26d		0		43,886
<b>Amounts not included in the Comprehensive Income and Expenditure Statement but required by statute to be included when determining the Movement on the General Fund Balance for the year:</b>					
Statutory Provision for the financing of Capital Investment	12, 25f		(3,674,394)		(3,986,643)
Employers contributions payable to NLLGOSC and retirement benefits payable direct to pensioners	21		(6,175,000)		(5,641,000)
			5,908,704		4,397,546

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

	Notes	2019/20		2018/19	
		£	£	£	£
<b>Capital Fund</b>					
Transfer to General Fund	25c	681,941		1,014,053	
Transfer from General Fund	25c	(2,388,833)	(1,706,897)	(3,072,850)	(2,058,797)
<b>Renewal and Repairs Fund</b>					
Transfer to General Fund	25a	239,614		491,020	
Transfer from General Fund	25a	(1,047,740)	(808,126)	(690,920)	(199,900)
<b>Other Funds and earmarked reserves</b>					
Transfer to General Fund	25a	1,399,145		1,329,715	
Transfer from General Fund	25e	(855,794)	543,351	(1,132,467)	197,245
<b>Landfill Provision Discount Rate Reserve</b>					
Transfer from General Fund	26a	-	-	(352,904)	(352,904)
			(1,971,667)		(2,414,353)



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 2019/20 (£0 in 2018/19).

b External Audit Fees

The Council has incurred the following costs relating to the annual audit of the Statement of Accounts, the Performance Audit and other services provided by the Council's external auditors:

	2019/20	2018/19
External Audit Fees *	62,250	55,000
Other Fees - Performance Audit Fees **	21,000	18,500
Other Fees - National Fraud Initiative Fees	-	1,101
	83,250	74,601

\* The figure of £62,250 includes an amount of £1,250 in respect of under accrued audit fees for 2018/19. There was also -£2,000 over accrued in 2018/19 for 2017/18.

\*\* Due to covid 19 this year's performance audit work is being restricted to a review of the Council's self-assessment report. Hence instead of the accrued fees of £21k reflected in these accounts, actual fees are expected to be less than £10k.

There were no other fees incurred in respect of any other services provided by the appointed auditor over and above those described above (£0 2018/19).

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 £134,093 (2018/19: £120,169). 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 10,000 years. Lease income has been impacted by Covid 19 in 2020/21 as lease payment holidays were granted on some leases due to Covid 19 restrictions. The estimated future minimum lease income is set out below:

	2019/20		2018/19	
	Land and Buildings	Vehicles, Plant and Equipment	Land and Buildings	Vehicles, Plant and Equipment
	£	£	£	£
<b>Minimum lease rentals receivable:</b>				
No later than 1 year	90,595	-	79,588	-
Later than 1 year and no later than 5 years	197,245	-	153,079	-
Later than 5 years	60,054	-	104,382	-
	<b>347,894</b>	<b>-</b>	<b>337,049</b>	<b>-</b>

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

	2019/20		2018/19	
	Land and Buildings	Vehicles, Plant and Equipment	Land and Buildings	Vehicles, Plant and Equipment
	£	£	£	£
Cost	3,770,492	-	3,601,195	-
Additions during the year	34	-	180,797	-
Depreciation charge for the year	(37,299)	-	(37,111)	-
Revaluation/impairments for the year	73,666	-	56,466	-
	<b>3,806,893</b>	<b>-</b>	<b>3,801,347</b>	<b>-</b>

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 multi functional office photocopiers and printers acquired by entering into operating leases with typical lives of 5 years. It has also leased a small number of sites and properties 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:

	2019/20		2018/19	
	Land and Buildings £	Vehicles, Plant and Equipment £	Land and Buildings £	Vehicles, Plant and Equipment £
Minimum lease payments	240,453	26,649	286,678	27,442
<b>Total</b>	<b>240,453</b>	<b>26,649</b>	<b>286,678</b>	<b>27,442</b>

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

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

	2019/20		2018/19	
	Land and Buildings £	Vehicles, Plant and Equipment £	Land and Buildings £	Vehicles, Plant and Equipment £
<b>Minimum lease rentals payable:</b>				
No later than 1 year	281,507	25,263	177,285	22,465
Later than 1 year and no later than 5 years	599,378	54,006	286,264	76,354
Later than 5 years	1,090,872	-	103,930	-
<b>Total *</b>	<b>1,971,757</b>	<b>79,269</b>	<b>547,479</b>	<b>98,819</b>

\* The increase in the 2019/20 Land & Buildings minimum lease rentals payable is due to a new lease in the Waterloo Place building at £100k per year over 15 years.

7 Employee Costs and Member Allowances		
a Staff Costs		
	2019/20	2018/19
	£	£
Salaries and Wages	27,745,155	25,659,191
Employers NIC	2,526,948	2,380,543
Employers Superannuation - NRC/GOSC	4,996,691	5,901,287
Employers Superannuation - Civil Service	295,198	222,136
<b>Total staff costs</b>	<b>35,563,992</b>	<b>34,163,157</b>

The Employer's superannuation figure in Note 7a above includes £685,193 for the capital costs incurred in respect of the Council's 2019-20 exit packages (2018-19 £1,415,790)

In addition, agency costs during the year amounted to £388,655 (2018/19 £706,331)

The Council's current contribution rate to NRC/GOSC scheme is 20% (2018/19 19%) plus a Deficit Recovery Contribution of £348,800 (not included in the Employer's superannuation figure in table 7a) (2018/19 £348,800).

At the last actuarial valuation, dated 31 March 2019, there was a surplus of £836.9M relative to the liabilities and a funding level of 112%. However since the valuation date the effect of measures being taken to limit the impact of the Covid19 pandemic on economic activity and asset valuations may mean that the fund is no longer in surplus by the time of the next valuation due as at 31 March 2022

The Council incurred total costs (including superannuation capital costs details above) of £819,559 during 2019-20 (2018-19 £1,878,377) 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		
	2019/20	2018/19
	FTE	FTE
Full-time numbers employed	865	831
Part-time numbers employed	101	105
<b>Total Number</b>	<b>966</b>	<b>936</b>

	2019/20	2018/19
	Actual Numbers	Actual Numbers
Full-time numbers employed	876	827
Part-time numbers employed	160	184
<b>Total Number</b>	<b>1,036</b>	<b>1,011</b>

c Senior Employees' Remuneration		
	2019/20	2018/19
	£	£
£50,001 to £60,000	3	4
£60,001 to £70,000	14	12
£70,001 to £80,000	-	1
£80,001 to £90,000	3	3
£90,001 to £100,000	-	-
£100,001 to £110,000	-	-
£110,001 to £120,000	1	1
<b>Total Number</b>	<b>21</b>	<b>21</b>

d Members' Allowances		
	2019/20	2018/19
	£	£
Basic allowance	600,426	590,172
Mayor's Allowance	31,491	30,113
Deputy Mayor's Allowance	7,872	7,528
Special Responsibility Allowances	65,693	72,695
Dependents' carers allowance	2,424	3,452
PCS Allowance	5,040	6,361
Employer costs	156,800	124,724
Nutrage	16,561	31,861
Conferences, Courses & Visits	2,060	1,65
Travel & Subsistence Costs	548	1,435
General Secretariat Services	1,802	4,750
Other Costs	990	1,332
Communication and Support	2,190	2,512
<b>Total</b>	<b>873,897</b>	<b>877,100</b>

**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 arrangements are unfunded multi-employer defined benefit schemes but the Department for Communities at 01/04/2015 was unable to identify its share of the underlying assets and liabilities. The Government Actuary's Department (GAD) is responsible for carrying out scheme valuations. The Actuary reviews employer contributions every four years following the scheme valuation. The 2016 scheme valuation was completed by GAD in March 2019. The outcome of this valuation was used to set the level of contributions for employers from 01 April 2019 to 31 March 2021.

For 2019/20, employers' contributions of £295,198 (2018/19 £222,136) were payable to the NICS pension arrangements at one of three rates in the range 26.7% to 34.2% of pensionable pay, based on salary bands.

The contribution rates are set to meet the cost of the benefits accruing during 2019/20 to be paid when the member retires, and not the benefits paid during this period to existing pensioners. For 2020-21 the rates will range from 26.6% to 34.1% however the salary bands differ.

1 person resigned their position during 2019-20. The actuarial cost for employees for the early payment of retirement benefits was £0 (2018/19 £0).

**8 Other Operating Income & Expenditure**

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

	2019/20	2018/19
	£	£
Proceeds from sale	(92,139)	(37,064)
Carrying amount of non-current assets sold (excl Investment Properties)	1,083,186	379,739
	991,047	342,675

Other Operating Expenditure	2019/20	2018/19
	£	£
(Surplus) / Deficit on Non-Current Assets	991,047	342,675
	991,047	342,675

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

	2019/20	2018/19
	£	£
Bank interest	2,886	1,996
Government Loan Interest	2,246,018	2,394,611
Other interest (please specify)	-	4,628
	2,248,904	2,401,235

b Interest and Investment Income

	2019/20	2018/19
	£	£
Bank Interest	27,078	41,388
Employee car loan interest	3,857	2,996
	30,935	44,384

c Pensions Interest costs and expected return on pensions assets

	2019/20	2018/19
	£	£
General liability (asset) - ref Note 21b	1,020,000	987,000
	1,020,000	987,000

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

	2019/20	2018/19
	£	£
<b>Income/Expenditure from Investment Properties:</b>		
Income including rental income	-	-
Expenditure	-	-
Net income from investment properties	-	-
<b>Surplus/deficit on sale of Investment Properties:</b>		
Proceeds from sale	-	-
Carrying amount of investment properties sold	-	-
Surplus/deficit on sale of investment properties	-	-
<b>Changes in Fair Value of Investment Properties</b>	-	(2,000)
	-	(2,000)

Financing and Investment Income and Expenditure

	2019/20			2018/19		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£	£	£	£	£	£
Interest Payable and Similar Charges	2,248,904	-	2,248,904	2,401,235	-	2,401,235
Interest and Investment Income	-	(30,935)	(30,935)	-	(44,384)	(44,384)
Pensions interest cost	1,020,000	-	1,020,000	987,000	-	987,000
Writedown of value of shares purchased in CODA (Operations) Limited	2,480,000	-	2,480,000	2,560,727	-	2,560,727
Changes in Fair Value of Investment Properties	-	-	-	-	(2,000)	(2,000)
	5,748,904	(30,935)	5,717,969	5,948,962	(46,384)	5,902,578

10 Taxation and Non Specific Grant Income

a Revenue Grants

	2019/20	2018/19
	£	£
General	(5,729,449)	(6,048,568)
Finalisation re 15-16 & 17-18*	-	(828,801)
	(5,729,449)	(6,877,369)

\* Additional Rates Support Grant of £828,801 was received in 2018-19 as a one off payment following a review of the Rate Support Grant calculation process which was backdated for the 3 years from 2015/16 to 2017/18.

b Capital Grants and Donated Assets - Applied

	2019/20	2018/19
	£	£
Government & Other Grants - Conditions met and applied in year	(948,308)	(1,059,232)
Donated Assets - Conditions met	(12,000)	-
	(960,308)	(1,059,232)

c Capital Grants - Unapplied

	2019/20	2018/19
	£	£
Government & Other Grants - Conditions met and not applied in year	(4,540,795)	(8,059,041)
	(4,540,795)	(8,059,041)

d District Rates

	2019/20	2018/19
	£	£
Current year	(56,787,217)	(54,583,447)
Finalisation - current year	(902,930)	(1,291,572)
Finalisation - previous year	1,291,572	2,077,254
	(56,398,575)	(53,797,765)

Taxation and Non Specific Grant Income

	2019/20	2018/19
	£	£
District Rate Income	(56,398,575)	(53,797,765)
Revenue Grants	(5,729,449)	(6,877,369)
Capital Grants and Contributions	(5,501,103)	(9,118,273)
	(67,629,127)	(69,793,407)



Derry City and Shabane District Council  
Notes to the Financial Statements  
FOR THE YEAR ENDING 31 MARCH 2020  
Long-Term Assets - Current Year

11 a

Costs / Sources	Land	Buildings	Infrastructure Assets	Vehicles, Plant & Equipment	Community Assets	PPES Under Construction	Surplus Assets	Total PPES	Heritage Assets	Investment Properties	Intangible Assets	Total
<b>Balance as at 1 April 2019</b>	27,629,798	137,409,023	10,872,573	28,778,396	7,617,491	7,064,155	702,001	230,028,437	4,357,748	44,000	655,772	235,087,457
Balance as at 1 April 2019	27,629,798	137,409,023	10,872,573	28,778,396	7,617,491	7,064,155	702,001	230,028,437	4,357,748	44,000	655,772	235,087,457
Additions	40,000	133,194	-	2,018,015	-	6,377,097	(1,535)	8,544,771	-	-	-	8,544,771
Donations	12,000	-	-	-	-	-	-	12,000	-	-	-	12,000
Revaluation increases/(decreases) to Revaluation Reserve	100,100	8,642,969	-	-	-	-	1,535	6,747,634	(8,830)	-	-	6,738,794
Revaluation increases/(decreases) to Surplus or Deficit on the Provision of Services	25,000	176,806	-	-	-	-	-	201,804	-	-	-	201,804
Decrecognition - Disposal	-	(937,485)	-	(1,265,784)	(2,668)	-	-	(2,205,487)	-	-	-	(2,205,487)
Reclassifications & Transfers	110,900	3,849,162	2,299,605	77,265	-	(6,287,637)	(13,500)	44,000	-	(44,000)	-	(400,000)
Reclassified (to) / (from) : Held for Sale	(500,000)	-	-	-	-	-	-	(500,000)	-	-	-	(500,000)
Adjustments between cost/value & depreciation/impairment	(5,207,908)	-	-	-	-	-	-	(5,207,908)	-	-	-	(5,207,908)
<b>Balance as at 31 March 2020</b>	27,420,798	143,085,761	13,112,176	29,408,392	7,614,623	7,351,620	693,501	237,487,293	4,348,918	-	655,772	242,493,483
Depreciation and impairment												
<b>Balance as at 1 April 2019</b>	-	567,181	6,243,784	29,150,149	-	-	-	35,961,104	-	-	644,771	36,608,928
Balance as at 1 April 2019	-	567,181	6,243,784	29,150,149	-	-	-	35,961,104	-	-	644,771	36,608,928
Depreciation Charge	-	5,212,257	961,915	2,469,325	-	-	-	8,643,007	-	-	5,500	8,649,507
Depreciation written out on Revaluation Reserve	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	-	-	-	-	-	-	-	-	-	-	-	-
Decrecognition - Disposal	-	-	-	-	-	-	-	(1,122,251)	-	-	-	(1,122,251)
Adjustments between cost/value & depreciation/impairment	-	(5,207,908)	-	-	-	-	-	(5,207,908)	-	-	-	(5,207,908)
<b>Balance as at 31 March 2020</b>	-	573,000	7,205,699	30,497,553	-	-	-	30,275,952	-	-	650,271	30,926,223
Balance as at 31 March 2020	-	573,000	7,205,699	30,497,553	-	-	-	30,275,952	-	-	650,271	30,926,223
Balance as at 31 March 2020	27,420,798	143,085,761	13,112,176	29,408,392	7,614,623	7,351,620	693,501	237,487,293	4,348,918	-	655,772	242,493,483

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 2020. A combination of development valuations and physical inspection 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 13a for further information on revaluation and depreciation policies. The net revaluation gains and impairments have been reflected in the above figures for 2019/20.  
As a result of the recent and ongoing COVID-19 pandemic events, and in line with current PPS evidence, IPS have advised that due to this worldwide pandemic, that the market evidence gathered as part of the recent valuation has an increased level of uncertainty attached to it in terms of valuing operations of value. Whilst at this stage there is no evidence of impairment as at the year end, the future impact of COVID-19 on land and building values cannot yet be accurately assessed therefore valuations should be kept under frequent review.

Heritage assets were revalued for insurance purposes by the independent valuer Guy Light Limited as at 31 March 2020



Category	Land	Buildings	Infrastructure Assets	Vehicle Assets	Plant & Equipment	Community Assets	Freehold Construction	Leasehold Assets	Total FRA	Investment Properties	Intangible Assets	Total
<b>Balance as at 1 April 2016</b>	27,078,745	130,350,486	10,819,868	42,944,912	7,487,118	5,890,432	527,763	225,499,485	4,342,478	44,000	685,772	230,461,915
Adjustments between cost/value & depreciation/impairment												
Balance as at 31 March 2016	27,078,745	130,350,486	10,819,868	42,944,912	7,487,118	5,890,432	527,763	225,499,485	4,342,478	44,000	685,772	230,461,915
Additional		636,676	5,734	943,473		5,446,570		7,087,495				7,087,495
Revaluation increases/decreases to Revaluation Reserve	537,450	6,059,806	(3,047)				102,715	4,676,922	14,570			4,711,492
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	23,600	(374,588)					(16,536)	(349,524)		2,000		(347,524)
Derogation - Disposal		(54,465)		(1,801,458)				(1,855,923)				(1,855,923)
Derogation - Other				(21,927)				(21,927)				(21,927)
Rectifications & Transfers	(30,000)	7,747,385		(3,357,812)	(87,427)	(4,383,047)	473,121	(21,977)				
Adjustments between cost/value & depreciation/impairment		(6,953,297)		71,256				(6,882,041)				(6,882,041)
Balance as at 31 March 2019	27,459,795	137,409,023	10,822,572	45,178,316	7,417,491	7,041,525	720,001	232,028,432	4,367,348	44,000	685,772	236,481,417
Depreciation and Impairment												
Balance as at 1 April 2019		20,640	5,376,518	20,400,319				35,997,477			635,170	36,532,647
Transfer to 1 April 2019		20,640	5,376,518	20,400,319				35,997,477			635,170	36,532,647
Depreciation Charge		2,437,481	847,945	3,499,952				6,785,378			9,401	6,794,779
Depreciation written out on Revaluation Reserve			(677)					(677)				(677)
Depreciation written out on Revaluation taken in Surplus or Deficit on the Provision of Services		2,438,158						2,438,158				2,438,158
Derogation - Disposal				(1,482,499)				(1,482,499)				(1,482,499)
Derogation - Other				118,629				118,629				118,629
Rectifications & Transfers		2,403,197		(2,403,197)								
Adjustments between cost/value & depreciation/impairment		(6,943,297)		71,256				(6,872,041)				(6,872,041)
Balance as at 31 March 2019		16,137	4,889,261	22,170,112				25,116,490			644,781	25,761,271
<b>Net Book Values</b>												
Balance as at 31 March 2019	27,459,795	136,441,872	10,822,572	45,178,316	7,417,491	7,041,525	720,001	232,028,432	4,367,348	44,000	685,772	236,481,417
Balance as at 31 March 2020	27,420,798	141,512,281	8,976,473	51,113,133	7,144,854	7,193,622	473,501	199,413,341	4,249,418	5,501	5,501	203,767,240

**City of Derry Airport**  
 During 2019-20, the Council transferred operational plant and machinery assets of the Airport in the sum of £133,501 (2018-19: £218,997) to City of Derry Airport (Operations) Limited 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. 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. The value of these assets in note 11, on a going concern basis are £5,794 of land and £39,415M of buildings with an associated total revaluation reserve on these assets of £29,317M. The COVID-19 Pandemic has had a significant impact on the operations of COOA Operations Ltd and the assets which operate from COOA in close liaison with the Department of Transport and the Northern Ireland Executive. Funding was secured to ensure that critical links to London were maintained during the emergency. As a result of this the PSO flight, operated by Loganair, from Derry to London Stansted has continued to operate throughout the emergency period.  
 Government funding secured for the Airport includes:  
 - Funding of up to £2,157m secured from UK and NI Government to cover operating costs of City of Derry Airport from April 2020 to March 2021.  
 - An additional £225K PSO funding for the London connection for the period April to June 2020.  
 The Government support received, in addition to Council's financial commitment to the airport, will ensure sustainability of COOA to at least December 2021.  
 In line with the significant central Government support provided to Regional Airports throughout Europe, formal engagement has commenced with Government to provide the support required to ensure the medium term sustainability of COOA for a further 5 year period until critical transport infrastructure (A3 and A4) is progressed and road connectivity to the North West is significantly enhanced. If investment regarding going concern crystallise this may result in a significant impairment to the current value of airport assets held by Council of £5,294 of land and £39,415M of buildings.

**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	31/03/2020	31/03/2019
Computer Software and Telephone Systems	5,501	11,001
<b>Total</b>	<b>5,501</b>	<b>11,001</b>

**d. Investment Properties**

**Fair Value Hierarchy for Investment Properties**

Details of the Council's Investment Properties and information about the fair value hierarchy as at 31 March 2020 and 2019 are as follows

2019/20 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 2020
	£	£	£	£
Office units	-	-	-	-
Other Assets	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

2018/19 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 2019
	£	£	£	£
Office units	16,000	-	-	16,000
Other Assets	30,000	-	-	30,000
<b>Total</b>	<b>46,000</b>	<b>-</b>	<b>-</b>	<b>46,000</b>

**Transfers between levels of the fair value hierarchy**

Investment properties of £46k were transferred in the year to other land and buildings, hence value at 31 March 2020 is nil

**Valuation process for Investment Properties**

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.

**e. Heritage Assets**

Heritage Assets are valued annually for insurance purposes with the latest valuation date being as at 31st March 2020. 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.

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.

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.

## f Assets Held for Sale

Assets Held for Sale	Current	Non Current	Total
<b>Cost or Valuation</b>			
Balance as at 1 April 2019	650,000	-	650,000
Transferred from Non-Current Assets during year	500,000	-	500,000
<b>Balance as at 31 March 2020</b>	<b>1,150,000</b>	<b>-</b>	<b>1,150,000</b>
<b>Assets Held for Sale</b>	<b>Current</b>	<b>Non Current</b>	<b>Total</b>
<b>Cost or Valuation</b>			
Balance as at 1 April 2018	650,000	-	650,000
<b>Balance as at 31 March 2019</b>	<b>650,000</b>	<b>-</b>	<b>650,000</b>

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.

An additional piece of land at Ballynagard has also been identified for sale. Council officers are working alongside an identified buyer to progress the sale of the site.

## g Fair Value Hierarchy for Surplus Assets

Details of the Council's surplus assets and information about the fair value hierarchy as at 31 March 2020 and 2019 are as follows:

2019/20 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 2020
	£	£	£	£
Existing at 01 April	-	707,000	-	707,000
Transferred (to)/from Operational during year	-	(13,500)	-	(13,500)
Additions	-	(1,535)	-	(1,535)
Revaluation	-	1,535	-	1,535
<b>Total</b>	<b>-</b>	<b>693,500</b>	<b>-</b>	<b>693,500</b>
2018/19 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 2019
	£	£	£	£
Existing at 01 April	-	527,700	-	527,700
Transferred (to)/from Operational during year	-	93,121	-	93,121
Additions	-	86,179	-	86,179
<b>Total</b>	<b>-</b>	<b>707,000</b>	<b>-</b>	<b>707,000</b>

### Transfers between levels of the fair value hierarchy

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

### Valuation Techniques

A full revaluation of all surplus assets was carried out as at 31 March 2020. 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.

### Valuation Process for Surplus Assets

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.

## 12 Capital Expenditure and Capital Financing

Capital Expenditure		2019/20	2018/19
		£	£
<b>Opening Capital Financing Requirement</b>		59,484,659	61,228,146
<b>Capital Investment</b>			
Property, Plant and Equipment	11	8,566,771	7,051,495
Donated Assets	22	12,000	-
<b>Sources of Finance</b>			
Capital Receipts	25A	(25,409)	(12,064)
Government Grants and Other Contributions	10	(960,308)	(1,059,232)
Government Grants and Other Contributions applied from prior years	25B	(2,214,613)	(2,770,928)
Transfers from Earmarked Reserves	25C, 25D	(1,059,635)	(619,385)
<b>Sums set aside from Revenue:</b>			
Direct Revenue Contributions		(98,147)	(346,730)
Minimum Revenue Provision		(3,674,794)	(3,986,643)
<b>Closing Capital Financing Requirement</b>		60,030,484	59,484,659
<b>Explanation of Movements In Year</b>		2019/20	2018/19
		£	£
Increase / (Decrease) in underlying need to borrow		545,825	(1,743,489)
Increase/(decrease) In Capital Financing Requirement		545,825	(1,743,489)

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

• Loan principal on borrowings made before the introduction of MRP

• the annuity method for borrowing following the introduction of MRP with the exception of fleet and equipment expenditure which Council is funding via internal borrowing with MRP being charged in line with the equal instalment method over the life 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	31,253,385	15,784,847	15,468,538
Other Commitments	1,954,378	60,000	1,894,378
<b>Total</b>	<b>33,207,763</b>	<b>15,844,847</b>	<b>17,362,916</b>

Inventories	2019/20	2018/19
	£	£
Stock Derry Fuel	8,647	13,940
Stock Strabane	65,209	58,176
Stock Derry Bins	378,404	38,068
Stock Derry Vehicle items	224,819	238,693
<b>Total</b>	<b>677,079</b>	<b>348,877</b>

The cost of inventories written down, recognised as an expense and included in 'services' amounted to £0

Debtors	2019/20	REVISED 2018/19
	£	£
<b>a Long Term Debtors</b>		
Government Departments	2,184,137	-
Employee car loans	67,763	52,483
Capital Grants *	12,675,742	12,160,298
Other	510,663	584,327
<b>Total Long-Term Debtors</b>	<b>15,438,305</b>	<b>12,797,108</b>
<b>b Short Term Debtors</b>		
Government Departments	9,384,624	9,504,234
Other Councils	128,927	160,150
Employee car loans	42,669	55,326
Revenue Grants	2,767,138	1,786,168
Capital Grants *	1,146,928	1,433,820
NHS	-	3,448
Gas Income	76,611	76,196
Value Added Tax	1,326,455	1,339,039
Prepayments	73,074	90,125
Other	752,850	825,345
Trade receivables	744,160	678,848
Impairment loss - Trade receivables	(602,872)	(541,745)
<b>Total Short-Term Debtors</b>	<b>15,840,564</b>	<b>15,410,954</b>
<b>Total Debtors</b>	<b>31,278,869</b>	<b>28,208,062</b>

\* Capital Grant debtors have been reclassified into their long term and short term components with the comparative figures for 2018-19 being reclassified in turn

16 Investments		
a Long Term Investments		
	2019/20	2018/19
	£	£
Investments - general	-	-
Investments - repairs and renewals	-	-
Investments - capital fund	-	-
Investments - other	-	-
<b>Total Long-term Investments</b>	<b>-</b>	<b>-</b>
Analysed over:		
	2019/20	2018/19
	£	£
Shares purchased in CODA (Operations) limited	2,613,501	2,879,716
Writedown of value of shares purchased in CODA (Operations) Limited	(2,613,501)	(2,879,716)
<b>Total Long-term Investments</b>	<b>-</b>	<b>-</b>

The difference between the value above of £2,613,501 for the writedown of value of shares purchased in CODA and the value of £2,480,000 in Note 9 is £133,501. This relates to CODA fixed asset additions purchased in 2019-20 at which £133,501 were disposed of for nil consideration to CODA and which is reflected in the disposal of fixed assets figure of £1,083,186 within the Capital Adjustment Account.

17 Borrowings		
a Short Term Borrowing		
	2019/20	2018/19
	£	£
Loans re-payable within one year	3,372,458	3,391,711
<b>Total Short Term Borrowing</b>	<b>3,372,458</b>	<b>3,391,711</b>
b Long Term Borrowing		
	2019/20	2018/19
	£	£
Between 1 and 2 years	3,232,802	3,372,465
Between 2 and 5 years	9,282,145	9,581,941
Between 5 and 10 years	10,811,010	11,761,852
In more than 10 years	20,144,017	22,126,181
<b>Government Loans Fund</b>	<b>43,469,974</b>	<b>46,842,439</b>
<b>Total Borrowing</b>	<b>46,842,432</b>	<b>50,234,150</b>

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

18 Creditors		
a Short Term Creditors		
	2019/20	2018/19
	£	£
Government Departments	1,883,690	1,644,475
Other Councils	21,256	178,196
Remuneration due to employees	414,309	324,989
Accumulated Absences	411,755	411,755
Loan Interest Payable	348,662	369,361
Capital Creditors	914,639	1,115,754
Receipts in advance	2,755,538	2,623,905
Trade creditors	3,729,257	5,553,371
Other	273,665	265,691
Creditor Accruals	1,629,925	2,233,812
<b>Total Short Term Creditors</b>	<b>12,382,696</b>	<b>14,721,309</b>
<b>Total Creditors</b>	<b>12,382,696</b>	<b>14,721,309</b>

\* Included within Receipts in advance is a balance of £1.413M (£1.38M at 31/03/19) provided to Derry City and Strabane District Council by the Republic of Ireland Government under the terms of the Fresh Start Agreement (see Note 29m).

#### 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 26,622 invoices totalling £74,359,948 (2018/19 - 25,661 invoices totalling £75,215,495)

The Council paid:

12,078 invoices (45.37%) with the 10 day target (2018/19 10,679 invoices - 41.62%);  
21,643 invoices (81.30%) within the 30 day target (2018/19 19,834 invoices - 77.29%), and  
4,929 invoices (18.70%) outside of the 30 day target (2018/19 5,827 invoices - 22.71%)

The average number of days taken to pay suppliers during the year was 21 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 1 April 2019	(Decrease)/Increase in provision during year	Utilised during year	Unused amounts reversed	Interest cost and/or discount rate changes	Balance as at 31 March 2020
	£	£	£	£	£	£
Landfill Provision	2,167,254	(239,026)	(36,234)	-	-	<b>1,891,994</b>
Claims Management	1,397,932	505,447	(156,464)	-	-	<b>1,746,915</b>
Reorganisation	881,206	984,559	(1,344,394)	-	-	<b>521,371</b>
<b>Total</b>	<b>4,446,392</b>	<b>1,250,980</b>	<b>(1,537,092)</b>	<b>-</b>	<b>-</b>	<b>4,160,280</b>

Current Provisions	953,266	984,559	(1,350,467)	-	-	<b>567,358</b>
Long Term Provisions	3,493,126	266,421	(186,625)	-	-	<b>3,572,922</b>
<b>Total</b>	<b>4,446,392</b>	<b>1,250,980</b>	<b>(1,537,092)</b>	<b>-</b>	<b>-</b>	<b>4,160,280</b>

#### Comparative Year

Provisions	Balance as at 1 April 2018	Increase in provision during year	Utilised during year	Unused amounts reversed	Interest cost and/or discount rate changes	Restated Balance as at 31 March 2019
	£	£	£	£	£	£
Landfill Provision	3,186,053	(991,652)	(27,147)	-	-	<b>2,147,254</b>
Claims Management	1,358,840	109,247	(70,155)	-	-	<b>1,397,932</b>
Reorganisation	945,486	1,397,768	(1,462,048)	-	-	<b>881,206</b>
<b>Total</b>	<b>5,490,379</b>	<b>515,363</b>	<b>(1,559,350)</b>	<b>-</b>	<b>-</b>	<b>4,446,392</b>

Current Provisions	1,044,209	1,397,768	(1,488,711)	-	-	<b>953,266</b>
Long Term Provisions	4,446,170	(882,405)	(70,639)	-	-	<b>3,493,126</b>
<b>Total</b>	<b>5,490,379</b>	<b>515,363</b>	<b>(1,559,350)</b>	<b>-</b>	<b>-</b>	<b>4,446,392</b>

#### Landfill Provision

The restoration of Culmore landfill Site is complete and it is estimated that the remainder of the aftercare costs for 50 years will be £1,891,994. The decrease in the landfill provision during 2019-20 is mainly as a result of a review of the future recurring annual aftercare costs. The Council has applied the Ailingclose recommended discount rates to the Landfill Provision which are based on PWLB borrowing rates adjusted for inflation.

#### Claims Management

This provision relates to the estimated costs to the Council under its self-insurance policy of unselfed Public & Employer Liability claims as at 31 March 2020.

#### Reorganisation

During the year further severance payments have been approved as part of Council's efficiency plan, some of which will be paid during the 2020-21 year. Provision has also been made for remaining employee harmonisation costs relating to Leisure and Environmental Services following the merger of the Legacy Councils in 2015.

## Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

## Financial Assets as at 31 March 2020

	Non-Current		Current		Total
	Investments	Debtors	Investments	Debtors	
	£	£	£	£	£
Amortised cost	-	67,763	10,726,616	42,669	10,837,048
<b>Total Financial Assets</b>	-	<b>67,763</b>	<b>10,726,616</b>	<b>42,669</b>	<b>10,837,048</b>

## Financial Assets as at 31 March 2019

	Non-Current		Current		Total
	Investments	Debtors	Investments	Debtors	
	£	£	£	£	£
Amortised cost	-	52,483	17,366,201	55,326	17,474,010
<b>Total Financial Assets</b>	-	<b>52,483</b>	<b>17,366,201</b>	<b>55,326</b>	<b>17,474,010</b>

## Financial Liabilities as at 31 March 2020

	Non-Current		Current		Total
	Borrowings	Creditors	Borrowings	Creditors	
	£	£	£	£	£
Amortised cost	43,469,974	-	3,372,458	348,662	47,191,094
<b>Total financial liabilities</b>	<b>43,469,974</b>	<b>-</b>	<b>3,372,458</b>	<b>348,662</b>	<b>47,191,094</b>

## Financial Liabilities as at 31 March 2019

	Non-Current		Current		Total
	Borrowings	Creditors	Borrowings	Creditors	
	£	£	£	£	£
Amortised cost	46,842,439	-	3,391,711	369,361	50,603,511
<b>Total financial liabilities</b>	<b>46,842,439</b>	<b>-</b>	<b>3,391,711</b>	<b>369,361</b>	<b>50,603,511</b>

## Employee Car Loans

During the year the Council had loans for car purchases to 26 employees who are in posts that require them to drive regularly on the Council's business.

Interest is charged on the car loans at the Bank of England base rate (as at date of loan advance) + 1.7% per annum on the amount of the loan.

	2019/20	2018/19
	£	£
Balance at start of year:		
Opening balance	107,809	86,355
Fair value of new loans	55,315	70,800
Loans repaid	(52,693)	(49,346)
Closing balance at end of year	110,431	107,809
Nominal value at end of year	110,431	107,809

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 and 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	300,593
Three to six months	238,358
Six months to one year	86,922
More than one year	312,464
<b>**</b>	<b>938,337</b>

\*\* 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.

## 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.

## Other Balance Sheet Disclosures

### City of Derry Airport (Operations) Limited

Derry City and Strabane District Council owns 100% of the shares in City of Derry Airport (Operations) Limited. These shares are deemed to have no market value due to the current trading conditions of the Airport.

	2019/20	2018/19
	£	£
Shares purchased in CODA (Operations) Limited	2,613,501	2,879,716
Write-down of value of shares purchased in CODA (Operations) Limited	(2,613,501)	(2,879,716)



**Income, Expense, Gains and Losses**

	Surplus or Deficit on the Provision of Services	2019/20	
		Other Comprehensive Income and Expenditure	
	£	£	£
<b>Interest revenue</b>			
Financial assets measured at amortised cost			
	30,935		-
<b>Total interest revenue</b>	30,935		-
<b>Interest expense</b>	2,248,904		-

	Surplus or Deficit on the Provision of Services	2018/19	
		Other Comprehensive Income and Expenditure	
	£	£	£
<b>Interest revenue</b>			
Financial assets measured at amortised cost			
	44,384		-
<b>Total interest revenue</b>	44,384		-
<b>Interest expense</b>	2,401,235		-

**Fair Values of Financial Assets and Financial Liabilities that are not Measured at Fair Value (but for which Fair Value Disclosures are Required).**

Except for the shares in City of Derry Airport described above all other financial liabilities and financial assets held by the authority are classified as loans and receivables and creditors and are carried in the Balance Sheet at amortised cost. The fair values calculated are as follows:

Financial Liabilities	31st March 2020		31st March 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	£	£	£	£
Loans/borrowings - PWLB short & Long-term				
	46,842,432	60,131,301	50,234,150	64,654,149
<b>Total</b>	46,842,432	60,131,301	50,234,150	64,654,149

The fair value of borrowings is higher than the carrying amount because the Council's portfolio of loans are received from the Department of Finance at concessionary interest rates and some of these rates are higher than the prevailing market rates.

Financial Assets	31st March 2020		31st March 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	£	£	£	£
Cash & Cash Equivalents	10,726,616	10,726,616	17,366,201	17,366,201
Short-term debtors - Car Loan	42,669	42,669	55,326	55,326
Long-term debtors - Car Loan	67,763	67,763	52,483	52,483
<b>Total</b>	10,837,048	10,837,048	17,474,010	17,474,010

The above debtors and creditors are carried at cost as this is a fair approximation of their value.

## 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	2019/20 £	2018/19 £
<b>Net cost of services:</b>			
Current service cost		9,984,000	7,734,000
Past service cost/(gain)		914,000	5,561,000
<b>Net operating expenditure:</b>			
Net interest on net defined benefit liability (asset)		1,020,000	987,000
<b>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>		<b>11,918,000</b>	<b>14,282,000</b>
<b>Movement in Reserves Statement:</b>			
Reversal of net charges made for retirement benefits in accordance with IAS 19 and the Code		(11,918,000)	(14,282,000)
<b>Actual amount charged against the general fund balance for pensions in the year:</b>			
Employers' contributions payable to scheme		6,175,000	5,641,000
<b>Net adjustment to General fund</b>		<b>(5,743,000)</b>	<b>(8,641,000)</b>

The service cost figures include an allowance for administration expenses of £0.124M.

Remeasurements recognised in Other Comprehensive Income and Expenditure	Note	2019/20 £	2018/19 £
Liability gains/(losses) due to change in assumptions		4,653,000	(12,111,000)
Liability gains/(losses) due to changes in demographic changes		7,672,000	8,653,000
Liability experience gains/(losses) arising in the year		(2,606,000)	(219,000)
Actuarial gains/(losses) on plan assets		(13,881,000)	7,471,000
<b>Total gains/(losses) recognised in Other Comprehensive Income and Expenditure</b>		<b>(4,162,000)</b>	<b>3,794,000</b>

Assets and liabilities in relation to retirement benefits			
Reconciliation of present value of the scheme liabilities:			
	Note	2019/20 £	2018/19 £
Balance as at 1 April		220,539,000	201,300,000
Current service cost		9,984,000	7,734,000
Interest cost		5,245,000	5,197,000
Contributions by members		1,581,000	1,493,000
Remeasurement (gains) and losses:			
Actuarial gains/losses arising from changes in financial assumptions		(4,653,000)	12,111,000
Actuarial gains/losses arising from demographic changes		(7,672,000)	(8,653,000)
Actuarial gains/losses arising on liabilities from experience		2,606,000	219,000
Post service costs/(gains)		914,000	5,561,000
Estimated unfunded benefits paid		(111,000)	(110,000)
Estimated benefits paid		(5,550,000)	(4,313,000)
Balance as at 31 March		222,883,000	220,539,000
Reconciliation of present value of the scheme assets:			
	Note	2019/20 £	2018/19 £
Balance as at 1 April		174,920,000	160,528,000
Interest income		4,225,000	4,210,000
Contributions by members		1,581,000	1,493,000
Contributions by employer		6,064,000	5,531,000
Contributions in respect of unfunded benefits		111,000	110,000
Remeasurement gain/(loss)		(13,881,000)	7,471,000
Unfunded benefits paid		(111,000)	(110,000)
Benefits paid		(5,550,000)	(4,313,000)
Balance as at 31 March		167,359,000	174,920,000

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 of 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 loss of £9,656,000 (2018/19 gain of £11,681,000).

Fair Value of Plan Assets	2019/20 £	2018/19 £
Equity investments	71,294,934	104,077,400
Bonds	64,767,933	41,106,200
Property	16,735,900	19,591,040
Cash	7,865,873	4,722,840
Other	6,694,360	5,422,520
	167,359,000	174,920,000

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 2020 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):

	2019/20 £	2018/19 £
Fair Value of Employer Assets	167,359,000	174,920,000
Present value of funded defined benefit obligation	(221,108,000)	(218,632,000)
Pension asset/(liability) of Funded Scheme	(53,749,000)	(43,712,000)
Present Value of unfunded defined benefit obligation	(1,775,000)	(1,907,000)
<b>Net asset/(liability) arising from the defined benefit obligation</b>	<b>(55,524,000)</b>	<b>(45,619,000)</b>
Amount in the Balance sheet:		
Liabilities	(222,883,000)	(220,539,000)
Assets	167,359,000	174,920,000
<b>Net Asset/(Liability)</b>	<b>(55,524,000)</b>	<b>(45,619,000)</b>

Scheme History		
Analysis of scheme assets and liabilities		
	2019/20	2018/19
	£	£
Fair Value of Assets in pension scheme	167,359,000	174,920,000
Present Value of Defined Benefit Obligation	(222,883,000)	(220,539,000)
<b>Surplus/(deficit) in the Scheme</b>	<b>(55,524,000)</b>	<b>(45,619,000)</b>
Amount recognised in Other Comprehensive Income and Expenditure:		
	2019/20	2018/19
	£	£
Actuarial gains/(losses)	9,719,000	(3,677,000)
Expected Return on Plan Assets	(13,881,000)	7,471,000
Remeasurements recognised in Other Comprehensive Income and Expenditure	(4,162,000)	3,794,000
Cumulative actuarial gains and losses	(4,926,000)	(764,000)
<b>History of experience gains and losses:</b>		
Experience gains and (losses) on assets	(13,881,000)	7,471,000
Experience gains and (losses) on liabilities	9,719,000	(3,677,000)

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £55,524,000 has a substantial impact on the net worth of the Council as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit means 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 2021

	2020/21
Projected current cost	9,590,000
Net interest on the net defined benefit liability (asset)	1,179,000
	<b>10,769,000</b>

The total contributions expected to be made to the Northern Ireland Local Government Officers' Pension Fund by the council in the year to 31 March 2021 is £5,132,000.

#### History of experience gains and losses

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

	2019/20	2018/19
	%	%
Experience (gains and (losses) on Assets	-8.29%	4.27%
Experience gains and (losses) on Liabilities	4.36%	1.67%

**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, with estimates for the Council Fund being based on data pertaining to the latest full valuation of the scheme as at 31 March 2019.

Pension scheme assumptions:	2019/20	2018/19
<b>Equity investments</b>	42.6%	59.5%
Bonds	38.7%	23.5%
Property	10.0%	11.2%
Cash	4.7%	2.7%
Other	4.0%	3.1%
<b>Mortality assumptions:</b>		
Longevity at 65 current pensioners:	Years	Years
Men	21.8	22.6
Women	25.0	24.9
Longevity at 45 for future pensioners:		
Men	23.2	24.3
Women	26.4	26.7
Inflation/Pension Increase Rate	2.00%	2.20%
Salary Increase Rate	3.50%	3.70%
Discount Rate	2.30%	2.40%
Pension accounts revaluation rate	2.00%	2.20%
<b>Take-up of option to convert annual pension into retirement lump sum:</b>		
Service to April 2009	75%	75%
Service post April 2009	75%	75%

**Pension Assumptions Sensitivity Analysis**

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

The approximate impact of changing key assumptions on the present value of the funded defined benefit obligation as at 31 March 2020 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	217,057	225,234
% change in the present value of the total obligation	-1.80%	1.90%
Projected service cost	9,222	9,888
Approximate % change in projected service cost	-3.40%	3.50%
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	222,047	220,180
% change in the present value of the total obligation	0.40%	-0.40%
Projected service cost	9,550	9,550
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	225,012	217,284
% change in the present value of the total obligation	1.80%	-1.70%
Projected service cost	9,888	9,222
Approximate % change in projected service cost	3.50%	-3.40%
Post Retirement Mortality Assumption		
Adjustment to mortality age rating assumption*	- 1 Year	+1 Year
Present value of the total obligation	228,249	214,035
% change in the present value of the total obligation	3.20%	-3.20%
Projected service cost	9,913	9,191
Approximate % change in projected service cost	3.80%	-3.80%

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

## 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

	31/03/2020		31/03/2019	
	%		%	
Equity investments		42.60%		59.50%
Government Bonds		26.10%		16.50%
Corporate Bonds		12.60%		7.00%
Property		10.00%		11.20%
Cash		4.70%		2.70%
Other		4.00%		3.10%
<b>Total</b>		<b>100.00%</b>		<b>100.00%</b>

## 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 its share of the underlying assets and liabilities transferred to Council at 01 April 2015. The most up to date actuarial valuation was carried out as at 31/03/2019. This valuation is then reviewed by the Scheme Actuary and updated to reflect current conditions and rolled forward to the reporting date of the DoF Superannuation and Other Allowances Resource Accounts as at 31 March 2020.

## Allowance for the McCloud Judgement / GMP Indexation & equalisation

Retirement Benefits Note 21 includes an allowance for additional liabilities that are now probable arising from the McCloud Judgement and GMP Indexation and Equalisation cases outlined below.

### McCloud Judgement

In December 2018 the Court of Appeal ruled in the 'McCloud/Sargeant' judgement that the transitional protection arrangements put in place when the Firefighters' and Judges' pension schemes were reformed were age discriminatory. The Government applied to the Supreme Court for permission to appeal this judgement, however the Supreme Court rejected the request on 27/06/19. The next stage is for the case to be referred to the Employment Tribunal to agree the remedy, following appropriate consultation. Current expectations are that this will not be known until 2020/21.

While the judgement was not in relation to members with local Government Pension Scheme (NI) benefits, the UK Government announced in a written Ministerial Statement on 15 July 2019 'the government believes that the difference in treatment will need to be remedied across all main public service schemes'.

At 31/03/19 an additional McCloud liability at fund level was shown as a Past Service Cost over the accounting period. During 2019/20 the liability was calculated at Employer level (based on updated membership data provided for the 2019 valuation) with any change in the allowance over the period treated as an experience item through Other Comprehensive Income. The Current Service Cost includes a prospective allowance for McCloud liabilities of 3.2% of the Pensionable Pay over the accounting period.

### GMP Indexation / Equalisation

Guaranteed Minimum Pension (GMP) is a portion of pension that is payable to members who were contracted out of the State Second Pension and accrued benefits in the scheme between 6 April 1978 and 5 April 1997. The LGPS (NI) was contracted out.

The GMP was intended to approximately replace the State Pension which members were giving up, however the payment terms of GMP are different between men and women, which was a consequence of the state pension itself being unequal at that time.

On 26/10/18 the High Court ruled in the Lloyds Bank case that equalisation for the effect of unequal GMPs is required. At 31/03/2019 an estimated liability was used based on a typical Local Government pension fund in order to quantify the value of fully indexing GMPs in line with CPI inflation for those reaching State Pension age after 5 December 2018. This was calculated to be 0.3% of the liabilities / defined benefit obligation. During 2019/20 allowance has been made for full pension increases to be paid on GMPs to individuals reaching SPA after 6 April 2016. Any increase in the liability at 31/03/20 has been charged through Other Comprehensive Income.

## Developments since the 31 March 2019 valuation

At the last actuarial valuation, dated 31 March 2019, there was a surplus of £836.9M relative to the liabilities and a funding level of 112%. However since the valuation date the effect of measures being taken to limit the impact of the Covid19 pandemic on economic activity and asset valuations may mean that the fund is no longer in surplus by the time of the next valuation due as at 31 March 2022. Pension Contributions for 2021/22 and 2022/23 have been based on the valuation results as at 31 March 2019, as a result these pension contributions are subject to confirmation and may be increased in order to avoid a higher increase being required from 1 April 2023 if the funding level falls below its 31 March 2019 level.

22 Donated Assets Account	Note	2019/20	2018/19
		€	€
Opening balance		-	-
Add: new donated assets received (condition of use not met)		12,000	-
Less: amounts released to the District Fund - Comprehensive Income and Expenditure Account (conditions met)		12,000	-

#### Analysis of Donated Assets Account

During the year the Council received a transfer of land for nil consideration at Strahan's Road. There are no outstanding conditions at 31 March 2020 associated with the transfer.

#### 23 Contingencies

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

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

#### Contingent Liability:-

##### Court of Appeal Judgement on backdated PSNI Holiday Pay

In June 2019, the Court of Appeal upheld a 2018 tribunal finding that payments to PSNI officers and civilian staff for holiday pay should have been based on actual hours worked (including overtime) as opposed to standard contractual hours. Whilst the Council currently has arrangements in place for payment of holiday pay on overtime it is currently reviewing its process to ensure full compliance with the recent judgement and will continue to do so for any potential future developments in this area. Given that Council has had arrangements in place it is not considered that any significant amendments or associated financial liabilities will be identified.

#### Contingent Asset:-

##### VAT Liability of charges paid by members of the public for access to Council's sport and leisure facilities

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

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

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

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



Derry City and Strabane District Council  
 Notes to the Financial Statements  
 FOR THE YEAR ENDED 31 MARCH 2020

24 Other cash flow disclosures

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

Adjustment to surplus or deficit on the provision of services for noncash movements	Notes	2019/20	2018/19
		£	£
Depreciation	4, 11	8,650,507	8,454,107
Impairment & revaluations (& non-sale derecognitions)	4, 11	(201,806)	367,524
Increase in inventories	14	(328,202)	(95,859)
(Increase)/Decrease in Debtors		(1,778,961)	414,632
Increase/(decrease) in impairment provision for bad debts	15	61,127	40,155
(Decrease)/Increase in Creditors	18	(2,116,799)	3,332,038
Decrease in Interest Creditors	18	(20,699)	(24,227)
Payments to NILGO5C	21	5,743,000	8,641,000
Carrying amount of non-current assets sold	8, 11	1,083,186	379,739
Contributions to Other Reserves/Provisions	19	(286,332)	(1,043,986)
Amounts posted to CIES from Donated Assets Account	22	12,000	-
		10,817,021	20,465,123

Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing	Notes	2019/20	2018/19
		£	£
Proceeds from the sale of PP&E, investment property and intangible assets	4, 8, 25a	(92,139)	(37,064)
Capital grants included in "Taxation & non-specific grant income"	10b&c	(5,501,103)	(9,118,273)
		(5,593,242)	(9,155,337)



## b Cash and Cash Equivalents

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

	2019/20	2018/19	2017/18
	£	£	£
Cash and Bank balances	1,104,458	1,992,273	3,044,834
Short Term Deposits (considered to be Cash Equivalents)	9,622,158	15,373,928	12,259,537
	10,726,616	17,366,201	15,304,371

## c Cash Flow Statement: Operating Activities

		2019/20	2018/19
		£	£
The cash flows from operating activities include:			
Interest received	9b	30,935	44,384
Interest paid	9a	(2,248,904)	(2,401,235)

## d Cash flows from Investing Activities

		2019/20	2018/19
		£	£
Purchase of PP&E, investment property and intangible assets		(8,779,886)	(7,670,214)
Proceeds from the sale of PP&E, investment property and intangible assets	4.8.25a	92,139	37,064
Capital Grants and Contributions Received		4,136,350	3,480,574
Net Cash flows from Investing Activities		(4,551,397)	(4,152,576)

## e Cash flows from Financing Activities

		2019/20	2018/19
		£	£
Repayment of Short and Long Term Borrowing		(3,391,717)	(3,436,174)
Net Cash flows from Financing Activities		(3,391,717)	(3,436,174)

25 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	31/03/2020	31/03/2019
		£	£
<b>At 1 April</b>		804,642	779,642
<b>Movement</b>			
Capital Receipts received in year	4,8,11,24	92,139	37,064
Capital Receipts used to finance capital expenditure	12	(25,449)	(12,064)
<b>At 31 March</b>		<b>871,332</b>	<b>804,642</b>

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	31/03/2020	31/03/2019
		£	£
<b>At 1 April</b>		16,404,901	11,116,788
<b>Movement</b>			
Unapplied Capital Grants received in year	4, 10B&C	4,540,795	8,059,041
Unapplied Capital Grants transferred to CAA in year	12	(2,214,613)	(2,770,928)
<b>At 31 March</b>		<b>18,731,083</b>	<b>16,404,901</b>

### c Capital Fund

This fund was established under section 56 of the Local Government Act (NI) 1972, however this section of the act was repealed under the Local Government Finance Act (Northern Ireland) 2011. Details of how this fund has been earmarked are noted below.

Capital Fund	Notes	31/03/2020	31/03/2019
		£	£
At 1 April		5,636,363	3,619,954
Transfers from Revenue	4b	2,388,833	3,072,850
Transfers from Repairs & Renewals Reserve	25d	8,279	55,644
Transfers to Repairs & Renewals Reserve	25d	(107,388)	-
Transfers from Economic Development Reserve	25e	1,865,384	25,255
Transfers to the General Fund	4b	(681,941)	(1,014,053)
Transfers between Capital Fund & CAA to finance Capital Expenditure	12	(808,538)	(123,287)
<b>At 31 March</b>		<b>8,300,991</b>	<b>5,636,363</b>

	£
Culmore Landfill	1,188,533
City of Derry Airport	495,562
Pay contingencies	500,000
COVID and other contingencies	3,401,285
Capital Development	725,407
Boomhall Estate	113,708
Prehen Boathouse	173,073
Visit Derry	287,702
Rural Development	490,757
Sperrin Sculpture Trail	191,691
Strand Road Office Works	136,378
Other Commitments	596,896
<b>Total</b>	<b>8,300,991</b>

### d Renewal and Repairs Fund

This fund was established under section 56 of the Local Government Act (NI) 1972, however this section of the act was repealed under the Local Government Finance Act (Northern Ireland) 2011. Details of how this fund has been earmarked are noted below.

Renewal and Repairs Fund	Notes	31/03/2020	31/03/2019
		£	£
At 1 April		3,992,785	4,344,627
Transfers from General Fund	4b	1,047,740	690,920
Transfers to General Fund	4b	(239,614)	(491,020)
Transfers to Capital Fund	25c	(8,279)	(55,644)
Transfers from Capital Fund	25c	107,388	-
Transfers between Renewal & Repair Fund & CAA to finance Capital Expenditure	12	(239,833)	(496,098)
<b>At 31 March</b>		<b>4,660,188</b>	<b>3,992,785</b>

	£
Flooding Repair works including Riverside structure	886,484
ICT Hardware and software	243,248
Car Park Maintenance	191,723
Recycling	346,432
Melvin Sports Centre Development	113,310
Digitisation of Building Control Records	75,000
City Bath Filters	100,000
Local Community Planning / COVID Response	226,000
Office Reorganisation / Car Parking	164,565
Civic Art / Museum Collections	204,449
General	2,108,977
<b>Total</b>	<b>4,660,188</b>

#### e Other Balances & Reserves

Other Balances & Reserves	Notes	31/03/2020	31/03/2019
		£	£
At 1 April		4,460,121	4,682,624
Transfers from General Fund	4b	855,794	1,132,467
Transfers to General Fund	4b	(1,399,145)	(1,329,715)
Transfers to Capital Spend in year	12	(11,265)	-
Transfers to Capital Fund	25c	(1,865,384)	(25,255)
At 31 March		2,040,121	4,460,121

£1,973,909 of this reserve is for Economic Development purposes and £66,212 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	31/03/2020	31/03/2019
		£	£
At 1 April		5,118,889	4,794,902
Applied Capital Grants and Donated Assets	10, 12	(960,308)	(1,059,232)
Unapplied Capital Grants received in year	10	(4,540,795)	(8,059,041)
Direct Revenue Financing	4, 12, 26	(98,147)	(346,730)
Depreciation and Impairment adjustment	4, 11	8,448,701	8,821,631
Statutory Provision for financing Capital Investment	4, 12	(3,674,794)	(3,986,643)
Surplus/(Deficit) on the Provision of Services	CIES	(3,920,249)	(1,659,206)
Transfers between Statutory and Other Reserves and the General Fund	4	(1,971,667)	(2,414,353)
Net movements on Pension Reserve	4, 21	5,743,000	8,641,000
Disposal of Fixed Assets/Capital Sales	4, 8, 11	991,047	342,675
Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements	26	0	43,886
At 31 March		5,135,677	5,118,889

## 26 Unuseable Reserves

### a Capital Adjustment Account

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

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

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

The Account 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	31/03/2020	31/03/2019
		£	£
At 1 April		60,472,271	58,526,732
Applied Capital Grants	4, 10, 12	960,308	1,059,232
Unapplied Capital Grants transferred to CAA in year	12, 25b	2,214,613	2,770,928
Direct Revenue Financing	4, 12, 25f	98,147	346,730
Depreciation & Impairment adjustment	4, 11	(8,448,701)	(8,821,631)
Statutory Provision for financing Capital Investment	4, 12	3,674,794	3,986,643
Disposal of Fixed Assets/ Capital Sales	4, 8a, 11	(1,083,186)	(379,739)
Capital Receipts used to finance capital expenditure	12, 25a	25,449	12,064
Other Movements		3,096,585	2,351,927
Transfers between Capital Fund/Renewal & Repair Fund & CAA to finance capital expenditure	12	1,059,636	619,385
At 31 March		62,069,915	60,472,271

### 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	31/03/2020	31/03/2019
		£	£
At 1 April		79,174,655	74,814,411
Revaluation & Impairment	11	6,738,794	6,712,169
Other Movements		(3,096,585)	(2,351,925)
At 31 March		82,816,864	79,174,655

#### c Pension Reserve

Pension Reserve	Notes	31/03/2020	31/03/2019
		£	£
At 1 April		(45,619,000)	(40,772,000)
Net Movements on Pension Reserve	4, 21	(5,743,000)	(8,641,000)
Revaluation & Impairment	21	(4,162,000)	3,794,000
At 31 March		(55,524,000)	(45,619,000)

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

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

#### 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	31/03/2020	31/03/2019
		£	£
At 1 April		(411,755)	(367,869)
Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements		(0)	(43,886)
At 31 March		(411,755)	(411,755)

## 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.

Subject to agreement with the Department, this arrangement allows a council to spread the cost of the impact of discount rate changes over a period of not more than 6 years.

Landfill Provision Discount Rate Reserve	Notes	31/03/2020	31/03/2019
		£	£
At 1 April		-	(352,904)
Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements	4b	-	352,904
At 31 March		-	-

## 27 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 £1,381,396 (2018-19 £1,367,643) and costs of £663,414 (2018-19 £594,222).

## 28 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 2019-20 £98,423 (2018/19 £60,691) was collected on behalf of the BIDS company and at 31 March 2020 £26,098 (2018/19: £26,986) is included within Creditor Accruals in the Balance Sheet.

At 31 March 2020 £7,935 (2018/19 £996) 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, the Department for Infrastructure and Sustrans, Council is delivering the North West Greenway Network Project. Funded by the Special EU Programme Body (SEUPB), the North West Regional Development Fund (NWDF), the Department for Communities (DfC), Donegal County Council and Derry City & Strabane District Council, the project will see the development of 46.5km of cross border greenway across three routes, Derry to Buncrana (32.5km), Derry to Muff (10.5km) and Lifford to Strabane (3.5km). As the Lead partner, the Council received a letter of offer from SEUPB during 2017-18 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 2018-19 Council received a letter of offer from NWDF for £350k towards the costs associated with the overall project and during 2019-20 Council received a letter of offer from DfC for £676k towards the Strabane to Lifford section of the project.

The Council as the lead partner procured and appointed the Integrated Consultant's team for the overall project. During 2019-20 work has been undertaken to allocate these costs to the various specific routes involved in the overall project.

During 2019-20, Council received €10,300 (2018/19 €31,469) and €103,155 (2018/19 €205,823) funding from SEUPB which was reimbursed to Sustrans and Donegal County Council respectively. No funds were held pending distribution to partners by Derry City and Strabane District Council at 31 March 2020.

At 31 March 2020, Council recognised a revenue grant debtor of £380,739 (2018/19 £103,559) and a capital grant debtor of £3,889,965 (2018/19 £4,083,716) relating to the SEUPB grant aid. At 31 March 2020, Council also recognised a capital grant debtor of £144,210 in respect of the NWDF grant aid and a revenue grant debtor of £162,170 in relation to the DfC grant aid.

### **Waterside Shared Village**

Together with Irish Street Youth and Community Association and Hillcrest Community Trust, Council is working towards the delivery of the Waterside Shared Village Project funded by the Special EU Programme Body (SEUPB). During 2018-19, Council received a letter of offer from SEUPB for €8.1M of which Irish Street Youth and Community Association were allocated €1.43K, Hillcrest Community Trust were allocated €1.43K and Council were allocated €7.8M. 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 2019-20, Council received no funding from SEUPB to be reimbursed to partner organisations (2018/19 Nil).

At 31 March 2020, Council recognised a capital grant debtor of £6,407,508 (2018/19 £6,325,567) and a revenue grant debtor of £77,276 (2018/19 Nil) relating to its element of the grant aid.

### **Riverine Community project**

In partnership with Donegal County Council, Council is working towards the delivery of the Riverine Community Park project. The project aims to address the impact of conflict in the Lifford and Strabane area and its hinterlands by regenerating the border riverside area through the creation of an iconic cross border community park. As lead partner Donegal County Council (DCC) received a letter of offer from SEUPB for €9M.

Of the €9M letter of offer, Council has been awarded €3.3M of which €3.1M relates to capital infrastructure and €0.2M relates to revenue costs.

At 31 March 2020, Council recognised a capital grant debtor of £2,792,959 and a revenue grant debtor of £nil 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 2019/2020:

##### (A) Payments below £25,000

Council made payments in aggregate of £61,397 (2018/19 £101,397), each individually below £25,000, to 14 (2018/19 : 15) 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 13 (2018/19 : 12) 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:-

	2019/20	2018/19
City Centre Initiative	61,266	61,385
Citizen's Advice Bureau	578,283	680,529
RAPID Limited	34,965	137,179
City of Derry Airport	2,670,377	2,963,036
Education Authority	129,076	211,581
N.I. Local Government Association	64,643	63,418
North West Carnival Initiative	147,799	0
The Resource Centre	79,524	103,791
Dove House	166,613	180,045
Derry Theatre Trust	537,606	554,084
Visit Derry	745,438	522,910
University of Ulster	41,518	-
Neighbourhood Renewal Partnership: Waterside	158,869	176,128

##### (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 2020 was £110,432 (31st March 2019: £107,808). The total outstanding for Chief Officers was £7,581 (31st March 2019: £16,620).

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

Council receives an annual operating grant from the Department of Communities. During 2019/2020 it received £5,729,449 (2018/19 £6,877,369), details of which are given in Note 10.

#### **(E) Visit Derry (formerly known as Derry Visitor and Convention Bureau)**

Council is represented by 4 Councillors on the Board of Visit Derry, 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 2019/2020 Council paid £552,000 (2018/19 £492,000) in Management Fees to Visit Derry. Council also paid £193,438 to Visit Derry during 2019/2020 (2018/19 £30,910) for Advertising, Marketing and Tourism Promotion. Visit Derry is situated in a Council owned building for which Council received £36,000 (2018/19 £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 Visit Derry staff. Visit Derry 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 2019/2020 Council paid £531,960 (2018/19 £531,960) 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 £5,645 to the Trust during 2019/2020 (2018/19: £22,124) 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 2019/2020 a sum of £44,188 (2018/19 £35,175) 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 2019/2020 Council made no net contribution (2018/19: £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 2019/2020 (2018/19 £9,300).

#### **(I) Other Local Authorities**

During 2019/2020 the Council had expenditure of £160,666 (2018/19 £204,157) to other Local Authorities of which £21,256 (Note 18) was outstanding at 31st March 2020 (31st March 2019: £178,196). The Council also received £582,522 (2018/19: £459,439) from other Local Authorities of which £128,927 (Note 15) was outstanding as at 31st March 2020 (31st March 2019: £160,150). 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 8 Directors. During 2019/20 further operational assets in the value of £133,501 (2018/19: £318,989) were transferred to the company in exchange for shares with an issued value of £133,501 (2018/19: £318,989). 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 2019/20 to the value of £2,480,000 which are also deemed to be of minimal value (2018/19: £2,560,727). 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.

In addition to the above the Council paid the airline directly for costs associated with the PSO route to London of which 88% grant funding is received from Department of Transport (UK) and 12% from Department for Economy NI.

During 2019/2020 the Council invoiced CODA (Operations) Limited for £23,759 for expenditure incurred on its behalf (2018/19: £15,356) and also received invoices from the Company for £2,717,110 (2018/19: £402,309) mainly for capital expenditure incurred by the Company on behalf of the Council. At 31 March 2020 £63,994 was owed to the company by Derry City and Strabane District Council (2018/19: £0) and £14,906 was receivable from the company (2018/19: £18,350).

#### **(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 £195,154 (2018/19: £106,165). 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 2020. 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 2019/2020 (2018/19: £15,000). Council paid a sum of £63,585 to the Joint Committee as its share of operating costs for 2019/2020 (2018/19: £53,030) and a further sum of £7,628 (2018/19: £425) 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 2020 of £3,405 in relation to 2019/20 (31st March 2019: £5,694 in relation to 2018/19).

#### **(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 2020 had a sum of £252,537 in its Bank Account and within Receipts in Advance which belonged to the Consortium (2018/19: £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 2020. The following expenditure has been incurred and reflected in cost of services:-

	2019/20	2018/19
	£	£
<b>Expenditure:-</b>		
<b>Administration:-</b>		
Salaries and Wages	91,827	107,830
Overheads	7,424	3,689
<b>Joint Project Expenditure:-</b>		
Foreign Direct Investment Support	76,000	34,795
Ireland North West Trade Missions	74,648	76,468
BREXIT analysis	9,740	14,693
Capacity Building	36,291	35,703
Regional Tourism and Heritage Support	-	370,712
Harvard Graduate Research Study	44,337	203,949
Regional Energy Strategy	58,288	25,198
North West Greenways Support	239,516	11,472
NW Sports Development	127,859	39,283
Audience Development Programme	43,400	-
Global Export Support Programme	1,488	-
NW Climate Action Plan	14,159	-
Every Youth Counts Project	29,185	-
<b>Total Expenditure:-</b>	<b>854,161</b>	<b>923,794</b>
<b>Income:-</b>		
NI Grant Funding	839,357	617,225
ROI Grant Funding	14,804	306,569
<b>Total Income</b>	<b>854,161</b>	<b>923,794</b>
<b>Net Expenditure Charged to Net Cost of Services</b>	<b>-</b>	<b>-</b>

The funds must be spent by 31 March 2022.

The cumulative spend to 31 March 2020 for the group in line with the Partnership Agreement priorities is detailed below.

	2019/20	2018/19
	£	£
<b>Partnership Agreement Priorities/Theme:-</b>		
Regional Economic Growth and Investment	1,164,121	914,508
Regional Physical and Environmental Development	348,635	36,670
Regional Social and Community Cohesion and Wellbeing	196,326	39,283
Cross-cutting: Capacity Building, Collaborative Working and Planning for Balanced Regional Development	613,056	477,515
<b>Total Expenditure to 31 March 2020</b>	<b>2,322,138</b>	<b>1,467,977</b>
<b>Funded by:-</b>		
NI Grant Funding	1,533,582	694,225
ROI Grant Funding	788,556	773,752
<b>Total Grant Funding to 31 March 2020</b>	<b>2,322,138</b>	<b>1,467,977</b>

30. The Chief Financial Officer authorized these accounts for issue on 21 December 2020

**Derry City and Strabane District Council**  
**Group Comprehensive Income and Expenditure Statement for the year ended 31 March 2020**

	2019/20			2018/19		
	Gross Expenditure £	Gross Income £	Net Expenditure £	Gross Expenditure £	Gross Income £	Net Expenditure £
<b>Service Expenditure</b>						
Cross Cutting Support Services	7,975,462	(1,395,037)	6,580,425	7,351,026	(1,686,886)	5,664,140
Environment & Regeneration	34,354,749	(5,386,826)	28,967,923	30,085,908	(3,468,679)	26,617,229
Business & Culture	14,889,344	(5,597,583)	9,291,761	13,526,050	(4,486,725)	9,039,325
Health & Community	19,852,670	(5,993,349)	13,859,321	18,811,646	(5,455,039)	13,356,607
Council	1,609,983	(2,753)	1,607,230	1,207,579	(146)	1,207,433
City of Derry Airport	9,658,688	(4,844,016)	4,814,672	9,903,028	(4,646,839)	5,256,189
Other Corporate	2,747,075	(61,728)	2,685,347	7,246,266	(13,584)	7,232,682
<b>Cost of Services on Continuing Operations</b>	<b>91,087,971</b>	<b>(23,281,292)</b>	<b>67,806,679</b>	<b>88,131,503</b>	<b>(19,757,898)</b>	<b>68,373,605</b>
Other Operating Expenditure	949,685	(92,139)	857,546	60,750	(37,064)	23,686
Financing and Investment Income and Expenditure	3,283,904	(30,935)	3,252,969	3,401,235	(46,384)	3,354,851
<b>Net Operating Expenditure</b>	<b>95,321,560</b>	<b>(23,404,366)</b>	<b>71,917,194</b>	<b>91,593,488</b>	<b>(19,841,346)</b>	<b>71,752,142</b>
Taxation and Non-Specific Grant Income		(67,629,127)	(67,629,127)		(69,793,407)	(69,793,407)
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>95,321,560</b>	<b>(91,033,493)</b>	<b>4,288,067</b>	<b>91,593,488</b>	<b>(89,634,753)</b>	<b>1,958,735</b>
(Surplus)/Deficit on revaluation of non-current assets			(6,738,794)			(6,711,492)
Impairment losses on non-current assets charged to the Revaluation Reserve						(677)
Remeasurements of the Net Defined Benefit Liability (Asset)			4,449,000			(4,142,000)
<b>Other Comprehensive Income and Expenditure</b>			<b>(2,289,794)</b>			<b>(10,854,169)</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>1,998,273</b>			<b>(8,895,434)</b>

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 2020**

	General Fund Summary	Other Fund Balances and Reserves £	Capital Receipts Reserve £	Total Usable Reserves £	Total Unusable Reserves £	Total Council Reserves £
<b>Balance as at 31 March 2018</b>	<b>4,796,479</b>	<b>23,763,995</b>	<b>779,642</b>	<b>29,340,116</b>	<b>91,868,187</b>	<b>121,208,303</b>
<b>Movement in reserves during the year</b>						
Surplus/ (Deficit) on the provision of services	(1,958,735)	-	-	(1,958,735)	-	(1,958,735)
Other Comprehensive Income and Expenditure	-	-	-	-	10,854,169	10,854,169
<b>Total Comprehensive Income and Expenditure</b>	<b>(1,958,735)</b>	<b>-</b>	<b>-</b>	<b>(1,958,735)</b>	<b>10,854,169</b>	<b>8,895,434</b>
Adjustments between accounting basis & funding under regulations	4,727,137	4,668,728	37,064	9,432,929	(9,420,861)	12,065
<b>Net Increase before transfers to Statutory and Other Reserves</b>	<b>2,768,402</b>	<b>4,668,728</b>	<b>37,064</b>	<b>7,474,194</b>	<b>1,433,308</b>	<b>8,907,502</b>
Transfers to / from Statutory and Other Reserves	(2,414,353)	2,061,449	(12,064)	(364,968)	352,904	(12,064)
<b>Increase in year</b>	<b>354,049</b>	<b>6,730,177</b>	<b>25,000</b>	<b>7,109,226</b>	<b>1,786,212</b>	<b>8,895,438</b>
<b>Balance as at 31 March 2019</b>	<b>5,150,528</b>	<b>30,494,172</b>	<b>804,642</b>	<b>36,449,342</b>	<b>93,654,399</b>	<b>130,103,741</b>
<b>Movement in reserves during the year</b>						
Surplus/ (Deficit) on the provision of services	(4,288,067)	-	-	(4,288,067)	-	(4,288,067)
Other Comprehensive Income and Expenditure	-	-	-	-	2,289,794	2,289,794
<b>Total Comprehensive Income and Expenditure</b>	<b>(4,288,067)</b>	<b>-</b>	<b>-</b>	<b>(4,288,067)</b>	<b>2,289,794</b>	<b>(1,998,273)</b>
Adjustments between accounting basis & funding under regulations	6,175,968	1,266,547	92,139	7,534,654	(7,509,204)	25,449
<b>Net Increase before transfers to Statutory and Other Reserves</b>	<b>1,887,901</b>	<b>1,266,547</b>	<b>92,139</b>	<b>3,246,587</b>	<b>(5,219,410)</b>	<b>(1,972,823)</b>
Transfers to / from Statutory and Other Reserves	(1,971,667)	1,971,667	(25,449)	(25,449)	-	(25,449)
<b>Increase/ Decrease in year</b>	<b>(83,766)</b>	<b>3,238,214</b>	<b>66,690</b>	<b>3,221,138</b>	<b>(5,219,410)</b>	<b>(1,998,272)</b>
<b>Balance as at 31 March 2020</b>	<b>5,066,762</b>	<b>33,732,386</b>	<b>871,332</b>	<b>39,670,480</b>	<b>88,434,989</b>	<b>128,105,469</b>

**Derry City and Strabane District Council**  
**Group Balance Sheet as at 31 March 2020**

	Note	31st March 2020	31st March 2019
		£	£
Fixed Assets	Group Note 5	204,455,596	199,223,182
Long Term Debtors		15,438,305	636,810
<b>LONG TERM ASSETS</b>		<b>219,893,901</b>	<b>199,859,992</b>
Inventories		809,817	505,142
Short Term Debtors		16,298,798	28,242,183
Cash and Cash Equivalents	Group Note 7	10,729,192	17,368,750
Assets Held for Sale		1,150,000	650,000
<b>CURRENT ASSETS</b>		<b>28,987,807</b>	<b>46,766,075</b>
Short Term Borrowing		3,372,458	3,391,711
Short Term Creditors		13,040,527	15,514,784
Provisions		587,358	953,266
<b>CURRENT LIABILITIES</b>		<b>17,000,343</b>	<b>19,859,761</b>
Provisions		3,572,922	3,493,126
Long Term Borrowing		43,469,974	46,842,439
Other Long Term Liabilities	Group Note 6	56,733,000	46,327,000
<b>LONG TERM LIABILITIES</b>		<b>103,775,896</b>	<b>96,662,565</b>
<b>NET ASSETS</b>		<b>128,105,469</b>	<b>130,103,741</b>
<b>USABLE RESERVES</b>			
Capital Receipts Reserve	Group MIRS	871,332	804,642
Capital Grants Unapplied Account	Group MIRS	18,731,083	16,404,901
Capital Fund	Group MIRS	8,300,991	5,636,363
Renewal and Repairs Fund	Group MIRS	4,660,188	3,992,786
Other Balances and Reserves	Group MIRS	2,040,121	4,460,121
General Fund	Group MIRS	5,066,767	5,150,530
		<b>39,670,482</b>	<b>36,449,343</b>
<b>UNUSABLE RESERVES</b>			
Capital Adjustment Account	Groups MIRS	62,762,878	61,218,498
Revaluation Reserve	Group MIRS	82,816,864	79,174,655
Pensions Reserve	Group MIRS	(56,733,000)	(46,327,000)
Accumulated Absences Account	Group MIRS	(411,755)	(411,755)
		<b>88,434,987</b>	<b>93,654,398</b>
<b>NET WORTH</b>		<b>128,105,469</b>	<b>130,103,741</b>

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 2020**

	Note	2019/20	2018/19
		£	£
Net Surplus/(Deficit) on the provision of services		(4,288,067)	(1,958,735)
Adjustment for non-cash movements	Group Note 7c	11,184,865	20,625,895
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	Group Note 7a	(5,593,242)	(9,155,337)
<b>Net cash flows from operating activities</b>		<b>1,303,556</b>	<b>9,511,823</b>
Cash flows from Investing Activities	Group Note 7c	(4,551,397)	(4,152,576)
Net Cash flows from Financing Activities	Group Note 7e	(3,391,717)	(3,436,174)
<b>Net Increase or decrease in cash and cash equivalents</b>		<b>(6,639,558)</b>	<b>1,923,073</b>
Cash and cash equivalents at the beginning of the reporting period		17,368,750	15,445,677
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>10,729,192</b>	<b>17,368,750</b>

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



### **Group Accounts**

**1a**

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 Account.

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 2019/20 have been reflected in the Cost of Services and General 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.

The COVID19 Pandemic has had a significant impact on the operations of CODA Operations Ltd and the airlines which operate from CODA. In close liaison with the Department of Transport and the Northern Ireland Executive, funding was secured to ensure that critical links to London were maintained during the emergency. As a result of this the PSO flight, operated by Loganair, from Derry to London Stansted has continued to operate throughout the emergency period.

Government funding secured for the Airport includes:

- Funding of up to £2.157m secured from UK and NI Government towards operating costs of City of Derry Airport from April 2020 to March 2021.

- An additional £323K PSO funding for the London connection for the period April to June 2020.

The Government support received, in addition to Council's financial commitment to the airport, will ensure sustainability of CODA to at least December 2021.

In line with the significant central Government support provided to Regional Airports throughout Europe, formal engagement has commenced with Government to provide the support required to ensure the medium term sustainability of CODA for a further 5 year period until critical transport infrastructure (A5 and A6) is progressed and roads connectivity to the North West is significantly enhanced.

The financial implications to council should this funding not be secured are a potential write down of both airport assets, with a current value of approximately £45m (see note 11), and the associated revaluation reserve element of approximately £28m and it is also likely that Council would have to meet other associated costs.

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. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

	2019/20			2018/19		
	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	5,921,735	(658,690)	6,580,425	5,220,015	(444,125)	5,664,140
Environment & Regeneration	24,351,638	(4,616,285)	28,967,923	23,575,847	(3,041,382)	26,617,229
Business & Culture	7,910,146	(1,381,615)	9,291,761	7,861,772	(1,177,553)	9,039,325
Health & Community	10,399,690	(3,459,631)	13,859,321	9,974,133	(3,382,473)	13,356,606
Council	1,182,926	(424,304)	1,607,230	1,267,934	60,501	1,207,433
<b>City of Derry Airport</b>	<b>3,823,097</b>	<b>(991,575)</b>	<b>4,814,672</b>	<b>4,049,220</b>	<b>(1,206,970)</b>	<b>5,256,190</b>
Capital Financing	4,813,330	4,813,330	-	5,454,930	5,454,930	-
Other Corporate	1,743,298	(942,049)	2,685,347	1,631,919	(5,600,763)	7,232,682
Transfers to/from Reserves & Provisions	2,065,929	2,065,929	-	1,285,310	1,285,310	-
<b>Net Cost of Services</b>	<b>62,211,789</b>	<b>(5,594,890)</b>	<b>67,806,679</b>	<b>60,321,080</b>	<b>(8,052,525)</b>	<b>68,373,605</b>
<b>Other Income and Expenditure</b>	<b>(62,128,024)</b>	<b>1,390,588</b>	<b>(63,518,612)</b>	<b>(60,675,130)</b>	<b>5,739,739</b>	<b>(66,414,869)</b>
<b>(Surplus) or Deficit for the year</b>	<b>83,765</b>	<b>(4,204,302)</b>	<b>4,288,067</b>	<b>(354,050)</b>	<b>(2,312,786)</b>	<b>1,958,736</b>
<b>Opening General Fund</b>	<b>5,150,532</b>			<b>4,796,482</b>		
<b>Surplus/ (Deficit) on General Fund Balance In Year</b>	<b>(83,765)</b>			<b>354,050</b>		
<b>Closing General Fund</b>	<b>5,066,767</b>			<b>5,150,532</b>		

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

Net expenditure charged to the general fund of £62,211,789 is effectively the 2019-20 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 £2,248,904. 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 £67,806,679 in the CIES, the £2,248,904 is reversed out in the "adjustments column" totalling £5,594,890.

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 £4,813,330 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  
2019/20

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net Change for the Pension Adjustments	Other Statutory Adjustments	Other Differences	Total
Cross Cutting Support Services	(154,232)	(504,458)	-	-	(658,690)
Environment & Regeneration	(3,310,285)	(1,540,526)	237,536	-	(4,613,275)
Business & Culture	(822,605)	(559,010)	-	-	(1,381,615)
Health & Community	(2,340,994)	(1,118,647)	-	-	(3,459,641)
Council	(6,157)	(86,359)	-	(631,788)	(724,304)
<b>City of Derry Support</b>	<b>(1,998,004)</b>	<b>(199,000)</b>	-	<b>1,965,629</b>	<b>(991,875)</b>
Capital Financing	-	-	-	4,813,330	4,813,330
Other Corporate	-	(914,000)	-	(28,049)	(942,049)
Transfers to/from Reserves & Provisions	-	-	-	2,065,929	2,065,929
<b>Net Cost of Services</b>	<b>(6,636,467)</b>	<b>(4,931,000)</b>	<b>237,536</b>	<b>7,721,861</b>	<b>(3,698,070)</b>
<b>Other Income and Expenditure from the Expenditure and Funding Analysis</b>	<b>4,447,857</b>	<b>(1,838,000)</b>	-	<b>(3,217,949)</b>	<b>1,391,908</b>
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(3,991,910)	(5,577,000)	237,526	5,507,082	(4,304,302)

Adjustments between Funding and Accounting Basis  
2018/19

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	(153,893)	(285,278)	(4,992)	-	(444,163)
Environment & Regeneration	(3,189,331)	(842,750)	940,698	-	(3,091,383)
Business & Culture	(868,555)	(303,923)	(5,075)	-	(1,177,553)
Health & Community	(2,759,248)	(612,706)	(10,517)	-	(3,382,471)
Council	(6,158)	(49,341)	-	115,000	60,501
<b>City of Derry Support</b>	<b>(2,045,036)</b>	<b>(618,000)</b>	-	<b>1,273,064</b>	<b>(1,390,972)</b>
Capital Financing	-	-	-	3,454,930	3,454,930
Other Corporate	-	(5,561,000)	-	(39,763)	(5,600,763)
Transfers to/from Reserves & Provisions	-	-	-	1,285,310	1,285,310
<b>Net Cost of Services</b>	<b>(9,042,211)</b>	<b>(8,049,000)</b>	<b>970,134</b>	<b>6,088,531</b>	<b>(10,052,526)</b>
<b>Other Income and Expenditure from the Expenditure and Funding Analysis</b>	<b>9,694,587</b>	<b>(1,308,000)</b>	-	<b>(2,364,946)</b>	<b>6,021,641</b>
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	52,376	(9,069,000)	970,134	5,733,683	(7,312,787)

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

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. Other Differences – adjust for interest payable and receivable, write off in the value of CODA shares, Transfers to/from General Fund, Accumulated Absences, Revenue Contributions to Capital and Minimum Revenue Provision.

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	2019/20		2018/19		
	£	£	£	£	
<b>Amounts included in the Comprehensive Income and Expenditure Statement but required by statute to be excluded when determining the Movement on the General Fund Balance for the year:</b>					
Revaluation increases/decreases taken to Surplus/Deficit on the Provision of Services	Group Note 5	(201,806)		367,524	
Depreciation charged in the year on non-current assets	Group Note 5	8,837,272	8,635,466	8,674,687	9,042,211
Carrying amount of non current assets sold	Group Note 5	949,685		60,750	
Proceeds from the sale of PP&E investment property and intangible assets		(92,139)	857,546	(37,064)	23,686
Net charges made for retirement benefits in accordance with IAS 19	Group Note 6		12,381,000		14,942,000
Direct revenue financing of Capital Expenditure	12.25f, 26a		(98,147)		(346,730)
Capital Grants and Donated Assets Receivable and Applied in year	10B		(960,308)		(1,059,232)
Capital Grants Receivable and Unapplied in year	10C		(4,540,795)		(8,059,041)
Adjustments in relation to Short-term compensated absences	26d				43,886
<b>Amounts not included in the Comprehensive Income and Expenditure Statement but required by statute to be included when determining the Movement on the General Fund Balance for the year</b>					
Statutory Provision for the financing of Capital Investment	12.25f		(3,674,794)		(3,986,643)
Employers contributions payable to the NILGOSC and retirement benefits payable direct to pensioners	Group Note 6		(6,424,000)		(5,873,000)
			6,175,968		4,727,137

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

Notes	2019/20		2018/19		
	£	£	£	£	
<b>Capital Fund</b>					
Transfer to General Fund		681,941		1,014,053	
Transfer from General Fund		(2,388,833)		(3,072,850)	(2,058,797)
<b>Renewal and Repairs Fund</b>					
Transfer to General Fund		239,614		491,020	
Transfer from General Fund		(1,047,740)		(690,920)	(199,900)
<b>Landfill Provision Discount Rate Reserve</b>					
Transfer from General Fund		-		(352,904)	(352,904)
<b>Other Funds and earmarked reserves</b>					
Transfer to General Fund		1,399,145		1,329,715	
Transfer from General Fund		(855,794)		(1,132,467)	197,248
			(1,971,667)		(2,414,353)

**Derry City and Strabane District Council**  
**Notes to the Group Financial Statements**  
**For the year ended 31 March 2020**

**Group Note 4**

<b>4 Employee Costs and Member Allowances</b>		
<b>a Staff Costs</b>		
	2019/20	2018/19
	£	£
Salaries and Wages	30,608,363	28,123,865
Employers NIC	2,823,627	2,606,071
Employers Superannuation - NILGOSC	5,245,691	6,133,287
Employers Superannuation - Civil Service	295,198	222,136
<b>Total staff costs</b>	<b>38,972,879</b>	<b>37,085,359</b>

The Employer's superannuation figure in Note 4a above includes £685,193 for the capital costs incurred in respect of the Council's 2019-20 exit packages (2018-19 £1,415,790).

In addition, agency costs during the year amounted to £388,655 (2018-19 £706,331).

The Council's current contribution rate to NILGOSC scheme is 20% (2018-19 19%) plus a Deficit Recovery Contribution of £348,800 (not included in the Employers superannuation figure in table 4a above), (2018/19 £348,800). At the last actuarial valuation, dated 31 March 2019, there was a surplus of £836.9M relative to the liabilities and a funding level of 112%. However since the valuation date the effect of measures being taken to limit the impact of the Covid19 pandemic on economic activity and asset valuations may mean that the fund is no longer in surplus by the time of the next valuation due as at 31 March 2022.

The Council incurred total costs (including superannuation capital costs details above) of £819,559 during 2019-20 (2018-19 £1,878,377) 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**

<b>Average Number of Employees</b>		
	2019/20	2018/19
	FTE	FTE
Full time numbers employed	865	831
Part time numbers employed	101	105
Other	119	109
<b>Total Number</b>	<b>1,085</b>	<b>1,045</b>

	2019/20	2018/19
	Actual Numbers	Actual Numbers
Full-time numbers employed	995	936
Part-time numbers employed	160	184
<b>Total Number</b>	<b>1,155</b>	<b>1,120</b>

<b>c Senior Employees' Remuneration</b>		
	2019/20	2018/19
	£	£
£50,001 to £60,000	3	4
£60,001 to £70,000	14	12
£70,001 to £80,000	-	1
£80,001 to £90,000	3	3
£90,001 to £100,000	-	-
£100,001 to £110,000	-	-
£110,001 to £120,000	1	1
<b>Total Number</b>	<b>21</b>	<b>21</b>



Derry City and Strabane District Council  
Notes to the Financial Statements  
For the year ended 31 March 2020

5. Long Term Fixed Assets - Current Year

Cost/Impairment	Land	Buildings	Infrastructure Assets	Vehicles, Plant & Equipment	Community Assets	PIE Under Construction	Surplus Assets	Total PPE	Intangible Assets	Investment Properties	TOTAL
Balance as at 1 April 2019	27,629,798	3,409,333	10,822,573	44,716,891	7,817,491	7,064,155	707,001	235,946,932	655,772	46,000	241,025,952
Adjustments between cost/value & depreciation/impairment	-	-	-	-	-	-	-	-	-	-	-
Balance as at 1 April 2020	27,629,798	137,429,023	10,822,573	44,716,891	7,817,491	7,064,155	707,001	235,946,932	655,772	46,000	241,025,952
Additions	40,000	133,194	-	2,018,015	-	6,377,097	(1,535)	8,546,771	-	-	8,546,771
Disposals	12,000	-	-	-	-	-	-	12,000	-	-	12,000
Revaluation increases/ (decreases) to Revaluation Reserve	103,100	6,442,989	-	-	-	(8,830)	1,535	6,747,424	-	-	6,738,774
Revaluation increases/ (decreases) to Surplus or Deficit on the Provision of Services	25,000	176,806	-	-	-	-	-	201,806	-	-	201,806
Derecognition - Disposals	-	(937,465)	-	(1,131,783)	(2,848)	-	-	(2,071,934)	-	-	(2,071,934)
Derecognition - Other	-	-	-	-	-	-	-	-	-	-	-
Reclassifications & Transfers	110,900	3,849,147	2,289,605	77,365	(6,787,432)	(13,500)	(13,500)	46,000	-	(46,000)	-
Reclassifications within Held for Sale (500,000)	-	-	-	-	-	-	-	(500,000)	-	-	(500,000)
Adjustments between cost/value & depreciation/impairment	-	(5,207,908)	-	-	-	-	-	(5,207,908)	-	-	(5,207,908)
Balance as at 31 March 2020	27,420,778	142,085,781	13,112,178	45,450,368	7,614,823	7,151,820	693,501	243,731,289	655,772	-	248,745,479
Depreciation and impairment	-	-	-	-	-	-	-	-	-	-	-
Balance as at 1 April 2019	-	567,151	6,243,784	34,247,064	-	-	-	41,157,999	644,771	-	41,802,770
Adjustments between cost/value & depreciation/impairment	-	-	-	-	-	-	-	-	-	-	-
Balance as at 1 April 2020	-	567,151	6,243,784	34,247,064	-	-	-	41,157,999	644,771	-	41,802,770
Depreciation Charge	-	5,213,737	961,915	2,556,100	-	-	-	8,631,772	5,500	-	8,637,272
Depreciation written out on Revaluation Reserve	-	-	-	-	-	-	-	-	-	-	-
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	-	-	-	-	-	-	-	-	-	-	-
Derecognition - Disposals	-	-	-	(1,122,251)	-	-	-	(1,122,251)	-	-	(1,122,251)
Derecognition - Other	-	-	-	-	-	-	-	-	-	-	-
Reclassifications & Transfers	-	-	-	-	-	-	-	-	-	-	-
Adjustments between cost/value & depreciation/impairment	-	(5,207,908)	-	-	-	-	-	(5,207,908)	-	-	(5,207,908)
Balance as at 31 March 2020	-	573,000	7,205,699	35,680,913	-	-	-	43,459,612	650,271	-	44,309,883
Balance as at 31 March 2020	27,420,778	141,512,781	13,112,178	45,450,368	7,614,823	7,151,820	693,501	243,731,289	655,772	-	248,745,479

Value in Use

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 2020. A combination of desktop 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 10 for further information on revaluation and depreciation policies. The net revaluation gain/loss and impairments have been reflected in the above figures for 2019/20.

As a result of the recent and ongoing COVID-19 pandemic events, and in line with current RICS guidance, IFS have advised that due to the worldwide pandemic, that the most evidence gathered as part of the recent valuation has an increased level of uncertainty attached to it in terms of informing options of value. Whilst at this stage, there is no evidence of impairment as of the year end, the future impact of COVID-19 on land and building values cannot yet be accurately assessed. Therefore valuations should be kept under frequent review.

Heritage assets were revalued for insurance purposes by the independent valuer Gurr Johns Limited as at 31 March 2020.

Long Term Fixed Assets - Comparative Year	Land	Buildings	Infrastructure Assets	Vehicles, Plant & Equipment	Community Assets	PRR Under Construction	Surplus Assets	Total PRR	Hedge Assets	Investment Properties	Intangible Assets	TOTAL
<b>Balance as at 1 April 2018</b>	27,098,748	130,350,486	10,819,868	48,584,418	7,687,118	5,980,652	527,701	231,028,991	4,342,678	44,000	655,172	238,071,441
Adjustments between cost/value & depreciation/impairment												
Revaluation increases/ (decreases) to revaluation reserve	537,450	6,059,806	(3,049)				102,715	6,696,922	14,570			6,711,492
Revaluation increases/ (decreases) to surplus or deficit on the Provision of Services	23,600	(376,588)					(16,536)	(369,524)		2,000		(367,524)
Derecognition - Disposals		(54,465)		(1,482,469)				(1,536,934)				(1,536,934)
Derecognition - Other				(21,977)				(21,977)				(21,977)
Reclassifications & Transfers	(30,000)	2,747,385		(3,357,812)	(89,427)	(4,303,067)	93,121					
Reclassified (to) / from (s) Held for Sale												
Adjustments between cost/value & depreciation/impairment		(16,953,797)		71,256				(16,882,041)				(16,882,041)
<b>Balance as at 31 March 2019</b>	27,629,798	117,461,623	10,822,573	44,716,891	7,617,491	5,214,155	703,610	233,966,132	4,357,248	46,000	655,172	241,075,952
<b>Depreciation and Impairment</b>												
<b>Balance as at 1 April 2018</b>		20,640	5,396,518	35,456,634				40,873,792			635,170	41,508,942
Adjustments between cost/value & depreciation/impairment												
Balance as at 1 April 2019		20,640	5,396,518	35,456,634				40,873,792			635,170	41,508,942
Depreciation Charge	2,637,481		847,943	2,720,532				6,205,956				6,215,537
Depreciation written out on Revaluation Reserve			(677)					(677)				(677)
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	2,439,130			(1,482,469)				2,459,130				2,459,130
Derecognition - Disposals				(15,692)				(15,692)				(15,692)
Derecognition - Other				(2,403,197)								
Reclassifications & Transfers		2,403,197										
Adjustments between cost/value & depreciation/impairment		16,953,997		71,256				(16,882,041)				(16,882,041)
<b>Balance as at 31 March 2019</b>	27,629,798	36,641,872	6,243,784	34,347,684				41,157,999			654,771	41,862,770
<b>Balance as at 31 March 2020</b>	27,629,798	136,841,872	4,578,789	10,369,827	7,617,491	7,064,155	707,001	198,663,833	4,357,248	46,000	655,172	199,228,182
<b>Balance as at 31 March 2020</b>	27,629,798	141,812,761	5,106,679	9,299,875	7,618,893	7,113,826	693,501	200,101,677	4,344,418	46,000	655,172	204,455,598

**City of Derry Airport**

During 2019-20, the Council transferred operational plant and machinery assets of the Airport in the sum of £1,335,001 (£1,318,989) to City of Derry Airport (Operations) Limited 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. 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. The value of these assets is note 11, on a going concern basis are £5,299M of land and £39,615M of buildings, with an associated total revaluation reserve on these assets of £28,377M. The COVID19 Pandemic has had a significant impact on the operations of CODA Operations Ltd and the other which operate from CODA. In close liaison with the Department of Transport and the Northern Ireland Executive, funding was secured to ensure that critical links to London were maintained during the emergency. As a result of this the PSD High, operated by Loganair, from Derry to London Stansted has continued to operate throughout the emergency period. Government funding secured for the Airport includes:

- Funding of up to £12.157m, secured from UK and NI Government towards operating costs of City of Derry Airport from April 2020 to March 2021.
- An additional £232k PSD funding for the London connection for the period April to June 2020
- The Government support received in addition to Councils financial commitment to the Airport, will ensure sustainability of CODA to at least December 2021.
- In line with the significant central Government support provided to Regional Airports throughout Europe, formal engagement with Government to provide the support required to ensure the medium term sustainability of CODA for a further 5 year period until critical transport infrastructure (A5 and A6) is completed and roads, connectivity to the North West is significantly enhanced. It is noted that any such support may result in a significant impairment to the current value of airport assets held by Council of £5,299M of land and £39,615M of buildings.

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	2019/20	2018/19
		£	£
<b>Net cost of services:</b>			
Current service cost		10,432,000	8,106,000
Post service cost/(gain)		914,000	5,836,000
<b>Net operating expenditure:</b>			
Net interest on net defined benefit liability (asset)		1,035,000	1,000,000
<b>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>		<b>12,381,000</b>	<b>14,942,000</b>
<b>Adjustments between accounting basis &amp; funding basis under regulations:</b>			
Reversal of net charges made for retirement benefits in accordance with IAS 19		(12,381,000)	(14,942,000)
<b>Actual amount charged against the general fund balance for pensions in the year:</b>			
Employers' contributions payable to scheme		6,424,000	5,873,000
<b>Net charge to the Comprehensive Income and Expenditure Statement</b>		<b>(5,957,000)</b>	<b>(9,069,000)</b>

The service cost figures include an allowance for administration expenses of £0.130M.



#### Remeasurements recognised in Other Comprehensive Income and Expenditure

	Note	2019/20	2018/19
		£	£
Liability gains/(losses) due to changes in financial assumptions		4,653,000	(12,111,000)
Liability gains/(losses) due to changes in demographic assumptions		7,672,000	8,653,000
Liability experience gains/(Losses) arising in the year		(2,353,000)	(284,000)
Actuarial gains/(losses) on plan assets		(14,421,000)	7,884,000
<b>Total gains/(losses) recognised in Other Comprehensive Income and Expenditure</b>		<b>(4,449,000)</b>	<b>4,142,000</b>

#### 6c Assets and liabilities in relation to retirement benefits

##### Reconciliation of present value of the scheme liabilities:

	Note	2019/20	2018/19
		£	£
Balance as at 1 April 2019		230,982,000	210,742,000
Current service cost		10,432,000	8,106,000
Interest cost		5,506,000	5,443,000
Contributions by members		1,660,000	1,570,000
<b>Remeasurements (gains) and losses:</b>			
Actuarial gains/losses arising from changes in financial assumptions		(4,653,000)	12,111,000
Actuarial gains/losses arising from demographic changes		(7,672,000)	(8,653,000)
Actuarial gains/losses arising on liabilities from experience		2,353,000	284,000
Past service costs/(gains)		914,000	5,836,000
Estimated unfunded benefits paid		(111,000)	(110,000)
Estimated benefits paid		(5,633,000)	(4,347,000)
<b>Balance as at 31 March 2020</b>		<b>233,778,000</b>	<b>230,982,000</b>

##### Reconciliation of present value of the scheme assets:

	Note	2019/20	2018/19
		£	£
Balance as at 1 April 2019		184,655,000	169,342,000
Interest Income		4,471,000	4,443,000
Contributions by members		1,660,000	1,570,000
Contributions by employer		6,313,000	5,763,000
Contributions in respect of unfunded benefits		111,000	110,000
Remeasurements gain/(loss)		(14,421,000)	7,884,000
Unfunded benefits paid		(111,000)	(110,000)
Benefits paid		(5,633,000)	(4,347,000)
<b>Balance as at 31 March 2020</b>		<b>177,045,000</b>	<b>184,655,000</b>

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 loss of £9,950,000 (2018/19 gain of £12,327,000).

#### Fair Value of Plan Assets

	31/03/2020	31/03/2019
	£	£
Equity investments	75,421,170	109,869,725
Bonds	68,516,415	43,393,925
Property	17,704,500	20,681,360
Cash	8,321,115	4,985,685
Other	7,081,800	5,724,305
	<b>177,045,000</b>	<b>184,655,000</b>

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 2020 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 Group's share of the Net Pension Liability (Included in the Balance Sheet):

	31/03/2020	31/03/2019
	£	£
Fair Value of Employer Assets	177,045,000	184,655,000
Present value of funded defined benefit obligation	(232,003,000)	(229,075,000)
Pension asset/(liability) of Funded Scheme	(54,958,000)	(44,420,000)
Present Value of Unfunded defined benefit obligation	(1,775,000)	(1,907,000)
<b>Net Asset/(Liability) arising from the defined benefit obligation</b>	<b>(56,733,000)</b>	<b>(46,327,000)</b>
<i>Amount in the Balance sheet:</i>		
Liabilities	(233,778,000)	(230,982,000)
Assets	177,045,000	184,655,000
<b>Net Asset/(Liability)</b>	<b>(56,733,000)</b>	<b>(46,327,000)</b>

The liabilities show the underlying commitments that the Group has in the long run to pay retirement benefits. The total liability of £56,733,000 has a substantial impact on the net worth of the Group as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit means that the financial position of the Group 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 2021

	2020/21
	£
Projected current cost	10,033,000
Net Interest on the net defined benefit liability (asset)	1,205,000
	<b>11,238,000</b>

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 2021 is £5,267,000.

#### History of experience gains and losses

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

	2019/20	2018/19
	%	%
Experience gains and (losses) on Assets	-8.15%	4.27%
Experience gains and (losses) on Liabilities	4.27%	-1.62%

#### 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 2019.

	2019/20	2018/19
<b>Mortality assumptions:</b>		
<b>Longevity at 65 current pensioners:</b>		
Men	21.8	22.6
Women	25	24.9
<b>Longevity at 45 for future pensioners</b>		
Men	23.2	24.3
Women	26.4	26.7
Inflation/Pension Increase Rate	2.00%	2.20%
Salary Increase Rate	3.50%	3.70%
Discount Rate	2.30%	2.40%
Pension Accounts Revaluation Rate	2.00%	2.20%
<b>Take-up of option to convert annual pension into retirement lump sum:</b>		
Service to April 2009	75%	75%
Service post April 2009	75%	75%

#### 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 2020 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)	217,057	225,234
% change in the present value of the total obligation	-1.80%	1.90%
Projected service cost (£M)	9,222	9,888
Approximate % change in projected service cost	-3.40%	2.50%
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)	222,047	220,180
% change in the present value of the total obligation	0.40%	-0.40%
Projected service cost (£M)	9,550	9,550
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)	225,012	217,284
% change in the present value of the total obligation	1.80%	-1.70%
Projected service cost (£M)	9,888	9,222
Approximate % change in projected service cost	3.50%	-3.40%
Post Retirement Mortality Assumption		
Adjustment to mortality age rating assumption*	- 1 Year	+1 Year
Present value of the total obligation (£M)	228,249	214,035
% change in the present value of the total obligation	3.20%	-3.20%
Projected service cost (£M)	9,913	9,191
Approximate % change in projected service cost	3.80%	-3.80%

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

	2019/20	2018/19
	%	%
Equity investments	42.6	59.5
Government Bonds	26.1	16.5
Corporate Bonds	12.6	7
Property	10	11.2
Cash	4.7	2.7
Other	4	3.1
	100.0	100.0

#### 6g 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 31/03/2019. This valuation is then reviewed by the Scheme Actuary and updated to reflect current conditions and rolled forward to the reporting date of the Dof Superannuation and Other Allowances Resource Accounts as at 31 March 2020

#### 6h Allowance for the McCloud Judgement and GMP Indexation / Equalisation

Retirement Benefits Note 6 includes an estimated allowance for additional liabilities that are now probable arising from the McCloud Judgement and GMP Indexation and Equalisation cases outlined below.

##### McCloud Judgement

In December 2018 the Court of Appeal ruled in the 'McCloud/Sargeant' judgement that the transitional protection arrangements put in place when the Firefighters' and Judges' pension schemes were reformed were age discriminatory. The Government applied to the Supreme Court for permission to appeal this judgement, however the Supreme Court rejected the request on 27/06/19. The next stage is for the case to be referred to the Employment Tribunal to agree the remedy, following appropriate consultation. Current expectations are that this will not be known until 2020/21.

While the judgement was not in relation to members with local Government Pension Scheme (NI) benefits, the UK Government announced in a written Ministerial Statement on 15 July 2019 "the government believes that the difference in treatment will need to be remedied across all main public service schemes"

At 31.03.19 an additional McCloud liability at fund level was shown as a Past Service Cost over the accounting period. During 2019/20 the liability was calculated at Employer level (based on updated membership data provided for the 2019 valuation) with any change in the allowance over the period treated as an experience item through Other Comprehensive Income. The Current Service Cost includes a prospective allowance for McCloud liabilities of 3.2% of the Pensionable Pay over the accounting period.

##### GMP Indexation and Equalisation

Guaranteed Minimum Pension (GMP) is a portion of pension that is payable to members who were contracted out of the State Second Pension and accrued benefits in the scheme between 6 April 1978 and 5 April 1997. The LGPS (NI) was contracted out.

The GMP was intended to approximately replace the State Pension which members were giving up, however the payment terms of GMP are different between men and women, which was a consequence of the state pension itself being unequal at that time.

On 26/10/18 the High Court ruled in the Lloyds Bank case that equalisation for the effect of unequal GMPs is required.

At 31/03/2019 an estimated liability was used based on a typical Local Government pension fund in order to quantify the value of fully indexing GMPs in line with CPI inflation for those reaching State Pension age after 5 December 2018. This was calculated to be 0.3% of the liabilities / defined benefit obligation. During 2019/20 allowance has been made for full pension increases to be paid on GMPs to individuals reaching SPA after 6 April 2016. Any increase in the liability at 31.03.20 has been charged through Other Comprehensive Income.

##### Developments since the 31 March 2019 valuation

At the last actuarial valuation, dated 31 March 2019, there was a surplus of £836.9M relative to the liabilities and a funding level of 112%. However since the valuation date the effect of measures being taken to limit the impact of the Covid19 pandemic on economic activity and asset valuations may mean that the fund is no longer in surplus by the time of the next valuation due as at 31 March 2022. Pension Contributions for 2021/22 and 2022/23 have been based on the valuation results as at 31 March 2019, as a result these pension contributions are subject to confirmation and may be increased in order to avoid a higher increase being required from 1 April 2023 if the funding level falls below its 31 March 2019 level.

**Derry City and Strabane District Council**  
**Notes to the Group Financial Statements**  
**For the year ended 31 March 2020**

**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 non-cash movements	Notes	2019/20	2018/19
		£	£
Depreciation	Group Note 5	8,837,272	8,674,687
Impairment & downward revaluations (& non-sale derecognitions)	Group Note 5	(201,806)	367,524
Increase/Decrease in Stock		(304,675)	(126,043)
Increase/Decrease in Debtors		(1,566,264)	325,241
Increase/(decrease) in impairment provision for bad debts		61,127	40,155
Increase/(Decrease) in Creditors		(2,252,443)	3,282,795
Increase/(Decrease) in Interest Creditors		(20,699)	(24,227)
Payments to NAGOSC	Group Note 6	5,992,000	8,873,000
Carrying amount of non-current assets sold	Group Note 5	949,685	60,750
Contributions to Other Reserves/Provisions		(321,332)	(847,987)
Amounts posted to CIES from Donated Assets Account		12,000	-
		<b>11,184,865</b>	<b>20,625,895</b>

Adjust for items included in the Group net surplus or deficit on the provision of services that are investing and financing activities	Notes	2019/20	2018/19
		£	£
Proceeds from the sale of PP&E, investment property and intangible assets		(92,139)	(37,064)
Capital grants included in "Taxation & non-specific grant income"		(5,501,103)	(9,118,273)
		<b>(5,593,242)</b>	<b>(9,155,337)</b>

**b Cash and Cash Equivalents**

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

	2019/20	2018/19
	£	£
Cash and Bank balances	1,107,034	1,994,822
Short Term Deposits (considered to be Cash Equivalents)	9,622,158	15,373,928
	<b>10,729,192</b>	<b>17,368,750</b>

Cash flow Statement: Operating Activities	2019/20	2018/19
	£	£
The cash flows from operating activities include:		
Interest received	30,935	44,384
Interest paid	(2,248,904)	(2,401,235)

Cash flows from Investing Activities	2019/20	2018/19
	£	£
Purchase of PP&E, investment property and intangible assets	(8,779,886)	(7,670,214)
Proceeds from the sale of PP&E, investment property and intangible assets	92,139	37,064
Capital Grants and Contributions Received	4,136,350	3,480,574
Net Cash flows from Investing Activities	<b>(4,551,397)</b>	<b>(4,152,576)</b>

Cash flows from Financing Activities	2019/20	2018/19
	£	£
Cash Receipts from Short and Long Term Borrowing	0	-
Repayment of Short and Long Term Borrowing	(3,391,717)	(3,436,174)
Net Cash flows from financing Activities	<b>(3,391,717)</b>	<b>(3,436,174)</b>