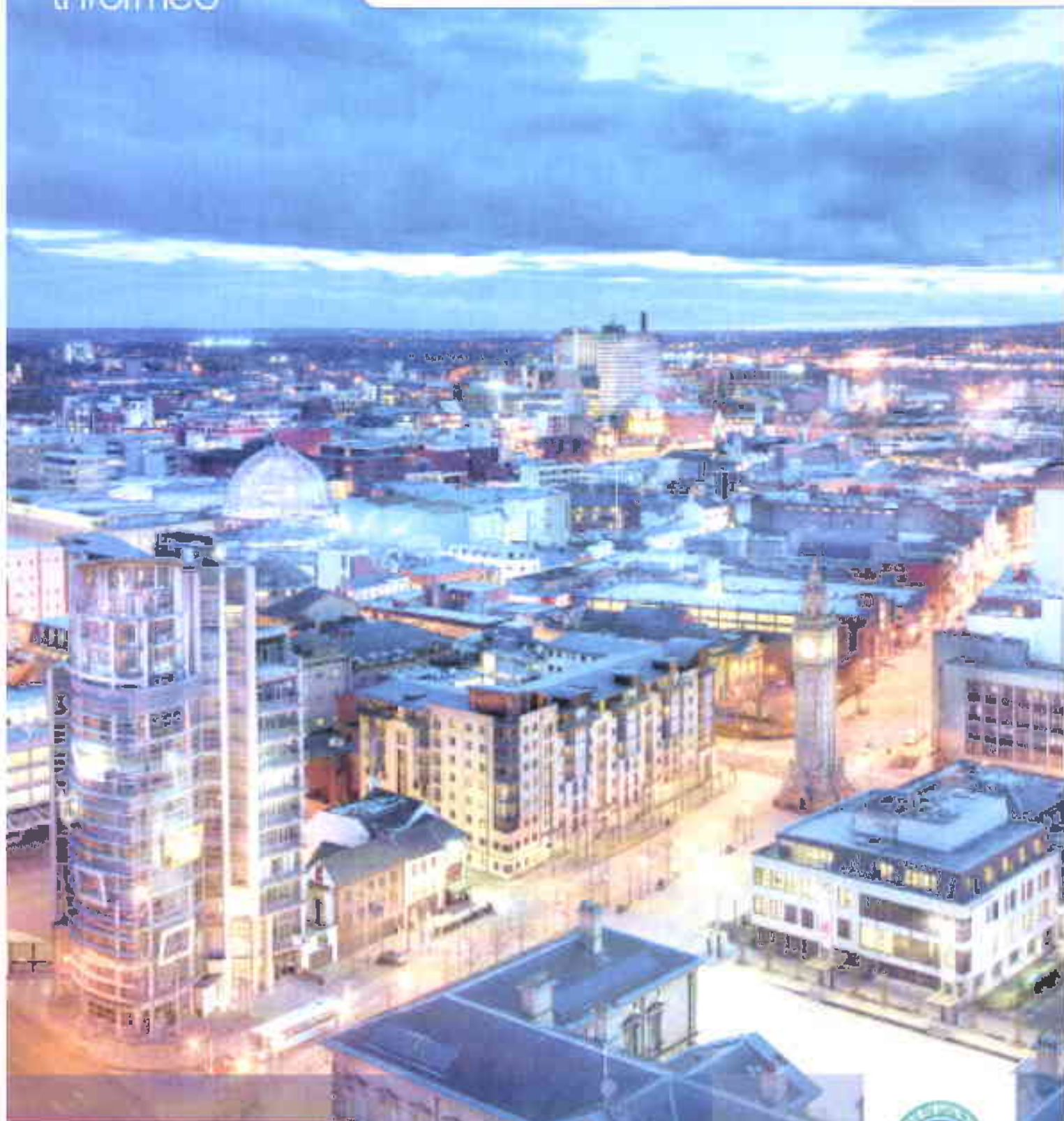




Belfast City Council Financial Report 2012



Internal document



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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 mid year 2010 of 268,700. 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 2012 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 and Loans Pool Accounts.

These financial statements have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) and the Department of the Environment Accounts Direction, Circular LG 03/12 dated 23 April 2012. It is the purpose of this foreword to explain, in an easily understandable way, the financial facts in relation to the Council. Comparative figures have been re-stated to take account of changes in accounting requirements as a result of the introduction of the Code.

This Statement of Accounts explains Belfast City Council's finances during the financial year 2011/12 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 31, shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'Surplus or (deficit) on the provision of services' line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the 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 32, 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 33, shows the value as at the Balance Sheet date of the Council's assets and liabilities. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the 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 2012 the Council increased its District Fund reserve by £2,088K to £13,905k and this sum represents on average 6.91% of annual gross expenditure. The Council's budget of £130,591k was reduced by £259k for prior year finalisation clawback of district rates. The total net expenditure reported in the Comprehensive Income and Expenditure Statement is £4,783,148 and thereafter allocations of £3,000k to the City Investment Fund and £217k to fund capital expenditure.

The following gives a comparison between the budgeted and actual net cost for the Council for the year to March 2012

	Actual	Estimate	Variance
Net Cost	128,096,347	130,591,175	-2,494,828
Income:			
General Grant	4,153,820	4,158,774	-4,954
District Rates	<u>126,029,690</u>	<u>126,432,401</u>	<u>-402,711</u>
Surplus/(Deficit)	<u>2,087,163</u>	<u>0</u>	<u>2,087,163</u>

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 operates a rolling programme for its revaluation of Land and Buildings with approximately 25% of these assets being discretely revalued each year and the remainder of the assets are indexed in line with construction costs and land value inflation indices. This revaluation is 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 33.

During the year the Council repaid external loans of £766,245. At 31 March 2012 the total amount outstanding on external loans was £25,465,853. Of this total £11,650,430 (or 46%) 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 £3.4m, the most significant spend was on Connswater £887k, City Hall £700k, Roselawn site development £513k, Alleygates £268k and Zoo Mountain Tea House £253k.

The Gas Pension Fund Accounts included on pages 102 to 103 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 54 of the Local Government Act (Northern Ireland) 1972 the Council shall make safe and efficient arrangements for the receipt of money paid to it and the issue of money payable by it, and those arrangements shall be carried out under the supervision of such officer of the Council as the Council designates as 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 22 June 2012.

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 2011/2012

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 2011/12 to manage the significant risk and internal control issues declared in the AGS for 2010/11

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, 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 has complied with:

- their statutory duties under the Local Government (Northern Ireland) Order 2005 and
- 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, the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework continues to be place at Belfast City Council for the year ending 31st March 2012 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 an interim Corporate Plan for the period 2011-2012, which was approved by the Chief Officers Management Team (now the Corporate Management Team) in June 2011 and by the Strategic Policy and Resources Committee on 17 June 2011. The plan was developed through significant engagement with Members, ratepayers, officers, and partners. Over the last number of months a new Corporate Plan for the period 2012-15 has been in development. Again this plan has been developed on the basis of significant consultation with local people, a full socio-economic analysis of the city and organisational analysis. It is planned to take the new plan to Committee in June 2012 so that it can be approved by the new Council which will oversee its implementation.

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.

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 and the supporting Council processes
- The development and implementation of an effective performance management framework
- Communication of the plan is via the Council's internet website and the publication of hard copies; a communication plan has been agreed to ensure the plan is effectively communicated.

A draft Investment Programme for Belfast has been developed, which outlines the Council's commitment to supporting the city over the next three years, 2012-15 and was launched in February 2012. The consultation period for this programme ended on 27 April 2012 and the final Investment Programme is due to go to Council for approval in June 2012.

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.
- 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.

A Code of Governance for Belfast City Council was first developed in 2008. The Code was reviewed, updated and reported to CMT, the Assurance Board and the Audit Panel in the year 2011/12. 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 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
- An agreed Human Resources Strategy and annual Workforce Development Plan
- Code of conduct for staff
- Staff receive induction training including an introduction to the Code of Conduct
- Fraud awareness training programme for staff; roll out commenced in 2009/10
- 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
- An 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 weakens the control environment. The Audit Panel appointed a new external member during 2011/12 that provides expert advice to the Panel. In addition, Panel members received formal audit committee training in October 2011. 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.

During the course of 2011/12 the Council investigated four cases of suspected fraud and in two of these cases fraud was detected. One of these cases was an external cheque fraud whereby a cheque issued by the Council was altered and presented but the Council did not ultimately suffer loss as the bank provided restitution. The second case related to an employee obtaining and reselling concert tickets for personal gain. The case is under investigation but confirmed losses to date are £592.50. The case has been referred to Police Service of Northern Ireland.

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 2011/12, 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. 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 with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) as set out in the Application Note to Delivering Good Governance in Local Government: 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.

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
- An agreed Human Resources Strategy and annual Workforce Development Plan
- 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 and the interlink site for staff
- Belfast Citistats are available on the Council’s intranet
- Delivery of a pilot project during 2010 and 2011 by the Belfast Community Planning consortium
- Ongoing consultation processes
- City Matters magazine
- Complaints handling system
- 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
- the Head of Audit Governance and Risk Services (AGRS) annual assurance statement for the period ending 2011/12, which gives an opinion on the Council's risk and control environment and by
- work of the external auditors
- other external reviews.

An extract from the Head of AGRS Annual Assurance Statement for the period ending 2011/12 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 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 2011/12, the audit of Accounts Payable resulted in a red assurance level, largely due to non compliance by Departments. An improvement plan is being developed to address the issues that we have highlighted in this audit report.

While the audit of Accounts Payable focused on the processes to support the placing of orders and the payment of invoices, Members may also be aware that an external review of procurement was undertaken. Following this, the Council has appointed a Head of Contracts and is in the process of agreeing a Procurement Improvement Plan, which will address, amongst other issues, the risks of non compliance in relation to purchasing. I would endorse the importance of addressing procurement risks in order that the Council achieves efficiencies and demonstrates good governance.

During the course of 2011/12, 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 implementation of audit recommendations.

During the course of 2011/12 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. Given the importance of these risks, in particular in relation to the

delivery of the Investment Programme and the Review of Public Administration, I would emphasise the importance of senior management ensuring that the actions to manage these key corporate risks are undertaken in a timely and effective way and that there is regular reporting to Members and management on the progress being made.

One of the risks disclosed in the Annual Governance Statement relates to Information Management. In relation to this risk, during the course of the year AGRS undertook a review focusing on the compliance of Belfast City Council with the requirements of the Data Protection Act. Given the amount of personal information collected, processed, stored and transmitted by the Council, and the impact that fines and associated reputational damage would have, it is fair to say that non compliance with the Act is a very real risk for Belfast City Council. It is vital that the Council is able to demonstrate its ongoing compliance with the Act, and take all reasonable measures to prevent loss or theft of personal data.

The review found that while much has been done by ISB in terms of protecting data from loss or theft via technological means, corporately the Council still has work to do in terms of embedding and formalising processes to ensure compliance with the Act.

The Corporate Management Team recognising the risks around handling personal data and, related to this, the importance of staff awareness of the risks, our obligations under the Data Protection Act and good practice, issued to all employees (including agency staff) and Members, guidance covering the key principles of data protection and the "do's and "don'ts".

It is intended that further measures will be taken to improve the Council's policies and processes in relation to data protection and records management including, addressing the issues arising from the AGRS review. Going forward this will clearly mitigate the risks in this area.

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 2011/12 the Audit Panel met on 4 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 four times during 2010/11.

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 2012. 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 16 May 2012, the Assurance Board on 6 June 2012 and the Audit Panel on 12 June 2012.

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.

Local Government Audit have also 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 2012 / 2013, 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 2010/11

The significant issues that were declared in the previous year's Annual Governance Statement for 2010/11 related to the following areas:

- non-achievement of NILAS targets
- continued embedding of health and safety management
- the impact of the economic climate on the Council's financial position
- governance of major Council projects.

In response to the issues raised in the Annual Governance Statement for 2010/11, 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. Progress in terms of managing these issues was reported mid-year to CMT, the Assurance Board and Audit Panel. It is important to note that the above issues continue to be issues for the Council and therefore management actions are still ongoing. Full details on the action that management has taken during 2011/12 to manage these issues is provided in a table at Appendix 1.

Declaration of Significant Governance Issues for 2011/12

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.

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

- management of the City's waste (non-achievement of NILAS targets)
- strategic management of the Council's assets
- meeting the challenges presented by local government reform / Review of Public Administration
- 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, Fol)

A description of the 7 significant governance issues for the Council for 2011/12 is provided on the following pages.

Management of the City's Waste (Non-achievement of NILAS targets)

The Northern Ireland Landfill Allowance Scheme (NILAS) was introduced in April 2005 to provide a cost effective way of enabling Northern Ireland to meet its share of the UK targets as outlined in the Waste and Emissions Trading Act 2003, for reducing the land filling of biodegradable municipal waste to achieve compliance with the 1999 Landfill Directive (1999/31/EC). In common with other Councils in Northern Ireland there is a continuing risk that the Council would incur financial penalties arising from failure to meet the Landfill reduction (NILAS) targets in 2013 and 2020.

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.

In addition, an internal Waste Programme Board and supporting structure has been set up involving the Director of Health and Environment Services, Director of Finance and Resources and the Town Solicitor and Assistant Chief Executive to oversee the management of controls and actions put in place to manage this risk.

Strategic Management of Council Assets

Asset management has been identified as a strategic risk and it will become even more important over the coming months with the completion of phase 2 of the development of an Asset Management Strategy and implementation of this strategy. A number of activities have been identified and recommendations will be reported to the Corporate Management Team during 2012/13. This should result in a number of work streams and projects being undertaken by a reconstituted Asset Management Group.

Meeting the Challenges Presented by Local Government Reform / Review of Public Administration

The Council faces considerable challenges to address the challenges presented by local government reform and the implementation of the Review of Public Administration (RPA). Over the next year it will be particularly important for the Council to effectively plan for change and deliver the transition programme, which will be crucial to implementing the reform. To this end the Director of Finance and Resources has been nominated with the overall responsibility for managing this risk. The Council has already established its Voluntary Transition Committee and is developing and implementing the appropriate action plans to ensure that the Council successfully addresses its new responsibilities.

Continued Embedding of Health and Safety Management

The Council acknowledges that Health and Safety continues to be a serious issue, and remains committed to ensuring the health, safety and welfare of all its employees and service users. Hence, although many improvements in health and safety management have been made over the last number of years, there will be no reduction in effort during 2012/13 by the Health and Safety Assurance Board and the Corporate Health and Safety Manager to ensure the Health and Safety Assurance Framework is fully embedded and functioning throughout the Council.

Uncertainty of Rate Base

A major financial risk for the Council continues to be the potential decline in the Council's rate base arising from the current economic situation. Key strands of the Council's Finance Strategy are the development of an external resources strategy, and ways to maximize the collection of rates and minimise rate losses

The 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 are being realigned to deliver the major projects, programme management arrangements are being put in place and project briefs are being developed for all key projects. The Council's Strategic Policy and Resources Committee will monitor 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

A significant risk for the Council is that the council's information needs are not managed in a strategic and secure manner. Related to this risk, 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. Furthermore, in order to manage the risk a number of actions are being carried out:

- ISB will continue to promote and maintain a secure ICT infrastructure,
- ISB will work towards the adoption of a formal security management system – ISO270001
- A number of reviews are in the process of being carried out, or have been carried out, including:
 - Freedom of Information review
 - Payment card industry gap analysis
 - Data Protection audit
 - A scan of personal information held outside major corporate systems.

The findings of these reviews will be combined to form the council's programme for improved information management. A new risk action plan will be developed to address the risk that ineffective systems and procedures result in non compliance with legislation and best practice standards, such as FoIA and DPA.

Signed:
Chair Strategic Policy and Resources Committee

Signed:
Chief Executive Officer

Signed:
Chief Financial Officer

Appendix 1

Update on action taken during 2011/12 to manage the significant risk and internal control issues declared in the Annual Governance Statement (AGS) for 2010/11

	Risk disclosed in AGS 2010/11	Action taken during 2011/12 to manage the risk declared in the AGS 10/11
1	<p>The Northern Ireland Landfill Allowance Scheme was introduced in April 2005 to provide a cost effective way of enabling Northern Ireland to meet its share of the UK targets as outlined in the Waste and Emissions Trading Act 2003, for reducing the land filling of biodegradable municipal waste to achieve compliance with the 1999 Landfill Directive (1999/31/EC). In common with other Councils in Northern Ireland there is a continuing risk that the Council would incur fines for non-achievement of these targets. We are continuing to take all appropriate measures to address this risk and to demonstrate that the Council is making "Best Endeavour's" both individually and in collaboration with arc21 to secure adequate waste treatment infrastructure facilities.</p>	<p>A waste disposal financial plan is in place and has been updated for the 12/13 estimates and the medium term financial plan. This provides the basis for financial planning in relation to future projected waste disposal costs. This also models the financial impact of a number of different scenarios depending on, for example, progress in relation to the Residual Waste Treatment Project (RWTP), changes in the Landfill tax escalator and changing trends in disposal tonnages.</p> <p>Council and Committee have approved the arc21 resolution for Heads of Terms for the RWTP and the associated minimum guaranteed tonnage.</p> <p>Establishment and engagement with cross party Waste Working Group.</p> <p>A Waste Programme Board has been set up to oversee the delivery of the Zero Waste Action Plan. The group is made up of the Director of Health</p>

	Risk disclosed in AGS 2010/11	Action taken during 2011/12 to manage the risk declared in the AGS 10/11
		<p>and Environmental Services, Director of Finance and Resources and Town Solicitor & Assistant Chief Executive.</p> <p>A Zero Waste Action Plan (ZAP) was developed to outline the action that the Council will take to reduce disposal by landfill and increase recycling rates and was approved by council in May 2012.</p> <p>The ZAP includes proposals to implement the inner city food waste collection service, which was approved by Committee in 2010 including the procurement exercise. The new service is planned to commence by June 2012</p> <p>An updated analysis of the Council's exposure to NILAS fines should Belfast not meet NILAS targets, even if arc21 collectively meet the target, was undertaken by the Waste Management Service. This information was provided to an external professional consultant who was commissioned to consider the reputational risk for the Council and identify the need for any additional actions which the Council would need to undertake to limit the exposure to risks. The consultant's report was received March 2012.</p>

	<p>Risk disclosed in AGS 2010/11</p>	<p>Action taken during 2011/12 to manage the risk declared in the AGS 10/11</p>
<p>2</p>	<p>The Council acknowledges that Health and Safety continues to be a serious issue, and remains committed to ensuring the health, safety and welfare of all its employees and service users. Hence, although many improvements in safety management have been made over the last number of years, there will be no reduction in effort during 2011/12 by the Health and Safety Assurance Board and the Corporate Health and Safety Manager to ensure the Health and Safety Assurance Framework is fully embedded and functioning throughout the Council.</p>	<p>The Health and Safety Assurance Board (comprising of the Town Solicitor & Assistant Chief Executive, Director of Finance and Resources and Director of Health and Environmental Services) continues to meet regularly on a bi-monthly basis to both provide leadership on health and safety matters and communicate same to CMT.</p> <p>The new workplace Health and Safety Committee structure has been implemented at a corporate, departmental and operational level during 11/12, to enhance health and safety communication throughout the organisation.</p> <p>Health and safety performance monitoring has been increased during 11/12 through a new corporate performance indicator measuring the number of health and safety recommendations implemented. The 80% target was achieved. Further work is planned during 12/13 to improve this performance monitoring system further.</p> <p>Work is ongoing on the identification and management of key health and safety risks within the Council and this will form of a significant external</p>

	Risk disclosed in AGS 2010/11	Action taken during 2011/12 to manage the risk declared in the AGS 10/11
		<p>review of health and safety during the early part of 12/13. The overall purpose of the audit is to provide independent assurance to Members and senior management regarding the risk management, control and governance arrangements pertaining to health and safety.</p>
3	<p>The economic climate presents ongoing challenges to the management of the overall Council financial position, in particular the management of debt, the impact on external income sources such as building control, and the implications for the rates income collected by Land and Property Service on behalf of the Council. Given this challenging environment, the Council is continuing to strengthen its financial management arrangements to improve financial planning, reporting and budgetary control and ensure that efficiency targets are met.</p>	<p>There is a Budget and Transformation (B&T) Panel in place, comprised of one Member from each of the party groupings. The Panel meets monthly in relation to the rate setting process, efficiency programme and in year budget monitoring.</p> <p>All departments prepared their estimates for 2012/13 in line with rigorous targets for efficiencies and rates increases set by the B&T Panel. The Director of Finance and Resources also provided an assurance to the Strategic Policy Committee as to the robustness of the revenue estimates as part of the committee and Council approval process. In addition Departments provided revenue and capital budgets for the next 3 financial years to inform the Medium-Term Financial Plan.</p> <p>The Council has regular contact with the Land and Property Services Agency and is a member of the Rates Strategic Steering Group, which</p>

<p>Risk disclosed in AGS 2010/11</p>	<p>Action taken during 2011/12 to manage the risk declared in the AGS 10/11</p>
	<p>helps inform the Council on any issues with rates income.</p> <p>The Council has developed a report 'Enhancing the Rate Base' which will support the development a council resourcing strategy in 2012/13.</p> <p>A programme of work was also completed to ensure that the Council is fully compliant with the requirements of the Local Government Finance Act 2011, including requirements the CIPFA prudential code and treasury management strategy. As part of the rate setting process, members considered the prudential code and treasury management indicators for 2012/13 covering:-</p> <ul style="list-style-type: none"> ▪ robustness of the estimates ▪ financial reserves ▪ borrowing ▪ medium term financial plan.

	Risk disclosed in AGS 2010/11	Action taken during 2011/12 to manage the risk declared in the AGS 10/11
4	<p>The Council still considers that despite actions undertaken over the last 12 months the need to fully implement effective governance of all major projects remains an issue. The Council, whilst having taken steps to address this issue, now needs to embed the agreed governance framework/structure, policies and procedures to ensure robust control and management of all major projects and the spend attached. Work will continue over the next year to ensure that awareness, familiarity and compliance with the agreed protocols is achieved and that governance arrangements are put in place in order to manage the risks identified.</p>	<p>Capital projects are subject to the Gate review process and the reporting mechanisms and systems are nearing completion (for both gate reviews and project performance).</p> <p>Quarterly reports are being produced by the Corvu system / P2.net system.</p> <p>Work is ongoing to develop the P2.net reporting which will take over project reporting. Report development is progressing and initial samples have been produced. It is proposed that initial reporting will be provided to the Asset Management Board for sign off.</p> <p>Project Management framework developed and in draft, work ongoing to develop a P3 approach to Portfolio, Programme and Project Management to include governance and accountability.</p>

Certificate of the Chief Financial Officer

I certify that:

- (a) the Statement of Accounts for the year ended 31 March 2012 on pages 31 to 103 has been prepared in the form directed by the Department of the Environment and under the accounting policies set out on pages 34 to 46.
- (b) in my opinion the Statement of Accounts 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.

.....
Chief Financial Officer

.....
Date

Council Approval of Statement of Accounts

These accounts were approved by resolution of the Strategic Policy and Resources Committee on 22 June 2012.

.....
Chairman

.....
Date

Independent Auditor's Report to the Members of Belfast City Council

The Local Government Auditor has requested that two pages are reserved here for the certificate and opinion.

Independent Auditor's Report to the Members of Belfast City Council cont'd

The Local Government Auditor has requested that two pages are reserved here for the certificate and opinion.

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 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.

	District Fund Summary	Statutory Reserves	Other Fund Balances & Reserves	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
	£	£	£	£	£	£	£
At 1 April 2010	6,215,384	17,371,671	3,342,917	860,000	27,789,972	333,339,239	361,129,211
Movement in reserves during the year							
Surplus or (deficit) on the provision of services	7,201,101	0	0	0	7,201,101	0	7,201,101
Other Comprehensive Income and Expenditure	0	0	0	0	0	55,268,333	55,268,333
Total Comprehensive Income and Expenditure	7,201,101	0	0	0	7,201,101	55,268,333	62,469,434
Adjustments between accounting basis & funding basis under regulations	1,277,897	(7,753,190)	0	45,065	(6,430,228)	3,075,724	(3,354,504)
Net Increase/Decrease before Transfers to Statutory and Other Reserves	8,478,998	(7,753,190)	0	45,065	770,873	58,344,057	59,114,930
Other Movements		3,123,114	1,522,904	38,000	4,684,018		4,684,018
Transfers to/from Statutory and Other Reserves	(2,876,849)	2,698,150	178,699	0	0	0	0
Increase/Decrease in Year	5,602,149	(1,931,926)	1,701,603	83,065	5,454,891	58,344,057	63,798,948
At 31 March 2011	11,817,533	15,439,745	5,044,520	943,065	33,244,863	391,683,295	424,928,159
Movement in reserves during the year							
Surplus or (deficit) on provision of services	(4,783,148)	0	0	0	(4,783,148)	0	(4,783,148)
Other Comprehensive Income and Expenditure	0	0	0	0	0	(28,660,937)	(28,660,937)
Total Comprehensive Income and Expenditure	(4,783,148)	0	0	0	(4,783,148)	(28,660,937)	(33,444,085)
Adjustments between accounting basis & funding basis under regulations	11,984,024	0	0	(31,025)	11,952,999	(14,403,834)	(2,450,835)
Net Increase/Decrease before Transfers to Statutory and Other Reserves	7,200,876	0	0	(31,025)	7,169,851	(43,064,771)	(36,894,920)
Other Movements	52,102	(8,946,412)	1,646,074	38,000	(7,210,236)	0	(7,210,236)
Transfers to/from Statutory and Other Reserves	(5,165,815)	6,550,330	(334,185)	0	1,050,330	0	1,050,330
Increase/Decrease in Year	2,087,163	(2,396,082)	1,311,889	6,975	1,009,946	(43,064,771)	(42,054,825)
At 31 March 2012	13,904,696	13,043,663	6,356,409	960,040	34,254,809	348,618,524	382,873,334

Belfast City Council

Comprehensive Income and Expenditure Statement for the year ended 31 March 2012

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 £	2011/12 Gross Income £	Net Cost £	Gross Expenditure £	2010/11 Gross Income Restated £	Net Cost £
Services Expenditure							
Leisure and Recreational Services		74,177,398	15,556,042	58,621,356	82,800,676	14,791,454	68,009,222
Environmental Services		69,032,089	10,217,600	58,814,489	70,794,515	10,209,545	60,584,970
DRM and Corporate Management		12,320,207	3,483,523	8,836,684	14,835,492	4,476,524	10,358,968
Other Services		21,846,944	8,134,115	13,712,829	21,007,808	51,376,684	(30,368,876)
Cost of Services on Continuing Operations	4-6	177,376,638	37,391,280	139,985,358	189,438,491	80,854,207	108,584,284
Other Operating Expenditure	7	0	439,305	(439,305)	0	144,899	(144,899)
Financing and Investment Income and Expenditure	8	25,137,365	27,149,370	(2,012,005)	38,219,218	25,919,079	12,300,139
Surplus or Deficit on Discontinued Operations		0	0	0	0	0	0
Exceptional item not included in cost of services above		(1,254,883)		(1,254,883)			
Net Operating Expenditure		201,259,120	64,979,955	136,279,165	227,657,709	106,918,185	120,739,524
Taxation and Non-Specific Grant Income	9	0	131,496,017	(131,496,017)	0	127,940,625	(127,940,625)
Surplus/(Deficit) on the Provision of Services		201,259,120	196,475,972	(4,783,148)	227,657,709	234,858,810	7,201,101
Surplus/(Deficit) on revaluation of non-current assets	10a/10b/10d			4,144,063			(23,610,667)
Surplus/(Deficit) arising on revaluation of available-for-sale financial assets	25a/25b			0			0
Actuarial gains/losses on pension assets/liabilities				(32,805,000)			78,879,000
Other Comprehensive Income and Expenditure				(28,660,937)			55,268,333
Total Comprehensive Income and Expenditure				(33,444,086)			62,469,434

Belfast City Council
Balance Sheet As At 31 March 2012

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	2011/12 £	RESTATED 2010/11 £	RESTATED 2009/10 £
Property Plant & Equipment (PP&E)	10a/10b	402,160,701	418,326,057	468,406,589
Land & Buildings	10a/10b	365,378,378	372,753,527	408,626,470
Infrastructure Assets	10a/10b	0	0	0
Landfill Site	10a/10b	0	0	0
Vehicles, Plant, Furniture and Equipment	10a/10b	10,350,014	13,523,027	14,158,284
Community Assets	10a/10b	188	184	182
PP&E under Construction	10a/10b	11,472,120	12,011,820	18,327,695
Surplus Assets	10a/10b	14,960,001	20,037,499	27,293,958
Heritage Assets	10d	3,121,258	2,273,481	1,860,581
Investment Properties	10a/10b	82,665,000	84,656,294	97,050,625
Intangible Assets	10a/10b	0	0	0
Assets Held for Sale	10e	61,500	155,500	4,228,000
Long Term Investments	15a	0	0	0
Investment in Associates and Joint Ventures		0	0	0
Long Term Debtors	14a	13,438,239	15,520,097	17,145,673
LONG TERM ASSETS		501,446,698	520,931,429	588,691,467
Short Term Investments	15b/24a	0	0	0
Inventories	13	208,113	256,446	183,831
Short Term Debtors	14b	10,336,193	11,343,000	14,945,038
Cash and Cash Equivalents	24b	70,915,368	59,000,398	38,399,081
Assets Held for Sale	10e	100,000	100,000	100,000
CURRENT ASSETS		81,559,674	70,699,844	53,627,950
Bank Overdraft		36,335,364	29,324,168	32,059,524
Short Term Borrowing	16a	53,321	0	42,394
Short Term Creditors	17a	20,300,766	25,024,232	18,850,612
Provisions	18	6,942,183	7,953,000	5,840,638
Liabilities in Disposal Groups		0	0	0
CURRENT LIABILITIES		63,631,634	62,301,400	56,793,168
Long Term Creditors	17b	0	0	143,459
Provisions	18	1,427,929	1,495,244	4,407,639
Long Term Borrowing	16b	28,412,534	29,232,099	29,970,455
Other Long Term Liabilities	5,20	106,660,942	73,674,372	189,875,485
Donated Assets Account	21	0	0	0
Government Grants Deferred		0	0	0
Capital Grants Receipts in Advance	22	0	0	0
LONG TERM LIABILITIES		136,501,405	104,401,715	224,397,038
NET ASSETS		382,873,333	424,928,168	361,129,211
USABLE RESERVES		34,254,809	33,244,863	27,789,972
Capital Receipts Reserve	CRR 25a/25b	950,040	943,065	860,000
Capital Grants Unapplied Account	Other 25a/25b	0	0	0
Capital Fund	Statutory 25a/25b	13,043,663	15,439,745	8,804,256
Renewal and Repairs Fund	Statutory 25a/25b	0	0	8,567,415
Other Balances and Reserves	Other 25a/25b	6,356,409	5,044,520	3,342,917
District Fund	Dist Fd 25a/25b	13,904,696	11,817,533	6,215,384
UNUSABLE RESERVES		348,618,524	391,683,295	333,339,239
Capital Adjustment Account	25a/25b	382,101,328	394,716,599	427,449,834
Financial Instruments Adjustment Account	25a/25b	0	0	0
Revaluation Reserve	25a/25b	74,404,624	71,848,061	97,022,890
Available for Sale Financial Instruments Reserve	25a/25b	0	0	0
Pensions Reserve	25a/25b	(106,660,942)	(73,674,372)	(189,875,485)
Capital Receipts Deferred Account	25a/25b	0	0	0
Accumulated Absences Account	25a/25b	(1,226,485)	(1,206,992)	(1,066,721)
Rates Claw-Back Reserve	25a/25b	0	0	(191,279)
NET WORTH		382,873,333	424,928,168	361,129,211

Belfast City Council
Cash Flow Statement at 31 March 2012

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	2011/12 £	2010/11 £
Net (surplus) or deficit on the provision of services		(4,783,148)	7,201,101
Adjustment to surplus or deficit on the provision of services for noncash movements		18,700,910	23,472,105
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(2,369,812)	(4,412,188)
		<hr/>	<hr/>
Net cash flows from operating activities	24a), 24c)	11,547,950	26,261,018
Net Cash flows from Investing Activities	24d)	(5,877,931)	(2,143,596)
Net Cash flows from Financing Activities	24e)	(766,245)	(780,749)
Net increase or decrease in cash and cash equivalents		4,903,774	23,336,673
Cash and cash equivalents at the beginning of the reporting period		29,676,230	6,339,557
Cash and cash equivalents at the end of the reporting period		<hr/> <u>34,580,004</u>	<hr/> <u>29,676,230</u>
Check cash and cash equivalents at the end of the reporting period		34,580,004	29,676,230

LOANS POOL

REVENUE ACCOUNT YEAR ENDED 31 MARCH 2012

EXPENDITURE		INCOME	
	£		£
<u>INTEREST</u>		<u>INTEREST</u>	
1 Paid to outside sources:-		1 From Investments	282,186
Government Loans Fund	1,981,923	2 From Bank	-
Other Mortgages	225,379	3 Charged to borrowing A/C's:-	
Bonds	-	(Average Rate = 4.602%)	
Temporary Loans	-	1 External Services	
Bank Overdraft	1,144	(to be specified)	
		NI Housing Executive	606,601
2 Credited to internal sources	196,566	2 District Services	
		(to be specified)	
		Policy & Resources	610,392
		Parks & Leisure	492,703
		Health & Environmental	148,367
		Development	265,323
			1,516,785
<u>FINANCING EXPENSES</u>		<u>FINANCING EXPENSES</u>	
Loss on realisation of investments	-	Profit on sale of investments	-
Cost of raising loans	27,525	Sundry items	
Other items	-	Charged to borrowing A/C's:-	
		(Average Rate = 0.060%)	
		1 External Services	
		(to be specified)	
		NI Housing Executive	7,909
		2 District Services	
		(to be specified)	
		Policy & Resources	-
		Parks & Leisure	19,776
		Health & Environmental	-
		Development	-
			19,776
TOTAL	2,432,537	TOTAL	2,433,257
Balance against at commencement of year	2	Balance in favour at commence of year	291
Balance in favour at end of year	263,549	Balance against at end of year	262,540
	2,696,088		2,696,088

LOANS POOL (CONTINUED)			
CAPITAL CASH ACCOUNT YEAR ENDED 31 MARCH 2012			
RECEIPTS		PAYMENTS	
	£		£
<u>LOANS RAISED</u>		<u>LOANS REPAID</u>	
1 From external sources:-		1 To external sources:-	
Government Loans Fund	-	Government Loans Fund	766,245
Other Mortgages	-	Other Mortgages	-
Bonds - 1 Negotiable	-	Bonds - 1 Negotiable	-
2 Other	-	2 Other	-
Temporary Loans		Temporary Loans	-
2 From internal sources	965,137	2 To internal sources	2,902,975
<u>ADVANCE REPAID BY BORROWING ACCOUNTS</u>		<u>ADVANCE MADE TO</u>	
External Services (to be specified)		District Services (to be specified)	
NI Housing Executive	1,530,810	Policy & Resources	-
District Services (to be specified)		Parks & Leisure	-
Policy & Resources	2,600,108	Health & Environmental Development	-
Parks & Leisure	1,784,678	To Sinking Fund	1,646,074
Health & Environmental Development	542,818	Reserve Fund	-
	5,765,394		
	10,692,998		
INVESTMENTS SOLD	306,500,000	INVESTMENTS PURCHASED	319,500,000
TOTAL	319,688,945	TOTAL	324,815,294
Cash in hand at commencement of year	-	Cash overdrawn at commencement of year	27,493,401
Debtor at start of year	-	Debtor at year end	
Cash overdrawn at end of year	32,619,750	Cash in hand at end of year	-
	352,308,695		352,308,695

LOANS POOL (CONTINUED)

BALANCE SHEET AS AT 31 MARCH 2012

LIABILITIES		ASSETS	
	£		£
<u>CAPITAL</u>		<u>CAPITAL</u>	
Loans outstanding:		Advances to borrowing services:	
1 From external sources:-		1 External sources:-	
Government Loans Fund	25,465,853	(to be specified)	
Other Mortgages	3,000,000	NI Housing Executive	11,650,430
Bonds - 1 Negotiable	-	2 District Services	
2 Other	-	(to be specified)	
Temporary Loans	-	Policy & Resources	10,663,509
		Parks & Leisure	8,921,600
		Health & Environmental	2,681,151
		Development	-
2 From internal sources	11,953,047		22,266,260
		TOTAL ADVANCES	33,916,690
Reserve Fund	110,024	Sinking Fund	5,931,985
Cash overdrawn	32,619,751	Investments	33,300,000
		Cash at bank	-
	73,148,675		73,148,675
<u>REVENUE</u>		<u>REVENUE</u>	
Creditors	263,549	Debtors	262,540
Cash overdrawn	262,540	Cash at bank	263,549
	73,674,764		73,674,764

LOANS POOL (CONTINUED)			
LOAN SANCTION EXERCISED YEAR ENDED 31 MARCH 2012			
		£	£
1	Sanctions exercised before start of year (and repayment period still unexpired)		
	External Services	13,181,240	
	District Services	32,959,258	
		46,140,498	
2	Sanctions exercised during year	-	46,140,498
LESS	(1) Repayments received in respect of above before start of year		
	(2) Normal repayments received during year		
	District Services	1,646,074	
	External Services	1,530,810	
	(3) Additional repayments received during year		
	District Services	9,046,924	
	External Services	-	12,223,808
	Net total of advances outstanding		33,916,690
LOAN SANCTIONS UNEXERCISED			
		£	£
	Sanctions unexercised at beginning of year	15,604,839	
ADD	- Sanctions granted during year	-	15,604,839
LESS	- Sanctions exercised during year	-	
	Sanctions lapsed, cancelled or given up during year	-	-
	Sanctions unexercised at end of year		15,604,839

1A Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. 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 2011/12 and the Service Reporting Code of Practice 2011/12, 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 2011/12 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 5.5% (based on the indicative rate of return on high quality corporate bonds on the iBoxx Sterling Corporate Index, AA over 15 years with recently re-rated bonds removed from the index).

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

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

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

- **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 Statement of Standard Accounting Practice 9 Stocks and Long-Term Contracts (SSAP9).

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 2012.

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 2011/12* (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 its Land and Buildings, with approximately 25% of these assets being revalued each year and the remainder of the assets indexed in line with construction costs and land value inflation indices. This revaluation is also carried out by independent Chartered Surveyors. 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 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 any depreciation, amortisation or impairment losses. These insurance valuations are updated on a periodic basis.

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

From 1 April 2012 the Council will be adopting the CIPFA Prudential Code on Capital Finance in Local Authorities

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.

Belfast City Council
Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2012

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 District Fund – Service Income and Expenditure Analysis in the Department of Environment's Accounts Direction.

The District 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
Leisure and Recreational Services	74,177,398	15,556,042	58,621,356
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
Environmental Services	69,032,089	10,217,600	58,814,489
Democratic Representation and Management	4,158,801	97,913	4,060,888
Corporate Management	8,161,406	3,385,610	4,775,796
DRM and Corporate Management	12,320,207	3,483,523	8,836,684
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	3,111,404	(53,000)	3,164,404
Central Services to the Public	1,231,779	650,279	581,500
Other Services	21,846,943	8,134,114	13,712,829
CONTINUING OPERATIONS	177,376,637	37,391,279	139,985,358

Belfast City Council
Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2012

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

	£	£
Net Cost of Services in Service Analysis		139,985,358
Items excluded from Service Analysis:		
Add amounts not reported in Service Analysis but included in Net Cost of Services in Comprehensive Income and Expenditure Statement		
Remove amounts reported in Service Analysis but not included in Net Cost of Services in Comprehensive Income and Expenditure Statement	0	0
		<hr/>
Cost of Services on Continuing Operations in the Comprehensive Income and Expenditure Statement		139,985,358
Items included in Net Operating Expenditure excluded from Service Analysis:		
Other Operating Expenditure	(439,305)	
Financing and Investment Income and Expenditure	(2,012,005)	
exceptional items	(1,254,883)	
Surplus or Deficit on Discontinued Operations	0	(3,706,193)
		<hr/>
Net Operating Expenditure per the Comprehensive Income and Expenditure Statement		136,279,165

Belfast City Council
Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2011

2b 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 District Fund – Service Income and Expenditure Analysis in the Department of Environment's Accounts Direction.

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

Services	2010/11		
	Gross Expenditure	Gross Income	Net Expenditure/(Income)
	£	Restated £	£
Culture and Heritage	11,468,278	3,782,742	7,685,536
Recreation and Sport	56,612,719	8,389,399	48,223,320
Tourism	5,762,122	970,402	4,791,720
Community Services	8,957,557	1,648,911	7,308,646
Leisure and Recreational Services	82,800,676	14,791,454	68,009,222
Cemetery, Cremation and Mortuary	3,716,001	1,726,055	1,989,946
Environmental Health	19,587,466	2,918,270	16,669,196
Flood Defence and Land Drainage	0	0	0
Public Conveniences	753,655	4,282	749,373
Licensing	0	998	(998)
Other Cleaning	14,579,940	30,368	14,549,572
Waste Collection	16,312,508	3,352,339	12,960,169
Waste Disposal	11,131,084	(40,632)	11,171,716
Building Control	4,713,861	2,217,865	2,495,996
Other Community Assets	0	0	0
Minor Works	0	0	0
Environmental Services	70,794,515	10,209,545	60,584,970
Democratic Representation and Management	3,973,731	(72,314)	4,046,045
Corporate Management	10,861,760	4,548,837	6,312,923
DRM and Corporate Management	14,835,491	4,476,523	10,358,968
Economic Development	12,281,584	4,606,553	7,675,031
Trading Services	4,918,894	3,264,377	1,654,517
Non Distributed Costs	2,350,325	42,715,000	(40,364,675)
Central Services to the Public	1,457,005	790,754	666,251
Other Services	21,007,808	51,376,684	(30,368,876)
CONTINUING OPERATIONS	189,438,490	80,854,206	108,584,284

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

	£	£
Net Cost of Services in Service Analysis		108,584,284
<i>Items excluded from Service Analysis:</i>		
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
Cost of Services on Continuing Operations in the Comprehensive Income and Expenditure Statement		108,584,284
<i>Items included in Net Operating Expenditure excluded from Service Analysis:</i>		
Other Operating Expenditure	(144,899)	
Financing and Investment Income and Expenditure	12,300,139	
Surplus or Deficit on Discontinued Operations	0	
		12,155,240
Net Operating Expenditure per the Comprehensive Income and Expenditure Statement		120,739,524

Belfast City Council
Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2012

3a Adjustments between accounting basis and funding basis under regulations

	Notes	2011/12 £	2011/12 £	2010/11 £	2010/11 £
Amounts included in the Comprehensive Income and Expenditure Statement but required by statute to be excluded when determining the Movement on the District Fund Balance for the year:					
Impairments (losses & reversals) of non-current assets	10a/b & 10d/e	(59,453)		0	
Derecognition (other than disposal) of non-current assets	10a/b & 10d/e	2		2	
Revaluation increases/decreases taken to Surplus/Deficit on the Provision of Services	10a/b & 10d/e	13,815,447		35,408,552	
Depreciation charged in the year on non-current assets	10a/10b,23	10,650,775	24,406,771	10,283,923	45,692,477
Net Revenue expenditure funded from capital under statute			0		0
Carrying amount of non current assets sold	10a/b & 10d/e	618,000		2,846,886	
Proceeds from the sale of PP&E, investment property and intangible assets	23,25	(1,057,305)	(439,305)	(2,991,785)	(144,899)
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		10,608,000		(27,400,000)
Direct revenue financing of Capital Expenditure	11,25		(217,000)		(3,991,253)
Capital Grants and Donated Assets Receivable and Applied in year	8b		(1,312,507)		(1,420,403)
Capital Grants Receivable and Unapplied in year	8c		0		0
Rates Claw-Back Reserve	25a/25b		0		(191,279)
Adjustments in relation to Short-term compensated absences	17		19,493		140,271
Adjustments in relation to Lessor Arrangements			38,000		38,000
Amounts not included in the Comprehensive Income and Expenditure Statement but required by statute to be included when determining the Movement on the District Fund Balance for the year					
Loans/Lease principal repayments during the year	25a/25b		(10,692,998)		(1,522,904)
Employers contributions payable to the NILGPF and retirement benefits payable direct to pensioners	20a		(10,426,430)		(9,922,113)
			11,984,024		1,277,897

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

		2011/12 £	2011/12 £	2010/11 £	2010/11 £
Capital Fund					
Interest		0		0	
Other	25a/25b	(5,500,000)	(5,500,000)	(3,705,019)	(3,705,019)
Renewal and Repairs Fund					
Interest				0	
Other	25a/25b		0	1,006,869	1,006,869
Other Funds and earmarked reserves					
Interest		(9,031)		(8,699)	
Other	25a/25b	343,216	334,185	(170,000)	(178,699)
			(5,165,815)		(2,876,849)

Belfast City Council
Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2012

Cost of Services on Continuing Operations

4a **Section 115** of the Local Government Act (Northern Ireland) 1972 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 £310,229 in 2011/12 (£309,733 in 2010/11). The actual expenditure during 2011/12 amounted to £294,869 (£162,713 in 2010/11)

	2011/12	2010/11
	£	£
Mary Peters Trust	5,000	5,000
City of Belfast Youth Concert Band	0	5,000
Northern Ireland Commonwealth Games Council	0	25,000
Fuel Stamp Scheme	45,000	21,957
Common Purpose Belfast (Bursaries)	6,000	6,000
Local Area Based Initiatives	115,036	99,756
Employment Services Board	30,000	0
European Social Fund Projects	93,112	0
Gaelic Football Match - Dublin City Council	721	0
	294,869	162,713

4b **Section 115c** Expenditure as required by Article 41 of the Local Government (Miscellaneous Provisions) (Northern Ireland) Order 1992 requires Councils to maintain a separate record of its expenditure on publicity. This is analysed as follows:

	2011/12	2010/11
	£	£
Promoting Tourism	168,967	150,927
Promoting Leisure Facilities	85,352	92,967
Community Relations	9,478	7,370
Refuse Collection	5,533	446
Other Advertising	674,328	501,911
	943,658	753,621

4c 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.

	2011/12	2010/11
	£	£
External Audit Fees - Recurring Estimated	85,000	65,731
Grant Claim Certification Fees	0	1,891
Other Fees	0	0
	85,000	67,622

There were no other fees payable in respect of any other services provided by the appointed auditor over and above those described above (2010/11 £NIL).

**Belfast City Council
Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2012**

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 community sports and leisure provider on a finance lease with a remaining term of 50 years and has leased out property to a local bank on a finance lease with a remaining term of 70 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.

	2012	2011
	£	£
Long Term Debtors		
Finance leases-gross receivables	2,508,000	2,546,000
Less-Unearned finance income	(1,880,955)	(1,918,151)
Less-Unguaranteed residual value of property	0	0
Net present value	627,045	627,849

Short Term Debtors		
Finance leases-gross receivables	38,000	38,000
Less-Unearned finance income	(37,196)	(37,241)
Less-Unguaranteed residual value of property	0	0
Net present value	804	759

Gross receivables from finance leases		
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	2,356,000	2,394,000
Total gross receivables	2,546,000	2,584,000
Less-Unearned future finance income on finance leases	(1,918,151)	(1,955,392)
Less-Unguaranteed residual value of property	0	0
Net investment in finance leases	627,849	628,608

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

	2012	2011
	£	£
No later than 1 year	804	759
Later than 1 year and no later than 5 years	0	0
Later than 5 years	627,045	627,849
Total gross receivables	627,849	628,608

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 £5,636,443 (previous year: £5,633,532). 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:

	2012		2011	
	Land and buildings	Vehicles, plant and equipment	Land and buildings	Vehicles, plant and equipment
	£	£	£	£
Minimum lease rentals receivable:				
No later than 1 year	5,379,110	0	5,079,408	0
Later than 1 year and no later than 5 years	18,543,744	0	18,330,058	0
Later than 5 years	333,082,068	0	353,132,417	0
	357,004,922	0	376,541,883	0

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

	2012		2011	
	Land and buildings	Vehicles, plant and equipment	Land and buildings	Vehicles, plant and equipment
	£	£	£	£
Cost	79,706,294	0	90,106,919	0
Accumulated depreciation and impairments at 1 April	0	0	0	0
Depreciation charge for the year	0	0	0	0
Impairments	(1,706,294)	0	(800,625)	0
Revaluations	600,000		(9,600,000)	
	78,600,000	0	79,706,294	0

Council as Lessee:**5c Finance Leases (Council as lessee)**

The Council has no lessee finance leases during 2011/12 (2010/11 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 expenditure charged to services in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2011/12		2010/11	
	Land and buildings	Vehicles, plant and equipment	Land and buildings	Vehicles, plant and equipment
	£	£	£	£
Minimum lease payments	1,101,464	27,154	1,104,896	66,770
Contingent rentals	0	0	0	0
Less: Sublease payments receivable	0	0	0	0
	1,101,464	27,154	1,104,896	66,770

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:

	2012		2011	
	Land and buildings	Vehicles, plant and equipment	Land and buildings	Vehicles, plant and equipment
	£	£	£	£
Minimum lease rentals payable:				
No later than 1 year	1,039,150	11,182	828,433	27,154
Later than 1 year and no later than 5 years	3,336,151	12,185	3,282,916	31,733
Later than 5 years	3,566,016	0	4,152,600	0
	7,941,317	23,367	8,263,949	58,887

6 Employee Costs and Members' Allowances

6a Staff Costs

	2011/12	2010/11
	£	£
Salaries and wages	63,580,938	64,029,164
Employers National Insurance	4,561,188	4,518,025
Employers pension costs	9,574,992	9,106,020
Total	77,717,118	77,653,209

In addition, agency costs during the year amounted to £4,266,580 (2010/11 £3,843,782).

The Council's current contribution rate to the NILGOSC scheme is 18%. At the last actuarial valuation, dated 31 March 2010, the Fund's assets as a whole were sufficient to meet 82% (2007: 89%) of the liabilities accrued up to that date.

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

	2011/12	2010/11
	FTE	FTE
Environmental services	835	856
Leisure services	619	633
Other	870	874
Total Number	2,324	2,363
	Actual Numbers	Actual Numbers
Full-time numbers employed	2,205	2,222
Part-time numbers employed	330	327
Total Number	2,535	2,549

6c Senior Employees' Remuneration

	2011/12	2010/11
£50,001 to £60,000	30	31
£60,001 to £70,000	4	4
£70,001 to £80,000	11	11
£80,001 to £90,000	2	4
£90,001 to £100,000	4	4
£100,001 to £110,000	0	0
£110,001 to £120,000	1	1
Total Number	52	55

6d Members' Allowances

During the year Members' allowances (paid under Sections 12 and 36 of the Local Government Act (NI) 1972), including Employer's costs, totalled £710,158 (2010/11 £715,587) and are as follows:

	2011/12	2010/11
	£	£
Salaries	0	0
Basic allowance	496,114	493,310
Mayor's & Deputy Mayor's Allowance	40,588	34,225
Dependents' carers allowance	0	0
Employer costs	38,205	57,844
Mileage	20,107	17,069
Conferences and Courses	17,392	13,323
Travel Costs	8,888	11,681
Subsistence	7,241	6,229
Special responsibility allowances	81,622	81,906
Miscellaneous	0	0
Total	710,158	715,587

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	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
£0 to £20,000	0	0	1	0	1	0	14,577	0
£20,001 to £40,000	0	0	0	6	0	6	0	202,039
£40,001 to £60,000	0	0	3	4	3	4	139,652	211,681
£60,001 to £80,000	0	0	3	3	3	3	225,888	214,138
£80,001 to £100,000	0	0	0	3	0	3	0	265,213
£100,001 to £150,000	0	0	0	2	0	2	0	216,168
£150,000 plus	0	0	1	1	1	1	203,909	155,476
Total	0	0	8	19	8	19	584,026	1,264,715

7 Other Operating Expenditure

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

	2011/12	2010/11
	£	£
Proceeds from sale	(1,057,305)	(2,991,785)
Carrying amount of non-current assets sold (excl Investment Properties)	618,000	2,846,886
	(439,305)	(144,899)

7b Other Operating Income/Expenditure

	2011/12	2010/11
	£	£
Income	0	0
Expenditure	0	0
	0	0

Summary

Other Operating Gross Income	(439,305)	(144,899)
Other Operating Gross Expenditure	0	0

Summary of Other Operating expenditure:

	2011/12	2010/11
	£	£
Surplus/Deficit on Non-Current Assets	(439,305)	(144,899)
Other Operating Income/Expenditure	0	0
Total Other Operating expenditure	(439,305)	(144,899)

8 Financing and Investment Income and Expenditure

8a Interest Payable and Similar Charges

	2011/12	2010/11
	£	£
Lease/hire purchase interest	0	0
Bank interest	0	0
Loan Interest	1,531,869	1,512,870
Other interest (please specify)	0	0
	1,531,869	1,512,870

8b Interest and Investment Income

	2011/12	2010/11
	£	£
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	(190,686)	(85,547)
	(190,686)	(85,547)

8c Pensions interest cost and expected return on pensions assets

	2011/12	2010/11
	£	£
Expected return on assets in the scheme	(21,323,000)	(20,200,000)
Interest cost	20,961,000	24,049,000
	(362,000)	3,849,000

8d Surplus/(Deficit) on trading operations

	2011/12	2010/11
	£	£
Income from trading	0	0
Expenditure	0	0
(Surplus)/Deficit for the year	0	0

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

	2011/12	2010/11
	£	£
Income/Expenditure from Investment Properties:		
Income including rental income	(5,635,684)	(5,633,532)
Expenditure	653,202	506,723
De-recognition in relation to amounts written off	0	0
<i>Net income from investment properties</i>	(4,982,482)	(5,126,809)
Surplus/deficit on sale of Investment Properties:		
Proceeds from sale	0	0
Carrying amount of investment properties sold	0	0
<i>(Surplus)/deficit on sale of Investment Properties:</i>	0	0
Changes in Fair Value of Investment Properties		
	1,991,294	12,150,625
	(2,991,188)	7,023,816

Summary

Financing and Investment Gross Income	(27,149,370)	(25,919,079)
Financing and Investment Gross Expenditure	25,137,365	38,219,218

Summary of Financing and Investment Income and Expenditure:

	2011/12 £	2010/11 £
Interest Payable and Similar Charges	1,531,869	1,512,870
Interest and Investment Income	(190,686)	(85,547)
Pensions interest cost and expected return on pensions assets	(362,000)	3,849,000
Surplus/(Deficit) on trading operations	0	0
Changes in Fair Value of Investment Properties	1,991,294	12,150,625
Other investment income	(4,982,482)	(5,126,809)
Total Financing and Investment Income and Expenditure	-2,012,005	12,300,139
CHECK	0	0

	2011/12			2010/11		
	Gross Expenditure	Gross Income	Net Cost	Gross Expenditure	Gross Income	Net Cost
	£	£	£	£	£	£
Interest Payable and Similar Charges	1,531,869	0	1,531,869	1,512,870	0	1,512,870
Interest and Investment Income	0	190,686	(190,686)	0	85,547	(85,547)
Pensions interest cost and expected return on pensions assets	20,961,000	21,323,000	(362,000)	24,049,000	20,200,000	3,849,000
Surplus/(Deficit) on trading operations	0	0	0	0	0	0
Changes in Fair Value of Investment Properties	1,991,294	0	1,991,294	12,150,625	0	12,150,625
Other investment income	653,202	5,635,684	(4,982,482)	506,723	5,633,532	(5,126,809)
	25,137,365	27,149,370	(2,012,005)	38,219,218	25,919,079	12,300,139

Belfast City Council
Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2012

9 Taxation and Non-Specific Grant Income

9a Revenue Grants

	2011/12	2010/11
	£	£
General	4,153,820	4,158,801
Other	0	0
Other	0	0
Other	0	0
	4,153,820	4,158,801

9b Capital Grants and Donated Assets-Applied

	2011/12	2010/11
	£	£
Government & Other Grants-Conditions met and applied in year	1,312,507	1,420,403
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
	1,312,507	1,420,403

9c Capital Grants-Unapplied

	2011/12	2010/11
	£	£
Government & Other Grants-Conditions met and not applied in year	0	0
Other	0	0
	0	0

9d District Rates

	2011/12	2010/11
	£	£
Current year	126,173,401	122,123,160
Finalisation - previous year	0	238,261
Transitional Relief	0	0
Finalisation - other years	(143,711)	0
	126,029,690	122,361,421

Summary of Taxation and Non-Specific Grant Income:

	2011/12	2010/11
	£	£
District Rates Income	126,029,690	122,361,421
Revenue Grants	4,153,820	4,158,801
Capital Grants and Contributions	1,312,507	1,420,403
Total Taxation and Non-Specific Grant Income	131,496,017	127,940,625

Belfast City Council
Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2012

10a Fixed Assets Note - Current 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	Intangible Assets	
	£	£	£	£	£	£	£	£	£	£	£
Cost or Valuation											
At 1 April 2011	115,824,606	263,658,128	0	0	31,162,188	184	12,011,820	20,037,499	442,694,425	16,700,000	544,050,719
Adjustments between cost/value & depreciation/impairment	0	0	0	0	0	0	0	0	0	0	0
Adjusted opening balance	115,824,606	263,658,128	0	0	31,162,188	184	12,011,820	20,037,499	442,694,425	16,700,000	544,050,719
Additions (Note 11)	3	1,293,102	0	0	56,811	668,291	1,449,438	1	3,467,646	0	3,467,646
Donations	0	0	0	0	0	0	0	0	0	0	0
Revaluation increases/decreases to Revaluation Reserve	(4,161,329)	5,851,736	0	0	0	0	(1,750,000)	(3,275,000)	(3,334,593)	0	(3,334,593)
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(9,471,124)	(167,105)	0	0	0	(907,425)	0	(1,184,499)	(11,730,153)	0	(13,721,447)
Derecognition - Disposals	0	0	0	0	(271,604)	0	0	(618,000)	(889,604)	0	(889,604)
Derecognition - Other	0	(1)	0	0	0	0	0	0	(1)	0	(1)
Reclassifications & Transfers	0	0	0	0	0	239,138	(239,138)	0	0	0	0
Reclassified to Held for Sale	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
Adjustment-Landfill Deferred Charge (Note 18)	0	0	0	0	0	0	0	0	0	0	0
At 31 March 2012	102,192,156	270,635,860	0	0	30,947,395	188	11,472,120	14,960,001	430,207,720	16,700,000	529,572,720
Depreciation and Impairment											
At 1 April 2011	0	6,729,207	0	0	17,639,161	0	0	0	24,368,368	16,700,000	41,068,368
Adjustments between cost/value & depreciation/impairment	0	0	0	0	0	0	0	0	0	0	0
Adjusted opening balance	0	6,729,207	0	0	17,639,161	0	0	0	24,368,368	16,700,000	41,068,368
Depreciation Charge	0	7,420,851	0	0	3,229,824	0	0	0	10,650,775	0	10,650,775
Depreciation written out on Revaluation Reserve	0	(6,700,520)	0	0	0	0	0	0	(6,700,520)	0	(6,700,520)
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
Impairment losses/reversals to Revaluation Reserve	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
Derecognition - Disposals	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	(271,604)
Reclassifications & Transfers	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
At 31 March 2012	0	7,449,638	0	0	20,597,381	0	0	0	28,047,019	16,700,000	44,747,019
Net Book Value											
At 31 March 2012	102,192,156	263,186,222	0	0	10,350,014	188	11,472,120	14,960,001	402,160,701	0	484,825,701
At 31 March 2011	115,824,606	266,928,921	0	0	13,523,027	184	12,011,820	20,037,499	418,326,057	0	502,982,351

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 each year and the remainder indexed in line with construction costs and land value inflation indices. In the 2011/12 year this revaluation was carried out by The Land & Property Services Agency.

Please refer to note 1A(xix) for further information on revaluation and depreciation policies.

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 Roselawr 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 2012

10b Fixed Assets Note - Comparative Year

	Property, Plant & Equipment (PP&E)											TOTAL
	Land	Buildings	Infrastructure Assets	Landfill Site	Vehicles, Plant & Equipment	Community Assets Restated	PP&E Under Construction Restated	Surplus Assets	Total PP&E	Investment Properties	Intangible Assets	
	£	£	£	£	£	£	£	£	£	£	£	£
Cost or Valuation												
At 1 April 2010	148,393,307	266,807,857	0	0	29,853,749	195	18,355,474	27,309,843	480,720,425	97,050,625	16,700,000	604,471,050
Adjustments between cost/value & depreciation/impairment	0	0	0	0	0	(13)	(27,780)	0	(27,783)	0	0	(27,783)
Adjusted opening balance	148,393,307	266,807,857	0	0	29,853,749	182	18,327,695	27,309,843	480,692,633	97,050,625	16,700,000	604,443,258
Additions (Note 11)	2	1,879,103	0	0	2,026,943	385,660	1,737,566	1	6,009,276	6,294	0	6,015,569
Donations	0	0	0	0	0	0	0	0	0	0	0	0
Revaluation increases/decreases to Revaluation Reserve	(16,843,402)	(4,162,719)	0	0	0	0	(5,300,000)	(3,872,984)	(30,179,115)	0	0	(30,179,115)
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(15,705,300)	(1,013,012)	0	0	0	(1,769,664)	0	(3,522,451)	(22,010,427)	(12,150,625)	0	(34,161,052)
Derecognition - Disposals	0	0	0	0	(1,655,037)	0	0	0	(1,655,037)	0	0	(1,655,037)
Derecognition - Other	(1)	(1)	0	0	0	0	0	0	(2)	0	0	(2)
Reclassifications & Transfers	(20,000)	146,900	0	0	936,533	1,404,006	(2,340,540)	123,100	249,989	(250,000)	0	(1)
Reclassified to Heritage Assets	0	0	0	0	0	0	(412,901)	0	(412,901)	0	0	(412,901)
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 2011	115,624,606	263,658,128	0	0	31,162,188	184	12,011,820	20,037,499	442,694,426	84,656,294	16,700,000	544,050,719
Depreciation and Impairment												
At 1 April 2010	0	6,574,694	0	0	15,695,465	0	0	15,865	22,286,044	0	16,700,000	38,986,044
Adjustments between cost/value & depreciation/impairment	0	0	0	0	0	0	0	0	0	0	0	0
Adjusted opening balance	0	6,574,694	0	0	15,695,465	0	0	15,865	22,286,044	0	16,700,000	38,986,044
Depreciation Charge	0	6,707,076	0	0	3,576,847	0	0	0	10,283,923	0	0	10,283,923
Depreciation written out on Revaluation Reserve	0	(6,552,563)	0	0	0	0	0	(15,865)	(6,568,448)	0	0	(6,568,448)
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	(1,633,151)	0	0	0	(1,633,151)	0	0	(1,633,151)
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 2011	0	6,729,207	0	0	17,639,161	0	0	0	24,368,368	0	16,700,000	41,068,368
Net Book Value												
At 31 March 2011	115,624,606	266,928,921	0	0	13,523,027	184	12,011,820	20,037,499	418,326,057	84,656,294	0	502,982,351
At 31 March 2010	148,393,307	260,233,163	0	0	14,158,284	182	18,327,695	27,293,958	468,408,589	97,050,625	0	565,457,214

Intangible Assets

Intangible assets relate solely to landfill closure costs.

Investment properties

Additions in the year of £6,294 include amounts in relation to 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 each year and the remainder indexed in line with construction costs and land value inflation indices. In the 2010/11 year this revaluation was carried out by the Land & Property Services Agency.

Please refer to note 1A(xix) for further information on revaluation and depreciation policies. Councils should refer to the significant assumptions applied in estimating fair values.

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 £20,512,442.

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
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10c Fixed Assets-Leased Assets
At 31 March 2012

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

Comparative Year

<u>LEASED ASSETS (included within vehicles, plant and equipment)</u>	Vehicles £	Equipment £	TOTAL £
Cost or Valuation			
At 1 April 2010	0	0	0
Additions	0	0	0
Disposals	0	0	0
At 31 March 2011	0	0	0
Depreciation			
At 1 April 2010	0	0	0
Disposals	0	0	0
Provided for year	0	0	0
At 31 March 2011	0	0	0
Net Book Value			
At 31 March 2011	0	0	0
At 31 March 2010	0	0	0

Belfast City Council
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Heritage Assets

10d

Cost or Valuation	Works of Art	Civic Items	Total Assets
	£	£	£
At 1 April 2010	1,114,001	718,800	1,832,801
Transferred from PPE under Construction at 01.04.10	27,780	0	27,780
Revised Balance at 1 April 2010	1,141,781	718,800	1,860,581
Additions	0	0	0
Transferred from PPE under Construction during 2010-11	412,901	0	412,901
Disposals	0	0	0
Derecognition - Other	0	0	0
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	0	0	0
At 31 March 2011	1,554,681	718,800	2,273,481
Cost or Valuation			
At 1 April 2011	1,554,681	718,800	2,273,481
Transferred from PPE under Construction at 01.04.11	0	0	0
Revised Balance 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	125	64	189
Revaluation Increases/(Decreases) to Revaluation Reserve	395,356	382,780	778,136
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
At 31 March 2012	2,019,614	1,101,644	3,121,258

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.

Additions of Heritage Assets

Additions comprise::	£
Purchases at Auction of:	0
Acquisitions made of: The Rise Sculpture	10,000
Donations from:	0
Total Additions	10,000

Disposals in 2011/12 include:

One work of Art (The Royal Ulster Academy Paintings) was derecognised during the year. This asset was on loan to the Council and has now been returned to its original owner. In line with the Council's policy on Heritage Assets, assets that are on loan are not recognised in the balance sheet.

Belfast City Council
Notes to the Financial Statements
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10e Assets Held for Sale

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

The gain/loss on assets classified to held for sale and sold during the year was £0 (2010/11 £500,000)

Comparative Year

At 31 March 2011	Assets Held for Sale-Current	Assets Held for Sale-Non-current	TOTAL
	£		£
Cost or Valuation			
At 1 April 2010	100,000	4,228,000	4,328,000
Transferred from Non-Current Assets during year	0	0	0
Revaluation increases/decreases taken to Surplus or Deficit on the Provision of Services	0	(1,247,500)	(1,247,500)
Derecognition - Disposals	0	(2,825,000)	(2,825,000)
Derecognition - Other	0	0	0
Transferred to to Property, Plant & Equipment during year	0	0	0
At 31 March 2011	100,000	155,500	255,500
Impairment			
At 1 April 2010	0	0	0
Impairment losses/reversals taken to Surplus or Deficit on the Provision of Services	0	0	0
Derecognition - Disposals	0	0	0
Derecognition - Other	0	0	0
Transferred to to Property, Plant & Equipment during year	0	0	0
At 31 March 2011	0	0	0
Net Book Value			
At 31 March 2011	100,000	155,500	255,500
At 31 March 2010	100,000	4,228,000	4,328,000

Belfast City Council
Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2012

10f Investment Properties

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

	2011/12	2010/11
	£	£
Rental income from investment property	5,635,684	5,633,532
Direct operating expenses arising from investment property	(653,202)	(506,723)
Net gain/(loss)	4,982,482	5,126,809

Any capital money derived from the sale of any asset held by the Council shall be applied towards repayment of any money borrowed by the council for the purpose of acquiring that asset, or, with the approval of the Minister, be applied for any purpose to which capital is properly applied.

Belfast City Council
Notes to the Financial Statements
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11. Capital Expenditure

	Note	2011/12	2010/11
		£	£
Expenditure			
Capital expenditure	10a/10b	3,477,646	6,015,569
Financed By			
Borrowings:			
Loans		0	2,461,095
Finance leases / hire purchase		0	0
Grants receivable	9	1,312,507	1,420,403
Unapplied Grants Applied in the Period	25	0	0
Capital receipts	25	0	0
Transfer from Capital Fund	25	0	0
Transfer from Repairs and Renewals	25	0	0
Insurance Claims received for reinstatement of capital asset	24d	222,429	0
Other receipts from Investing Activities	24d	368,630	
Other Revenue Contributions to capital		0	
Revenue contributions to capital	3,25	217,000	3,991,253
		2,120,566	7,872,751
Surplus/(Deficit)		(1,357,080)	1,857,182
Balance brought forward		2,518,097	660,915
Balance carried forward		1,161,017	2,518,097

12 Future Capital Commitments

The Council is committed to a programme to invest £150m in capital projects including £75m in council facilities for local communities, £20m in partnership projects which will contribute to city regeneration, £50m levered from Europe and other sources to provide key economic infrastructure projects and £5m in smaller local regeneration projects.

	Gross Cost £	Grant Aid £	Net Cost £
Commitments	150,000,000	50,000,000	100,000,000
Total	150,000,000	50,000,000	100,000,000

13 Inventories

	2011/12	2010/11	2009/10
	£	£	£
Central Stores	208,113	256,446	183,831
Other	0	0	0
Total	208,113	256,446	183,831

The cost of inventories recognised as expense and included in 'services' amounted to £1,001,052 (2010/11: £1,203,230)

The cost of inventories written down and recognised as an expense in 'services' amounted to £3,512 (2010/11: £282.98)

The Council reversed £8,639 of a previous inventory write-down in 2011-12. The Council has used the inventories that were written down. The amount reversed has been included in 'services' in the Comprehensive Income and expenditure Statement.

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

	Restated		
	2011/12	2010/11	2009/10
	£	£	£
14a) Long Term Debtors			
*Government Departments	0	118,641	270,798
Other Councils	0	0	0
Public corporations and trading funds	0	0	0
Bodies external to general government	0	0	0
Employee car loans	50,052	72,813	74,215
Grants	0	0	0
Loans and advances	0	0	0
Finance lease debtors-Note 5c)	627,045	627,849	628,608
Trade debtors	1,110,712	1,519,554	1,553,432
NIHE Loans	11,650,430	13,181,240	14,618,620
Other	0	0	0
Impairment of loans and receivables	0	0	0
Total Long-Term Debtors	13,438,239	15,520,097	17,145,673
14b) Short Term Debtors			
*Government Departments	2,924,421	1,296,362	1,637,494
Other Councils	264,903	271,100	250,990
Public corporations and trading funds	0	0	0
Bodies external to general government	0	0	0
Employee car loans	58,225	61,897	56,112
Grants	2,471,944	4,178,138	4,602,035
Value Added Tax	485,718	1,159,067	699,858
Prepayments	1,665,369	193,173	343,999
Finance lease debtors-Note 5c)	804	759	716
Other	1,863,966	1,760,498	4,954,095
Trade receivables	1,662,287	2,960,605	2,817,456
Impairment loss - Trade receivables	(1,061,443)	(538,599)	(417,717)
Total Short-Term Debtors	10,336,193	11,343,000	14,945,038
Total Debtors	23,774,432	26,863,097	32,090,711

A provision for doubtful debts is included in the financial statements at 10% of commercial outstanding debts.

**Belfast City Council
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15a Long-Term Investments

	2011/12	2010/11	2009/10
	£	£	£
Investments - general	0	0	0
Investments - repairs and renewals	0	0	0
Investments - capital fund	0	0	0
Investments - other	0	0	0
Total Long-term Investments	0	0	0

Analysed over:

	2011/12	2010/11	2010/11
	£	£	£
Money market deposits	0	0	0
Other deposits	0	0	0
Total Long-term Investments	0	0	0

15b Short-Term Investments

	2011/12	2010/11	2009/10
	£	£	£
Investments - general	0	0	0
Investments - repairs and renewals	0	0	0
Investments - capital fund	0	0	0
Investments - other	0	0	0
Total Short-term Investments	0	0	0

Analysed over:

	2011/12	2010/11	2009/10
	£	£	£
Money market deposits	0	0	0
Other deposits	0	0	0
Total Short-term Investments	0	0	0

Total Long Term and Short-term Investments **0** **0** **0**

Belfast City Council
Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2012

16a Short Term Borrowing

	2011/12	2010/11	2009/10
	£	£	£
Loans re-payable within one year	53,321	0	42,394
Finance Lease Principal	0	0	0
Total Short Term Borrowing	53,321	0	42,394

16b Long Term Borrowing

	2011/12	2010/11	2009/10
	£	£	£
Between 1 and 2 years	3,000,000	0	0
Between 2 and 5 years	3,421,185	4,649,922	3,187,163
Between 5 and 10 years	12,000,000	12,000,000	11,631,292
In more than 10 years	9,991,349	12,582,177	15,152,000
Government Loans Fund	28,412,534	29,232,099	29,970,455
Total Borrowing	28,465,855	29,232,099	30,012,849

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 £28,465,855 for 2011/12, £3,000,000 relates to Mortgages and £25,465,855 relates to Government Loans Fund.

17a Short Term Creditors

	2011/12	2010/11	2009/10
	£	£	£
Government Departments	246,343	137,549	155,946
Other Councils	0	2,518	1,287
Public corporations and trading funds	0	0	0
Bodies external to general government	0	0	0
Rates clawback	259,000	3,146,000	0
Remuneration due to employees	1,871	2,254	473,189
Accumulated Absences	1,226,485	1,206,992	1,066,721
Receipts in advance	3,258,452	1,859,199	2,157,507
Trade creditors	0	0	0
HM Revenue & Customs	1,531,014	1,450,783	1,470,935
Other	13,777,601	17,218,937	13,525,027
Total Short Term Creditors	20,300,766	25,024,232	18,850,612

17b Long Term Creditors

	2011/12	2010/11	2009/10
	£	£	£
Other creditors falling due after more than one year			
Government Departments	0	0	0
Other Councils	0	0	0
Public corporations and trading funds	0	0	0
Bodies external to general government	0	0	0
Rates clawback	0	0	143,459
Other	0	0	0
Total Long Term Creditors	0	0	143,459

Total Creditors	20,300,766	25,024,232	18,994,071
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Belfast City Council
Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2012

18 Provisions

	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	7,753,191		1,184,689	106,557	6,675,059
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
	9,448,245	1,103,339	2,288,028	106,557	8,370,113

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

Comparative Year

	At 1 April 2010	Increase in provision during year	Utilised during year	Interest earned	At 31 March 2011
	£	£	£	£	£
Single status	0	0	0	0	0
Election expenses	0	0	0	0	0
Landfill closure	8,567,415	64,133	1,006,869	128,511	7,753,191
Reorganisation	0	0	0	0	0
Legal	1,680,862	803,384	789,193	0	1,695,054
Other	0	0	0	0	0
	10,248,277	867,517	1,796,062	128,511	9,448,244

Current Provisions	5,840,638	3,779,912	1,796,061	128,511	7,953,000
Long Term Provisions	4,407,639	(2,912,395)	0	0	1,495,244
	10,248,277	867,517	1,796,061	128,511	9,448,244

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 £6,675,059 (2010/11 £7,753,191). The Council plans to keep its provision under review.

A provision of £1,695,054 (2010/11 £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 2012 the total liability for legal cases notified but not processed amounted to an estimated maximum liability of £2,299,074.

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	£4,260,233
Three to six months	£137,235
Six months to one year	£191,602
More than one year	£1,110,712
	£5,699,783

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 £37,492,122, analysed as follows.

	£
Government Loans	34,301,412
Market Loans	3,190,710
Total	37,492,122

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

20.2 Statement Charges:

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

However, the charge the Council is required to make against district rates is based on the cash payable in the year, and the real cost of retirement benefits is reversed out in the adjustments between accounting basis & funding basis under regulations line, in the Movement on Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the adjustments between accounting basis & funding basis under regulations line, in the Movement on Reserves Statement during the year:

	Note	2011/12	2010/11
		£	£
Net cost of services:			
Current service cost		10,254,000	11,036,000
Past service cost/(gain)		53,000	(42,715,000)
Gains and losses on settlements or curtailments		663,000	430,000
Net operating expenditure:			
Interest cost		20,961,000	24,049,000
Expected return on scheme assets		(21,323,000)	(20,200,000)
Net charge to the Comprehensive Income and Expenditure Statement		10,608,000	(27,400,000)
Adjustments between accounting basis & funding basis under regulations:			
Reversal of net charges made for retirement benefits in accordance with IAS 19		(10,608,000)	27,400,000
Actual amount charged against the general fund balance for pensions in the year:			
Employers' contributions payable to scheme		10,426,430	9,922,113
Net charge to the Comprehensive Income and Expenditure Statement		(181,570)	37,322,113

The service cost figures include an allowance for administration expenses of 0.3%.

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial losses of £32,805,000 (£78,879,000 gain in 2010/11) 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 £58,020,000.

20.3 Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

	Note	2011/12	2010/11
		£	£
Balance as at 1 April		380,552,000	468,927,000
Current service cost		10,254,000	11,036,000
Interest cost		20,961,000	24,049,000
Contributions by members		3,464,000	3,421,000
Actuarial losses/(gains)		13,748,000	(72,616,000)
Past service costs/(gains)		53,000	(42,715,000)
Losses/(gains) on curtailments		663,000	430,000
Liabilities extinguished on settlements		0	0
Estimated unfunded benefits paid		(861,000)	(839,000)
Estimated benefits paid		(12,426,000)	(11,141,000)
Balance as at 31 March		416,408,000	380,552,000

Reconciliation of present value of the scheme assets:

	Note	2011/12	2010/11
		£	£
Balance as at 1 April		306,877,628	279,051,515
Expected return on assets		21,323,000	20,200,000
Contributions by members		3,464,000	3,421,000
Contributions by employer		9,565,430	9,083,113
Contributions in respect of unfunded benefits		861,000	839,000
Actuarial gains/(losses)		(19,057,000)	6,263,000
Assets distributed on settlements		0	0
Unfunded benefits paid		(861,000)	(839,000)
Benefits paid		(12,426,000)	(11,141,000)
Balance as at 31 March		309,747,058	306,877,628

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 31 March 2011 for the year to 31 March 2012, or date of joining the fund if later).

The actual return on scheme assets in the year was a gain of £2,324,000 (2010/11 gain of £27,537,000).

Fair Value of Plan Assets

	31/03/2012	31/03/2011	31/03/2010
	£	£	£
Equity investments	230,720,000	237,632,000	215,179,000
Bonds	43,650,000	43,206,000	39,123,000
Property	24,943,000	18,517,000	16,767,000
Cash	12,471,000	9,258,000	8,384,000
	311,784,000	308,613,000	279,453,000

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

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):

	31/03/2012	31/03/2011	31/03/2010
	£	£	£
Fair Value of Employer Assets	309,747,058	306,877,628	279,051,515
Present value of funded liabilities	(402,722,000)	(367,435,000)	(454,042,000)
Net (Under)/Overfunding in Funded Plans	(92,974,942)	(60,557,372)	(174,990,485)
Present Value of Unfunded Liabilities	(13,686,000)	(13,117,000)	(14,885,000)
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
Net Asset/(Liability)	(106,660,942)	(73,674,372)	(189,875,485)
<i>Amount in the Balance sheet:</i>			
Liabilities	(106,660,942)	(73,674,372)	(189,875,485)
Assets	0	0	0
Net Asset/(Liability)	(106,660,942)	(73,674,372)	(189,875,485)

20.4 Scheme history

Analysis of scheme assets and liabilities

	31/03/2012	31/03/2011	31/03/2010
	£	£	£
Fair Value of Assets in pension scheme	309,747,058	306,877,628	279,051,515
Present Value of Defined Benefit Obligation	(416,408,000)	(380,552,000)	(468,927,000)
Surplus/(deficit) in the Scheme	(106,660,942)	(73,674,372)	(189,875,485)

Amount recognised in Other Comprehensive Income and Expenditure:

	31/03/2012	31/03/2011	31/03/2010
	£	£	£
Actuarial gains/(losses)	(32,805,000)	78,879,000	(104,094,000)
Increase/(decrease) in irrecoverable surplus from membership fall and other factors	0	0	0
Actuarial gains/(losses) recognised in Other Comprehensive Income and Expenditure	(32,805,000)	78,879,000	(104,094,000)
Cumulative actuarial gains and losses	(58,020,000)	(25,215,000)	(104,094,000)
History of experience gains and losses:			
Experience gains and (losses) on assets	(19,057,000)	6,263,000	69,029,000
Experience gains and (losses) on liabilities	(4,418,000)	38,620,000	0

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £106,660,942 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 21.8%.

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 2013

	31/03/2013	31/03/2013
	£	%
Projected current cost	10,467,000	20.2%
Interest on obligation	20,000,000	38.7%
Expected return on assets	(17,790,000)	-34.4%
Past service cost	0	0.0%
Gains and losses on settlements or curtailments	0	0.0%
	12,677,000	24.5%

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 2013 is £9,822,000.

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012.

	31/03/2012	31/03/2011	31/03/2010
	%	%	%
Experience (gains and (losses) on Assets	-6.2%	2.0%	24.7%
Experience gains and (losses) on Liabilities	1.1%	-10.1%	0.0%

20.5 Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels, etc. The Council's Fund liabilities have been assessed by Hymans Robertson LLP, 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 2012

	2011/12	2010/11
Long-term expected rate of return on assets in the scheme:		
Equity investments	6.20%	7.50%
Bonds	4.10%	4.90%
Property	4.40%	5.50%
Cash	3.50%	4.60%
Mortality assumptions:		
<i>Longevity at 65 current pensioners:</i>		
Men	22.9 years	22.9 years
Women	25.7 years	25.7 years
<i>Longevity at 65 for future pensioners:</i>		
Men	24.9 years	24.9 years
Women	27.7 years	27.7 years
Inflation/Pension Increase Rate	2.50%	2.80%
Salary Increase Rate	4.80%	5.10%
Expected Return on Assets	5.70%	6.90%
Discount Rate	4.80%	5.50%

20.6 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:

	31/03/2012	31/03/2011	31/03/2010
	%	%	%
Equity investments	74.0	77.0	77.0
Bonds	14.0	14.0	14.0
Property	8.0	6.0	6.0
Cash	4.0	3.0	3.0
	100.0	100.0	100.0

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21 Donated Assets Account

	Note	2011/12	2010/11	2009/10
		£	£	£
Opening balance		0	0	0
Add: new donated assets received (condition of use not met)		0	0	0
Less: amounts released to the District Fund - Comprehensive Income and Expenditure Account (conditions met)		0	0	0
		0	0	0

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	2011/12	2010/11	2009/10
		£	£	£
Donated Assets Account				
Donation A		0	0	0
Donation B		0	0	0
Donation C		0	0	0
		0	0	0

22 Capital Grants Received in Advance

	Note	2011/12	2010/11	2009/10
		£	£	£
Opening balance		0	0	1,102,588
Add: new capital grants received in advance (condition of use not met)		0	0	0
Less: amounts released to the Comprehensive Income and Expenditure Statement		0	0	(1,102,588)
		0	0	0

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	2011/12	2010/11	2009/10
		£	£	£
Capital Grants Receipts in Advance				
Grant A		0	0	0
Grant B		0	0	0
Grant C		0	0	0
		0	0	0

23 Contingencies

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

Belfast City Council
Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2012

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

Notes	2011/12 £	2010/11 £
Adjustment to surplus or deficit on the provision of services for noncash movements		
Depreciation	10,650,775	10,283,923
Impairment & downward revaluations (& non-sale derecognitions)	13,815,447	35,408,554
Amortisation (included with depreciation above)	0	0
(Increase)/Decrease in Stock	48,333	72,615
(Increase)/Decrease in Debtors	2,565,821	5,106,731
Increase/(decrease) in impairment provision for bad debts	522,844	120,882
Increase/(Decrease) in Creditors	(5,643,932)	7,073,906
Increase/(Decrease) in Interest Creditors		0
Payments to NILGOSC	181,570	(37,322,113)
Carrying amount of non-current assets sold	618,000	2,846,886
WIP written off to Net Cost of Services	0	298,913
Contributions to Other Reserves/Provisions	(4,057,949)	(418,192)
Movement in value of investment properties-included above in Impairment & downward revaluations (& non-sale derecognitions)	0	0
Amounts posted to CIES from Donated Assets Account	22 0	0
	<u>18,700,910</u>	<u>23,472,105</u>
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		
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	(1,057,305)	(2,991,785)
Capital grants included in "Taxation & non-specific grant income"	(1,312,507)	(1,420,403)
	<u>(2,369,812)</u>	<u>(4,412,188)</u>

Belfast City Council
Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2012

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:

	31/03/2012 £	31/03/2011 £	31/03/2010 £
Cash and Bank balances	37,847,644	38,932,711	16,057,310
Short Term Investments (considered to be Cash Equivalents)	(232,276)	(232,313)	13,841,771
Short Term Deposits (considered to be Cash Equivalents)	33,300,000	20,300,000	8,700,000
Bank Overdraft	(36,335,364)	(29,324,168)	(32,059,524)
	<u>34,580,004</u>	<u>29,676,230</u>	<u>6,339,557</u>

24c Cash Flow Statement-Operating Activities

	2011/12 £	2010/11 £
<i>The cash flows from operating activities include:</i>		
Interest received	<u>199,717</u>	<u>222,757</u>
Interest paid	<u>0</u>	<u>0</u>

24d Cash flows from Investing Activities

	2011/12 £	2010/11 £
Purchase of PP&E, investment property and intangible assets	4,388,112	4,971,824
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	1,184,689	1,006,869
Proceeds from the sale of PP&E, investment property and intangible assets	(1,057,305)	(2,991,785)
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	(1,312,507)	(1,420,403)
Other Receipts from Investing Activities	2,674,942	577,091
Net Cash flows from Investing Activities	<u>5,877,931</u>	<u>2,143,596</u>

24e Cash flows from Financing Activities

	2011/12 £	2010/11 £
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	(766,245)	(780,749)
Other payments for Financing Activities	0	0
Net Cash flows from Financing Activities	<u>(766,245)</u>	<u>(780,749)</u>

**Belfast City Council
Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2012**

25a) Analysis of Movement on Reserves - Current Year

	USABLE RESERVES				UNUSABLE RESERVES							TOTAL AUTHORITY RESERVES			
	Capital Receipts Reserve	Capital Grants Unapplied Account (new)	Capital Fund Repairs Fund	Renewal & Other Balances and Reserves (Election Reserve)	District Fund	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 Rates Absences Account	Claw- Back Reserve
At 1 April 2011	£ 26g)	£ 26g)	£ 26g)	£ 26g)	£ 26g)	£ 26g)	£ 26g)	£ 26g)	£ 26g)	£ 26g)	£ 26g)	£ 26g)	£ 26g)	£ 26g)	£ 26g)
943,065	0	15,438,746	0	5,044,520	11,817,533	33,244,893	394,716,999	0	71,648,061	0	(73,674,372)	26g)	(1,206,992)	26g)	424,528,169
Movements during the year:															
Applied Capital Grants					(1,312,507)	(1,312,507)	1,312,507								
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				9,031	0	9,031	217,000								9,031
Direct Revenue Financing					(217,000)	(217,000)	217,000								0
Depreciation & Impairment adjustment					24,406,771	24,406,771	(24,406,771)								0
Loans/lease principal repayments					(10,662,968)	(10,662,968)	10,662,968								0
Net Revenue expenditure funded from capital under statute					(4,783,148)	(4,783,148)	0								0
Surplus/(Deficit) on the Provision of Services				(343,216)	(5,165,816)	(5,165,816)	0								0
Transfers between Statutory and Other Reserves and the District Fund			5,600,000	0	(343,216)	(9,031)	181,570				(181,570)				0
Net movements on Pension Reserve					181,570	181,570	(616,000)								0
Disposal of Fixed Assets/Capital Sales		1,057,305			(438,305)	619,000									0
Other Capital receipts		0			0	0	222,429								222,429
Capital Receipts used to finance capital expenditure		(1,050,330)	1,050,330		0	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)			57,463	19,463							(19,463)		0
Revaluation & Impairment					52,102	52,102	1,610,640		4,144,063	0	(32,605,000)	0			(26,660,937)
Other Movements		38,000	(6,946,412)			(6,908,410)		(1,567,500)				0			23,140
Transfers between Capital Fund/Renewal & Repair Fund & CAA to finance capital expenditure			0	1,646,074		1,646,074									0
Total movements on reserves during the year (Change in Net Worth)	6,875	0	(2,396,082)	1,311,899	2,067,163	1,009,946	(12,616,271)	0	2,556,653	0	(32,986,570)	0	(19,493)	0	(43,064,771)
At 31 March 2012	950,040	0	13,043,663	6,356,409	43,804,696	34,254,809	382,101,326	0	74,494,624	0	(106,660,942)	0	(1,226,495)	0	348,618,626

Belfast City Council
Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2012

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)	District Fund Restated	TOTAL USABLE RESERVES	Capital Instruments Adjustment Account	Revaluation Available for Restated Instruments Reserve	Pensions Reserve		Deferred Capital Receipts Account	Accumulated Absences Account	Rates Claw-Back Reserve
	£	£	£	£	£	£	£	£	£	£	£	£	£	£
At 1 April 2010	880,000	269	28c	26c	28e	28f	28g	28h	28j	28k	28l	28m	28n	331,806,461
Revelation of Heritage Assets														
Prior Year Adjustments														
At 1 April 2010	880,000	0	8,804,286	6,587,415	3,342,817	5,178,682	28,754,280	0	95,190,102	0	188,875,465	(1,068,721)	(161,279)	1,832,788
IFRS														
At 1 April 2010	880,000	0	8,804,286	6,587,415	3,342,817	5,178,682	27,789,972	0	97,022,890	0	188,875,465	(1,068,721)	(161,279)	1,832,788
Movements during the year:														
Applied Capital Grants							(1,420,403)	1,420,403						1,420,403
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			128,511		8,688		137,210							137,210
Direct Revenue Financing							(3,981,253)	3,981,253						3,981,253
Depreciation & Impairment adjustment							45,682,477	(45,682,477)						(45,682,477)
Loans/lease principal repayments							(1,522,904)	1,522,904						1,522,904
Net Revenue expenditure funded from capital under statute							0	0						0
Surplus/(Deficit) on the Provision of Services							7,201,101	(7,201,101)						7,201,101
Transfers between Statutory and Other Reserves and the District Fund			3,705,019	(1,006,868)	170,000	(2,876,848)	(6,688)	(6,688)						(6,688)
Net movements on Pension Reserve							(37,322,113)	(37,322,113)		37,322,113				37,322,113
Disposal of Fixed Assets/Capital Sales		2,981,765				(144,888)	2,846,888	(2,846,888)						(2,846,888)
Capital Receipts used to finance capital expenditure		(2,908,720)					21,790	(21,790)						(21,790)
Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements		(38,000)				178,271	140,271	0				(140,271)		(140,271)
Revaluation & Impairment							0	(23,610,687)		78,879,000				55,268,333
Other Movements		38,000		64,133		(161,279)	(85,146)	2,663,032	(1,564,162)				191,279	1,260,148
Transfers between Capital Fund/Renewal & Repair Fund & CAA to finance capital expenditure			0	(7,753,190)	1,522,904		(6,230,286)	6,230,286						0
Total movements on reserves during the year (Change in Net Worth)	83,065	0	6,635,488	(6,587,415)	1,701,603	5,602,148	5,454,681	(32,733,235)	(25,174,828)	116,201,113	(140,271)	191,279	58,344,057	
At 31 March 2011	943,065	0	15,438,745	0	5,044,520	11,817,533	33,244,653	394,716,699	71,848,081	(73,874,372)	(1,208,892)	0	391,683,286	424,928,189

Belfast City Council
Notes to the Financial Statements
Usable Reserves
FOR THE YEAR ENDED 31 MARCH 2012

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 and has an approved limit of £29m. The City 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 - Connswater Greenway	4,235,236
Project B - Titanic Quarter	10,110,284
Project C - Lyric Theatre	1,250,000
Project D - OMAC	550,000
Total	16,145,520

26d) Other Balances & Reserves (Election Reserve)

This reserve is made up of the Election Reserve (£424,423) 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 (£5,931,985) for the repayment of its maturity based loans as they fall due.

26e) District 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 £13,904,696, £2,547,206 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 2012

26g) 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.

The purpose of this account is to aggregate the amount of capital expenditure that has been financed from revenue and capital receipts excluding sums received in respect of loans negotiated to finance capital investment. This account is debited or credited with the adjustment made in the District Fund for principal debt repaid less than or in excess of the provision for depreciation already debited to revenue and credited against fixed assets, to adjust the provision in line with statutory requirements. The account is also debited with an amount equal to the carrying amount of assets held at historic cost when they are disposed of. If the asset disposed of was held at current value, the balance held on the Revaluation Reserve is written off to the Capital Adjustment Account.

26h) Financial Instruments Adjustment Account

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

26i) 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.

26j) Available-for-Sale Financial Instruments Adjustment Reserve

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

26k) Pension Reserve

Refer to note 20.

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 District 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 District Fund is neutralised by transfers to or from this Accumulated Absences Account

26n) Payment of Invoices

The Council has a target of paying invoices within 30 days.

During the year the Council paid 52,317 number of invoices totaling £100,848,389.

The Council has arrangements to calculate the payment interval and for the year it was 25 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.

**Belfast City Council
Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2012**

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 2012

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.

	2011/12
Income	
Grants Received	486,924
Total Income	<u>486,924</u>
Expenditure	
Employee Related	210,415
Supplies & Services	36,063
Transport Related	-
Support Costs	-
Grants Paid	230,940
Total Expenditure	<u>477,419</u>
Net Income	(9,506)

**Belfast City Council
Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2012**

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 2011/12 financial year the Council commissioned £1,898,309 (2010/11 £1,889,579) 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 £1,893,847 (2010/11 £2,565,490) 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 £3,590,628 (£4,455,069 for 10/11) is shown in 29.3 below.

During 2011/12 the Council had expenditure of £168,532 (2010/11 £103,588) to other Councils and income received of £575,691 (2010/11 £215,948) from other Councils, of which £264,903 (note 14b) (2010/11 £271,100) was outstanding at 31 March 2012. 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.

	Councillors	2011/12	2010/11
East Belfast Partnership Board	3	199,605	279,261
North Belfast Partnership Board	4	927	17,512
South Belfast Partnership Board	6	995	17,735
West Belfast Partnership Board	8	0	5,650
Total		201,527	320,158

29.2 Joint Committies

Belfast City Council made payments to the following Joint Committies:

	Councillors	2011/12	2010/11
ARC-21	3	15,342,076	10,701,525
		15,342,076	10,701,525

29.3 Other Organisations

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

	Councillors	2011/12	2010/11
Association of Port Health Authorities	1	3,780	3,613
Belfast City Airport	2	1,917	1,917
Belfast City Centre Management Company	3	288,805	346,191
Belfast City Marathon Ltd	2	43,100	41,145
Belfast Education and Library Board	0	0	8,905
Belfast Harbour Commissioners	4	44,223	60,483
Belfast Healthy Cities Forum	2	86,473	0
Belfast Hills Partnership	1	35,640	30,930
Belfast Visitor & Convention Bureau incorporating Belfast Welcome Centre	8	2,260,472	2,136,032
Concorde Community Centre Committee	1	600	600
Divis Community Centre Committee	0	0	5,133
Duncairn Community Centre Committee	2	1,200	2,600
Finaghy Community Centre Committee	5	4,616	2,100
Glen Road Community Centre Committee	2	0	9,396
Grand Opera House	1	34,561	34,984
Greater Shankill Partnership	7	39,013	54,918
Groundwork Northern Ireland	1	132,664	234,308
Hammer Community Centre Committee	2	600	600
Highfield Community Centre Committee	3	600	600
Horn Drive Community Centre Committee	2	800	600
Inverary Community Centre Committee	3	600	1,300
Knocknagoney Community Centre Committee	6	0	350
Lagan Canal Restoration Trust	1	0	14,967
Ligoniel Community Centre Committee	3	800	800
Linenhall Library	1	47,539	43,558
Local Government Partnership (Travellers Issues)	2	250	0
Lyric Theatre	1	448,348	1,244,721
Morton Community Centre Committee	4	1,510	2,130
National Association of Councillors	5	4,676	6,559
N.I. Local Government Association	17	1,656	91,157
North Queen St Community Centre Committee	4	800	600
Northern Ireland Amenity Council	1	750	0
Northern Ireland Housing Council	1	67,221	7,071
Sandy Row Community Centre Committee	4	1,500	600
Somme Association Ltd	2	3,976	3,575
South City Resource and Development Centre	0	0	43,634
Suffock Community Centre Committee	3	600	600
Ulster Orchestra	1	30,540	17,793
Woodvale Community Centre Committee	2	800	600
		3,590,628	4,455,069

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 2012 was £108,276. At 31 March 2011 the amount outstanding was £134,710.

Belfast City Council
Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2012

30 Heritage Assets: Change in Accounting Policy

In 2011/12 the Council changed its accounting policy for heritage assets and recognised them at valuation. Previously, heritage assets were either recognised as community assets at a value of £1 each in the property, plant and equipment asset classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. Community Assets (that are now to be classified as heritage assets) that were donated to the Council were held at valuation as a proxy for historical cost. The Council's accounting policies for recognition and measurement of heritage assets are set out in the Council's summary of significant accounting policies (see Note xxiii of these financial statements).

In applying the new accounting policy, the Council has identified that the assets that were previously held as community assets within property, plant and equipment at £13 should now be recognised as heritage assets and measured at £1,832,801 with a corresponding increase in the Revaluation Reserve. The Council has also identified that the assets that were previously held under construction within property, plant and equipment at £440,680 should now be recognised as heritage assets. These assets relate to Works of Art and Civic Items which were previously recognised in the community assets and assets under construction classification of property, plant and equipment. The Council also recognised an additional £778,325 for recognition of heritage assets that were not previously recognised in the Balance Sheet. Again this increase is also recognised in the Revaluation Reserve. The 1 April 2010 and 31 March 2011 Balance Sheets and the 2010/11 comparative figures have thus been restated in the 2011/12 Statement of Accounts to apply the new policy.

The effects of the restatement are as follows:

1. At 1 April 2010 the carrying amount of the Heritage Assets is presented at its valuation at £1,860,581. The element that was previously recognised in property, plant and equipment has been reclassified and revalued upwards by £1,832,788. The element that was previously recognised in property, plant and equipment under construction has been reclassified as Heritage Assets £27,780. The revaluation reserve has increased by £1,832,788.

2. The fully restated 1 April 2010 Balance Sheet is provided on page 33. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

	Community Assets	Heritage Assets	Revaluation Reserve	PP&E Under Construction
Balance at 31 March 2010	195	0		0
Recategorisation from Community Assets to Heritage Assets	(13)	13		
Revaluation of Heritage Assets value upon IFRS recognition		1,832,788	(1,832,788)	
Recategorisation from PP&E under construction to Heritage Assets		27,780		(27,780)
Re-stated Balance at 1 April 2010	182	1,860,581	(1,832,788)	(27,780)

Gas Pension Fund

INCOME AND EXPENDITURE STATEMENT

	2011/12	2010/11
	£	£
INCOME:		
Investment Income	773,269	50,622
EXPENDITURE		
Pensions Paid	(489,832)	(529,412)
Administration Expenses	(7,477)	(7,344)
Surplus/(Deficit) for the Year	<u>275,960</u>	<u>(486,134)</u>

NET ASSET MOVEMENTS

Brought forward balance at 01.04.2011	1,820,457	2,306,591
Unrealised gain at 01.04.2011	844,546	765,816
Opening Value of Fund	<u>2,665,003</u>	<u>3,072,407</u>

Add surplus/(deficit) for the year	275,960	(486,134)
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CHANGE IN MARKET VALUES OF INVESTMENTS

Realised gain for year	228,009	0
Unrealised gain/(loss) for year	(139,547)	78,730

Closing value of fund	<u>3,029,424</u>	<u>2,665,003</u>
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FINANCED BY:

UK Index Linked Investments	1,625,378	2,267,327
Cash deposits and at bank	1,396,716	388,984
Debtors	7,331	8,692
	<u>3,029,424</u>	<u>2,665,003</u>
Bank Balance	0	0
Creditors	0	0
Closing value of fund	<u>3,029,424</u>	<u>2,665,003</u>

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 2012 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 2012.

At 31 March 2012 there were 72 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 £2,665,002 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