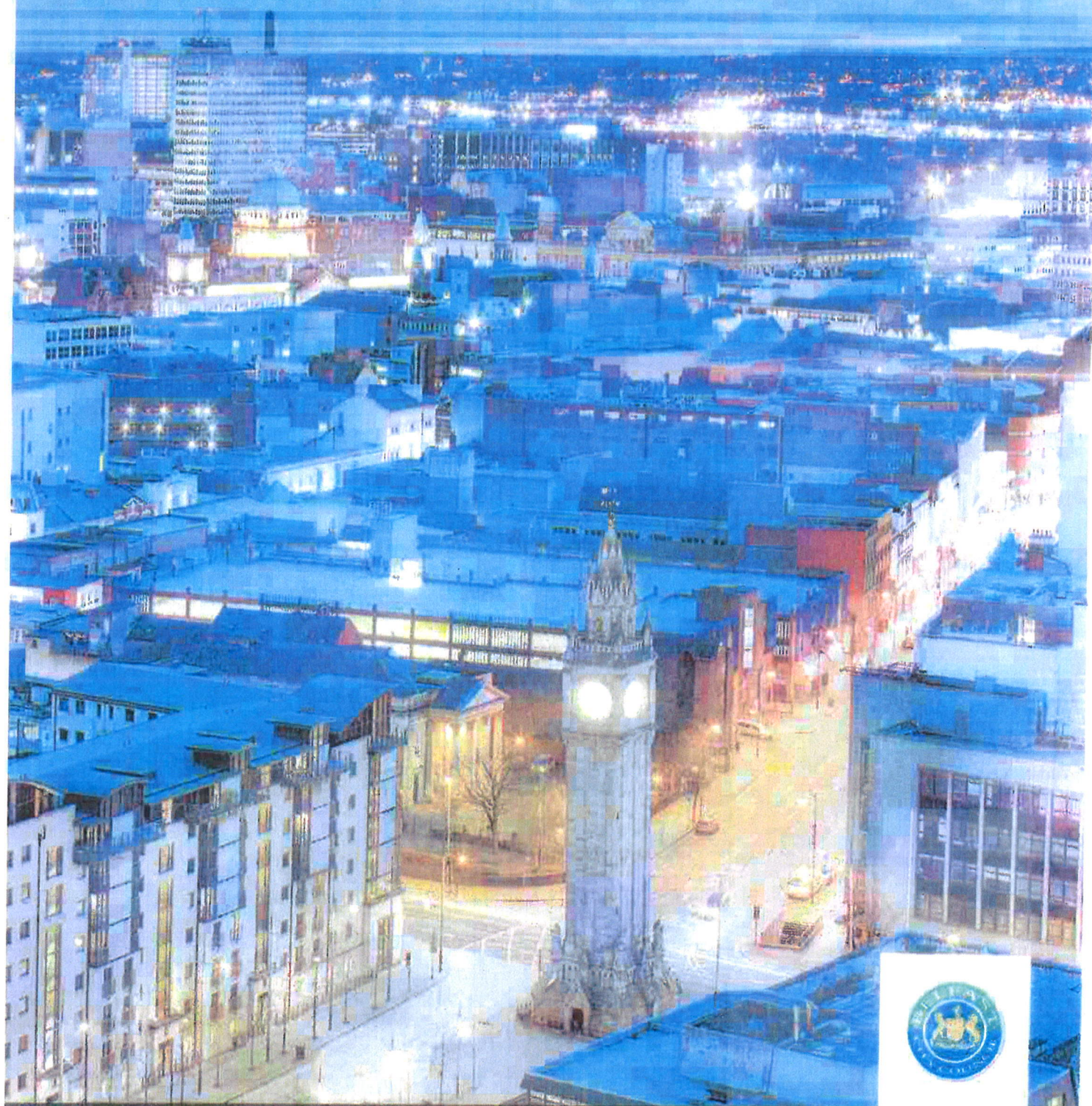


Belfast

# Belfast City Council Financial Report 2013





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## **Explanatory Foreword**

### **Introduction**

Belfast City Council is the largest of the 26 District Councils in Northern Ireland. The Council has 51 elected Councillors representing nine electoral areas across Belfast with a total population as per the 2011 census of 280,962. The Council is, by any definition, an organisation of size, importance and stature and in particular is responsible for the delivery of key services such as those relating to Refuse Collection and Disposal, Street Cleansing, the provision of indoor and outdoor Leisure and Recreational Facilities, Community Services and importantly, in the expanding and high profile area of Health and Environmental Services.

The Council's financial performance for the year ended 31 March 2013 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 2012/13 (the Code) and the Department of the Environment Accounts Direction, Circular LG 09/13 dated 11 April 2013. 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 Belfast City Council's finances during the financial year 2012/13 and its financial position at the end of that year. It follows approved accounting standards and is necessarily technical in parts.

### **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. Belfast City Council does not have material interests in such bodies and accordingly is not required to prepare group financial statements.

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

This Statement, as set out on page 30, shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'Surplus or (deficit) on the provision of services' line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the District Fund Balance for Local Tax purposes. The 'Net increase /Decrease before transfers to statutory and other reserves' line shows the statutory District 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 31, shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from the district rate. Councils raise district rates to cover expenditure in accordance with regulations; this may be different from the accounting cost. The district rate 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, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the 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 district rate and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

## Financial Report

For the year ended 31 March 2013 the Council increased its District Fund reserve by £6,709K to £20,614k and this sum represents on average 10.28% of annual gross expenditure. The Council's budget of £133,870k was increased by £3,900k for prior year finalisation of district rates. The total net income reported in the Comprehensive Income and Expenditure Statement is £1,259,451 and thereafter allocations of £6,000k to the City Investment Fund and £7,939k to fund capital expenditure.

The following gives a comparison between the budgeted and actual net cost for the Council for the year to March 2013

	Actual	Estimate	Variance
Net Cost	131,378,435	133,870,174	(2,491,739)
Income:			
General Grant	4,471,433	4,153,818	317,615
District Rates	133,616,357	129,716,356	3,900,001
<b>Surplus/(Deficit)</b>	<b>6,709,355</b>	<b>0</b>	<b>6,709,355</b>

The Councils' land and buildings assets were originally revalued at 1 April 2002 by Chartered Surveyors employed by the Council, in accordance with the statements of asset valuation practice and guidance notes of the Royal Institute of Chartered Surveyors.

The Council is now operating a rolling programme for its revaluation of land and buildings with approximately 25% of these being discretely revalued by physical inspection each year and the remainder being discretely revalued by a desktop exercise.

In 2012/13 as a result of a request by the Local Government Auditor, the Council changed the valuation date from 1 April 2012 to 31 March 2013. This resulted in 2 valuation exercises, one as at 1 April 2012 and one as at 31 March 2013. A smaller number of assets were physically inspected as at 31 March 2013 due to time constraints, although 25% had been physically inspected within the year. The remainder were discretely valued by a desktop exercise.

These revaluations were carried out by the Land & Property Services Agency, in accordance with the statements of asset valuation practice and guidance notes of the Royal Institute of Chartered Surveyors. The revised valuations have been included in the balance sheet on page 32.

During the year the Council repaid external loans of £777,348. At 31 March 2013 the total amount outstanding on external loans was £24,688,505. Of this total £10,020,120 (or 41%) represents the outstanding debt of the former Belfast Corporation Services which is now the responsibility of the Northern Ireland Housing Executive, and on whose behalf the Council is administering the loans.

The capital expenditure of the Council can be financed using:

- Loans;
- Grants;
- Proceeds from the sale of capital assets;
- Capital Funds and
- Revenue Contributions directly from the District Fund.

Expenditure on capital projects during the year amounted to £10.3m, the most significant spend was on Mary Peters Track £2,854k, Dunville Park £1,110k, Mercury Abatement System £1,016k, Woodvale Park £743k and Conswater Community Greenway £656k.

The Gas Pension Fund Accounts included on pages 101 to 102 are not consolidated within the Council Balance Sheet.

The Council does not, at present, have any commitments to finance capital expenditure by way of Private Finance Initiative or Public Private Partnership Schemes.

This foreword provides an explanation of the financial aspects of the Council's activities and draws attention to the main characteristics of the Council's financial position. Further information about the accounts can be obtained from:

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## **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 the Council shall make arrangements for the proper administration of its financial affairs. The 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 5 of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006 the Council, or a Committee, is required by resolution, to approve the accounts.

These accounts were approved by the Strategic Policy and Resources Committee on 21 June 2013.

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

Under Regulation 4(1) of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006, the Chief Financial Officer is responsible for the preparation of the Council's Statement of Accounts in the form directed by the Department of the Environment.

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 of the Environment 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 2012/2013**

The Council's Annual Governance Statement (AGS) follows the format set out in guidance issued by DOE Local Government Division in 2008 and comprises the following sections:

- Scope of responsibility
- The purpose of the governance framework
- The governance framework
- Review of effectiveness
- Significant governance issues
- Appendix 1 - Update on action taken during 2012/13 to manage the significant risk and internal control issues declared in the AGS for 2011/12

### **Scope of Responsibility**

Belfast City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government (Best Value) Act (Northern Ireland) 2002 to make arrangements for continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs 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*. This statement explains how the Council meets the requirements of Regulation 2A of the Local Government Accounts and Audit (Amendment) Regulations (Northern Ireland 2006) in relation to the publication of a statement on internal control.

## **The Purpose of the Governance Framework**

The governance framework comprises the systems and processes, and culture and values, by which the Council 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 the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework continues to be in place at Belfast City Council for the year ending 31<sup>st</sup> March 2013 and up to the date of approval of the Annual Governance Statement and statement of accounts.

## **The Governance Framework**

This section of the Annual Governance Statement describes the key elements of the systems and processes that comprise the Council's governance arrangements.

Belfast City Council developed a Corporate Plan for the period 2012-2015, which was approved by the Strategic Policy and Resources Committee on 22 June 2012. The plan was developed through significant engagement with Members, ratepayers, officers, and partners. An annual update of the Corporate Plan is completed each year and includes the development of individual departmental plans. The annual plans set out clear objectives and targets for the coming year, updating actions and performance targets that are aligned to the budget setting process.

The Corporate Plan helps the Council focus on the future. It sets out the values of the Council and the key issues that the Council intends to focus on over the next three years. In doing this, the Corporate Plan provides a sense of direction for the Council. By having an outward focus, the Corporate Plan helps the Council deal with a changing external environment and helps to ensure that the Council stays relevant and connected to what is happening in Belfast.

As outlined in the Council's Standing Orders, the Corporate Plan and the processes which underpin it act as the Council's main instrument of policy. The development and implementation of the Corporate Plan therefore embraces a number of processes including, for example:

- The establishment of agreed corporate priorities and strategic actions
- Strategic finance, human resources, asset management, information management and planning frameworks to ensure resources are effectively allocated for implementation of the strategic plan
- The development and prioritisation of the capital programme
- The development and implementation of strategies for effective partnership and working with key stakeholders, through the development of community planning processes
- The development and implementation of an effective performance management framework
- Communication of the plan is via the Council's internet website

In February 2012, the Council launched a 3 year draft Investment Programme, setting out a series of commitments designed to boost the economy, invest in physical projects, support people and communities and deliver continued value for money services for our citizens. Following its launch, the Investment Programme was opened to public consultation to give residents and organisations the opportunity to have their say. A new Programme Management Office was set-up with six new Programme Managers to support the delivery of the programme, including the Local Government Reform programme of work. The team works with elected Members, Directors, Heads of Service, project managers and the newly-appointed project sponsor officers to formulate, and maintain effective programme and project management arrangements. A communication plan is in place for this programme



and regular updates on delivery of the Investment Programme are provided on the Councils website.

Our political governance structures include:

- Committee decision-making system; this includes the Strategic Policy and Resources Committee with responsibilities for dealing with corporate finance, planning, performance and policy
- Committee reporting protocol
- Party Group Briefing sessions to facilitate and coordinate contact with officers
- Council minutes system on [www.belfastcity.gov.uk](http://www.belfastcity.gov.uk)
- Budget and Transformation Panel
- In the context of the Belfast Investment Programme, the Strategic Policy & Resources Committee has convened the Area Working Groups, in an advisory capacity, to act as community advocates to identify local priorities and support effective 'place-shaping'

Our key mechanisms for measuring the quality of services for users and for ensuring that they represent the best use of resources include:

- Key performance questions, surveys and indicators
- The development of a performance management system which became operational during 2009/10
- A VFM programme of work
- A corporate complaints system.

In order to define and document key council roles and responsibilities, a Scheme of Delegation is in place. This has been approved by the Council. The Scheme is explicitly linked to the objectives of the Council as they state that the purpose of delegation is to achieve economies of scale and minimise costs. The levels of authority and responsibility are set out in the Scheme of Delegation.

Standing Orders are in place and are documented on the Council's website.

The planning methodology used by the Council is 'Value Creation Mapping' (VCM). The VCM process provides a framework for linking all of our planning at Corporate, Department and Service levels together in one place. It prompts us to consider how our actions contribute to our corporate objectives, and it encourages integration with work that's happening at Departmental level.

The Learning and Development Policy requires senior managers to ensure the development and delivery of departmental and service training plans that are in line with the Corporate Plan / Value Creation Map, and the departmental / service Value Creation Map (VCM) / business plan.

In addition a revised appraisal framework has been rolled out to all Chief Officers, Heads of Service and Senior Managers.

A Code of Governance for Belfast City Council was first developed in 2008 and reviewed and updated annually thereafter. The Code was reviewed, updated and reported to CMT, the Assurance Board and the Audit Panel in the year 2012/13. The Code is based on the six principles set out in the CIPFA/SOLACE 'Delivering Good Governance in Local Government: A Framework', in addition it was updated in May 2010 to reflect the governance requirements set out in the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

The Council budget is set in line with the need to deliver the Corporate Plan. To underpin this, a robust budgetary control system is in place.

Terms and conditions of employment and job descriptions are available for all staff.

The following structures, which facilitate staff development, conduct and good governance, are in place:

- The development of corporate values and their integration into the Corporate Plan
- Development of a draft Organisational Development Strategy
- Code of conduct for staff
- Staff receive induction training including an introduction to the Code of Conduct
- Delivery of the Core Skills Programme to ensure that staff are equipped with the skills and knowledge they need to deliver customer focused, value for money services as well as help shape the future of the city
- Delivery of the Fraud Awareness training programme for staff
- The NI Code of Local Government Conduct for Members
- Policy and guidance on the Acceptance and Provision of Gifts and Hospitality by Council Officers

- Policy and guidance for Potential Conflict of Interest Situations Encountered by Council Officers
- An Equality Reference Guide
- Sustainable Development Plan
- Fraud and Corruption and Whistleblowing policies.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council. In particular, the system includes:

- Standing Orders
- Financial Regulations
- Scheme of Delegation
- Accounting Manual
- Codes of Conduct for Members and officers
- Corporate and budgetary planning
- The preparation of relevant regular financial reports
- Regular reviews of periodic and annual financial reports which indicate financial performance
- A programme of capital expenditure with clearly defined guidelines
- A re-constituted Asset Management Group
- Formal project management disciplines for physical projects.
- A Corporate Governance Team has been established to oversee the Council's IT governance arrangements and approve IT projects.

Continued effort has been put into developing and implementing the key elements of an assurance framework within Belfast City Council with the key elements being:

- A process whereby senior managers are required to sign annual assurance statements
- A process whereby Directors are required to sign quarterly assurance statements
- Embedding risk management
- Business planning and related performance reporting arrangements
- An Audit Panel
- A professional Internal Audit function
- Annual review and update of the Code of Governance
- A Health & Safety Assurance Board.

The Council has an established Audit Panel with comprehensive terms of reference. 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 provides an independent scrutiny of the Council's financial and non-financial performance to the extent that it exposes it to risk and therefore weakens the control environment. The Audit Panel appointed a new external member during 2011/12 that provides expert advice to the Panel. In July 2012, the Audit Panel, with the subsequent ratification by Strategic Policy and Resources Committee and the Council exercised its option to extend the contract with the external member for a further period of 2 years, with the contract to run to 31 August 2014. In addition, Panel members received formal audit committee training in October 2011 and January 2013. The Audit Panel reports to Strategic Policy and Resources Committee.

The Audit Panel with support from the Assurance Board oversee the work of the Audit Governance and Risk Services section including the approval of the annual programme of work. The internal audit service, provided by Audit, Governance and Risk Services operates to the standards published in the CIPFA code of practice for internal audit in local government.

Audit, Governance and Risk Services lead on risk management activities within the Council. These have continued in line with the Council's Risk Management Strategy. Management are responsible for ensuring that key risks are properly identified, evaluated, managed and reviewed. From 1 April 2012, Departmental Risk Champions became responsible for the co-ordination of the risk management process within their Department. Corporate, departmental and operational risk registers are in place.

In the financial year to the end of March 2013, 1 case of suspected fraud has been under investigation by the PSNI. This case is under investigation but confirmed losses to date are £592.50. This figure may change as a result of further investigations. In addition, after the end of the reporting period, in July 2013, the Council discovered that it had been the subject of an external fraud. This involved fraudulent changes being submitted and made to bank account details held by the Council for one of its main contractors, which resulted in two payments totalling £292,544.46 being made to a fraudulent bank account. The Council is working closely with its Insurance Brokers and the vast majority of the loss arising from the fraud has been recovered through this exercise. Further details on this fraud and the Council's response, may be found in the 'Declaration of Significant Governance Issues for 2012/13' section of this statement.

In order to obtain assurance on the management of risk, on a quarterly basis each Chief Officer prepares and signs a Quarterly Assurance Statement. At the year end the assurance reporting chain extends to Heads of Service and nominated senior managers who, in addition to Chief Officers, must complete an Annual Assurance Statement. For the year end 2012/13, all Annual Assurance Statements have been completed, signed and dated. These signed assurance statements form part of the evidence which underpins the Annual Governance Statement.

The Council has in place a Business Continuity Management Policy which is subject to regular review and has been communicated to relevant staff. The policy can also be viewed on the Audit, Governance and Risk Services pages on the Council's intranet. Business continuity management strategies and plans are in place for the Council's key services; these are reviewed, updated and aspects of the plans are tested on an annual basis. The Business Continuity Champions meet twice a year for training / information. In addition, in order to ensure that the Council is prepared to meet the threat of a pandemic, a Strategic Business Continuity Pandemic Plan with supporting operational plans have been prepared and are subject to ongoing review and updating.

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.

Management responsibilities were reinforced through the development and roll out of the 'Core Skills' training programme.

The Director of Finance and Resources is the Council's designated Chief Financial Officer under the Local Government Finance Act (Northern Ireland) 2011, responsible for the proper administration of the Council's financial affairs.

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



Governance in Local Government: Framework. This is demonstrated in our Code of Governance which incorporates the expanded / additional governance requirements from the CIPFA Statement against each of the 6 principles of good governance.

The Financial Regulations include an explicit reference that all financial transactions of the Council shall be properly accounted for and the Council's accounts shall be maintained in accordance with statutory requirements and professional standards. In addition, the Financial Regulations state that each Chief Officer shall be responsible for the proper maintenance of accounting procedures and records within his/her Department and shall ensure proper security and confidentiality including adherence to the requirements of the Data Protection Act 1998.

There is an Accounting Manual to (i) give direction to those responsible to carry out their roles and responsibilities within the council's finance processes; and (ii) to set out the updated financial policies of the council, to enable employees to understand the rules they must follow, and know what might be a breach of policy.

The Council has a Town Solicitor and a Legal Services section to provide advice and support to Council staff and Members.

A Public Interest Disclosure ("Whistleblowing") policy is in place and has been communicated to all staff. The policy is posted on the Council's intranet. In addition, this policy is also included in the Code of Conduct for Local Government Employees.

A Corporate Complaints system is in place and a corporate complaints improvement plan has also been developed.

The following activities underpin the identification and support of the development needs of members and senior officers:

- Member development programme with induction sessions for Members
- Induction training for all staff which includes an introduction to the Code of Conduct
- Code of procedures on recruitment and selection
- Development of a draft Organisational Development Strategy
- Learning and Development policy for officers, including personal development planning
- Core Skills programme for officers

The following are channels of communication which focus on all sections of the community and other stakeholders. These channels ensure accountability and encourage open consultation:

- The Corporate Plan
- 'One Council' corporate communication guidelines
- The Council's website found at [www.belfastcity.gov.uk](http://www.belfastcity.gov.uk) and the interlink site for staff
- A range of mechanisms to consult on the Investment Programme 2012-15, including public launch, promotion in the press, 5 local community launches, additional local events, question and answer sessions, etc.
- Belfast Citistats are available on the Council's intranet
- Delivery of a pilot project during 2010 and 2011 by the Belfast Community Planning consortium – final conference and report January 2012
- Ongoing consultation processes
- City Matters magazine
- Complaints handling system
- Launch of My Belfast application
- Council meetings are open to the public and are broadcast live on the web
- An Assurance Framework.

### **Review of Effectiveness**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The review of effectiveness is informed by the:

- work of the managers within the Council who have responsibility for the development and maintenance of the governance environment
- performance reports
- the Head of Audit Governance and Risk Services (AGRS) annual assurance statement for the period ending 2012/13, which gives an opinion on the Council's risk and control environment and by
- comments made by the external auditors
- other external reviews.

An extract from the Head of AGRS Annual Assurance Statement for the period ending 2012/13 is given below:

As Head of Audit, Governance and Risk Services, on the basis of work carried out, I can provide a reasonable assurance regarding the adequacy and effectiveness of the Council's internal control environment. In forming this opinion, I have taken account of the Council's internal control systems, risk management and governance arrangements. Some weaknesses and areas for improvement have been identified through our audit work, and these have been reflected in audit progress reports and reports to senior management and appropriate recommendations have been made.

However a number of issues, as set out below, warrant highlighting in the report.

While we were able to provide amber/green levels of assurance on the majority of audits completed in 2012/13, however the audits in relation to the Zoo and Corporate Complaints resulted in a red assurance level.

Regarding the Zoo the focus of the audit was on the financial management processes at the Zoo and involved a review of the adequacy and effectiveness of controls over income collection, debt management, procurement and contract management activities, budgetary control and stock control. The audit resulted in 10 umbrella recommendations, all of which were assessed as being high and found that there was a need for much more robust controls over the collection and recording of income, compliance with procurement processes, the management of contracts and stock control. Management accepted the recommendations and prepared an action plan with named officers and timeframes for the implementation of each audit recommendation.

Corporate Complaints was reviewed to seek assurance that the Council can demonstrate good practice in how we handle complaints in the event of external scrutiny. The review highlighted issues in relation to an out of date policy, the absence of a Central Complaints Officer, deficiencies when measured against NI Ombudsman recommended best practice and issues around the definition of a complaint which would have a fundamental impact upon reported key performance indicators for complaints. The outcome is that the Director of Finance and Resources has reviewed roles, responsibilities and processes in relation to corporate complaints with a view to integrating the necessary actions into an improvement plan for customer service.

In relation to the action plans arising from the above two reviews, the Audit Panel will be closely monitoring the progress in implementing the recommendations. The Chief Executive will also be receiving regular progress reports.

During the course of 2012/13, I reported regularly to the Audit Panel on the progress management is making towards the implementation of agreed audit recommendations. While I have been able to report where there has been progress made, there remains, in my opinion, scope for improving the timeliness of the implementation of audit recommendations. This matter has also become a matter of concern for the Audit Panel who expressed the opinion that there existed a perception that the implementation of recommendations were not being addressed as promptly as expected and that Departments should be reminded that the Panel considered such matters to be of high importance. Furthermore, the Audit Panel has taken a proactive role and was instrumental in accelerating the implementation of high priority recommendations and has also requested the attendance of a number of Directors to account for the lack of progress.

The Council has taken a positive step by acquiring a Corporate Action Tracking,

Risk Management and Audit Management System. It is anticipated that the system will bring the following advantages in relation to the tracking of recommendations arising from audit and health and safety reviews and the tracking of mitigating actions arising from risk management:

- Increased sense of ownership of recommendations, risk registers, action plans among management and staff around the Council
- Real time information for AGRS and management regarding action/progress
- Better reporting tools for managers, Heads of Service and Directors to identify areas of concern and monitor /take action
- Better/greater assurance for managers, Heads of Service, Directors and Audit Panel

This should result in a more efficient and effective method of reporting to the Audit Panel on the work being done to improve the control, risk management and governance processes which ultimately contribute to the achievement of the Councils corporate objectives

During the course of 2012/13 AGRS has continued to provide support to management regarding the risk management process and the production of annual assurance statements by senior managers, and the overall Annual Governance Statement. The Annual Governance Statement discloses a number of key risks that the Council faces going forward, along with action that will be taken to manage these risks.

During the year AGRS undertook a review of 6 of the 7 significant issues facing the Council which were based upon the red risks in the Council's Corporate Risk Register, namely:

- Waste Management
- Asset Management
- RPA (local government reform)
- Rates
- Investment Programme
- Information Management – FOI/DPA

The 7<sup>th</sup> risk relating to Health and Safety was subject to an external review. The importance of providing assurance on the management of these risks is that they have a direct impact on the achievement of the Corporate Plan.

As a result of our review we were able to provide reasonable assurance that the key corporate risks are being proactively managed. It was apparent that the Risk Owners had put considerable effort into developing action plans to better manage these risks and also securing the resources that should enable the delivery of these action plans. However while acknowledging the progress made, we highlighted, at the time, that it was important to recognise that the risk rating for each of these 6 corporate risks was red and would remain red until these action plans were implemented while continuing to ensure that key controls remain in place operate effectively.

Given the significance of these risks I would emphasise the importance of senior management ensuring that priority be given to the timely implementation of these action plans in order to manage these risks 'down' to a more tolerable level.

During the year BCC commissioned Management Consultancy Quadra to conduct

an external review of the Council's Corporate Health and Safety management arrangements which are designed to provide independent assurance to Members and senior management regarding the risk management, control and governance arrangements surrounding corporate health and safety. The review provided an overall amber assurance opinion which has been defined as "gaps in health and safety management arrangements which require action to address and improve". I am satisfied that a properly resourced and prioritised action plan is being developed which will ensure that this programme of work is delivered in an expedient and timely manner. The Chief Executive is to receive regular reports on the implementation of the recommendations.

AGRS continued to deliver Fraud Awareness training sessions which have now been delivered to over 300 managers/staff over the last 3 years. The purpose of the training is to heighten awareness of staff in relation to the indicators of fraud and have them identify the operational areas under their control giving rise to the greatest risk of fraud. AGRS continue to assist in the delivery of the governance training module as part of the Core Skills programme. The purpose of this module is to convey the framework of rules and practices by which the Council ensures accountability, fairness and transparency in its relationships with all its stakeholders e.g. ratepayers, employees, government and business. These initiatives demonstrate a proactive approach to improve the governance arrangements within BCC.

During the year considerable AGRS resource has been devoted to conducting unplanned work including various investigations. AGRS has worked closely with senior management in undertaking these investigations and identifying control issues that require attention. However this work has had an impact on the completion of the audit plan with a number of audits now rolled forward into 2013/14.

The Audit Panel 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. During 2012/13 the Audit Panel met on 5 occasions and received regular reports from internal audit, external audit and management to inform its work, including regular reports on the management of corporate risks, the results of audit work and the implementation of audit recommendations.

The Assurance Board which comprises the Chief Executive, Director of Finance and Resources and Town Solicitor & Assistant Chief Executive has the purpose of identifying areas of particular concern within the Council. It addresses issues of non compliance within the Council in particular around internal control or governance matters. The Assurance Board met 5 times during 2012/13.

The Code of Governance for Belfast City Council is based on the 6 core principles



set out in the CIPFA/SOLACE 'Delivering Good Governance in Local Government Framework'. The Code of Governance for the Council sets out in table form the key systems, processes and documents that provide evidence of compliance with these 6 principles and any relevant planned improvement actions, along with the names of the responsible officers to facilitate review and monitoring.

As set out in our Code of Governance, AGRS undertook a review of the Code which commenced in March 2013. The main purpose of this review was to determine the progress being made to fully embrace the 6 governance principles. This included contacting various officers and determined whether the systems, processes and documents continued to provide evidence of compliance with the principles and also determined the progress made in implementing the planned improvement actions. In addition, the code has been updated to reflect the 2010 CIPFA statement on the role of the Chief Financial Officer in Local Government. The Code was further updated as appropriate following these discussions with officers and reported to CMT on 15 May 2013, the Assurance Board on 4 June 2013 and the Audit Panel on 11 June 2013.

This review of the Code has assisted in the preparation of this Annual Governance Statement. In addition it forms one of the assurances that senior managers and Members receive on the Council's internal control environment.

The Local Government Auditor has provided a level of assurance through the provision of the annual external audit and provision of the Annual Audit Letter and the Report to those Charged with Governance. An internal action plan is in place to address any issues identified.

Other sources of assurance include assurances from management and external review bodies.

In the year 2013 / 2014, the Strategic Policy and Resources Committee and the Audit Panel intend to monitor the actions taken by management to address identified weaknesses in the Council's internal control environment, and the management of key risks.

## **Significant Governance Issues**

### Update on the Significant Governance Issues Declared in 2011/12

The significant issues that were declared in the previous year's Annual Governance Statement for 2011/12 related to the following areas:

- management of the City's waste (non-achievement of targets)
- strategic management of the Council's assets
- meeting the challenges presented by local government reform
- continued embedding of health and safety management
- uncertainty of the rate base
- the delivery of the Investment Programme and, related to this, governance of major Council projects
- information management risks, in relation to compliance with legislation / best practice (data protection, FoI)

We can confirm that these issues were highlighted in the appropriate risk registers, risk owners were allocated and actions were put in place to address them. Following their review of the AGS for 2011/12 and the Corporate Risk Register (CRR), the Assurance Board and Audit Panel requested independent assurance on the management of the above corporate risks and a mid-year update on the significant governance issues reported in the 2011/12 AGS. AGRS reported the results of this review to CMT in September 2012 and a special meeting of the Assurance Board and Audit Panel in October 2012. In addition an external review of the corporate Health and Safety risk was undertaken and reported to the Audit Panel in March 2013.

It is important to note that the above issues continue to be issues for the Council and therefore management actions are still ongoing.

### Declaration of Significant Governance Issues for 2012/13

As part of the process of preparing this year's Annual Governance Statement all Directors and nominated senior officers were asked to consider significant governance issues that require action and disclosure. In addition the Corporate Risk Register was re-reviewed and significant events after the reporting period of 31 March 2013 were considered.

The most significant issues for the Council are in relation to:

- management of the City's waste (non-achievement of targets)
- strategic management of the Council's assets
- meeting the challenges presented by local government reform
- Delivering continued improvements to the corporate health and safety management arrangements
- failure to maximise the collectible rate
- the delivery of the Investment Programme
- information management risks, in relation to compliance with legislation / best practice (data protection, FoI)
- External fraud
- EU / other external funding for major capital projects

A description of the 9 significant governance issues, listed above, for the Council for 2012/13 is provided on the following pages.

#### **Management of the City's waste (non-achievement of targets)**

One of the most significant risks facing the department in the medium to long term remains the potential failure to meet waste management and recycling targets.

To limit the impact of this, the Waste Management Service has produced a 'Towards Zero Waste Action (ZAP) Plan which contains actions to be taken by Belfast City Council, in conjunction with arc21 where appropriate. Work is also continuing with arc21 to ensure that appropriate waste treatment facilities are procured (and interim arrangements made until this happens) to allow for sufficient levels of residual biodegradable waste to be diverted from landfill in order that the targets will not be exceeded. The procurement process is being managed to ensure value for money and minimize risk to the Council. Contingency arrangements have also been tested and will be extended (via sending black bin waste for sorting prior to disposal).

The internal Waste Programme Board and supporting structure set up last year involving the Director of Health and Environment Services, Director of Finance and Resources and the Assistant Chief Executive continues to oversee the management of controls and actions put in place to manage this risk.

## **Strategic management of the Council's assets**

Strategic Management of the Council's assets has been identified as a strategic risk and a number of activities have been identified to mitigate against this risk with the key strands of work as follows:

- Capital Programme
- Local Investment Programme
- Feasibility Fund
- Revenue Projects
- Belfast Investment Fund
- Social Investment Fund
- Council Property and Assets
- Planned Maintenance
- Non-recurrent Capital

I am currently programming against these strands and have put in place a Portfolio Office which will monitor, report, support delivery and advise on issues and progress

Delivery of the Investment Programme has been identified as a corporate risk and a number of activities have been identified to ensure delivery of the Programme. Key projects that have attracted ERDF funding are critical to this Programme and key activities have been identified to ensure this funding is not comprised. Further work is needed to establish some central control of the management and drawdown of such funding. Whilst some controls have been put in place in respect of the overall management of the Programme, further work needs to be carried out to ensure cohesive, inclusive delivery of projects that will deliver the desired outcomes for the citizen and the betterment of the City.

In the coming year I intend to focus on the implementation of action plans developed to address significant internal control weaknesses, fully embedding the risk management process, and further enhancing the Council's corporate governance arrangements in the areas identified in the framework.

## **Meeting the challenges presented by Local Government Reform**

The Council continues to face considerable challenges in terms of its future operation and leadership role, and in addressing the opportunities presented by local government reform.

Whilst being identified as a corporate risk, reform is seen as a major opportunity for Belfast, and work has already begun to prepare the organisation for the opportunities ahead including the transfer and integration of key place-shaping functions including spatial planning, regeneration and community planning.

Belfast continues to operate a Voluntary Transition Committee (VTC) while the nomination process for the Statutory Transition Committee (STC) is being reviewed by the DOE. Despite not having an STC, the Council is fully committed to reform and work is progressing well between Lisburn, Castlereagh and Belfast.

Progress continues in terms of officer representation on a number of regional implementation working groups (e.g. Transfer of Functions, Finance, Human Resources, Communications and Legislation).

As we move closer to the Shadow Council period in May 2014, the scale and pace of reform related activity will increase in intensity and the Council must continue to ensure that appropriate capacity is in place to effectively deliver alongside other corporate priorities. A detailed implementation and resource plan is in place to build the organisational capacity to deliver the reform programme.

The year ahead (2013/14) represents a significant preparatory phase for Belfast City Council, and the Director of Finance and Resources continues to take overall responsibility for the risk.

## **Delivering continued improvements to the corporate health and safety management arrangements**

Belfast City Council is committed to ensuring, so far as is reasonably practicable, the health, safety and welfare of all its employees, and of any others who may be affected by Council undertakings. The Council recognises that compliance with all relevant health and safety statutory duties is the minimum standard to be met and all



officers are required to contribute towards attaining the highest possible health and safety standards through a process of continual improvement.

An external independent review of Corporate Health and Safety arrangements was undertaken in 2012/13 to provide independent assurance to Members and senior management regarding the risk management, control and governance arrangements pertaining to health and safety. This review provided an amber assurance to the Council on its Corporate Health and Safety arrangements and concluded that whilst there is evidence of good practice there are some gaps in health and safety management arrangements which require action to address and improve.

In response to this report, an action plan has been agreed for implementation during 13/14 which will include the following:

- Review of Council health and safety governance arrangements
- Review of health and safety training and development needs of Elected Members, Senior Managers and Operational Managers
- Development and implementation of a corporate health and safety risk radar
- Review of contractor management and permit to work system

Progress with this action plan will be monitored directly by the Chief Executive and within the context of the Council's assurance framework.

### **Failure to maximise the collectible rate/ Sustain and enhance the rate base and manage the rate setting process for the Shadow Council**

A significant financial risk for the Council is the potential decline in the Council's rate base arising from the current economic situation. Key strands of the Council's Finance Strategy will address this risk, such as:

- the development of a city financing strategy, and
- plans to maximize the collection of rates and minimise rate losses

Another financial risk for the Council is the impact on financial resource requirements rising from Local Government Reform, and the financial planning arrangements including the development of the revenue estimates for 2014-2015. The medium term financial plan for 2014 -2016 will address this risk.

I am satisfied that these steps will address the stated risks and the Director of Finance and Resources will monitor implementation and operation on an ongoing basis.

### **Delivery of the Investment Programme**

The Council has committed to delivering an Investment Programme for the city for 2012-15. A significant risk is that the Programme is only partly delivered. To manage this risk, resources have been realigned to deliver the major projects, programme management arrangements have been put in place and project briefs have been developed for all key projects. The Council's Strategic Policy and Resources Committee monitors delivery on a quarterly basis and Area Working Groups have been established to take forward local delivery projects.

The Council continues to consider the management and control of major projects to be a significant risk for the Council. The need to ensure effective governance is key to the successful mitigation of this risk and work has been ongoing to put in place Governance structures for all our major projects. Work will continue to ensure that all of our major projects are subject to robust control, management and compliance with agreed protocols.

### **Information management risks, in relation to compliance with legislation / best practice (Data Protection, Freedom of Information)**

During the course of 2011/12, the council experienced a data breach, whereby personal information relating to Members was accidentally emailed to a member of the public and subsequently reported in the media. Steps were taken immediately to address this breach.

A substantial amount of work has been undertaken in this area including the review and update of the Council's Records Management Policy and the development of standalone policies and procedures for Data Protection, Freedom of Information and Environmental Information Regulations.

A Project Plan is in place setting out key actions to address the findings arising from a number of compliance reviews. An Information Governance Group was established and is responsible for overseeing and monitoring the implementation of

this Project Plan with regular update reports to the Chief Executive and the Director of Finance and Resources. A detailed risk action plan is in place and is reviewed and updated quarterly.

The data breach had been the subject of review by the Information Commissioner's Office (ICO). In July 2013, the ICO wrote to the Council to advise that the Council would not be fined for this data breach. The Commissioner noted that the breach was unlikely to lead to substantial damage or distress and that the data was not sensitive. The Commissioner further noted the co-operative tone of the submissions made.

### **External Fraud**


In July 2013, the Council discovered that it has been the subject of an external fraud. This involved fraudulent changes being submitted and made to bank account details held by the Council for one of its main contractors, which resulted in two payments totalling £292,544.46 being made to a fraudulent bank account. Once the fraud was discovered immediate actions were taken, including freezing subsequent payments to the fraudulent bank account, notifying the PSNI, activating the Council's Fraud Response Protocol and initiating a preliminary Human Resources investigation. This matter was reported to the Council's Strategic Policy and Resources Committee, the Audit Panel and the NIAO. Following initial investigation by the PSNI, they have concluded that there is no evidence to suggest that either employees of the Contractor or Council staff were involved in the fraud. Initial review of the circumstances of the fraud by Audit Governance and Risk Services indicated that if the controls which had been put in place had been followed, then the fraud would not have occurred. An internal Human Resources investigation is currently ongoing. The Council is working closely with its Insurance Brokers and the vast majority of the loss arising from the fraud has been recovered through this exercise.

A number of other follow up actions have been undertaken, including review of procedures and re-validation of critical changes to vendor details. A further layer of management checks will also be applied to future changes to critical supplier records.

## EU / other external funding for Key Capital Projects

Within the Investment Programme there are a number of capital projects dependent on maximising ERDF funding through maximising grant allocation and delivery within the December 2014 deadline. Projects boards have been put in place to oversee their delivery, project plans are in place, external advisory support has been secured and risk action plans created for each project. Although timescales remain challenging, it is anticipated that all projects will be delivered on time and all eligible funds drawn down.

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

Signed:  .....  
Chair Strategic Policy and Resources Committee

Signed:  .....  
Chief Executive Officer

Signed:  .....  
Chief Financial Officer

## Certificate of the Chief Financial Officer

I certify that:

- (a) the Statement of Accounts for the year ended 31 March 2013 on pages ~~29~~ <sup>30</sup> to ~~101~~ <sup>103</sup> has been prepared in the form directed by the Department of the Environment and under the accounting policies set out on pages ~~38~~ <sup>34</sup> to ~~47~~ <sup>48</sup>.
- (b) in my opinion the Statement of Accounts gives a true and fair view of the income and expenditure and cash flows for the financial year and the financial position as at the end of the financial year ending 31 March 2013.



Chief Financial Officer

25 October 2013

Date

## Council Approval of Statement of Accounts

These accounts have been approved by resolution of the Strategic Policy and Resources Committee on 21 June 2013 and have been subject to the amendments set out on page ~~102~~ <sup>103</sup>.



Chairman

25<sup>th</sup> October 2013

Date



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BELFAST CITY COUNCIL**

I have audited the financial statements of Belfast City Council for the year ended 31 March 2013 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 and the related notes. The financial statements have been prepared under the accounting policies set out within them.

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

### **Respective responsibilities of the Chief Financial Officer and the independent auditor**

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 it 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. 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 issued by the Chief Local Government Auditor. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Financial Reporting Council's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

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 2012-13, of the financial position of Belfast City Council as at 31 March 2013 and its income and expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006 and the Department of the Environment directions issued thereunder.

### **Opinion on other matters**

- In my opinion the information given in the Explanatory Foreword for the financial year ended 31 March 2013 is consistent with the financial statements.

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

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

- The Annual Governance Statement:
  - does not reflect compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13 ;
  - does not comply with proper practices specified by the Department of the Environment;
  - 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 is not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit.

### **Certificate**

I certify that I have completed the audit of accounts of Belfast City Council in accordance with the requirements of the Local Government (Northern Ireland) Order 2005 and the Local Government Code of Audit Practice issued by the Chief Local Government Auditor.



*Louise Mason*  
*Local Government Auditor*  
*Northern Ireland Audit Office*  
*106 University Street*  
*Belfast*  
*BT7 1EU*

29 October 2013

**Belfast City Council**  
**Movement in Reserves Statement**  
**For the current and comparative year**

This Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'Surplus or (deficit) on the provision of services' line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Local Tax purposes. The 'Net increase /Decrease before transfers to statutory and other reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from statutory and other reserves undertaken by the Council.

	General Fund Summary	Statutory Reserves	Other Fund Balances & Reserves	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
	£	£	£	£	£	£	£
<b>At 1 April 2011</b>	<b>11,461,733</b>	<b>15,439,745</b>	<b>5,044,520</b>	<b>943,065</b>	<b>32,889,063</b>	<b>382,745,960</b>	<b>415,635,023</b>
<b>Movement in reserves during the year</b>							
Surplus or (deficit) on the provision of services	(4,698,542)	0	0	0	(4,698,542)	0	(4,698,542)
Other Comprehensive Income and Expenditure	0	0	0	0	0	(28,164,040)	(28,164,040)
<b>Total Comprehensive Income and Expenditure</b>	<b>(4,698,542)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4,698,542)</b>	<b>(28,164,040)</b>	<b>(32,862,582)</b>
Adjustments between accounting basis & funding basis under regulations	10,171,335	0	0	(31,025)	10,140,310	(12,591,142)	(2,450,832)
<b>Net Increase/Decrease before Transfers to Statutory and Other Reserves</b>	<b>5,472,793</b>	<b>0</b>	<b>0</b>	<b>(31,025)</b>	<b>5,441,768</b>	<b>(40,755,182)</b>	<b>(35,313,414)</b>
Other Movements	2,135,985	(8,946,412)	1,646,074	38,000	(5,126,353)	0	(5,126,353)
Transfers to/from Statutory and Other Reserves	(5,165,815)	6,550,330	(334,185)	0	1,050,330	0	1,050,330
<b>Increase/Decrease in Year</b>	<b>2,442,963</b>	<b>(2,396,082)</b>	<b>1,311,889</b>	<b>6,975</b>	<b>1,365,745</b>	<b>(40,755,182)</b>	<b>(39,389,437)</b>
<b>At 31 March 2012</b>	<b>13,904,696</b>	<b>13,043,663</b>	<b>6,356,409</b>	<b>950,040</b>	<b>34,254,808</b>	<b>341,990,778</b>	<b>376,245,586</b>
<b>Movement in reserves during the year</b>							
Surplus or (deficit) on provision of services	1,259,451	0	0	0	1,259,451	0	1,259,451
Other Comprehensive Income and Expenditure	0	0	0	0	0	(18,246,799)	(18,246,799)
<b>Total Comprehensive Income and Expenditure</b>	<b>1,259,451</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,259,451</b>	<b>(18,246,799)</b>	<b>(16,987,348)</b>
Adjustments between accounting basis & funding basis under regulations	11,688,350	0	0	(26,250)	11,662,100	(12,413,039)	(750,939)
<b>Net Increase/Decrease before Transfers to Statutory and Other Reserves</b>	<b>12,947,801</b>	<b>0</b>	<b>0</b>	<b>(26,250)</b>	<b>12,921,551</b>	<b>(30,659,838)</b>	<b>(17,738,287)</b>
Other Movements	(248,983)	(1,208,994)	1,049,611	38,000	(370,366)	2,037,000	1,666,634
Transfers to/from Statutory and Other Reserves	(5,989,463)	6,144,650	(10,537)	0	144,650	0	144,650
<b>Increase/Decrease in Year</b>	<b>6,709,355</b>	<b>4,935,656</b>	<b>1,039,074</b>	<b>11,750</b>	<b>12,695,835</b>	<b>(28,622,838)</b>	<b>(15,927,003)</b>
<b>At 31 March 2013</b>	<b>20,614,051</b>	<b>17,979,319</b>	<b>7,395,483</b>	<b>961,790</b>	<b>46,950,643</b>	<b>313,367,940</b>	<b>360,318,583</b>

Belfast City Council

Comprehensive Income and Expenditure Statement for the year ended 31 March 2013

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

	Notes	Gross Expenditure £	2012/13 Gross Income £	Net Cost £	Gross Expenditure £	2011/12 Gross Income £	Net Cost £
<b>Services Expenditure</b>							
Leisure and Recreational Services		74,206,801	17,597,641	56,609,160	74,177,398	15,556,042	58,621,356
Environmental Services		65,023,450	10,882,082	54,141,368	69,032,089	10,217,600	58,814,489
DRM and Corporate Management		13,526,090	2,804,414	10,721,676	12,320,207	3,483,523	8,836,684
Other Services		20,985,123	6,186,897	14,798,226	20,034,255	8,134,115	11,900,140
<b>Cost of Services on Continuing Operations</b>	<b>2a</b>	173,741,464	37,471,034	136,270,430	175,563,949	37,391,280	138,172,669
Other Operating Expenditure	<b>7</b>	0	56,399	(56,399)	0	439,305	(439,305)
Financing and Investment Income and Expenditure	<b>8</b>	26,751,716	23,966,372	2,785,344	25,137,365	27,149,370	(2,012,005)
Surplus or Deficit on Discontinued Operations		0	0	0	0	0	0
Exceptional item not included in cost of services above					829,000	355,800	473,200
<b>Net Operating Expenditure</b>		200,493,180	61,493,805	138,999,375	201,530,314	65,335,755	136,194,559
<b>Taxation and Non-Specific Grant Income</b>	<b>9</b>	0	140,258,826	(140,258,826)	0	131,496,017	(131,496,017)
<b>Surplus/(Deficit) on the Provision of Services</b>		200,493,180	201,752,631	1,259,451	201,530,314	196,831,772	(4,698,542)
Surplus/(Deficit) on revaluation of non-current assets	<b>10a/10b/10d</b>			(5,646,799)			4,640,960
Surplus/(Deficit) arising on revaluation of available-for-sale financial assets	<b>25a/25b</b>			0			0
Actuarial gains/losses on pension assets/liabilities	<b>20</b>			(12,600,000)			(32,805,000)
<b>Other Comprehensive Income and Expenditure</b>				(18,246,799)			(28,164,040)
<b>Total Comprehensive Income and Expenditure</b>				(16,987,348)			(32,862,582)

Belfast City Council  
Balance Sheet As At 31 March 2013

The Balance Sheet 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 authority 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'.

	Notes	2012/13 £	2011/12 £
Property Plant & Equipment (PP&E)	10a/10b	381,114,626	395,082,955
Land & Buildings	10a/10b	347,223,437	358,300,632
Infrastructure Assets	10a/10b	0	0
Landfill Site	10a/10b	0	0
Vehicles, Plant, Furniture and Equipment	10a/10b	8,870,955	10,350,014
Community Assets	10a/10b	189	188
PP&E under Construction	10a/10b	15,020,045	11,472,120
Surplus Assets	10a/10b	10,000,000	14,960,001
Heritage Assets	10d	2,905,578	3,571,258
Investment Properties	10a/10b	77,595,000	82,665,000
Intangible Assets	10a/10b	0	0
Assets Held for Sale	10e	3,257,000	61,500
Long Term Investments	15a	0	0
Investment in Associates and Joint Ventures		0	0
Long Term Debtors	14a	11,595,367	13,438,239
<b>LONG TERM ASSETS</b>		<b>476,467,571</b>	<b>494,818,952</b>
Short Term Investments	15b/24a	0	0
Inventories	13	303,090	208,113
Short Term Debtors	14b	17,451,957	10,336,192
Cash and Cash Equivalents	24b	78,224,920	70,915,368
Assets Held for Sale	10e	0	100,000
<b>CURRENT ASSETS</b>		<b>95,979,967</b>	<b>81,559,673</b>
Bank Overdraft		35,931,948	36,335,364
Short Term Borrowing	16a	3,000,000	53,321
Short Term Creditors	17a	21,420,968	20,300,766
Provisions	18	5,457,924	6,942,183
Liabilities in Disposal Groups		0	0
<b>CURRENT LIABILITIES</b>		<b>65,810,840</b>	<b>63,631,634</b>
Long Term Creditors	17b	0	0
Provisions	18	1,632,938	1,427,929
Long Term Borrowing	16b	24,688,507	28,412,534
Other Long Term Liabilities	5,20	119,307,942	106,660,942
Donated Assets Account	21	0	0
Capital Grants Receipts in Advance	22	688,728	0
<b>LONG TERM LIABILITIES</b>		<b>146,318,115</b>	<b>136,501,405</b>
<b>NET ASSETS</b>		<b>360,318,583</b>	<b>376,245,586</b>
<b>USABLE RESERVES</b>	25a/25b	46,950,643	34,254,808
Capital Receipts Reserve	25a/25b	961,790	950,040
Capital Grants Unapplied Account	25a/25b	0	0
Capital Fund	25a/25b	17,979,320	13,043,663
Renewal and Repairs Fund	25a/25b	0	0
Other Balances and Reserves	25a/25b	7,395,483	6,356,409
General Fund	25a/25b	20,614,050	13,904,696
<b>UNUSABLE RESERVES</b>	25a/25b	313,367,940	341,990,778
Capital Adjustment Account	25a/25b	366,665,833	375,671,031
Financial Instruments Adjustment Account	25a/25b	0	0
Revaluation Reserve	25a/25b	66,825,905	74,207,175
Available for Sale Financial Instruments Reserve	25a/25b	0	0
Pensions Reserve	25a/25b	(119,307,942)	(106,660,942)
Capital Receipts Deferred Account	25a/25b	0	0
Accumulated Absences Account	25a/25b	(815,856)	(1,226,486)
Rates Claw-Back Reserve	25a/25b	0	0
<b>NET WORTH</b>		<b>360,318,583</b>	<b>376,245,586</b>

**Belfast City Council**  
**Cash Flow Statement at 31 March 2013**

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 authority 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. The Council reports cash flows from operating activities using the indirect method, whereby net Surplus or Deficit on the Provision of Services is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of revenue or expense associated with investing or financing cash flows.

	Notes	2012/13 £	2011/12 £
<b>Net (surplus) or deficit on the provision of services</b>		1,259,451	(4,698,542)
Adjustment to surplus or deficit on the provision of services for noncash movements	24a	18,363,394	16,532,421
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	24a	(2,327,436)	(2,369,812)
<b>Net cash flows from operating activities</b>		<b>17,295,409</b>	<b>9,464,067</b>
<b>Net Cash flows from Investing Activities</b>	24d	<b>(8,805,093)</b>	<b>(3,794,048)</b>
<b>Net Cash flows from Financing Activities</b>	24e	<b>(777,348)</b>	<b>(766,245)</b>
<b>Net increase or decrease in cash and cash equivalents</b>		<b>7,712,968</b>	<b>4,903,774</b>
Cash and cash equivalents at the beginning of the reporting period		34,580,004	29,676,230
<b>Cash and cash equivalents at the end of the reporting period</b>		<b><u>42,292,972</u></b>	<b><u>34,580,004</u></b>

## **1A Accounting Policies**

### **General Principles**

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The Council is required to prepare an annual Statement of Accounts in a form directed by the Department of the Environment in accordance with regulations 4 (1) and (2) in the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006 in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the Service Reporting Code of Practice 2012/13, 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 2012/13 also requires disclosure in respect of:

### **Summary of Significant Accounting Policies**

#### **i) Accruals of Income and Expenditure**

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

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

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

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

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

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

#### **ii) Cash and Cash Equivalents**

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

#### **iii) 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.

#### **iv) 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.

#### **v) Employee Benefits**

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

##### **Termination benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers.

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

##### **Post Employment Benefits**

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

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

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 4.5%. A discount rate is required to be set equal to the current rate of return on an AA-rated (or equivalent) corporate bond "of equivalent currency and term to the scheme liabilities". The discount rate is based on the Aon Hewitt GBP Central AA Curve using the duration of the council's Liability.



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

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

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

- **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
- **past service cost** – the increase in liabilities arising from current year decisions 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 Statement as part of Non Distributed Costs
- **interest cost** – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- **expected return on assets** – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- **gains or losses on settlements and curtailments** – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- **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 – debited to the Pensions Reserve
- **contributions paid to the Northern Ireland Local Government Officers' pension fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense

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

#### **vi) Events After the Balance Sheet Date**

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

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

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

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

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

#### **vii) 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.

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

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

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

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

#### **ix) Financial Instruments**

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

##### **Financial Liabilities**

Amortised Cost

##### **Financial Assets**

Loans and Receivables

Available for Sale Assets

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

#### Financial Assets

Financial assets are classified into two types:

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

#### Loans and Receivables

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

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.

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.

### Available-for-Sale Assets

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

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

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

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

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

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

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

### **x) 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.

#### **xi) Government Grants and Contributions**

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

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

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the District 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.

#### **xii) Intangible Assets**

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

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

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

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

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 District Fund Balance. The gains and losses are therefore reversed out of the District Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

#### **xiii) 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 latest invoiced price. This is not materially different from valuation on a First In First Out (FIFO) basis as recommended by International Accounting Standard 2 Inventories (IAS2).

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

#### **xiv) Investment Property**

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

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

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

#### **xv) Landfill Allowance Schemes**

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.

#### **xvi) Leases**

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

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

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

## The Council as Lessee

### *Finance Lease:*

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

Lease payments are apportioned between:

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

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

The Council is not required to raise district rates to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual provision is made from revenue towards the deemed capital investment in accordance with statutory requirements. Depreciation and impairment losses are therefore replaced by a revenue provision in the District 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 Leases*

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 charge for the acquisition of the interest in the property – applied to write down the lease asset (long term debtor) together with any premiums received, and
- 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 District Fund Balance and will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the District 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 District Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are paid, the element for the charge for the acquisition of the interest in the property is used to write down the lease asset (debtor). At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

#### *Operating Leases*

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.

The Council has no Sale and Leaseback arrangements as at 31 March 2013.

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

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

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

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

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

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



#### xviii) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting *Code of Practice 2012/13* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

#### 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.

The Council applies a de-minimis level of £25,000 to Plant & Machinery, Information Technology Equipment, Fixtures and Fittings and Office Equipment, meaning only assets over £25,000 are capitalised. Subsequent capital expenditure is only capitalised where it provided an enhancement to the economic benefits of the asset in excess of those previously assessed.

##### Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- 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
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

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

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

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

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

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

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

The Council operates a rolling programme for the revaluation of land and buildings with approximately 25% of these being discretely revalued by physical inspection each year and the remainder being discretely revalued by a desktop exercise.

In 2012/13 as a result of a request by the Local Government Auditor, the Council changed the valuation date from 1 April 2012 to 31 March 2013. This resulted in 2 valuation exercises, one as at 1 April 2012 and one as at 31 March 2013. A smaller number of assets were physically inspected as at 31 March 2013 due to time constraints, although 25% had been physically inspected within the year. The remainder were discretely valued by a desktop exercise. In the 2012/13 year this revaluation was carried out by Land and Property Services Agency.

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 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

#### Impairment

Assets are assessed each year 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:

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

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

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

### Depreciation

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

Depreciation is charged on a straight-line basis on each main class of tangible asset as follows:

- buildings, installation and fittings are depreciated on their fair value over the estimated remaining life of the asset as advised by the independent Chartered Surveyors. Depending on the type of building, installation or fitting the maximum useful life will be in the range 10 to 60 years.

- infrastructure assets - straight-line allocation over the estimated useful lives.
- intangible assets are amortised over the estimated useful lives of the assets.
- depreciation is charged in the month of acquisition.

### Componentisation

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

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

### Revaluations

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

## **xx) Heritage Assets**

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

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

The Councils's collection of Heritage Assets (Works of Art and Civic Items) is reported in the Balance Sheet at insurance valuation which is based on market values, or if it is not possible to obtain a valuation, they are measured at historical cost less any depreciation, amortisation or impairment losses. These insurance valuations are updated on a periodic basis.

Summary information on Heritage Assets has been provided for transactions in the 2011/12 and 2012/13 financial years. Detailed information relating to transactions has not been included for the prior periods 2008/09, 2009/10 and 2010/11 as it would not be practical to do so and there is little value added for the users of the accounts.

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

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

#### **xxiii) Charges to Revenue for Non-Current Assets**

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

- depreciation attributable to the assets used by the relevant service
- 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
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise District Rates to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement equal to loans fund principal charges. Depreciation, impairment losses and amortisations are therefore replaced by debt charges in the District 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 District 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.

## 1B Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The amendments to IFRS 7-Financial Instruments: Disclosures (transfers of financial assets, issued October 2010), are intended to assist users of the financial statements to evaluate the risk exposures that relate to transfers of financial assets and the effect of those risks on the authority's financial position. Appropriate disclosure could be relevant in circumstances where an authority retains ownership of a financial asset but contracts to reassign or otherwise pay over the cash flows generated by the instrument, at the same time as retaining substantially all the risks and rewards of ownership.

At present, the council does not contract to transfer any financial assets in this manner and considers the effect of this standard to be immaterial.

Amendments to IAS 1 *Presentation of Financial Statements* (June 2011). The changes to this standard relate to the presentation of Other Comprehensive Income (OCI) and concern presentation of OCI where this income may subsequently be re-cycled to Surplus or Deficit on the provision of Services. At present, the council does not have any material transactions that would need to be classified in this manner.

In December 2011 the IASB issued *Disclosures-Offsetting Financial Assets and Financial Liabilities* (Amendments to IFRS 7). The new disclosures will provide users of financial statements with information about the effect or potential effect of netting arrangements on an entity's financial position. These disclosures will also provide comparable information between financial statements prepared in accordance with IFRSs and those prepared in accordance with US GAAP. At present, the council does not have any financial assets and liabilities where it has a legal right or ability to net or settle net. It is anticipated that this amendment will have no impact on the Councils financial statements.

Amendments to IAS 12 *Income Taxes (deferred tax: recovery of underlying assets, December 2010)*. The council does not have any liabilities for deferred tax and therefore considers this amendment to have no impact on the Councils financial statements.

Amendments to IAS 19 *Employee Benefits (June 2011)*. The amendments to IAS 19 are being considered as part of the update to the Code of Practice for 2013/14. The council is seeking the relevant information from the pension funds actuaries in order to assess if policy changes are required and whether these will require prior year re-statement under the code. A key change in this amendment is the elimination of the so called "corridor approach to deferral of gains and losses. This was not allowable under the Code and will not have an impact on the Councils financial statements.

The introduction of IFRS 13 *Fair Value Measurement (May 2011)* and associated disclosures has been deferred for consideration by CIPFA/LASACC until 2014/15.

## 1C Critical Judgements in Applying Accounting Policies

In applying accounting policies set out from 1a above the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

## 1D Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

The item in the Council's Balance Sheet at 31 March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year is as follows:

### i) Pensions 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.

**Belfast City Council**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2013**

**2a Segmental Reporting Analysis - Current Year**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is specified by the Service Reporting Code of Practice. The segmental reporting notes within the financial statements are based on the summary first page of the General Fund – Service Income and Expenditure Analysis in the Department of Environment's Accounts Direction.

The General Fund – Service Income and Expenditure Analysis as presented to the Department of Environment is as follows:

Services	2012/13		
	Gross Expenditure	Gross Income	Net Expenditure/(Income)
	£	£	£
Culture and Heritage	10,914,605	3,695,440	7,219,165
Recreation and Sport	45,291,203	9,045,967	36,245,236
Tourism	8,061,840	2,893,693	5,168,147
Community Services	9,939,153	1,962,541	7,976,612
<b>Leisure and Recreational Services</b>	<b>74,206,801</b>	<b>17,597,641</b>	<b>56,609,160</b>
Cemetery, Cremation and Mortuary	2,634,163	2,052,628	581,535
Environmental Health	18,565,169	3,054,750	15,510,419
Flood Defence and Land Drainage	0	0	0
Public Conveniences	406,696	4,156	402,540
Licensing	0	752	(752)
Other Cleaning	13,375,837	83,891	13,291,946
Waste Collection	15,332,853	3,182,250	12,150,603
Waste Disposal	9,678,900	2,832	9,676,068
Building Control	5,029,832	2,500,823	2,529,009
Other Community Assets	0	0	0
Minor Works	0	0	0
<b>Environmental Services</b>	<b>65,023,450</b>	<b>10,882,082</b>	<b>54,141,368</b>
Democratic Representation and Management	4,656,333	3,446	4,652,887
Corporate Management	8,869,757	2,800,968	6,068,789
<b>DRM and Corporate Management</b>	<b>13,526,090</b>	<b>2,804,414</b>	<b>10,721,676</b>
Economic Development	11,566,111	2,159,447	9,406,664
Trading Services	5,205,985	3,460,374	1,745,611
Non Distributed Costs	2,942,513	(117,000)	3,059,513
Central Services to the Public	1,270,514	684,076	586,438
<b>Other Services</b>	<b>20,985,123</b>	<b>6,186,897</b>	<b>14,798,226</b>
<b>CONTINUING OPERATIONS</b>	<b>173,741,464</b>	<b>37,471,034</b>	<b>136,270,430</b>

## 2a Segmental Reporting Analysis - Current Year

### Reconciliation to Net Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement

	£	£
<b>Net Cost of Services in Service Analysis</b>		<b>136,270,430</b>
<i><b>Items excluded from Service Analysis:</b></i>		
Add amounts not reported in Service Analysis but included in Net Cost of Services in Comprehensive Income and Expenditure Statement	0	
Remove amounts reported in Service Analysis but not included in Net Cost of Services in Comprehensive Income and Expenditure Statement	0	0
		<hr/>
<b>Cost of Services on Continuing Operations in the Comprehensive Income and Expenditure Statement</b>		<b>136,270,430</b>
<i><b>Items included in Net Operating Expenditure excluded from Service Analysis:</b></i>		
Other Operating Expenditure	(56,399)	
Financing and Investment Income and Expenditure	2,785,344	
Surplus or Deficit on Discontinued Operations	0	
		<hr/>
<b>Net Operating Expenditure per the Comprehensive Income and Expenditure Statement</b>		<b>138,999,375</b>

**Belfast City Council**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2012**

**2b Segmental Reporting Analysis - Previous Year**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is specified by the Service Reporting Code of Practice. The segmental reporting notes within the financial statements are based on the summary first page of the General Fund – Service Income and Expenditure Analysis in the Department of Environment's Accounts Direction.

The General Fund – Service Income and Expenditure Analysis as presented to the Department of Environment is as follows:

Services	2011/12		
	Gross Expenditure	Gross Income	Net Expenditure/(Income)
	£	£	£
Culture and Heritage	10,605,761	4,038,733	6,567,028
Recreation and Sport	48,581,160	8,645,370	39,935,790
Tourism	6,046,290	1,180,579	4,865,711
Community Services	8,944,187	1,691,360	7,252,827
<b>Leisure and Recreational Services</b>	<b>74,177,398</b>	<b>15,556,042</b>	<b>58,621,356</b>
Cemetery, Cremation and Mortuary	2,615,640	1,774,261	841,379
Environmental Health	19,218,870	2,546,890	16,671,980
Flood Defence and Land Drainage	0	0	0
Public Conveniences	523,631	3,823	519,808
Licensing	0	1,138	(1,138)
Other Cleaning	14,986,777	39,023	14,947,754
Waste Collection	15,432,390	3,343,817	12,088,573
Waste Disposal	11,282,506	254,806	11,027,700
Building Control	4,972,275	2,253,842	2,718,433
Other Community Assets	0	0	0
Minor Works	0	0	0
<b>Environmental Services</b>	<b>69,032,089</b>	<b>10,217,600</b>	<b>58,814,489</b>
Democratic Representation and Management	4,158,801	97,913	4,060,888
Corporate Management	8,161,406	3,385,610	4,775,796
<b>DRM and Corporate Management</b>	<b>12,320,207</b>	<b>3,483,523</b>	<b>8,836,684</b>
Economic Development	12,763,460	4,252,232	8,511,228
Trading Services	4,740,300	3,284,603	1,455,697
Non Distributed Costs	1,298,715	(53,000)	1,351,715
Central Services to the Public	1,231,780	650,280	581,500
<b>Other Services</b>	<b>20,034,255</b>	<b>8,134,115</b>	<b>11,900,140</b>
<b>CONTINUING OPERATIONS</b>	<b>175,563,949</b>	<b>37,391,280</b>	<b>138,172,669</b>



## Reconciliation to Net Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement

	£	£
<b>Net Cost of Services in Service Analysis</b>		<b>138,172,669</b>
<b><i>Items excluded from Service Analysis:</i></b>		
Add amounts not reported in Service Analysis but included in Net Cost of Services in the Comprehensive Income and Expenditure Statement	0	
Remove amounts reported in Service Analysis but not included in Net Cost of Services in the Comprehensive Income and Expenditure Statement	0	
		0
<b>Cost of Services on Continuing Operations in the Comprehensive Income and Expenditure Statement</b>		<b>138,172,669</b>
<b><i>Items included in Net Operating Expenditure excluded from Service Analysis:</i></b>		
Other Operating Expenditure	(439,305)	
Financing and Investment Income and Expenditure	(2,012,005)	
Exceptional Items	473,200	
Surplus or Deficit on Discontinued Operations	0	
		(1,978,110)
<b>Net Operating Expenditure per the Comprehensive Income and Expenditure Statement</b>		<b>136,194,559</b>

Belfast City Council  
Notes to the Financial Statements  
For the year ended 31 March 2013

3a Adjustments between accounting basis and funding basis under regulations

	Notes	2012/13 £	2012/13 £	2011/12 £	2011/12 £
<b>Amounts included in the Comprehensive Income and Expenditure Statement but required by statute to be excluded when determining the Movement on the General Fund Balance for the year:</b>					
Impairments (losses & reversals) of non-current assets	10a/b & 10d/e	0		(59,453)	
Derecognition (other than disposal) of non-current assets	10a/b & 10d/e	4		2	
Revaluation increases/decreases taken to Surplus/Deficit on the Provision of Services	10a/b & 10d/e	11,120,276		12,002,758	
Depreciation charged in the year on non-current assets	10a/10b,23	10,072,506	21,192,786	10,650,775	22,594,082
Net Revenue expenditure funded from capital under statute			0		0
Carrying amount of non current assets sold	10a/b & 10d/e	100,001		618,000	
Proceeds from the sale of PP&E, investment property and intangible assets	23,25	(156,400)	(56,399)	(1,057,305)	(439,305)
Difference between finance costs calculated on an accounting basis and finance costs calculated in accordance with statutory requirements	25		0		0
Net charges made for retirement benefits in accordance with IAS 19	20		13,057,000		10,608,000
Direct revenue financing of Capital Expenditure	11,25		(7,938,760)		(217,000)
Capital Grants and Donated Assets Receivable and Applied in year	9b		(2,171,036)		(1,312,507)
Capital Grants Receivable and Unapplied in year	9c		0		0
Rates Claw-Back Reserve	25a/25b		0		0
Adjustments in relation to Short-term compensated absences	17		(410,630)		19,493
Adjustments in relation to Lessor Arrangements	5a		38,000		38,000
<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	25a/25b		(1,049,611)		(10,692,998)
Employers contributions payable to the NILGOSC and retirement benefits payable direct to pensioners	20a		(10,973,000)		(10,426,430)
			11,688,350		10,171,335

3b Net transfers (to)/from statutory and other earmarked reserves:

		2012/13 £	2012/13 £	2011/12 £	2011/12 £
<b>Capital Fund</b>					
Interest		0		0	
Other	25a/25b	(6,000,000)	(6,000,000)	(5,500,000)	(5,500,000)
<b>Renewal and Repairs Fund</b>					
Interest		0		0	
Other	25a/25b	0	0	0	0
<b>Other Funds and earmarked reserves</b>					
Interest		(6,158)		(9,031)	
Other	25a/25b	16,694	10,537	343,216	334,185
			(5,989,463)		(5,165,815)

**Cost of Services on Continuing Operations**

- 4a** Section 40 of the Local Government Finance Act (Northern Ireland) 2011 enables District Councils to spend up to the aggregate of the product of 0.0596p in the pound on the rateable value of non-domestic hereditaments, and the product of a rate of 0.00082p in the pound on the rateable value of domestic hereditaments for the benefit of all the inhabitants in their district, or part of their district, on activities not specifically authorised by other powers. This would allow for £305,396 in 2012/13 (£310,229 in 2011/12). The actual expenditure during 2012/13 amounted to £216,000 (£294,869 in 2011/12)

	2012/13	2011/12
	£	£
Mary Peters Trust	5,000	5,000
City of Belfast Youth Orchestra Tour	5,000	0
Common Purpose Belfast (Bursaries)	6,000	6,000
Redevelopment of Northern Ireland Hospice	200,000	0
Fuel Stamp Scheme	0	45,000
Local Area Based Initiatives	0	115,036
Employment Services Board	0	30,000
European Social Fund Projects	0	93,112
Gaelic Football Match - Dublin City Council	0	721
	<b>216,000</b>	<b>294,869</b>

**4b External Audit Fees**

The Council has incurred the following costs relating to the annual audit of the Statement of Accounts, certification of grant claims and other services provided by the Councils external auditors. The cost for 2012/13 is an estimate of the external audit fee, the 2011/12 comparative figure is actual expenditure incurred in that year.

	2012/13	2011/12
	£	£
External Audit Fees - Recurring Estimated	77,000	85,000
Under Accrual from Previous year	320	0
Grant Claim Certification Fees	0	0
Other Fees - National Fraud Initiative	1,679	0
	<b>78,999</b>	<b>85,000</b>

There were no other fees payable in respect of any other services provided by the appointed auditor over and above those described above (2011/12 £NIL).

Cost of Services on Continuing Operations (Continued)

5 Operating and Finance Leases

**Council as Lessor:**

5a *Finance Leases (Council as lessor)*

The Council has leased out property to a local bank on a finance lease with a remaining term of 66 years.

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

	2013	2012
	£	£
<b>Long Term Debtors</b>		
Finance leases-gross receivables	2,470,000	2,508,000
Less-Unearned finance income	(1,843,806)	(1,880,955)
Less-Unguaranteed residual value of property	0	0
<i>Net present value</i>	<b>626,194</b>	<b>627,045</b>

<b>Short Term Debtors</b>		
Finance leases-gross receivables	38,000	38,000
Less-Unearned finance income	(37,149)	(37,196)
Less-Unguaranteed residual value of property	0	0
<i>Net present value</i>	<b>851</b>	<b>804</b>

<b>Gross receivables from finance leases</b>		
No later than 1 year	38,000	38,000
Later than 1 year and no later than 5 years	152,000	152,000
Later than 5 years	2,318,000	2,356,000
<b>Total gross receivables</b>	<b>2,508,000</b>	<b>2,546,000</b>
Less-Unearned future finance income on finance leases	(1,880,955)	(1,918,151)
Less-Unguaranteed residual value of property	0	0
<b>Net investment in finance leases</b>	<b>627,045</b>	<b>627,849</b>

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

	2013	2012
	£	£
No later than 1 year	851	804
Later than 1 year and no later than 5 years	0	0
Later than 5 years	626,194	627,045
<b>Total gross receivables</b>	<b>627,045</b>	<b>627,849</b>

The unguaranteed residual values of the assets leased under finance leases at the end of the year are estimated at £0 (Previous year £0)

The accumulated allowance for uncollectable minimum lease payments receivable is £0 (comparative year £0)

No contingent rents were recognised as receivable by the Council.

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average interest rate contracted is approximately 5.92% (comparative year 5.92%)

#### 5b **Operating Leases (Council as lessor)**

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

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

Rental income recognised in the Comprehensive Income and Expenditure Statement in the current year amounts to £5,977,937 (previous year: £5,635,684). No contingent rents were recognised.

The lease contracts are all non-cancellable and do not include an extension option. The lease terms are between 6 months and 250 years. Future minimum lease income is set out below:

	2013		2012	
	Land and buildings	Vehicles, plant and equipment	Land and buildings	Vehicles, plant and equipment
	£	£	£	£
Minimum lease rentals receivable:				
No later than 1 year	5,367,533	0	5,379,110	0
Later than 1 year and no later than 5 years	18,419,269	0	18,543,744	0
Later than 5 years	353,472,523	0	333,082,068	0
	<b>377,259,325</b>	<b>0</b>	<b>357,004,922</b>	<b>0</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:

	2013		2012	
	Land and buildings	Vehicles, plant and equipment	Land and buildings	Vehicles, plant and equipment
	£	£	£	£
Cost	78,600,000	0	79,706,294	0
Accumulated depreciation and impairments at 1 April	0	0	0	0
Depreciation charge for the year	0	0	0	0
Impairments	(1,200,000)	0	(1,706,294)	0
Revaluations	(2,700,000)	0	600,000	0
	<b>74,700,000</b>	<b>0</b>	<b>78,600,000</b>	<b>0</b>

#### **Council as Lessee:**

##### **5c Finance Leases (Council as lessee)**

The Council has no lessee finance leases during 2012/13 (2011/12 Nil)

**5d Operating Leases (Council as lessee)**

The Council has acquired its office copiers and printers by entering into operating leases with typical lives of 5 years. The council is also leasing a number of office buildings with lease terms of up to 17 years.

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

	2012/13		2011/12	
	Land and buildings	Vehicles, plant and equipment	Land and buildings	Vehicles, plant and equipment
	£	£	£	£
Minimum lease payments	1,093,927	11,182	1,101,464	27,154
Contingent rentals	0	0	0	0
Less: Sublease payments receivable	0	0	0	0
	<b>1,093,927</b>	<b>11,182</b>	<b>1,101,464</b>	<b>27,154</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:

	2013		2012	
	Land and buildings	Vehicles, plant and equipment	Land and buildings	Vehicles, plant and equipment
	£	£	£	£
Minimum lease rentals payable:				
No later than 1 year	1,023,233	12,185	1,039,150	11,182
Later than 1 year and no later than 5 years	3,245,518	0	3,336,151	12,185
Later than 5 years	2,557,368	0	3,566,016	0
	<b>6,826,119</b>	<b>12,185</b>	<b>7,941,317</b>	<b>23,367</b>

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**Cost of Services on Continuing Operations (Continued)**

**6 Employee Costs and Members' Allowances**

**6a Staff Costs**

	<b>2012/13</b>	<b>2011/12</b>
	<b>£</b>	<b>£</b>
Salaries and wages	63,029,463	63,580,938
Employers National Insurance	4,252,536	4,561,188
Employers pension costs	10,048,327	9,574,992
<b>Total</b>	<b>77,330,326</b>	<b>77,717,118</b>

In addition, agency costs during the year amounted to £4,389,665 (2011/12 £4,266,580).

The Council's current contribution rate to the NILGOSC scheme is 19%. At the last actuarial valuation, dated 31 March 2010, the Fund's assets as a whole were sufficient to meet 82% (2004: 89%) of the liabilities accrued up to that date.

**6b Average Number of Employees** - where FTE represents fulltime equivalent employees

	<b>2012/13</b>	<b>2011/12</b>
	<b>FTE</b>	<b>FTE</b>
Environmental services	831	829
Leisure services	626	624
Other	887	870
<b>Total Number</b>	<b>2,344</b>	<b>2,323</b>
	<b>Actual Numbers</b>	<b>Actual Numbers</b>
Full-time numbers employed	2,225	2,092
Part-time numbers employed	325	445
<b>Total Number</b>	<b>2,550</b>	<b>2,537</b>



**6c Senior Employees' Remuneration**

	2012/13	2011/12
£50,001 to £60,000	34	30
£60,001 to £70,000	3	4
£70,001 to £80,000	11	11
£80,001 to £90,000	2	2
£90,001 to £100,000	3	4
£100,001 to £110,000	1	0
£110,001 to £120,000	0	0
£120,001 to £130,000	1	1
<b>Total Number</b>	<b>55</b>	<b>52</b>

**6d Members' Allowances**

During the year Members' allowances (paid under Sections 31-36 of the Local Government Finance Act (NI) 2011), including Employer's costs, totalled £762,732 (2011/12 £805,825) and are as follows:

	2012/13	2011/12
	£	£
Salaries	0	0
Basic allowance	482,031	496,114
Policing & Community Safety Partnership Allowance	22,770	82,530
Mayor's & Deputy Mayor's Allowance	40,050	40,588
High Sheriff's Allowance	5,250	5,250
Dependents' carers allowance	0	0
Employer costs	28,927	38,205
Mileage	27,144	20,054
Conferences and Courses	29,462	17,392
Travel Costs	21,829	8,888
Subsistence	13,701	7,241
Special responsibility allowances	75,577	81,622
Telephone Rental & Mobile	7,238	3,049
Miscellaneous	8,753	4,892
<b>Total</b>	<b>762,732</b>	<b>805,825</b>

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6e

**Exit Packages**

During the year the Council agreed a number of exit packages. Total cost per band and total cost of the compulsory and other redundancies are set out in the table below.

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
£0 to £20,000	0	0	2	1	2	1	21,169	14,577
£20,001 to £40,000	0	0	0	0	0	0	0	0
£40,001 to £60,000	0	0	0	3	0	3	0	139,652
£60,001 to £80,000	0	0	2	3	2	3	134,315	225,888
£80,001 to £100,000	0	0	0	0	0	0	0	0
£100,001 to £150,000	0	0	1	0	1	0	121,614	0
£150,000 plus	0	0	0	1	0	1	0	203,909
<b>Total</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>8</b>	<b>5</b>	<b>8</b>	<b>277,098</b>	<b>584,026</b>

## 7 Other Operating Expenditure

### 7a Surplus/Deficit on Non-Current Assets (excl Investment Properties)

	2012/13	2011/12
	£	£
Proceeds from sale	(156,400)	(1,057,305)
Carrying amount of non-current assets sold (excl Investment Properties)	100,001	618,000
	(56,399)	(439,305)

### 7b Other Operating Income/Expenditure

	2012/13	2011/12
	£	£
Income	0	0
Expenditure	0	0
	0	0

#### Summary

Other Operating Gross Income	(56,399)	(439,305)
Other Operating Gross Expenditure	0	0

#### Summary of Other Operating expenditure:

	2012/13	2011/12
	£	£
Surplus/Deficit on Non-Current Assets	(56,399)	(439,305)
Other Operating Income/Expenditure	0	0
<b>Total Other Operating expenditure</b>	<b>(56,399)</b>	<b>(439,305)</b>

## 8 Financing and Investment Income and Expenditure

### 8a Interest Payable and Similar Charges

	2012/13	2011/12
	£	£
Lease/hire purchase interest	0	0
Bank interest	0	0
Loan Interest	1,232,909	1,531,869
Other interest (please specify)	0	0
	1,232,909	1,531,869

**8b Interest and Investment Income**

	2012/13	2011/12
	£	£
Bank interest	0	0
<i>Investment income on Fund Balances</i>		
Capital Fund	0	0
Repairs & Renewals Fund	0	0
Other Funds	0	0
Other Investment income	(202,435)	(190,686)
	<b>(202,435)</b>	<b>(190,686)</b>

**8c Pensions interest cost and expected return on pensions assets**

	2012/13	2011/12
	£	£
Expected return on assets in the scheme	(17,786,000)	(21,323,000)
Interest cost	19,997,000	20,961,000
	<b>2,211,000</b>	<b>(362,000)</b>

**8d Surplus/(Deficit) on trading operations**

	2012/13	2011/12
	£	£
Income from trading	0	0
Expenditure	0	0
(Surplus)/Deficit for the year	<b>0</b>	<b>0</b>

**8e Income, Expenditure and changes in Fair Value of Investment Properties**

	2012/13	2011/12
	£	£
<b>Income/Expenditure from Investment Properties:</b>		
Income including rental income	(5,977,937)	(5,635,684)
Expenditure	451,807	653,202
De-recognition in relation to amounts written off	0	0
<i>Net income from investment properties</i>	<b>(5,526,130)</b>	<b>(4,982,482)</b>
<b>Surplus/deficit on sale of Investment Properties:</b>		
Proceeds from sale	0	0
Carrying amount of investment properties sold	0	0
<i>(Surplus)/deficit on sale of Investment Properties:</i>	<b>0</b>	<b>0</b>
<b>Changes in Fair Value of Investment Properties</b>		
	<b>5,070,000</b>	<b>1,991,294</b>
	<b>(456,130)</b>	<b>(2,991,188)</b>

**Summary**

Financing and Investment Gross Income	<b>(23,966,372)</b>	<b>(27,149,370)</b>
Financing and Investment Gross Expenditure	<b>26,751,716</b>	<b>25,137,365</b>

**Summary of Financing and Investment Income and Expenditure:**

	2012/13 £	2011/12 £
Interest Payable and Similar Charges	1,232,909	1,531,869
Interest and Investment Income	(202,435)	(190,686)
Pensions interest cost and expected return on pensions assets	2,211,000	(362,000)
Surplus/(Deficit) on trading operations	0	0
Changes in Fair Value of Investment Properties	5,070,000	1,991,294
Other investment income	(5,526,130)	(4,982,482)
<b>Total Financing and Investment Income and Expenditure</b>	<b>2,785,344</b>	<b>(2,012,005)</b>

	2012/13			2011/12		
	Gross Expenditure	Gross Income	Net Cost	Gross Expenditure	Gross Income	Net Cost
	£	£	£	£	£	£
Interest Payable and Similar Charges	1,232,909	0	1,232,909	1,531,869	0	1,531,869
Interest and Investment Income	0	202,435	(202,435)	0	190,686	(190,686)
Pensions interest cost and expected return on pensions assets	19,997,000	17,786,000	2,211,000	20,961,000	21,323,000	(362,000)
Surplus/(Deficit) on trading operations	0	0	0	0	0	0
Changes in Fair Value of Investment Properties	5,070,000	0	5,070,000	1,991,294	0	1,991,294
Other investment income	451,807	5,977,937	(5,526,130)	653,202	5,635,684	(4,982,482)
	<b>26,751,716</b>	<b>23,966,372</b>	<b>2,785,344</b>	<b>25,137,365</b>	<b>27,149,370</b>	<b>(2,012,005)</b>

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**9 Taxation and Non-Specific Grant Income**

**9a Revenue Grants**

	2012/13	2011/12
	£	£
General	4,471,433	4,153,820
Other	0	0
Other	0	0
Other	0	0
	<b>4,471,433</b>	<b>4,153,820</b>

**9b Capital Grants and Donated Assets-Applied**

	2012/13	2011/12
	£	£
Government & Other Grants-Conditions met and applied in year	2,171,036	1,312,507
Government & Other Grants-Transfer from receipts in advance	0	0
Donated Assets-Conditions met	0	0
Donated Assets-Transfer from donated assets creditor	0	0
	<b>2,171,036</b>	<b>1,312,507</b>

**9c Capital Grants-Unapplied**

	2012/13	2011/12
	£	£
Government & Other Grants-Conditions met and <b>not</b> applied in year	0	0
Other	0	0
	<b>0</b>	<b>0</b>

**9d District Rates**

	2012/13	2011/12
	£	£
Current year	133,616,357	126,173,401
Finalisation - previous year	0	0
Transitional Relief	0	0
Finalisation - other years	0	(143,711)
	<b>133,616,357</b>	<b>126,029,690</b>

**Summary of Taxation and Non-Specific Grant Income:**

	2012/13	2011/12
	£	£
District Rates Income	133,616,357	126,029,690
Revenue Grants	4,471,433	4,153,820
Capital Grants and Contributions	2,171,036	1,312,507
<b>Total Taxation and Non-Specific Grant Income</b>	<b>140,258,826</b>	<b>131,496,017</b>

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10a Fixed Assets Note - Current Year

	Property, Plant & Equipment (PP&E)											
	Land	Buildings	Infrastructure Assets	Landfill Site	Vehicles, Plant & Equipment	Community Assets	PP&E Under Construction	Surplus Assets	Total PP&E	Investment Properties	Intangible Assets	TOTAL
	£	£	£	£	£	£	£	£	£	£		£
Cost or Valuation At 1 April 2012	92,174,962	271,821,150	0	0	30,947,395	188	11,472,120	14,960,001	421,375,816	82,665,000	16,700,000	520,740,816
Adjustments between cost/value & depreciation/impairment	0	0	0	0	0	0	0	0	0	0	0	0
Adjusted opening balance	92,174,962	271,821,150	0	0	30,947,395	188	11,472,120	14,960,001	421,375,816	82,665,000	16,700,000	520,740,816
Additions (Note 11)	0	4,108,582	0	0	1,051,755	817,316	4,261,175	0	10,238,828	0	0	10,238,828
Donations	0	0	0	0	0	0	0	0	0	0	0	0
Revaluation increases/decreases to Revaluation Reserve	(970,030)	(15,160,579)	0	0	0	0	(733,000)	(1,263,563)	(18,127,172)	0	0	(18,127,172)
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(1,847,926)	(2,153,923)	0	0	0	(817,310)	2,750	(436,438)	(5,252,847)	(5,070,000)	0	(10,322,847)
Derecognition - Disposals	0	0	0	0	(105,380)	(1)	0	0	(105,381)	0	0	(105,381)
Derecognition - Other	0	0	0	0	0	(4)	0	0	(4)	0	0	(4)
Reclassifications & Transfers	(242,000)	(465,000)	0	0	0	0	17,000	690,000	0	0	0	0
Reclassified to Held for Sale	0	0	0	0	0	0	0	(3,950,000)	(3,950,000)	0	0	(3,950,000)
Reclassified from Held for Sale	0	0	0	0	0	0	0	0	0	0	0	0
Adjustment-Landfill Deferred Charge (Note 18)	0	0	0	0	0	0	0	0	0	0	0	0
At 31 March 2013	89,115,006	258,150,230	0	0	31,893,770	189	15,020,045	10,000,000	404,179,240	77,595,000	16,700,000	498,474,240
Depreciation and Impairment												
At 1 April 2012	0	5,695,480	0	0	20,597,381	0	0	0	26,292,861	0	16,700,000	42,992,861
Adjustments between cost/value & depreciation/impairment	0	0	0	0	0	0	0	0	0	0	0	0
Adjusted opening balance	0	5,695,480	0	0	20,597,381	0	0	0	26,292,861	0	16,700,000	42,992,861
Depreciation Charge	0	7,539,754	0	0	2,530,814	0	0	1,938	10,072,506	0	0	10,072,506
Depreciation written out on Revaluation Reserve	0	(13,181,810)	0	0	0	0	0	(13,563)	(13,195,373)	0	0	(13,195,373)
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0	0	0	0
Impairment losses/reversals to Revaluation Reserve	0	0	0	0	0	0	0	0	0	0	0	0
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0	0	0	0
Derecognition - Disposals	0	0	0	0	(105,380)	0	0	0	(105,380)	0	0	(105,380)
Derecognition - Other	0	0	0	0	0	0	0	0	0	0	0	0
Reclassifications & Transfers	0	(11,625)	0	0	0	0	0	11,625	0	0	0	0
Eliminated on reclassification to Held for Sale	0	0	0	0	0	0	0	0	0	0	0	0
At 31 March 2013	0	41,799	0	0	23,022,815	0	0	0	23,064,614	0	16,700,000	39,764,614
Net Book Value												
At 31 March 2013	89,115,006	258,108,431	0	0	8,870,955	189	15,020,045	10,000,000	381,114,626	77,595,000	0	458,709,626
At 31 March 2012	92,174,962	266,125,670	0	0	10,350,014	188	11,472,120	14,960,001	395,082,955	82,665,000	0	477,747,955

#### **Intangible Assets**

Intangible assets relate solely to landfill closure costs.

#### **Investment properties**

There were no additions in the year in relation to acquisitions and enhancements.

#### **Valuations**

The council is not aware of any material changes in freehold and leasehold properties and hence only those assets due for revaluation under the rolling programme have been revalued. The land and buildings assets held by the Council were originally valued as at 1 April 1997 by the Valuations and Lands Agency, in accordance with the statements of asset valuation practice and guidance notes of the Royal Institute of Chartered Surveyors. The Land and Buildings assets were then revalued on 1 April 2002 by Chartered Surveyors employed by the Council, in accordance with the statements of asset valuation practice and guidance notes of the Royal Institute of Chartered Surveyors. The Council is now operating a rolling programme for its revaluation of land and buildings with approximately 25% of these being discretely revalued by physical inspection each year and the remainder being discretely revalued by a desktop exercise.

In 2012/13 as a result of a request by the Local Government Auditor, the Council changed the valuation date from 1 April 2012 to 31 March 2013. This resulted in 2 valuation exercises, one as at 1 April 2012 and one as at 31 March 2013. A smaller number of assets were physically inspected as at 31 March 2013 due to time constraints, although 25% had been physically inspected within the year. The remainder were discretely valued by a desktop exercise. In the 2012/13 year this revaluation was carried out by Land and Property Services Agency.

#### **Capital Commitments**

A total of 12 capital contracts with a value over £100,000 were entered into during the period with a total commitment value of £9,565,389.

#### **Effects of Changes in Estimates**

There were no material changes in accounting estimates for property, plant and equipment during the period.

#### **Impairments**

There were no material impairments for property, plant and equipment during the period.



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10b Fixed Assets Note - Comparative Year

	Property, Plant & Equipment (PP&E)											TOTAL
	Land	Buildings	Infrastructure Assets	Landfill Site	Vehicles, Plant & Equipment	Community Assets	PP&E Under Construction	Surplus Assets	Total PP&E	Investment Properties	Intangible Assets	
Cost or Valuation	£	£	£	£	£	£	£	£	£	£	£	£
At 1 April 2011	102,192,158	267,044,558	0	0	31,162,188	184	12,011,820	20,037,499	432,448,407	84,656,294	16,700,000	533,804,701
Adjustments between cost/value & depreciation/impairment	0	0	0	0	0	0	0	0	0	0	0	0
Adjusted opening balance	102,192,158	267,044,558	0	0	31,162,188	184	12,011,820	20,037,499	432,448,407	84,656,294	16,700,000	533,804,701
Additions (Note 11)	3	1,293,102	0	0	56,811	688,291	1,449,438	1	3,467,646	0	0	3,467,646
Donations	0	0	0	0	0	0	0	0	0	0	0	0
Revaluation increases/decreases to Revaluation Reserve	(2,358,764)	3,650,596	0	0	0	0	(1,750,000)	(3,275,000)	(3,733,168)	0	0	(3,733,168)
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(7,658,435)	(167,105)	0	0	0	(907,425)	0	(1,184,499)	(9,917,464)	(1,991,294)	0	(11,908,758)
Derecognition - Disposals	0	0	0	0	(271,604)	0	0	(618,000)	(889,604)	0	0	(889,604)
Derecognition - Other	0	(1)	0	0	0	0	0	0	(1)	0	0	(1)
Reclassifications & Transfers	0	0	0	0	0	239,138	(239,138)	0	0	0	0	0
Reclassified to Held for Sale	0	0	0	0	0	0	0	0	0	0	0	0
Reclassified from Held for Sale	0	0	0	0	0	0	0	0	0	0	0	0
Adjustment-Landfill Deferred Charge (Note 18)	0	0	0	0	0	0	0	0	0	0	0	0
At 31 March 2012	92,174,962	271,821,150	0	0	30,947,395	188	11,472,120	14,960,001	421,375,816	82,665,000	16,700,000	520,740,816
Depreciation and Impairment												
At 1 April 2011	0	5,420,524	0	0	17,639,161	0	0	0	23,059,685	0	16,700,000	39,759,685
Adjustments between cost/value & depreciation/impairment	0	0	0	0	0	0	0	0	0	0	0	0
Adjusted opening balance	0	5,420,524	0	0	17,639,161	0	0	0	23,059,685	0	16,700,000	39,759,685
Depreciation Charge	0	7,420,951	0	0	3,229,824	0	0	0	10,650,775	0	0	10,650,775
Depreciation written out on Revaluation Reserve	0	(7,145,995)	0	0	0	0	0	0	(7,145,995)	0	0	(7,145,995)
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0	0	0	0
Impairment losses/reversals to Revaluation Reserve	0	0	0	0	0	0	0	0	0	0	0	0
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0	0	0	0
Derecognition - Disposals	0	0	0	0	0	0	0	0	0	0	0	0
Derecognition - Other	0	0	0	0	(271,604)	0	0	0	(271,604)	0	0	(271,604)
Reclassifications & Transfers	0	0	0	0	0	0	0	0	0	0	0	0
Eliminated on reclassification to Held for Sale	0	0	0	0	0	0	0	0	0	0	0	0
At 31 March 2012	0	5,695,480	0	0	20,597,381	0	0	0	26,292,861	0	16,700,000	42,992,861
Net Book Value												
At 31 March 2012	92,174,962	266,125,670	0	0	10,350,014	188	11,472,120	14,960,001	395,082,955	82,665,000	0	477,747,955
At 31 March 2011	102,192,158	261,624,034	0	0	13,523,027	184	12,011,820	20,037,499	409,388,722	84,656,294	0	494,045,016

#### **Intangible Assets**

Intangible assets relate solely to landfill closure costs.

#### **Investment properties**

There were no additions in the year in relation to acquisitions and enhancements.

#### **Valuations**

The council is not aware of any material changes in freehold and leasehold properties and hence only those assets due for revaluation under the rolling programme have been revalued. The land and buildings assets held by the Council were originally valued as at 1 April 1997 by the Valuations and Lands Agency, in accordance with the statements of asset valuation practice and guidance notes of the Royal Institute of Chartered Surveyors. The Land and Buildings assets were then revalued on 1 April 2002 by Chartered Surveyors employed by the Council, in accordance with the statements of asset valuation practice and guidance notes of the Royal Institute of Chartered Surveyors. The Council is now operating a rolling programme for its revaluation of land and buildings with approximately 25% of these being discretely revalued by physical inspection each year and the remainder being discretely revalued by a desktop exercise.

In 2012/13 as a result of a request by the Local Government Auditor, the Council changed the valuation date from 1 April 2012 to 31 March 2013. This resulted in 2 valuation exercises, one as at 1 April 2012 and one as at 31 March 2013. A smaller number of assets were physically inspected as at 31 March 2013 due to time constraints, although 25% had been physically inspected within the year. The remainder were discretely valued by a desktop exercise. In the 2012/13 year this revaluation was carried out by Land and Property Services Agency.

#### **Capital Commitments**

A total of 2 capital contracts with a value over £100,000 were entered into during the period with a total commitment value of £796,834.20. The rebuilding of the Zoo Mountain Tea House at £274,000 and Roselawn Cemetery Extension at £522,834.20.

#### **Effects of Changes in Estimates**

There were no material changes in accounting estimates for property, plant and equipment during the period.

#### **Impairments**

There were no material impairments for property, plant and equipment during the period.

Belfast City Council  
Notes to the Financial Statements  
For the year ended 31 March 2013

10c Fixed Assets-Leased Assets  
At 31 March 2013

<b>LEASED ASSETS</b> (included within vehicles, plant and equipment)	<b>Vehicles</b> £	<b>Equipment</b> £	<b>TOTAL</b> £
<b>Cost or Valuation</b>			
At 1 April 2012	0	0	0
Additions	0	0	0
Disposals	0	0	0
At 31 March 2013	0	0	0
<b>Depreciation</b>			
At 1 April 2012	0	0	0
Disposals	0	0	0
Provided for year	0	0	0
At 31 March 2013	0	0	0
<b>Net Book Value</b>			
At 31 March 2013	0	0	0
At 31 March 2012	0	0	0

Comparative Year

<b>LEASED ASSETS</b> (included within vehicles, plant and equipment)	<b>Vehicles</b> £	<b>Equipment</b> £	<b>TOTAL</b> £
<b>Cost or Valuation</b>			
At 1 April 2011	0	0	0
Additions	0	0	0
Disposals	0	0	0
At 31 March 2012	0	0	0
<b>Depreciation</b>			
At 1 April 2011	0	0	0
Disposals	0	0	0
Provided for year	0	0	0
At 31 March 2012	0	0	0
<b>Net Book Value</b>			
At 31 March 2012	0	0	0
At 31 March 2011	0	0	0

**Belfast City Council**  
**Notes to the Financial Statements**  
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**Heritage Assets**

10d

Cost or Valuation	Works of Art £	Civic Items £	Total Assets £
At 1 April 2011	1,554,681	718,800	2,273,481
Additions	10,000	0	10,000
Disposals	0	0	0
Derecognition - Other	(1)	0	(1)
Recognition - Other	128	64	192
Revaluation Increases/(Decreases) to Capital Adjustment Account	845,353	382,780	1,228,133
Revaluation Increases/(Decreases) to Revaluation Reserve	0	0	0
Revaluation Increases/(Decreases) to Surplus or Deficit on the Provision of Services	0	0	0
Impairment (Losses)/Reversals recognised in the Revaluation Reserve	0	0	0
Impairment (Losses)/Reversals recognised in Surplus or Deficit on the Provision of Services	59,453	0	59,453
<b>At 31 March 2012</b>	<b>2,469,614</b>	<b>1,101,644</b>	<b>3,571,258</b>
Cost or Valuation			
At 1 April 2012	2,469,614	1,101,644	3,571,258
Additions	92,249	0	92,249
Disposals	0	0	0
Derecognition - Other	0	0	0
Revaluation Increases/(Decreases) to Revaluation Reserve	(715,000)	0	(715,000)
Revaluation Increases/(Decreases) to Surplus or Deficit on the Provision of Services	(42,929)	0	(42,929)
Impairment (Losses)/Reversals recognised in the Revaluation Reserve	0	0	0
Impairment (Losses)/Reversals recognised in Surplus or Deficit on the Provision of Services	0	0	0
<b>At 31 March 2013</b>	<b>1,803,934</b>	<b>1,101,644</b>	<b>2,905,578</b>

**Works of Art and Civic Items**

The Council's collection of Heritage Assets (Works of Art and Civic Items) is reported in the Balance Sheet at insurance valuation which is based on market values, or if it is not possible to obtain a valuation, they are measured at historical cost less depreciation, amortisation or impairment losses. These insurance valuations are updated on a periodic basis.

Summary information on Heritage Assets has been provided for transactions in the 2011/12 and 2012/13 financial years. Detailed information relating to transactions has not been included for the prior periods 2008/09, 2009/10 and 2010/11 as it would not be practical to do so and there is little value added for the users of the accounts.

**Additions of Heritage Assets**

<b>Additions comprise::</b>	
	£
Purchases at Auction of:	0
Acquisitions made of: The Rise Sculpture (additional costs to complete)	92,249
Donations from:	0
<b>Total Additions</b>	<b>92,249</b>

**Disposals in 2012/13 include:**

There were no disposals of Heritage assets during 2012/13.

**Belfast City Council**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2013**

**10e Assets Held for Sale**

<b>At 31 March 2013</b>	<b>Assets Held for Sale-Current</b>	<b>Assets Held for Sale-Non-current</b>	<b>TOTAL</b>
	<b>£</b>		<b>£</b>
<b>Cost or Valuation</b>			
At 1 April 2012	100,000	61,500	<b>161,500</b>
Transferred from Non-Current Assets during year	0	3,950,000	<b>3,950,000</b>
Revaluation increases/decreases taken to Surplus or Deficit on the Provision of Services	0	(754,500)	<b>(754,500)</b>
Derecognition - Disposals	(100,000)	0	<b>(100,000)</b>
Derecognition - Other	0	0	<b>0</b>
Reclassified from Current Assets Held for Sale to non current Assets Held for Sale	0	0	<b>0</b>
Transferred to Property, Plant & Equipment during year	0	0	<b>0</b>
<b>At 31 March 2013</b>	<b>0</b>	<b>3,257,000</b>	<b>3,257,000</b>
<b>Impairment</b>			
At 1 April 2012	0	0	<b>0</b>
Impairment losses/reversals taken to Surplus or Deficit on the Provision of Services	0	0	<b>0</b>
Derecognition - Disposals	0	0	<b>0</b>
Derecognition - Other	0	0	<b>0</b>
Reclassified from Current Assets Held for Sale to non current Assets Held for Sale	0	0	<b>0</b>
Transferred to Property, Plant & Equipment during year	0	0	<b>0</b>
<b>At 31 March 2013</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Book Value</b>			
<b>At 31 March 2013</b>	<b>0</b>	<b>3,257,000</b>	<b>3,257,000</b>
<b>At 31 March 2012</b>	<b>100,000</b>	<b>61,500</b>	<b>161,500</b>

The gain/loss on assets classified to held for sale and sold during the year was £0 (2011/12 £0).

**Comparative Year**

<b>At 31 March 2012</b>	<b>Assets Held for Sale-Current</b>	<b>Assets Held for Sale-Non- current</b>	<b>TOTAL</b>
	£		£
<b>Cost or Valuation</b>			
At 1 April 2011	100,000	155,500	<b>255,500</b>
Transferred from Non-Current Assets during year	0	0	<b>0</b>
Revaluation increases/decreases taken to Surplus or Deficit on the Provision of Services	0	(94,000)	<b>(94,000)</b>
Derecognition - Disposals	0	0	<b>0</b>
Derecognition - Other	0	0	<b>0</b>
Transferred to to Property, Plant & Equipment during year	0	0	<b>0</b>
<b>At 31 March 2012</b>	<b>100,000</b>	<b>61,500</b>	<b>161,500</b>
<b>Impairment</b>			
At 1 April 2011	0	0	<b>0</b>
Impairment losses/reversals taken to Surplus or Deficit on the Provision of Services	0	0	<b>0</b>
Derecognition - Disposals	0	0	<b>0</b>
Derecognition - Other	0	0	<b>0</b>
Transferred to to Property, Plant & Equipment during year	0	0	<b>0</b>
<b>At 31 March 2012</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Book Value</b>			
<b>At 31 March 2012</b>	<b>100,000</b>	<b>61,500</b>	<b>161,500</b>
<b>At 31 March 2011</b>	<b>100,000</b>	<b>155,500</b>	<b>255,500</b>

**Belfast City Council**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2013**

**10f Investment Properties**

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

	<b>2012/13</b>	<b>2011/12</b>
	<b>£</b>	<b>£</b>
Rental income from investment property	5,977,937	5,635,684
Direct operating expenses arising from investment property	(451,807)	(653,202)
Net gain/(loss)	<b>5,526,130</b>	<b>4,982,482</b>

Belfast City Council  
Notes to the Financial Statements  
For the year ended 31 March 2013

11 Capital Expenditure and Capital Financing

	2012/13	2011/12
	£	£
<b>Opening Capital Financing Requirement</b>	<b>4,306,296</b>	<b>13,181,240</b>
<i>Capital Investment</i>		
Property, Plant and Equipment	10,238,828	3,467,646
Investment Properties	0	0
Intangible Assets	0	0
Heritage Assets	92,249	10,000
Revenue Expenditure Funded from Capital under Statute	0	0
<i>Sources of Finance</i>		
Capital Receipts	(1,531,342)	(1,553,730)
Insurance Claims received for reinstatement of Capital Assets	0	(222,429)
Other Receipts from Investing Activities	0	
Government Grants and Other Contributions	(2,171,036)	(1,312,507)
Transfers from Earmarked Reserves	607,289	1,646,074
<i>Sums set aside from Revenue:</i>		
Direct Revenue Contributions	(7,938,760)	(217,000)
Minimum Revenue Provision **	(1,049,611)	(10,692,998)
<b>Closing Capital Financing Requirement</b>	<b>2,553,913</b>	<b>4,306,296</b>

<b>Explanation of Movements in Year</b>		
Increase/(decrease) in underlying need to borrow	(1,752,383)	(8,874,944)
Assets acquired under finance leases	0	0
Assets acquired under PFI/PPP contracts	0	0
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>(1,752,383)</b>	<b>(8,874,944)</b>



**Belfast City Council**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2013**

**12 Future Capital Commitments**

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

	<b>Gross Cost</b> £	<b>Grant Aid</b> £	<b>Net Cost</b> £
Commitments	119,532,410	50,000,000	69,532,410
<b>Total</b>	<b>119,532,410</b>	<b>50,000,000</b>	<b>69,532,410</b>

**13 Inventories**

	<b>2012/13</b>	<b>2011/12</b>
	£	£
Central Stores	303,090	208,113
Other	0	0
<b>Total</b>	<b>303,090</b>	<b>208,113</b>

The cost of inventories recognised as expense and included in 'services' amounted to £673,357 (2011/12: £1,001,052)

The cost of inventories written down and recognised as an expense in 'services' amounted to £9,434 (2011/12: £3,512)

**Belfast City Council**  
**Notes to the Financial Statements**  
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**14 Debtors**

	2012/13	2011/12
	£	£
<b>14a) Long Term Debtors</b>		
*Government Departments	0	0
Other Councils	0	0
Public corporations and trading funds	0	0
Bodies external to general government	0	0
Employee car loans	65,616	50,052
Grants	0	0
Loans and advances	0	0
Finance lease debtors-Note 5c)	626,194	627,045
Trade debtors	883,437	1,110,712
NIHE Loans	10,020,120	11,650,430
Other	0	0
Impairment of loans and receivables	0	0
<b>Total Long-Term Debtors</b>	<b>11,595,367</b>	<b>13,438,239</b>
<b>14b) Short Term Debtors</b>		
*Government Departments	1,451,789	2,924,421
Other Councils	290,096	264,903
Public corporations and trading funds	0	0
Bodies external to general government	0	0
Employee car loans	43,652	58,225
Grants	7,015,251	2,471,944
Value Added Tax	1,218,456	485,718
Prepayments	931,377	1,665,369
Finance lease debtors-Note 5c)	851	804
Other	2,010,612	1,863,966
Rates Finalisation	3,900,000	0
Trade receivables	1,584,420	1,662,287
Impairment loss - Trade receivables	(994,547)	(1,061,443)
<b>Total Short-Term Debtors</b>	<b>17,451,957</b>	<b>10,336,194</b>
<b>Total Debtors</b>	<b>29,047,324</b>	<b>23,774,433</b>

**Belfast City Council**  
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**15a Long-Term Investments**

	2012/13	2011/12
	£	£
Investments - general	0	0
Investments - repairs and renewals	0	0
Investments - capital fund	0	0
Investments - other	0	0
<b>Total Long-term Investments</b>	<b>0</b>	<b>0</b>

**Analysed over:**

	2012/13	2011/12
	£	£
Money market deposits	0	0
Other deposits	0	0
<b>Total Long-term Investments</b>	<b>0</b>	<b>0</b>

**15b Short-Term Investments**

	2012/13	2011/12
	£	£
Investments - general	0	0
Investments - repairs and renewals	0	0
Investments - capital fund	0	0
Investments - other	0	0
<b>Total Short-term Investments</b>	<b>0</b>	<b>0</b>

**Analysed over:**

	2012/13	2011/12
	£	£
Money market deposits	0	0
Other deposits	0	0
<b>Total Short-term Investments</b>	<b>0</b>	<b>0</b>

<b>Total Long Term and Short-term Investments</b>	<b>0</b>	<b>0</b>
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**Belfast City Council**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2013**

**16a Short Term Borrowing**

	2012/13	2011/12
	£	£
Loans re-payable within one year	3,000,000	53,321
Finance Lease Principal	0	0
<b>Total Short Term Borrowing</b>	<b>3,000,000</b>	<b>53,321</b>

**16b Long Term Borrowing**

	2012/13	2011/12
	£	£
Between 1 and 2 years	0	3,000,000
Between 2 and 5 years	3,309,773	3,421,185
Between 5 and 10 years	12,000,000	12,000,000
In more than 10 years	9,378,734	9,991,349
Government Loans Fund	<b>24,688,507</b>	<b>28,412,534</b>

<b>Total Borrowing</b>	<b>27,688,507</b>	<b>28,465,855</b>
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Both the short-term and long-term borrowings have been analysed by maturity date.

Interest rates on Government Loans range between 3.52% and 11.125% and the interest rates on the money market loans range between 7.24% and 8.08%

Of the total £27,688,508 for 2012/13, £3,000,000 relates to Mortgages and £24,688,508 relates to Government Loans Fund.

**17a Short Term Creditors**

	2012/13	2011/12
	£	£
Government Departments	377,400	223,774
Other Councils	2,766	0
Public corporations and trading funds	0	0
Bodies external to general government	0	0
Rates clawback	0	259,000
Remuneration due to employees	42,072	1,871
Accumulated Absences	815,855	1,226,485
Receipts in advance	2,603,127	3,258,452
NILGOSC	71,925	22,569
Trade creditors	0	0
HM Revenue & Customs	1,513,515	1,531,014
Other	15,994,308	13,777,601
<b>Total Short Term Creditors</b>	<b>21,420,968</b>	<b>20,300,766</b>

**17b Long Term Creditors**

	2012/13	2011/12
	£	£
<b>Other creditors falling due after more than one year</b>		
Government Departments	0	0
Other Councils	0	0
Public corporations and trading funds	0	0
Bodies external to general government	0	0
Rates clawback	0	0
Other	0	0
<b>Total Long Term Creditors</b>	<b>0</b>	<b>0</b>

<b>Total Creditors</b>	<b>21,420,968</b>	<b>20,300,766</b>
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**Belfast City Council**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2013**

**18 Provisions**

	At 1 April 2012	Increase in provision during year	Utilised during year	Interest earned	At 31 March 2013
	£	£	£	£	£
Single status	0	0	0	0	0
Election expenses	0	0	0	0	0
Landfill closure	6,675,058	0	897,704	96,106	5,873,460
Reorganisation	0	0	0	0	0
Legal	1,695,054	0	477,652	0	1,217,402
Other	0	0	0	0	0
	<b>8,370,112</b>	<b>0</b>	<b>1,375,356</b>	<b>96,106</b>	<b>7,090,862</b>

<b>Current Provisions</b>	6,942,183	0	1,580,365	96,106	5,457,924
<b>Long Term Provisions</b>	1,427,929	0	(205,009)	0	1,632,938
	<b>8,370,112</b>	<b>0</b>	<b>1,375,356</b>	<b>96,106</b>	<b>7,090,862</b>

**Comparative Year**

	At 1 April 2011	Increase in provision during year	Utilised during year	Interest earned	At 31 March 2012
	£	£	£	£	£
Single status	0	0	0	0	0
Election expenses	0	0	0	0	0
Landfill closure	7,753,190	0	1,184,689	106,557	6,675,058
Reorganisation	0	0	0	0	0
Legal	1,695,054	1,103,339	1,103,339	0	1,695,054
Other	0	0	0	0	0
	<b>9,448,244</b>	<b>1,103,339</b>	<b>2,288,028</b>	<b>106,557</b>	<b>8,370,112</b>

<b>Current Provisions</b>	7,953,000	1,170,654	2,288,028	106,557	6,942,183
<b>Long Term Provisions</b>	1,495,244	(67,315)	0	0	1,427,929
	<b>9,448,244</b>	<b>1,103,339</b>	<b>2,288,028</b>	<b>106,557</b>	<b>8,370,112</b>

**Provisions-Additional Disclosure**

The Council's provisions include an insurance provision and a provision in respect of the closure of the landfill Site.

A provision has been created in respect of the closure of the landfill site at an initial value of £14,700,000. The Council has reviewed the capping, gas extraction and infrastructure costs and discounted these accordingly which has resulted in a valuation of £5,873,460 (2011/12 £6,675,059). The Council plans to keep its provision under review.

A provision of £1,217,402 (2011/12 £1,695,054) has been made in respect of public liability, employer's liability and other claims/legal cases notified but not processed. Adequate insurance arrangements are in place covering the Council's activities as recommended by the Council's Insurance Brokers. The related insurance premiums paid are accounted for in the financial statements. At 31 March 2013 the total liability for legal cases notified but not processed amounted to an estimated maximum liability of £2,389,404.

## **19 Financial Instruments**

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

### **Credit Risk**

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

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

	£
Less than three months	£3,015,062
Three months to six months	£84,508
Six months to one year	£226,735
More than one year	£883,437
	<b>£4,209,742</b>

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

### **Market Risk**

#### Interest rate risk

The Council is not exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments which are at fixed rates for the life of the loans. Rates on investments are subject to market movements.

#### Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no material exposure to loss arising from movements in exchange rates.

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

The Council is in receipt of loans from the Department of Finance and Personnel that differ from the prevailing market rates. The fair value of these loans is £36,316,869, analysed as follows.

	£
Government Loans	33,266,944
Market Loans	3,049,925
<b>Total</b>	<b>36,316,869</b>

The Council has made no loans to voluntary organisations or other external bodies at less than market rates (soft loans).

## 20 Retirement Benefits

### 20.1 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.

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

#### 20.2 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	2012/13	2011/12
		£	£
<b>Net cost of services:</b>			
Current service cost		10,729,000	10,254,000
Past service cost/(gain)		117,000	53,000
Gains and losses on settlements or curtailments		0	663,000
<b>Net operating expenditure:</b>			
Interest cost		19,997,000	20,961,000
Expected return on scheme assets		(17,786,000)	(21,323,000)
<b>Net charge to the Comprehensive Income and Expenditure Statement</b>	<b>3</b>	<b>13,057,000</b>	<b>10,608,000</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		(13,057,000)	(10,608,000)
<b>Actual amount charged against the general fund balance for pensions in the year:</b>			
Employers' contributions payable to scheme	3,20.3	10,973,000	10,426,430
<b>Net charge to the Comprehensive Income and Expenditure Statement</b>		<b>(2,084,000)</b>	<b>(181,570)</b>

The current service cost figures includes an allowance for administration expenses of 0.3% of pensionable pay.

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial losses of £12,600,000 (£32,805,000 loss in 2011/12) were included in other comprehensive income and expenditure in the Comprehensive Income and Expenditure Statement. The cumulative amount of actuarial gains and losses recognised in other comprehensive income and expenditure is a loss of £70,620,000.

## 20.3 Assets and liabilities in relation to retirement benefits

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

	Note	2012/13	2011/12
		£	£
<b>Balance as at 1 April</b>		416,408,000	380,552,000
Current service cost		10,729,000	10,254,000
Interest cost		19,997,000	20,961,000
Contributions by members		3,470,000	3,464,000
Actuarial losses/(gains)		48,938,000	13,748,000
Past service costs/(gains)		117,000	53,000
Losses/(gains) on curtailments		0	663,000
Liabilities extinguished on settlements		0	0
Estimated unfunded benefits paid		(838,000)	(861,000)
Estimated benefits paid		(13,085,000)	(12,426,000)
<b>Balance as at 31 March</b>		<b>485,736,000</b>	<b>416,408,000</b>

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

	Note	2012/13	2011/12
		£	£
<b>Balance as at 1 April</b>		309,747,058	306,877,628
Expected return on assets		17,786,000	21,323,000
Contributions by members		3,470,000	3,464,000
Contributions by employer		10,135,000	9,565,430
Adjustment prior year Contributions by employer		2,037,000	0
Contributions in respect of unfunded benefits		838,000	861,000
Actuarial gains/(losses)		36,338,000	(19,057,000)
Assets distributed on settlements		0	0
Unfunded benefits paid		(838,000)	(861,000)
Benefits paid		(13,085,000)	(12,426,000)
<b>Balance as at 31 March</b>		<b>366,428,058</b>	<b>309,747,058</b>

Belfast City Council employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is calculated and the overall expected rate of return on assets is derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 March 2013.



The actual return on scheme assets in the year was a gain of £54,124,000 (2011/12 gain of £2,266,000).

#### Fair Value of Plan Assets

	31/03/2013	31/03/2012	31/03/2011
	£	£	£
Equity investments	277,019,612	229,212,823	236,295,774
Government Bonds	39,940,658	43,364,588	42,962,868
Corporate Bonds	1,832,140	0	0
Property	28,214,960	24,779,765	18,412,658
Cash	17,222,119	12,389,882	9,206,329
Other	2,198,568	0	0
	<b>366,428,058</b>	<b>309,747,058</b>	<b>306,877,628</b>

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

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

The Fund Manager was not provided with the difference between the mid market value and low bid value of assets at whole Fund level as at or recent to 31 March 2012. Accordingly, they carried out the calculations by applying an adjustment of - 0.44% to mid market values where appropriate.

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

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

	31/03/2013	31/03/2012	31/03/2011
	£	£	£
Fair Value of Employer Assets	366,428,058	309,747,058	306,877,628
Present value of funded liabilities	(471,166,000)	(402,722,000)	(367,435,000)
Net (Under)/Overfunding in Funded Plans	(104,737,942)	(92,974,942)	(60,557,372)
Present Value of Unfunded Liabilities	(14,570,000)	(13,686,000)	(13,117,000)
Unrecognised Past Service Cost	0	0	0
Amounts not recognised as an asset	0	0	0
Fair value of reimbursement rights recognised as an asset	0	0	0
Other amounts not recognised in the Balance Sheet	0	0	0
<b>Net Asset/(Liability)</b>	<b>(119,307,942)</b>	<b>(106,660,942)</b>	<b>(73,674,372)</b>
<i>Amount in the Balance sheet:</i>			
Liabilities	(119,307,942)	(106,660,942)	(73,674,372)
Assets	0	0	0
<b>Net Asset/(Liability)</b>	<b>(119,307,942)</b>	<b>(106,660,942)</b>	<b>(73,674,372)</b>

## 20.4 Scheme history

#### Analysis of scheme assets and liabilities

	31/03/2013	31/03/2012	31/03/2011
	£	£	£
Fair Value of Assets in pension scheme	366,428,058	309,747,058	306,877,628
Present Value of Defined Benefit Obligation	(485,736,000)	(416,408,000)	(380,552,000)
Surplus/(deficit) in the Scheme	<b>(119,307,942)</b>	<b>(106,660,942)</b>	<b>(73,674,372)</b>

**Amount recognised in Other Comprehensive Income and Expenditure:**

	31/03/2013	31/03/2012	31/03/2011
	£	£	£
Actuarial gains/(losses)	(12,600,000)	(32,805,000)	78,879,000
Increase/(decrease) in irrecoverable surplus from membership fall and other factors	0	0	0
Actuarial gains/(losses) recognised in Other Comprehensive Income and Expenditure	(12,600,000)	(32,805,000)	78,879,000
Cumulative actuarial gains and losses	<b>(70,620,000)</b>	<b>(58,020,000)</b>	<b>(25,215,000)</b>
<b>History of experience gains and losses:</b>			
Experience gains and (losses) on assets	36,338,000	(19,057,000)	6,263,000
Experience gains and (losses) on liabilities	364,000	(4,418,000)	38,620,000

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £121,344,942 has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a reduction in net worth of 25.3%.

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

**Analysis of projected amount to be charged to the Comprehensive Income and Expenditure Statement for the year to 31 March 2014**

	31/03/2014	31/03/2014
	£	%
Projected current cost	13,245,000	72.5%
Interest on obligation	5,035,000	27.5%
Expected return on assets	0	0.0%
Past service cost	0	0.0%
Gains and losses on settlements or curtailments	0	0.0%
	<b>18,280,000</b>	<b>100.0%</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 2014 is £11,547,000.

**History of experience gains and losses**

The actuarial gains identified as movements on the Pensions Reserve 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013.

	31/03/2013	31/03/2012	31/03/2011
	%	%	%
Experience (gains and (losses) on Assets	9.9%	-6.2%	2.0%
Experience gains and (losses) on Liabilities	-0.1%	1.1%	-10.1%

## 20.5 Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit 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, an independent firm of actuaries, estimates for the Council Fund being based on data pertaining to the latest full valuation of the scheme as at 31 March 2010.

	2012/13	2011/12
<b>Long-term expected rate of return on assets in the scheme:</b>		
Equity investments	7.80%	6.20%
Government Bonds	2.80%	4.10%
Corporate Bonds	3.80%	0.00%
Property	7.30%	4.40%
Cash	0.90%	3.50%
Other	7.80%	0.00%
<b>Mortality assumptions:</b>		
<i>Longevity at 65 current pensioners:</i>		
Men	23.2 years	22.9 years
Women	26.1 years	25.7 years
<i>Longevity at 65 for future pensioners:</i>		
Men	25.2 years	24.9 years
Women	28.1 years	27.7 years
Inflation/Pension Increase Rate	2.80%	2.50%
Salary Increase Rate	5.20%	4.80%
Expected Return on Assets	6.90%	5.70%
Discount Rate	4.50%	4.80%
<b>Take-up of option to convert annual pension into retirement lump sum:</b>		
Service to April 2009	50%	50%
Service post April 2009	75%	75%

## 20.5 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:

	31/03/2013	31/03/2012	31/03/2011
	%	%	%
Equity investments	75.6	74.0	77.0
Government Bonds	10.9	14.0	14.0
Corporate Bonds	0.5	0.0	0.0
Property	7.7	8.0	6.0
Cash	4.7	4.0	3.0
Other	0.6	0.0	0.0
	100.0	100.0	100.0

## 21 Donated Assets Account

	Note	2012/13	2011/12
		£	£
Opening balance		0	0
Add: new donated assets received (condition of use not met)		0	0
Less: amounts released to the District Fund - Comprehensive Income and Expenditure Account (conditions met)		0	0
		<b>0</b>	<b>0</b>

### Analysis of Donated Assets Account

The balance of the Donated Assets Account represents donations received that have yet to be recognised as income, as they have conditions attached to them, which will require the donated assets to be returned, if conditions are not met. The balances at the year end are as follows:

	Note	2012/13	2011/12
		£	£
<b>Donated Assets Account</b>			
Donation A		0	0
Donation B		0	0
Donation C		0	0
		<b>0</b>	<b>0</b>

## 22 Capital Grants Received in Advance

	Note	2012/13	2011/12
		£	£
Opening balance		0	0
Add: new capital grants received in advance (condition of use not met)		688,727	0
Less: amounts released to the Comprehensive Income and Expenditure Statement		0	0
		<b>688,727</b>	<b>0</b>

### Analysis of Capital Grants Receipts in Advance Balance

The balance of Capital Grants Receipts in Advance represents grants received that have yet to be recognised as income, as they have conditions attached to them, which will require the grant to be repaid, if conditions are not met. The balances at the year end are as follows:

	Note	2012/13	2011/12
		£	£
<b>Capital Grants Receipts in Advance</b>			
Dunville Park Regeneration - DSD BRO		309,708	0
Woodvale Park Regeneration - DSD BRO		335,391	0
Ardoyne Pitch & Mitch - DSD		12,700	0
Tropical Ravine Refurbishment - Heritage Lottery Fund		30,928	0
		<b>688,727</b>	<b>0</b>

## 23 Contingencies

There are no contingencies over and above the provisions already reflected in Note 18.

**Belfast City Council**  
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**24a Analysis of Adjustments to Surplus/Deficit on the Provision of Services**

	Notes	2012/13 £	2011/12 £
<b>Adjustment to surplus or deficit on the provision of services for noncash movements</b>			
Depreciation		10,072,506	10,650,775
Impairment & downward revaluations (& non-sale		11,120,276	12,002,758
Amortisation (included with depreciation above)		0	0
(Increase)/Decrease in Stock		(94,978)	48,334
(Increase)/Decrease in Debtors		(5,205,995)	2,210,021
Increase/(decrease) in impairment provision for bad debts		(66,896)	522,844
Increase/(Decrease) in Creditors		1,124,206	(5,643,932)
Increase/(Decrease) in Interest Creditors		0	0
Payments to NILGOSC		2,084,000	181,570
Carrying amount of non-current assets sold		100,001	618,000
WIP written off to Net Cost of Services		0	0
Contributions to Other Reserves/Provisions		(769,726)	(4,057,949)
Movement in value of investment properties-included above in Impairment & downward revaluations (& non-		0	0
Amounts posted to CIES from Donated Assets Account		0	0
	22	0	0
		<b>18,363,394</b>	<b>16,532,421</b>
<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>			
Purchase of short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)		0	0
Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)		0	0
Proceeds from the sale of PP&E, investment property and intangible assets		(156,400)	(1,057,305)
Capital grants included in "Taxation & non-specific grant income"		(2,171,036)	(1,312,507)
		<b>(2,327,436)</b>	<b>(2,369,812)</b>

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**24b 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:

	<b>31/03/2013</b>	<b>31/03/2012</b>
	<b>£</b>	<b>£</b>
Cash and Bank balances	50,157,152	37,847,644
Short Term Investments (considered to be Cash Equivalents)	(232,232)	(232,276)
Short Term Deposits (considered to be Cash Equivalents)	28,300,000	33,300,000
Bank Overdraft	(35,931,948)	(36,335,364)
	<b><u>42,292,972</u></b>	<b><u>34,580,004</u></b>

**24c Cash Flow Statement-Operating Activities**

	<b>2012/13</b>	<b>2011/12</b>
	<b>£</b>	<b>£</b>
<i>The cash flows from operating activities include:</i>		
Interest received	<b><u>190,061</u></b>	<b><u>199,717</u></b>
Interest paid	<b><u>0</u></b>	<b><u>0</u></b>

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**24d Cash flows from Investing Activities**

	2012/13 £	2011/12 £
Purchase of PP&E, investment property and intangible assets	10,234,824	4,388,112
Purchase of Short Term Investments (not considered to be cash equivalents)	0	0
Purchase of Long Term Investments	0	0
Other Payments for Investing Activities	897,705	1,184,689
Proceeds from the sale of PP&E, investment property and intangible assets	(156,400)	(1,057,305)
Proceeds from Short Term Investments (not considered to be cash equivalents)	0	0
Proceeds from Long Term Investments	0	0
Capital Grants and Contributions Received	(2,171,036)	(1,312,507)
Other Receipts from Investing Activities	0	591,059
<b>Net Cash flows from Investing Activities</b>	<b>8,805,093</b>	<b>3,794,048</b>

**24e Cash flows from Financing Activities**

	2012/13 £	2011/12 £
Cash Receipts from Short and Long Term Borrowing	0	0
Other Receipts from Financing Activities	0	0
Cash payments for the reduction of the outstanding liability relating to a finance lease and on-Balance Sheet PFI contracts	0	0
Repayment of Short and Long Term Borrowing	(777,348)	(766,245)
Other payments for Financing Activities	0	0
<b>Net Cash flows from Financing Activities</b>	<b>(777,348)</b>	<b>(766,245)</b>

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## 25a) Analysis of Movement on Reserves - Current Year

	USABLE RESERVES						UNUSABLE RESERVES										TOTAL AUTHORITY RESERVES
	Capital Receipts Reserve	Capital Grants Unapplied Account (row)	Capital Fund	Renewal & Repairs Fund	Other Balances and Reserves (Election Reserve)	General Fund	TOTAL USABLE RESERVES	Capital Instruments Adjustment Account	Financial Instruments Adjustment Account	Revaluation Reserve	Available for Sale Financial Instruments Reserve	Pensions Reserve	Deferred Capital Receipts Account	Accumulated Absences Account	Rates Clw-Back Reserve	TOTAL UNUSABLE RESERVES	
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	
At 1 April 2012	26a)	26b)	26c)	26d)	26e)	26f)	£	26g)	26h)	26i)	26j)	26k)	26l)	26m)	26n)	£	
Revised at 1 April 2012	950,040	0	13,043,653	0	6,356,409	13,604,696	34,254,808	375,671,031	0	74,207,175	0	(106,680,942)	0	(1,228,486)	0	341,990,778	
	950,040	0	13,043,653	0	6,356,409	13,904,696	34,254,808	375,671,031	0	74,207,175	0	(106,680,942)	0	(1,228,486)	0	341,990,778	
Movements during the year:																	
Applied Capital Grants							(2,171,036)	2,171,036								2,171,036	
Unapplied Capital Grants received in year		0				0	0	0								0	
Unapplied Capital Grants transferred to CAA in year		0				0	0	0								0	
Interest Received					6,158		6,158									6,158	
Direct Revenue Financing	3,11						(7,938,760)	7,938,760								7,938,760	
Depreciation & Impairment adjustment	3						21,192,786	(21,192,786)								(21,192,786)	
Loans/lease principal repayments	3						(1,049,611)	1,049,611								1,049,611	
Net Revenue expenditure funded from capital under statute						0	0	0								0	
Surplus/(Deficit) on the Provision of Services						1,259,451	1,259,451									1,259,451	
Transfers between Statutory and Other Reserves and the General Fund					(16,694)	(5,969,463)	(6,158)									(6,158)	
Net movements on Pension Reserve	3,20					2,084,000	2,084,000					(2,084,000)				(2,084,000)	
Disposal of Fixed Assets/Capital Sales	3,10,23				(56,369)		100,001	(100,001)								(100,001)	
Capital Receipts used to finance capital expenditure	3,11					144,650	0	0								0	
Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements							(372,630)										
Revaluation & Impairment	10,20						(410,630)	0		(5,646,799)	0	(12,600,000)				410,630	
Other Movements																(18,246,799)	
Transfers between Capital Fund/General & Repair Fund & CAA to finance capital expenditure	11						(1,419,977)	2,177,794		(1,734,471)	0	2,037,000				2,480,322	
							1,049,611	(1,049,611)								(1,049,611)	
Total movements on reserves during the year (Change in Net Worth)		11,750	0	4,935,656	0	1,039,074	6,709,355	(9,005,198)	0	(7,381,270)	0	(12,647,000)	0	410,630	0	(28,622,838)	
At 31 March 2013		961,790	0	17,979,320	0	7,395,483	20,614,051	366,665,634	0	66,825,905	0	(119,307,942)	0	(815,656)	0	313,367,940	



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**25b) Analysis of Movement on Reserves - Comparative Year**

	USABLE RESERVES				UNUSABLE RESERVES										TOTAL AUTHORITY RESERVES
	Capital Receipts Reserve	Capital Grants Unapplied Account	Capital Fund	Renewal & Repairs Fund	Other Balances and Reserves (e.g. Election Reserve)	TOTAL USABLE RESERVES	Capital Adjustment Account	Financial Instruments Adjustment Account	Revaluation Reserve	Available for Sale Financial Instruments Reserve	Pensions Reserve	Deferred Capital Receipts Account	Accumulated Absences Account	Rates Clav- Back Reserve	
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
At 1 April 2011	26a)	26b)	26c)	26d)	26e)	26f)	26g)	26h)	26i)	26j)	26k)	26l)	26m)	26n)	
Accounting Policy Changes - Retrospective Adjustments	943,065	0	15,439,745	0	5,044,520	11,461,733	385,245,477	0	72,381,848	0	0	0	0	0	490,516,388
At 1 April 2011	943,065	0	15,439,745	0	5,044,520	11,461,733	0	0	72,381,848	0	(73,674,372)	0	(1,206,993)	0	(74,881,365)
Movements during the year:							385,245,477	0	72,381,848	0	(73,674,372)	0	(1,206,993)	0	415,635,023
Applied Capital Grants							1,312,507								1,312,507
Unapplied Capital Grants received in year		0				0	0								0
Unapplied Capital Grants transferred to CAA in year		0				0	0								0
Interest Received					9,031	9,031									9,031
Direct Revenue Financing						(1,312,507)	217,000								217,000
Depreciation & Impairment adjustment						22,594,082	(22,594,082)								(22,594,082)
Loans/lease principal repayments						(10,692,998)	10,692,998								10,692,998
Net Revenue expenditure funded from capital under statute						0	0								0
Surplus/(Deficit) on the Provision of Services						(4,698,542)									(4,698,542)
Transfers between Statutory and Other Reserves and the General Fund			5,500,000	0	(343,216)	(5,195,615)									(9,031)
Net movements on Pension Reserve						181,570					(161,570)				0
Disposal of Fixed Assets/Capital Sales	1,057,305					(439,305)	618,000								618,000
Other Capital Receipts	0					0	222,428								222,428
Capital Receipts used to finance capital expenditure	(1,050,330)		1,050,330			0	0								0
Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements	(38,000)					57,493									0
Revaluation & Impairment							1,228,133	0	3,412,827	0	(32,805,000)	0	(19,493)		(19,493)
Other Movements	38,000		(8,946,412)			2,135,985	1,610,543		(1,587,500)			0		0	(28,164,040)
Transfers between Capital Fund/Renewal & Repair Fund & CAA to finance capital expenditure			0	0	1,646,074	1,646,074	(1,646,074)								23,143
															(1,646,074)
<b>Total movements on reserves during the year</b> (Change in Net Worth)	6,975	0	(2,396,082)	0	1,311,889	2,442,963	(9,574,446)	0	1,825,327	0	(32,986,570)	0	(19,493)	0	(40,755,182)
At 31 March 2012	950,040	0	13,043,663	0	6,356,409	13,904,996	375,671,031	0	74,207,175	0	(106,660,942)	0	(1,226,486)	0	341,990,778
															(39,398,437)
															376,245,586

**Belfast City Council**  
**Notes to the Financial Statements**  
**Usable Reserves**  
**For the year ended 31 March 2013**

**26a) 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).

**26b) 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.

**26c) Capital Fund**

This fund was established under section 56 of the Local Government Act (NI) 1972 however this section was repealed under the new Local Government Finance Act (Northern Ireland) 2011. The Belfast Investment Fund has been created to give a clear demonstration of the Council's propensity to action and wish to contribute to the vibrancy, prosperity, culture and attractiveness of the city. Currently the Council has identified 4 different projects and the cost to the Council for these projects is shown below.

	£
Project A - Titanic Quarter	10,110,284
Project B - Lyric Theatre	1,250,000
Project C - OMAC	550,000
<b>Total</b>	<b>11,910,284</b>

#### **26d) Other Balances & Reserves (Election Reserve)**

This reserve is made up of the Election Reserve (£413,887) which is used 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, and the Sinking Fund (£6,981,596) for the repayment of its maturity based loans as they fall due.

#### **26e) General Fund**

This fund represents the surplus of income over expenditure. It can be used to supplement income and unexpected expenditure in future years. Of the £20,614,051, £7,290,376 relates to expenditure committed at the year end.

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.

**Belfast City Council**  
**Notes to the Financial Statements**  
**Unusable Reserves**  
**For the year ended 31 March 2013**

**26f) Capital Adjustment Account**

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

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

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

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

**26g) Financial Instruments Adjustment Account**

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

**26h) 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 2007, 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.

**26i) Available-for-Sale Financial Instruments Adjustment Reserve**

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

**26j) Pension Reserve**

Refer to note 20.

**26k) Deferred Capital Receipts Account**

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

**26l) Deferred Capital Receipts Account**

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

**26m) 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

**26n) Payment of Invoices**

The Council's default target for paying invoices where no other terms are agreed, is 30 days. (It is assumed that 30 days will be 30 calendar days and 10 days will be 10 working days).

During the year the Council paid 53,340 number of invoices totaling £97,597,574.

The Council paid 42,413 invoices on 30 day terms and paid 23,881 invoices on 10 day terms.

The Council paid 10,927 invoices outside of the 30 day terms.

The Council has arrangements to calculate the payment interval and for the year it was 24 days.

The Minister at the Department of Finance and Personnel has reduced the target for the payment of invoices for central government departments to 10 working days. This target is not mandatory on local government but the Council endeavours to process invoices as quickly as possible and will keep its performance under review.

## **27 Significant Trading Operations**

The Council considers a trading operation exists where the service it provides is competitive i.e. the user always has the choice to use an alternative supplier to the Council and the Council charges the user on a basis other than a straightforward recharge of the Council's costs in supplying the service. The Council uses a variety of charging mechanisms such as quoted lump sums, fixed periodical charges or rates, or a combination of these.

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

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

- the magnitude of each individual trading operation's turnover when compared with the Council's net revenue budget
- the risk of financial loss the Council may be exposed to in providing the service to the user.

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

- the importance of each individual trading operation to demonstrating the achievement of Council targets and improving performance.
- the exposure of the Council to service reputational loss risk by providing the service
- whether the provision of the service is likely to be of interest to the Council's key stakeholders and their needs.

In applying the aforementioned criteria, the Council considers that it would consider the letting of industrial estates to be a significant trading operation. The income and expenditure details are highlighted in note 8e.

**Belfast City Council**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2013**

**28 Agency Services**

Transactions relating to Peace III are included within Corporate Management in Cost of Services on Continuing Operations in the Comprehensive Income and Expenditure Statement.

	2012/13	2011/12
<b>Income</b>		
Grants Received	483,288	486,924
Total Income	<b>483,288</b>	<b>486,924</b>
<b>Expenditure</b>		
Employee Related	203,829	210,415
Premises Related	64,536	0
Supplies & Services	(12,255)	36,063
Transport Related	530	0
Support Costs	46,898	0
Grants Paid	243,934	230,940
Total Expenditure	<b>547,472</b>	<b>477,419</b>
<b>Net Expenditure/(Income)</b>	<b>64,184</b>	<b>(9,506)</b>

## **29 Related Party Transactions**

A Related Party Transaction is a transfer of resources or obligations between related parties, regardless of whether a price is charged. Related Party Transaction 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 28) these are not deemed to be Related Party Transactions.

Councillors have direct control over the Council's financial and operating policies. In the 2012/13 financial year the Council commissioned £1,972,212 (2011/12 £1,898,309) of works and services from Belfast Visitor & Convention Bureau and Groundwork Northern Ireland in which Councillors have an interest. The Council entered into these contracts in full compliance with the Council's standing orders and codes of conduct.

The Council also paid grants of £1,749,785 (2011/12 £1,878,821) to a number of organisations in which Councillors and Council officers had an interest. These grants were made with proper consideration of declaration of interests. A breakdown of the total works and services and grants of £3,721,997 (2011/12 £3,777,130) is shown in 29.3 below.

During 2012/13 the Council had expenditure of £186,547 (2011/12 £168,532) to other Councils and income received of £523,555 (2011/12 £575,691) from other Councils, of which £290,096 (note 14b) (2011/12 £264,903) was outstanding at 31 March 2013. These amounts mainly related to services provided.

Transactions with related parties not disclosed elsewhere in these financial statements are set out below:

### **29.1 Payments to Community Groups**

Belfast City Council made payments to the following community groups that have Councillors as part of their committee structure.

	<b>Councillors</b>	<b>2012/13</b>	<b>2011/12</b>
East Belfast Partnership Board	4	215,362	199,605
North Belfast Partnership Board	8	0	927
South Belfast Partnership Board	7	3,544	995
West Belfast Partnership Board	8	0	0
<b>Total</b>		<b>218,906</b>	<b>201,527</b>

### **29.2 Joint Committees**

Belfast City Council made payments to the following Joint Committees:

	<b>Councillors</b>	<b>2012/13</b>	<b>2011/12</b>
ARC-21	3	9,397,360	15,342,076
		<b>9,397,360</b>	<b>15,342,076</b>

The ARC21 Joint Committee is comprised of two elected members from each of arc21's eleven constituent councils, totalling 22 in total. Each council nominates two elected members (as well as substitutes) to serve on the Joint Committee.



The origins of arc21 can be traced back to June 1999, when a small number of council representatives agreed that a joint approach was the best way to deliver an effective waste management strategy for the region. By 2000, 11 councils had joined together to form the Eastern Region Waste Management Group, which was eventually renamed arc21.

At present, arc21 has successfully been awarded and is managing waste management contracts on behalf of councils with a value of over £200m.

### 29.3 Other Organisations

Belfast City Council made payments to the following organisations that have Councillors as part of their committee structure.

	Councillors	2012/13	2011/12 Revised
Association of Port Health Authorities	1	3,726	3,780
Belfast City Airport Ltd	2	0	1,917
Belfast City Centre Management Company	4	330,093	288,805
Belfast City Marathon Co Ltd	3	40,650	43,100
Belfast Harbour Commissioners	4	56,535	44,223
Belfast Healthy Cities Forum	2	91,836	86,473
Belfast Hills Partnership	2	38,338	35,640
Belfast Visitor & Convention Bureau			
incorporating Belfast Welcome Centre	10	2,265,943	2,260,472
Cathedral Quarter Trust	3	40,000	0
Grand Opera House Trust Ltd	1	34,995	34,561
Greater Shankill Partnership Board	7	70,000	39,013
Groundwork Northern Ireland	1	246,713	132,664
Linenhall Library	1	42,912	47,539
Local Government Partnership (Travellers Issues)	2	250	250
Lyric Theatre Education Advisory Panel	2	38,942	448,348
National Association of Councillors	5	4,482	4,676
N.I. Local Government Association	17	184,367	1,656
Northern Ireland Amenity Council	1	750	750
Northern Ireland Housing Council	1	0	67,221
Somme Association Ltd	2	4,161	3,976
Ulster Orchestra	1	8,400	30,540
		<b>3,503,093</b>	<b>3,575,604</b>

### 29.4 Car Loans to Council Officers

The Council makes car loans available to employees who are designated essential car users i.e. for whom it is essential to have access to a car to carry out their duties.

The total amount outstanding in respect of car loans to designated employees as at 31 March 2013 was £109,268. At 31 March 2012 the amount outstanding was £108,276.

# Gas Pension Fund

## INCOME AND EXPENDITURE STATEMENT

	2012/13 £	2011/12 £
<b>INCOME:</b>		
Investment Income	35,643	41,858
<b>EXPENDITURE</b>		
Pensions Paid	(425,939)	(483,832)
Administration Expenses	(11,506)	(12,477)
Surplus/(Deficit) for the Year	<b>(401,802)</b>	<b>(454,451)</b>

## NET ASSET MOVEMENTS

Brought forward balance at 01.04.2012	2,423,016	1,820,457
Unrealised gain at 01.04.2012	704,998	844,546
<b>Opening Value of Fund</b>	<b>3,128,014</b>	<b>2,665,003</b>

Add Contribution from City Council	0	829,000
Add surplus/(deficit) for the year	(401,802)	(454,451)

## CHANGE IN MARKET VALUES OF INVESTMENTS

Realised gain for year	0	228,009
Unrealised gain/(loss) for year	36,437	(139,547)

<b>Closing value of fund</b>	<b>2,762,649</b>	<b>3,128,014</b>
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## FINANCED BY:

UK Index Linked Investments	1,661,815	1,625,378
Cash deposits and at bank	270,403	666,306
Debtors	837,412	836,330
	<b>2,769,630</b>	<b>3,128,014</b>
Bank Balance	0	0
Creditors	6,981	0
<b>Closing value of fund</b>	<b>2,762,649</b>	<b>3,128,014</b>

## Notes to the Gas Pensions Fund

The Fund is maintained to provide for future pension payments to the beneficiaries, the objective being to maintain a fund sufficient to provide all future anticipated payments. No contributions are currently being paid and there are no service members accruing further benefits. Members' benefits are guaranteed by statute. Should the Fund's assets not be sufficient to provide all the benefits, the residual liability for pension payments would fall on the City Council.

The current market value of the Fund at 31 March 2013 is assessed by the Councils actuaries, Aon Hewitt. The Fund's Financial Statements do not take account of liabilities to pay pensions and other benefits after 31 March 2013.

At 31 March 2013 there were 56 pensioners left in the Gas Pensions Fund.

## **Triennial Actuarial Valuation as at 31 March 2008**

The date of the latest triennial actuarial valuation was 31 March 2011 and at that date the Fund had a past service deficit of £801,000. In order to fund this deficit the council made a contribution of £829,000 to the Gas Pension Fund in 2011/12.

The Main Actuarial assumptions are as follows:

### **Financial Assumptions:**

Rate of return on assets	3.2% p.a.
Rate of pension increases	2.1% on pensions in excess of GMPs

### **Demographic Assumptions:**

Mortality in retirement	Standard tables PA (00) rated up 10%
Family Details	Males two years older than their partners. 75% of members married at 3 July 1990.

The market value of the scheme's assets at the valuation date is £2,665,003 and the level of the funding expressed in percentage terms is 77%.

The next triennial actuarial valuation is due as at 31 March 2014.

A Statement of Investment Principles has been prepared and is available from the Director of Finance and Resources, City Hall, Belfast, BT1 5GS

### **Accounts Authorised for Issue**

In accordance with International Accounting Standard (IAS 10) this Statement of Accounts which contains a material amendment from the Accounts approved on 21 June 2013 is at today's date hereby authorised for issue. Any material amendments will be explained and reported in accordance with Regulation 12 of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006.

IAS 10 sets out

- The period during which an entity should adjust its financial statements for events after the balance sheet date as being the period between the date the financial statements were prepared and the date of this authorisation; and
- In the event of adjustments the disclosures that should be made.

### **Material Amendments made:**

The pension liability was reduced by £2,037k due to the council recognising a lower level of membership contributions in calculating its pension liability in previous years.

There is no impact to the General Reserve as a result of this material amendment.

Signed R. Crean  
Chief Financial Officer

Date 25/10/13