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Report and Accounts

y.e. 31 March 2019

The Northern Ireland Fishery Harbour Authority
Annual Report and Accounts
For the year ended 31 March 2019

Compiled in the manner prescribed in
The Northern Ireland Fishery Harbour Authority (Accounts) Regulations
(Northern Ireland) 1998
on

10 March 2021

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NIFHA

Report and Accounts
year ended 31 March 2019

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STATUTORY EQUALITY DUTY

In accordance with its Equality Scheme the Authority is committed to providing information in accessible formats.

Copies of this report can be made available in alternative formats by contacting the Authority at the address and telephone number given on page 1.

GENERAL INFORMATION

Board Members

K Burns
H Henderson
D Hill
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M McDonald M.B.E.
G McIlroy

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K Quigley

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REPORT OF THE AUTHORITY

Chairman's Statement

I am pleased to again support the Annual Report and Accounts for the Northern Ireland Fishery Harbour Authority (NIFHA) this time for the period 2018-19 as presented.

The Authority delivers a wide range of services in its three harbours whilst at the same time meeting high standards of environmental protection and health and safety compliance. Our operatives, office staff, harbour masters and management have all contributed to the smooth and effective running of the organisation. I offer my sincere thanks and appreciation to all those involved in our service delivery.

Both operational income and expenditure rose slightly when compared with last year. Overall, because of the prudent management of its resources the Authority was again able to record a trading surplus. This trading surplus is reinvested in the harbours through funding smaller capital works.

The Authority, despite significant ongoing challenges remains confident in the long term future of the industry. Of course uncertainty around Brexit is having an impact and in view of this and other pressures it remains the opinion of the Authority that it must remain vigilant and proactive in controlling costs.

During the year end of life vessels and their disposal emerged as a significant issue for the Authority. In order to assist in facilitating the affordable and legally compliant disposal of these vessels the Authority expended considerable resources in obtaining a licence and planning permission to dismantle fishing vessels in Portavogie. It is hoped that fishermen will utilise this facility in the coming years.

Since the European Maritime and Fisheries Fund (EMFF) opened the Authority has received approval for a range of projects. Whilst progress from award of grant to award of tender has been slower than hoped it is anticipated that the Authority will commence work during the incoming financial year on upwards of five differing schemes. During the year the Authority was pleased to be able to again deliver a self-funded minor capital works and repair programme. Works included repairs and improvements in all three harbours.

I would like to thank our sponsoring department, the Department of Agriculture, Environment and Rural Affairs (DAERA) for their continuing support. Whilst correctly taking a challenging approach to help ensure the Authority delivers the high standards it sets itself; the Board and Staff appreciate the overarching partnership approach that is taken in dealing with issues as they arise.

Finally, I would like to thank the Board members who have served with me, for their ongoing support, guidance and contribution to the ongoing development of the Authority. I am confident that the Board will continue to positively address the many challenges that lie ahead and will guide the Authority in the best interests of all its varied stakeholders.

TERRY JARVIS
CHAIRMAN

Chief Executive's Review

A range of significant challenges and uncertainty arising from the impasse over Brexit are impacting the fishing industry we serve. Sound stock management practices have led to year on year growth in the whitefish quotas and prices both for whitefish and prawns remains firm. However, notwithstanding this, a recent significant restructuring of the fleet, which is still ongoing across all the harbours, has had an impact on the capacity of the fleet to fully utilise available quota. Just like the industry itself, the Authority is facing its own significant challenges with increasing demand on its available resources. During the year the Authority has met these challenges and through the dedicated commitment of its staff overall has delivered well to its customers and stakeholders.

The outlook going forward remains difficult to predict. Certainly fishermen in general appear to view the opportunities that Brexit may present as significant. However the overall capacity of the fleet has diminished over recent years and the Authority is concerned about the long term impact if this trend is not reversed. For this reason while the Authority remains confident in the long term prosperity of the Northern Ireland fishing industry it intends to maintain its current cautious attitude to operational spending. However, while operating under tight financial constraints, the Authority continues to strive to deliver an excellent service to all its stakeholders.

Overall income from landings rose slightly by £12k to £675k from £663k. When taking all income streams (excluding revenue grant) into account overall operational income rose by £39k to £1,375k an increase of 3%. The Authority rightly has little control over its primary income streams as they are directly related to landings which are difficult to predict. For the year the Authority reported a deficit after tax of £1.15m as opposed to a deficit after tax of £1.01 m for 2017-18.

I would wish to join the Chairman in expressing appreciation to DAERA and to the EMFF Selection Panel for their continued financial support for projects promoted by the Authority which are aimed at enabling the local sea fishing industry to operate as competitively and sustainably as possible.

The Authority is made up of an excellent team of people serving all its stakeholders including port users and our many visitors. The safety and welfare of its staff, users and visitors are the key concern of the Authority and hence we continue to prioritise the key areas of health and safety, environmental performance, equality and good relations.

Health, Safety and Environmental Issues

The Authority operates two separate but integrated safety management systems – one for onshore safety and one for marine safety. These systems are based on a risk assessment approach.

On-shore accidents are recorded on a property damage basis or an 'over' and 'under 3 day' basis i.e. over or under '3 days off work'. The level of reported accidents again rose this year both in severity and number. Whilst recording of incidents continues to improve, and the total number remains below historical trends, any accident is unacceptable, and the Authority continues to work to enhance the safety of its harbours.

A total of 7 accidents involving some level of injury was reported in 2018-19 and the following table provides a breakdown of these;

	<3 Days	>3 Days
Staff	3	0
Port User	1	2
Visitor	1	0
Total	**5**	**2**

In addition to this sadly a member of the public took their own life in one of the harbours. This was a very upsetting event for all those involved, and the family of the person involved remains very much in the thoughts of the harbour staff.

The Authority remains concerned that despite the improvement in reporting procedures not all on-shore incidents are reported and would appeal to users to report all incidents promptly, including near misses.

On the marine side there was two minor incidents recorded. The Authority also records near misses and while this figure is low the Authority remains concerned that not all marine incidents are reported to it and would appeal to users to report all incidents.

The Authority continues to try to maintain high levels of environmental care. With the support of EMFF, the Fishing for Litter scheme continues to operate. Further improvements in environmental performance are necessary and will only be achieved with the full co-operation of all Port Users and this requires further improvement in working practices. I would again appeal for Port Users to re-double their efforts to improve waste handling in the harbours. Waste generated by both visitors and fly tipping continues to place a significant demand on the Authority's resources.

Capital Works Projects

Capital works projects are undertaken with the combined assistance of the EMFF and National funding. The Authority has submitted a number of applications to the scheme and work has completed on two of these both based in Portavogie; one being external repairs to the ice plant and the other a significant refurbishment of the fishmarket. The Authority hopes to commence a number of new projects in the forthcoming year.
The Authority was also pleased to deliver an enhanced self-funded minor capital works and repair programme. Works included significant repairs to the slipway in Kilkeel, ice plant repairs in Portavogie, roads and others.

Operational Review

Key operational issues relating to 2018-19 were as follows:-

<u>Vessel Numbers</u>
The number of over 10m vessels based in the 3 harbours fell again by 14% - this follows a 11% decrease recorded in the prior year. During any year vessel numbers vary as owners buy and sell and at times move to other non-Authority ports. It is also the case that some vessels are being replaced by vessels with much larger fishing capacity. The Authority is however concerned that the overall number of larger vessels has fallen again – for the fourth year in a row. The fleet is primarily made up of previously used vessels. Over time we are also seeing a move to vessels with significantly deeper drafts.
Detailed figures on a port by port basis as at 31 March for the last 5 years are as follows:-

	2019	2018	2017	2016	2015
Ardglass	23	26	28	31	30
Kilkeel	48	55	63	65	54
Portavogie	24	30	35	44	37
Total	**95**	**111**	**126**	**140**	**121**

The number of 10m and under vessels in the 3 harbours at 31 March 2019 was 61 which compares with 85 the previous year. The number of these smaller vessels varies seasonally. The pontoon facilities in both Kilkeel and Portavogie were fully occupied throughout the year.

Maintenance Dredging

In total 13,728 tonnes of sediment was dredged from Kilkeel Harbour compared to 13,134 tonnes in the prior year. There were no dredging campaigns undertaken in the other two harbours and no commercial contracts were undertaken during the year.

Fishmarket

NIFHA is the owner and operator of the fish markets at the three harbours and as such has the legal responsibility for ensuring compliance with food safety regulations. The fish markets are licenced food premises and the Authority operates and maintains these to approved standards.

Slipway Facilities

During the year 164 vessels were slipped; 119 in Kilkeel and 45 in Portavogie. This compares with a total of 149 vessels in the previous year of which 95 were slipped in Kilkeel and 54 in Portavogie.

Ice Supplies

The total tonnage of ice supplied in the three ports in 2018-19 was 3,407 tonnes which was very marginal increase on the previous year figure of 3,389 tonnes. On a port by port basis sales increased by 5% in Ardglass but this gain was offset by reductions in the other two harbours, 2% in Kilkeel and 1% in Portavogie.

Estate Management

The Authority has, with the exception of one location in Portavogie, no available space to rent in any of the three harbours which generally reflects the high level of demand for good property. A number of rent reviews were completed during the year.

Port User Consultation

Four Port Users meetings were held during the year, two in Ardglass and one in each of the other two ports. These meetings continue to provide an invaluable forum for consulting with Port Users on operational issues (including safety and environmental issues), on capital works priorities and on equality, good relations and disability issues. However we take the view that good communication is largely dependent on a robust informal network. To that end considerable effort continues to be made to meet regularly on an informal basis with a wide range of stakeholders.

Equality, Good Relations and Disability Duties

Throughout the year the Authority continued to implement its revised Equality Scheme, its Good Relations policy and the Disability Action Plan. As a matter of course disability issues are considered in all new capital works projects. The annual Equality Report, which details the progress made by the Authority in achieving its annual equality, good relations and disability targets, was submitted to the Equality Commission by the due date of 31 August 2018.

Personnel

I of course want to extend my thanks to all the staff for the hard work and dedication they steadfastly delivered during the year. Their commitment to the values of the organisation has enabled the Authority to maintain and improve the quality of the work it delivers on behalf of its many customers. It remains the opinion of the Authority that one of the chief ways it can improve the quality of its service is through enhancing the skills of its workforce. The Authority has in place an enhanced training programme based on the development plans that have been put in place for all members of staff.

Financial Review

The Authority recorded a deficit before tax of £1.45m which compares with a previous year deficit of £1.51m. Depreciation rose to £1,722k from £1,710k an increase of £12k.

Expenditure excluding depreciation fell to £1,375k from £1,342k the majority of this decrease is related to a reduced repairs programme.

Total income before capital and revenue grants was £1,375k which is a 3% increase on last year. Landing revenues rose by 2% to £675k. Ice sales rose by 1% to £225k. Slipway revenue rose by 4% to £176k. On a port by port basis the revenue picture was more mixed with a fall in Portavogie (5%) being more than offset by increases offset in Ardglass (9%) and Kilkeel (4%),

The Authority had a positive cash balance at year end of £689k which compares with an opening balance of £549k.

Data Matching

Using Data provided by DAERA under a data sharing agreement the Authority cross checks landings as declared to it against those declared to DAERA. Identified shortfalls are now invoiced annually in arrears. Although much reduced there continues to be discrepancies between the two sets of data. There are a number of reasons why one would not expect the two sets of data to match exactly. Where these reasons do not adequately explain the difference between the two sets of data invoices are raised for amounts that are considered to be recoverable and owed to it. In 2018-19 changes arising from GDPR and recording of statistical information has impacted the Authority's capacity to fully complete its Data Matching programme. The Authority is currently working with DAERA to resolve this issue.

Sickness /Absence data

The average number of working days lost due to sickness per employee was 10.5 days for 2018-19. The equivalent figure for the previous year was 10.0 days. With just 21 staff any period of significant absence for any one employee will have a major impact. During the year one employee was absent for a considerable period.

Data Handling

NIFHA has not had any personal data related incidents during the current or previous years.

Key Objectives and Performance Targets

The Authority agreed six key objectives for 2018-19. These are linked to the core values of the organisation as outlined in the Corporate Plan and are designed to assist in the ongoing delivery of the said plan. Under each of these objectives a number of key activities with associated outputs where set. These objectives are outlined below, and information is provided on how we performed. In summary while not all targets were fully met the plan was substantively delivered.

- **Key Objective 1: To use an integrated approach in providing safe sustainable and modern harbour facilities at Ardglass, Kilkeel and Portavogie which are complimentary, efficiently managed, well maintained and cost effective.**

  There were seven activities with eight associated outputs – two of these were not met. The first of these related to delivering Capital works projects on time. The Project to deliver the refurbishment in Portavogie while now complete was significantly delayed. Also for a range of reasons the Authority is experiencing difficulties in commencing projects for which it has grant approval. However as reported elsewhere in the body of this report there were a number of accidents impacting both staff and customers. The authority sets a target with a very low rate of accidents and so this target was not met. The overall conclusion is that this objective was only partially met.

- **Key Objective 2: To continue the development of NIFHA as a learning, reactive and innovative organisation that values staff, enhances equality and builds capacity.**

  This objective was fully met. There were four activities with seven associated outputs. The objectives under this target focused on support and development of staff along with enabling and delivering innovation both operationally and through the use of information technology.

- **Key Objective 3: To be a customer and stakeholder centred organisation engaging, partnering and communicating with NIFHA's Customers and Stakeholders.**

  This objective was largely met. There were five activities with seven associated outputs. The activities focused on ensuring the Authority communicated well with its stakeholders. While overall this key objective was delivered two of the seven activities where not fully delivered. One target was to update Facebook on a weekly basis; while updates did occur regularly, due to resource constraints, this target was not fully met. Due to extremely low and declining numbers of replies to the previous customer surveys it was decided during the year to discontinue the survey and thus the target of undertaking a customer survey was not delivered.

- **Key Objective 4: To provide value for money for Government, Customers and Stakeholders while delivering our statutory and other duties.**

This objective was fully met. There were seven activities with eight associated outputs all of which were met during the year.

- **Key Objective 5: To ensure the business of NIFHA is conducted in an open and fully accountable manner by delivering best practice in corporate governance, accountability and effectively addressing all legal responsibilities.**

  This objective was substantially met. This objective, which included maintaining expenditure within approved budget limits, had six activities and nine associated outputs; all but one of which of which were fully met. As discussed previously the Authority is currently unable to fully complete its Data Matching programme.

- **Key Objective 6: To work in partnership to help build wider socio-economic prosperity through delivering innovative projects while ensuring that concern for the environment remains at the heart of what we do.**

  This objective was fully met. There were five activities with six associated outputs all of which were met during the year.

Foreword to the Accounts

Background Information

NIFHA is an executive Non-Departmental Public Body (NDPB) sponsored by DAERA. Established in 1973 under the Northern Ireland Fishery Harbour Authority Order (Northern Ireland) 1973, its statutory functions are to manage, maintain and improve the fishing harbours and harbour estates of Ardglass, Kilkeel and Portavogie and to operate such facilities as may be provided at these harbours.

The following report and accounts have been prepared in accordance with the Northern Ireland Fishery Harbour Authority (Accounts) Regulations (Northern Ireland) 1998 and in accordance with the Accounts Direction given by DAERA with the approval of the Department of Finance (DoF).

Business Review

A full review of the Authority is given on pages 3 to 8 of the Report and Accounts.

Results for the Year

The results of the Authority are set out in detail in the accounts on pages 26 to 50. The deficit for the year before tax was £1,452,194 which compares with a previous year deficit before tax of £1,511,380. This deficit has been taken to reserves. Other transfers to and from reserves are detailed in the Statement of changes in taxpayers' equity.

Fixed Assets

Details of the movement of fixed assets are set out in note 11 to the accounts.

Future Developments

Key Development goals for 2019-20 are as follows:-

- To operate, maintain and monitor the performance of the Navigational Safety Information System at Kilkeel Harbour.
- To implement the capital works plans as detailed in the Authority's 2019-20 Business Plan (subject to the availability of grant funding).
- To monitor year 2 of the implementation of the 2018-2022 Corporate Plan.
- To submit a draft budget to DAERA by 31 January 2020.

Important events occurring after year end

There have been no significant events since the year end which would affect these accounts.

Board Members

Membership of the Board is as noted on page 1.

Disabled Employees

The Authority gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitude and abilities and Health and Safety factors.

Employee Involvement

It is the policy of the Authority to promote the understanding and involvement of all its employees in its aims and performance and it is committed to the continuing development of effective employee communication and consultation.

Independent Auditors

M.B. McGrady & Co are the external auditors of NIFHA. Refer to Note 6 for the audit fee.

Payment to Suppliers

The Authority is committed to the prompt payment of bills for goods and services received in accordance with the British Standard for Achieving Good Payment Performance in Commercial Transactions (BS 7890). Unless otherwise stated in the contract, payment is due within 30 days of the receipt of the goods or services, or presentation of a valid invoice or similar demand, whichever is later.

During 2018-19 the Authority paid 95% (2017-18: 97%) of bills within this standard with 70% (2017-18 76%) being paid within 14 days.

STATEMENT OF MEMBERS' AND CHIEF EXECUTIVE'S RESPONSIBILITIES

Under the Northern Ireland Fishery Harbour Authority (Accounts) Regulations (Northern Ireland) 1998, the Members are required to prepare a statement of accounts for each financial year in the form and on the basis determined by DAERA with approval of DoF. The accounts are prepared on an accruals basis and must give a true and fair view of the Authority's state of affairs at the year end and of its income and expenditure, Statement of Financial Position and cash flow for the financial year.

In preparing the accounts the Members are required to comply with the requirements of the Government Financial Reporting Manual (FReM) and in particular to:

- observe the accounts direction issued by DAERA, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the FReM have been followed, and disclose and explain any material departures in the accounts;
- prepare the accounts on the going concern basis; and
- confirm that the Annual Report & Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgments required for determining that it is fair, balanced and understandable.

As the senior full time official of the Authority the Chief Executive carries the responsibilities of an Accounting Officer for the Authority. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for the keeping of proper records and for safeguarding the Authority's assets, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum, issued by DoF.

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

By Order of the Members

K QUIGLEY
CHIEF EXECUTIVE / SECRETARY

GOVERNANCE STATEMENT

Introduction

NIFHA is an executive Non-Departmental Public Body sponsored by DAERA and constituted under the Harbours Act (Northern Ireland) 1970 and the Northern Ireland Fishery Harbour Authority Order (Northern Ireland) 1973. The Authority's relationship with DAERA is set out in the Management Statement and Financial Memorandum documents which are reviewed and agreed between the two parties on a regular basis.

The Authority remains committed to high standards of corporate governance. The Board directs the Authority's risk assessment, resource management, strategic planning, financial, project and operational management to ensure that the aims and objectives as set out in the Corporate Plan are met. The Board members scrutinise the performance of management in order to be satisfied as to the integrity and strength of financial information, controls and risk management.

Governance Framework

The Authority is managed by a Board consisting of a Chairman and between four and eight other Members. The Chairman and Members are appointed by the DAERA minister and are non-executive.

The Board has four sub-committees – Risk and Assurance, Corporate Planning, Finance and General Purposes and Remuneration. The Risk and Assurance sub-committee provides objective advice to the Chief Executive and the Board on corporate governance, risk management and internal control issues.

The Authority is headed by a Chief Executive who is also the Accounting Officer. As at 31 March 2019 the Authority employed 14 operational and maintenance staff and 7 administrative staff. The Authority's head office is located in Downpatrick and there are offices at each of the three harbours namely Ardglass, Kilkeel and Portavogie.

The Chairman and Board members have overall responsibility for the corporate strategy and governance of the Authority and for setting aims and objectives. A Corporate Plan is in place and there are processes to ensure that there is continuous monitoring and review of performance to confirm that the objectives are achieved. Annual business plans are derived from, and are consistent with, the Corporate Plan. Attendance records of meetings are maintained.

Excluding the Chairman there are currently just five Board members. As Board members can only be appointed by a minister; the absence of an Executive means that replacement Board members cannot be appointed. This problem may become more severe in the near future as several Board members including the Chairman are approaching the end of their tenure. There were no changes in the membership of the Board during the year.

The main Board met four times during the year and attendances were as follows;

Board	Number of Meetings attended
Terry Jarvis (Chairman)	4
Helen Henderson	4
Martin McDonald	2
George McIlroy	3
Kate Burns	4
David Hill	3

The Risk and Assurance Committee met three times during the year. Attendances for the committee were as follows:

Risk and Assurance	Number of Meetings attended
Martin McDonald (Chairman)	3
George McIlroy	3
Helen Henderson	3
Kate Burns	3

The Finance and General Purposes committee met four times during the year and attendances were as follows;

Finance and General Purposes	Number of Meetings attended
Terry Jarvis (Chairman)	4
Martin McDonald	4
David Hill	4
George McIlroy	4

The remuneration committee did not meet during the year and the corporate planning committee met once. Attendance at this meeting was as follows;

Corporate Planning	Number of Meetings attended
Terry Jarvis (Chairman)	1
David Hill	1
Helen Henderson	1
Kate Burns	0

The Chief Executive Mr Quigley attended all meetings of the Board and its committees.

Board Performance

The chairman and members believe that on the whole the Board has again operated effectively, with meetings generally including constructive and challenging debate. As part of good governance in June 2018 the Board undertook its annual review of its own effectiveness. The Board is content that overall it delivers its duties well. All meetings of the Board and its committees were well attended. The Board has continued to maintain a good relationship with its sponsoring body through the timely sharing of information. Members of the Authority's senior management team regularly attend the Board meetings and their contribution is valued by the Board.

The Authority operates under and complies with a Management Statement and Financial Memorandum. The Board is confident that it is compliant with the Corporate Governance Code.

Members of the Board meet regularly with its stakeholders. During the year a Stakeholder meeting was held in each port. These meetings where well attended by members of the Board.

During the year matters considered by the Board and its committees included

- The Authority's strategy, business plan, budgets and financing requirements
- Potential Harbour improvements
- Health and Safety both on-shore and marine
- Risk Register
- Equality Report
- Environmental issues
- Vessel Decommissioning
- Board Operating Framework
- Capital works and management Projects
- Annual and interim financial statements
- Estate Management and Development

The 2018-19 Business Plan had six key business objectives. These objectives and the thirty four associated activities were designed to ensure both the ongoing safe and prudent management of the harbours and furthering the implementation of the current Corporate Plan. The objectives and associated activities were not all fully achieved. However substantively the goals of the Plan were met. The Board is content that where elements of the plan could be not be met they were not materially significant within the overall context of delivering the goals of the Authority.

Fishing Harbours are, by their nature, work environments where the risk of an accident is significant. The

Authority continues to work hard to provide, as far as reasonably possible, a safe working environment within its harbour facilities. Yet every year the Authority has to deal with the consequences of accidents that occur within the harbours and so the Board will continue to press the executive team to maintain its focus on improving health and safety and to take what learning they can from any incidents that do occur. Despite these setbacks the Board would wish to express its thanks to both the fishermen and contractors; though their efforts over time, they have helped to generate a significant improvement in the health and safety culture around the Authority's harbours.

The EMFF has been open for applications since 2016-17. The Authority has submitted applications and gained approval for a number of projects. Work on two projects has completed and it is expected other projects will commence during 2019-20. During the year the Authority again delivered a minor capital works programme. These again focused primarily on its slipways both in Kilkeel and Portavogie but also undertaking other works including renewals in the ice-plant in Portavogie.

The Board has continued its work with the management of the Authority to ensure financial and budgetary controls remain robust and it is pleased that operational revenue was ahead of forecast which allowed the Authority both to deliver its operational plan and its self-funded minor capital works programme while still delivering an above budget operational surplus.

The Board believes that good communication with its sponsoring body DAERA is not only a requirement of good governance but essential to its goal of delivering a quality service to its customers. To this end copies of the papers and minutes of all meetings are forwarded to DAERA. The Board regularly welcomes representatives of DAERA to attend its board meetings and Internal Audit to attend Risk and Assurance committee meetings. The authority attended two Accountability meetings with DAERA. The Board was pleased to have again been invited along with the CEO to present to the DAERA board.

The Risk and Assurance committee's role is to provide independent assurance to the Board and Chief Executive as Accounting Officer on the effectiveness of the Authority's risk management and internal control systems. The three meetings held were well attended by Board members. In addition the CEO and a representative from DAERA and Internal Audit attended all meetings.

The Risk and Assurance Committee undertook regular reviews of the risk register and updated it accordingly. During the year the Committee considered a range of topics including the report on an Equality Audit and the performance of both the Marine and Health & Safety Management Systems. The Committee also oversaw the implementation of procedures to ensure compliance with the GDPR.

The Committee completed a formal self-assessment in June 2018 reviewing its performance for the 2017-18 financial year. The Committee reviewed the outcome of the self-assessment and is content that it continues to deliver well.

The Chair of the Audit Committee attended a meeting of DAERA's Arm's Length Bodies and fed back to the board and audit committee on any relevant policy issues.

The Finance Committee met four times during the year. The committee considered both management accounts and the statutory accounts. It also considered the proposed budget for the 2019-20 Business Plan, Estate Management and Trade Debtors.

There were no ministerial directions given during the year.

The Board relies on financial and other reports prepared by the Authority's management team. These reports while well-established are regularly reviewed and updated as required. The Board is content, through its experience, that the quality of these reports is high. The Board further relies on the work of DAERA's internal Auditor and the external Auditor to provide further assurance as to the quality of these reports.

Internal Audit Opinion

An internal audit is performed annually by the internal audit branch of our sponsor DAERA.; the overall opinion was stated as "Satisfactory". No major areas of concern were identified within the review.

Risk Management

With due consideration to its scale the Authority has a well embedded and robust risk management framework in place with the direct involvement of the Senior Management Team and oversight from the Board and its committees.

At the end of the financial year the Authority currently was showing two risks which, even after mitigation, it rates as very high. Both of these risks are associated with the possible impact to the Authority arising from abandoned vessels.

The Authority's Risk Register is reviewed at all Board and Audit Committee Meetings. The Risk Register itself is considered to be a live document and is reviewed on a monthly basis by the Senior Management team.

Information Risk

The Authority's approach to the management of information security risk is proportionate to the nature of the risks and the limited amount of personal or sensitive information handled by the Authority. During the year the Authority implemented additional procedures and is now compliant with the General Data Protection Regulation. As the Authority's Information Risk Owner I have received assurances from the Accounts Administrator that the information governance policy framework is both adequate and effective.

Conflicts of Interest

On appointment Board members are required to provide a list of any interests which may give rise to a conflict of interest. At all Board meetings a standing item on declarations of interest is included and brought to the attention of the members by the Chair. This standing item is also included for all committee meetings. There was one conflict of interest declared during the year. This was declared by a Board member with regard to one particular issue the Board was considering and was appropriately dealt with by the Chair.

Conclusion

As Accounting Officer, based on the work of our Accounts Administrator, DAERA Internal Audit and our External Auditors I consider the overall system of risk management, internal control and governance provides satisfactory assurance to me in relation to the ability of the Authority to effectively discharge its governance responsibilities. I also confirm that this Governance Statement is compliant with the code of good practice.

Kevin Quigley
CHIEF EXECUTIVE

REMUNERATION AND STAFF REPORT

The pay award for staff in NIFHA is guided by the NICS Pay Remit Process and is based on performance. Although the Authority is a public body, salaries and wages are not based on any public sector scale comparator e.g. the NICS or Local Government pay scales (LGPS).

Salary

'Salary' includes gross salary, overtime and any other allowance to the extent that it is subject to UK taxation and any gratia payments.

Bonuses

No bonuses were paid in the year.

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the Authority and treated by HMRC as a taxable emolument. The benefit in kind for the Chief Executive is a premium on a health insurance policy.

Service Contracts

The Authority does not have any service contracts with members of its staff and staff appointments are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Authority's policy on its discretionary powers under the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations (Northern Ireland) 2007.

Staff Costs (Audited)

	Permanently employed staff	Temporary staff	Total 2019	2018
	£	£	£	£
Wages and salaries	489,913	4,537	494,450	479,204
Social security costs	39,739	336	40,075	39,349
Pension costs	93,443	0	93,443	86,245
	623,095	4,873	627,968	604,798
IAS 19 – Actuarial Valuation				
Current service cost	176,000	-	176,000	170,000
Past service cost/(gain)	-	-	-	-
Contributions by the employer	(93,000)		(93,000)	(88,000)
	706,095	**4,873**	**710,968**	**686,798**

Note (a) – A related revenue grant of £41,167 (2018: £44,852) has been agreed and accrued in note 4.

The Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) Pension Scheme is a funded defined benefit plan with benefits earned up to 31st March 2015 being linked to final salary. Benefits after

31st March 2015 are based on a career average revalued earnings scheme. Details of the benefits earned over the period covered by this disclosure are set out in “The Local Government Pension Scheme Regulations (Northern Ireland) 2014 and The Local Government Pension Scheme (Amendment and Transitional Provisions) Regulations (Northern Ireland) 2014.

The funded nature of NILGOSC requires participating employers and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. The last actuarial valuation was at 31st March 2016 and the contributions to be paid until 31st March 2020 resulting from that valuation are set out in the Fund’s Rates and Adjustment Certificate. For 2018-19, employers’ contributions of £93,443 were payable to the NILGOSC pension schemes (2017-18 £86,245) at 19% of pensionable pay. The contribution rates are set to meet the cost of the benefits accruing during 2018-19 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

	2019	**2018**
The average number of persons employed by the Authority during the year was:	**Number**	**Number**
Operation and Maintenance	13	13
Administration	8	8
	21	21

All staff employed by the Authority in 2019 and 2018 had permanent contracts of employment. One additional temporary staff member was employed in the year to cover sick leave/staff holidays. The staff consists of 15 male and 6 female employees. The average number of working days lost due to sickness per employee was 10.5 days for 2018-19. The equivalent figure for the previous year was 10.0 days.

	2019	**2018**
Analysis of Remuneration was as follows:	**£**	**£**
Chief Executive’s total remuneration	54,806	55,357
Members’ salaries	27,698	27,181
Operating and Maintenance	304,047	292,963
Administration	107,900	103,703
	494,451	**479,204**

	Number	**Number**
Chief Executive to whom retirement benefit is accruing under defined benefit scheme	1	1

Compensation schemes-exit packages

The following section provides details of the exit packages paid by the Authority.

	Number of voluntary redundancies	Total number of exit packages by cost band 2019	Total number of exit packages by cost band 2018
< £10,000	Nil	Nil	Nil
£10,000 - £25,000	Nil	Nil	Nil
Total number of exit packages	Nil	Nil	Nil
Total resource cost	Nil	Nil	Nil

Salary and Pension Entitlements

The following sections provide details of the remuneration and pension interests of the Board Members and the Chief Executive of the Authority.

Remuneration (Audited)

	2018-19			2017-18		
	Number of people	**Salary**	**Benefits in Kind £ (to nearest £1,000)**	**Number of people**	**Salary**	**Benefits in Kind £ (to nearest £1,000)**
Chairman	1	£5,000 - £9,999	-	1	£5,000 - £9,999	-
Board Member	5	Nil - £4,999	-	6	Nil - £4,999	-
Chief Executive	1	£55,000-£60,000	£1,000	1	£55,000-£60,000	£1,000
Median Staff Salary		£19,021			£18,646	
Ratio of Highest-Paid Director Salary to Median Salary		2.9			2.9	

The Board members and Chief Executive consisted of 5 male and 2 female members.

Pension Benefits (Audited)

Board Members have no pension entitlement from the Authority. The Chief Executive is a contributory member of the NILGOSC pension scheme. The NILGOSC scheme is a statutory scheme which provides benefits on an average salary basis at retirement.

Name and Title	Total Accrued Pension as at 31/03/19 and related Lump Sum £'000	Real increase in Pension & related Lump Sum £'000	CETV at 31/03/19 £'000	CETV at 31/03/18 £'000	Real increase in CETV £'000
K J Quigley (CEO)	10 - 15	1 - 2	182	160	14

The Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. It is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures and the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the NILGOSC pension arrangements and for which the NILGOSC has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in CETV reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period. However, the real increase calculation uses common actuarial factors at the start and the end of the period so that it disregards the effect of any changes in factors and focuses only on the increase that is funded by the employer.

Kevin Quigley
CHIEF EXECUTIVE

Assembly Accountability and Audit Report

Regularity of expenditure

There were no special payments or losses made by the Authority in the year. (2017-18 - £nil)

Fees and Charges

The Authority collects harbour and landing dues and various other fees from boat owners as detailed in note 4 and in return provides a range of services to the industry. DAERA approved the 2018-19 annual business plan which aimed to achieve a surplus of £22,113 after revenue grant but before capital charges, interest, IAS 19, tax and notional adjustments.
The Authority actually recorded a surplus of £130,437 on this basis.

Remote contingent liabilities

There were no contingent liabilities requiring disclosure under Assembly reporting requirements. The Authority had no significant remote contingent liabilities to report in 2018-19. (2017-18 £nil). Note 20 provides further details regarding the contingent liabilities that are included within the financial statements.

Kevin Quigley
CHIEF EXECUTIVE

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NIFHA

Opinion

We have audited the financial statements of NIFHA for the year ended 31 March 2019 under the Northern Ireland Fishery Harbour Authority (Accounts) Regulations (Northern Ireland) 1998. These comprise the statement of comprehensive net expenditure account, the statement of financial position, the statement of cash flows, the statement of changes in taxpayers' equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. We have also audited the information in the Remuneration and staff report and the Assembly accountability and audit report that is described in those reports as having been audited.

In our opinion:

- the financial statements give a true and fair view, of the state of NIFHA as at 31 March 2019 and of its net expenditure, changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with Northern Ireland Fishery Harbour Authority (Accounts) Regulations (Northern Ireland) 1998 and the Accounts Direction made by the DAERA with the approval of DoF.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NIFHA (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters

- In our opinion, in all material respects the expenditure and income have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them.
- the parts of the Remuneration and Staff Report and the Assembly Accountability and Audit Report to be audited has been properly prepared in accordance with DoF directions made under the Government Resources and Accounts Act (Northern Ireland) 2001 and
- the information given in the Report of the Authority and the Foreword to the Accounts for the financial year which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Authority and its environment obtained in the course of the audit, we have not identified material misstatements in the members report.

We have nothing to report in respect of the following matters which we will report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration and Staff Report and Assembly Accountability and Audit Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of members' remuneration specified by law are not made; or
- We have not received all of the information and explanations we require for our audit; or
- the Governance Statement does not reflect compliance with DoF guidance.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NIFHA (continued)

Respective responsibilities of the Members and Chief Executive

As explained more fully in the Statement of Members' and Chief Executive's Responsibilities, the Members and Chief Executive are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the members determine is necessary to enable the preparation of the financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, the members and Chief Executive are responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the Authority or to cease operations or have no realistic alternative but to do so.

Auditors responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

In addition, we are required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them.

M.B. McGrady & Co

23rd July 2019.

Chartered Accountants and Registered Auditors
52 St. Patricks Avenue
Downpatrick
Co. Down
BT30 6DS

Statement of comprehensive net expenditure account for the year ended 31 March 2019

	Notes	2019 £	2018 £ Restated
Income - continuing operations			
Income from activities	4	1,663,255	1,558,451
Expenditure			
Staff and related costs	5	710,968	686,798
Depreciation	11	1,721,519	1,709,761
Other operating charges	6	664,409	655,677
		3,096,896	**3,052,236**
Operating income/(expenditure)		(1,433,641)	(1,493,785)
Finance income	7	447	405
Other finance income/(costs)	8	(19,000)	(18,000)
Finance and other income - net		**(18,553)**	**(17,595)**
Net income/(expenditure) before income tax		(1,452,194)	(1,511,380)
Income tax credit/(charge)	10	306,489	505,295
Net income/(expenditure) for the year		**(1,145,705)**	**(1,006,085)**
Other comprehensive net income/(expenditure)			
Items that will not be reclassified to net operating expenditure:			
Actuarial gain/(loss) on retirement benefit obligations		149,000	96,000
Deferred tax credit/(debit) on actuarial gain/(loss) on retirement benefit obligations		(28,310)	(18,240)
Indexation uplift on property, plant and equipment		1,054,600	2,580,469
Deferred tax on indexation uplift on revaluation of property, plant and equipment		(200,374)	(490,289)
Deferred tax movement on change of tax rate		-	145,667
Backlog depreciation		(253,704)	(515,824)
		721,212	1,797,783
Total Comprehensive net income/(expenditure) for the year		**(424,493)**	**791,698**

All amounts above relate to continuing operations of NIFHA.
The notes on pages 30 to 50 are an integral part of these financial statements.

Statement of financial position as at 31 March 2019

	Notes	2019 £	2018 £ Restated	2017 £ Restated
Assets				
Non-current assets				
Property, plant and equipment	11	29,370,073	29,918,430	29,319,334
Deferred income tax assets	16	301,139	310,069	325,588
		29,671,212	**30,228,499**	**29,644,922**
Current assets				
Trade and other receivables	12	356,372	471,516	185,975
Cash and cash equivalents	13	689,570	549,400	618,029
		1,045,942	**1,020,916**	**804,004**
Total assets		**30,717,154**	**31,249,415**	**30,448,926**
Current liabilities				
Trade and other payables	14	261,779	309,246	187,244
		261,779	**309,246**	**187,244**
Non-current assets plus net current assets		**30,455,375**	**30,940,169**	**30,261,682**
Non-current liabilities				
Deferred income tax liabilities	16	5,572,158	5,674,555	5,851,098
Pension liabilities	15	720,000	767,000	763,000
		6,292,158	**6,441,555**	**6,614,098**
Assets less liabilities		**24,163,217**	**24,498,614**	**23,647,584**
Reserves				
Income and expenditure account		11,394,360	11,765,885	11,862,729
Revaluation reserve		12,327,866	12,291,738	11,343,864
Capital reserve		440,991	440,991	440,991
Total taxpayers' equity		**24,163,217**	**24,498,614**	**23,647,584**

The notes on pages 30 to 50 are an integral part of these financial statements.

The financial statements on pages 26 to 29 were authorised for issue by the Board Members of the Authority on **19 June 2019** and were signed on its behalf by:

T JARVIS
Chairman

K QUIGLEY
Chief Executive/Secretary

Statement of cash flows for the year ended 31 March 2019

	Notes	2019 £	2018 £ Restated
Cash flows from operating activities			
Operating deficit before income tax and finance costs		**(1,433,641)**	(1,493,785)
Adjustments for:			
Depreciation of property, plant and equipment		**1,721,519**	1,709,761
Movement in trade and other receivables		**84,075**	(235,829)
Movement in trade and other payables		**(47,467)**	122,002
Corporation tax payable		**(15,662)**	(18,591)
Notional charges		**6,600**	-
Difference between pension charge and cash contributions		**83,000**	82,000
Net cash (used in)/generated from operating activities		**398,424**	165,558
Cash flows from investing activities			
Interest received		**447**	405
Purchases of property plant and equipment		**(372,266)**	(244,212)
Net cash used in investing activities		**(371,819)**	(243,807)
Cash flows from financing activities			
Capital Grants received from DAERA		**113,565**	9,620
Net cash generated from financing activities		**113,565**	9,620
Movement in cash and cash equivalents		**140,170**	(68,629)
Cash and cash equivalents at the beginning of the year		**549,400**	618,029
Cash and cash equivalents at the end of the year	13	**689,570**	549,400

The notes on pages 30 to 50 are an integral part of these financial statements.

Statement of changes in taxpayers' equity for the year ended 31 March 2019

	Capital Reserves	Revenue Reserves	Revaluation Reserve	Total taxpayers' equity
	£	£	£	£
At 31 March 2017	**440,991**	**142,749**	**11,343,864**	**11,927,604**
Prior period adjustment - change in accounting policy		11,719,980		11,719,980
Restated Balance at 1 April 2017	**440,991**	**11,862,729**	**11,343,864**	**23,647,584**
Restated Net income/(expenditure) for the year	-	(1,006,085)	-	(1,006,085)
Other comprehensive net income/(expenditure)	-	77,760	1,720,023	1,797,783
Prior period adjustment -Capital funding		59,332		59,332
Other notional charges	-	-	-	-
Transfer from net expenditure account to unrealised revaluation reserve	-	953,270	(953,270)	-
Deferred taxation on transfer from unrealised revaluation reserves to net expenditure account	-	(181,121)	181,121	-
Restated Balance at 31 March 2018	**440,991**	**11,765,885**	**12,291,738**	**24,498,614**
Net income/(expenditure) for the year	-	(1,145,705)	-	(1,145,705)
Other comprehensive net income/(expenditure)	-	120,690	600,522	721,212
Capital funding		82,496		82,496
Other notional charges	-	6,600	-	6,600
Transfer from net expenditure account to unrealised revaluation reserve	-	696,783	(696,783)	-
Deferred taxation on transfer from unrealised revaluation reserves to net expenditure account	-	(132,389)	132,389	-
At 31 March 2019	**440,991**	**11,394,360**	**12,327,866**	**24,163,217**

The notes on pages 30 to 50 are an integral part of these financial statements.

Notes to the financial statements for the year ended 31 March 2019

1. Accounting policies, financial risk management & critical accounting estimates/judgements

General information

The Authority's principal activity during the year was the improvement, management and maintenance of the three fishery harbours and harbour estates of Ardglass, Kilkeel and Portavogie. The Authority is registered and domiciled in Northern Ireland.
The financial statements are presented in Sterling. All of the Authority's assets and liabilities are denominated in Sterling.

Statement of accounting policies

These financial statements have been prepared in accordance with the 2018-19 FReM issued by DoF Northern Ireland. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Authority for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Authority for its principal activity is described below. They have been applied consistently in dealing with items that are considered material to the accounts. These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment.

Prior period adjustment

The Authority has changed its accounting policy in relation to the receipt of capital grants and the deferral of capital grant income. The balance on the deferred capital grant account has been added to the SoCNE reserve in the current year and previous two years (2017-18 and 2016-17 both restated). This restatement after adjusting for the associated deferred tax movements has increased the revenue reserve by £11,719,980 in the 2016-17 year and £11,438,091 in the 2017-18 year.

Income

Income comprises the fair value of the consideration received or receivable in respect of berthing, landing and buyer dues, revenue from services and rental income. Income also includes capital grants received. Income is shown net of value-added tax. Income is recognised over the period for which services are provided, using a straight line basis over the term of the service provided. Income in relation to the sale of ice & utilities is recognised when the Authority sells the goods or utilities to the customer on a cost per tonne or cost per unit basis. Revenue from berthing dues is recognised over the period for which the berths are utilised by the customer in accordance with the type and length of boat. Revenue from landing and market dues are recognised when the landings are brought ashore or sold through the fish market on a percentage of sales price. The Authority recognises income when the amount of income can be reliably measured, and it is probable that future economic benefits will flow to the Authority.

Notes to the financial statements for the year ended 31 March 2019

1. Accounting policies, financial risk management & critical accounting estimates/judgements (continued)

Property, plant and equipment

Freehold property is shown at fair value, based on regular valuations by Land and Property Services, and specialist consulting engineers, less subsequent depreciation for buildings. In intervening years these valuations are subject to annual indexation using relative price indices. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment, with the exception of freehold property, is stated at cost less depreciation and accumulated impairment losses. The initial cost of an asset comprises cost plus any costs directly attributable to bringing the asset into operation and an estimate of any decommissioning costs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The charge for depreciation is calculated so as to write off the depreciable amount of assets over their estimated useful economic lives on a straight line basis. The rates of each major class of depreciable asset are as follows:

- Freehold property - Nil%
- Harbour property and equipment - 2 - 25%
- General equipment - 4 - $33^{1}/_{3}$%

The assets' residual values and useful economic lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. An asset is derecognised upon disposal or when no future economic benefit is expected to arise from the asset.

Impairment of non-financial assets

The Authority assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Authority makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

Notes to the financial statements for the year ended 31 March 2019

1. Accounting policies, financial risk management & critical accounting estimates/judgements (continued)

Loans and receivables (financial instruments)

(a) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the trade and other receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'operating costs'. When a trade and other receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against 'other operating costs' in the income and expenditure account.

(b) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

Other financial liabilities at amortised costs (financial instruments)

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Income tax and deferred income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the statement of financial position date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the net expenditure account. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither an accounting nor a taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Notes to the financial statements for the year ended 31 March 2019

1. Accounting policies, financial risk management & critical accounting estimates/judgements (continued)

Income tax and deferred income tax (continued)

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.
Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the net expenditure account.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Authority will comply with all attached conditions.

Grants for revenue purposes that are received to finance the purchase of specific goods or services are shown as income in the statement of comprehensive net expenditure. In these cases income is set to match with the related expenditure incurred during the year.

Government grants relating to property, plant and equipment from DAERA are treated as contributions from controlling parties giving rise to a financial interest in the residual interest of the Authority and are credited to the Revenue Reserve.
Capital grants received from the EU are shown as income in the statement of comprehensive net expenditure.

Operating lease commitments

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the net expenditure account on a straight-line basis over the period of the lease.

Pension liabilities

The Authority provides a defined benefit pension scheme for employees through NILGOSC. The assets of the scheme are held separately from those of the Authority. The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to reserves in the statement of changes in taxpayers' equity in the period in which they arise.

Notes to the financial statements for the year ended 31 March 2019

1. Accounting policies, financial risk management & critical accounting estimates/judgements (continued)

Pension liabilities (continued)

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

A revised version of IAS 19 came into effect for accounting periods commencing on or after 1 January 2013. Disclosures within note 16 have been calculated under the revised IAS 19.

Financial risk factors

(a) Market risk

The Authority has no interest rate risk as it has no borrowings and it has a minimal exchange rate risk as almost all of its transactions are denominated in Sterling.

(b) Credit risk

The Authority's main exposure to credit risk is the non-payment of landing dues and other service charges by port users. Where the Authority's trade and other receivables are deemed to be impaired or past due, management has made a reasonable provision for non-performance by its customers.

(c) Liquidity risk

The Authority is financed primarily by levy and commercial income. The extent to which levies may be raised and retained for use in operations is set out in statute. The Authority is not exposed to significant liquidity risks.

Capital risk management

The Authority has no obligation to increase reserves as it is a public sector organisation.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Authority makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are discussed below:

Notes to the financial statements for the year ended 31 March 2019

1. Accounting policies, financial risk management & critical accounting estimates/judgements (continued)

Estimate of useful economic life of assets

The entity assesses the useful economic life of fixed assets on an annual basis. If the useful economic life had been increased by one year, depreciation would have decreased by £106k and if the useful economic life had been decreased by one year depreciation would have increased by £128k.

2. Method of financing capital works

Capital works have been financed by grants mainly from the EMFF and DAERA at varying rates with the balance funded internally.

3. Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive with the Members of the Board making strategic decisions. The Authority's sole activity is the improvement, management and maintenance of fishery and harbours and harbour estates. As such, in the opinion of the Members, the Authority has only one operating segment, and all income, expenditure, assets and liabilities relate to the Authority's sole activity.

4. Income

	2019 £	2018 £ restated
Revenue from contracts with customers		
Berthing dues	118,384	99,937
Landing and market dues	674,852	663,218
Revenue from services:		
- Ice Sales	224,904	223,718
- Slipways	176,148	169,836
- Sundry, telephone and power	45,288	38,199
- Water	13,926	16,063
Rental income	121,098	124,631
	1,374,600	1,335,602
Other operating income		
EMFF capital grant	247,488	177,997
Building Sustainable Prosperity/EMFF – note 5(a)	41,167	44,852
	288,655	222,849
Total income	**1,663,255**	**1,558,451**

Notes to the financial statements for the year ended 31 March 2019

5. Staff Costs

	Total 2019 £	2018 £
Wages and Salaries	494,450	479,204
Social Security Costs	40,075	39,349
Pension Costs	93,443	86,245
	627,968	604,798
IAS 19 – Actuarial Valuation		
Current Service Cost	176,000	170,000
Contributions by the employers	(93,000)	(88,000)
	710,968	**686,798**

Note (a) – A related revenue grant of £41,167 (2018: £44,852) has been agreed and accrued in note 4.
Further analysis of staff costs is located in the Staff Report on page 18.

6. Other operating charges

	2019 £	2018 £
Repairs and general upkeep	239,379	258,198
Training	18,915	14,840
Insurance	87,903	81,001
Rent and rates	38,419	33,626
Electricity and water	175,449	160,181
Lease payments for equipment	11,992	12,009
Audit and accountancy	7,000	7,000
Telephone, printing stationery and postage	10,116	9,209
Travelling and subsistence	13,275	9,408
Sundries	27,074	17,749
Legal and professional fees	14,263	43,327
Health and safety	9,473	5,738
Advertising	925	968
Bad debt	3,626	2,423
Internal Audit fee (Notional cost)	6,600	-
	664,409	**655,677**

Notes to the financial statements for the year ended 31 March 2019

7. Finance income

	2019	2018
	£	£
Interest income:		
Short-term bank deposits	447	405
Interest expense:		
Bank borrowings	-	-
Finance costs - net	447	405

8. Other finance cost

	2019	2018
	£	£
Interest on pension scheme liabilities	**19,000**	18,000

9. Performance against key financial targets

The following key financial target was agreed with the DAERA for 2018-19:

- To achieve an operating surplus of £22,113 after revenue grant but before capital charges, interest, IAS 19, tax and notional adjustments.

The Authority actually recorded a surplus of £130,437 on this basis (2017-18 surplus was £120,384).

Notes to the financial statements for the year ended 31 March 2019

10. Income tax

	2019 £	2018 £
Current income tax:		
Current income tax charge at 19% (2018:19%)	**15,662**	18,591
Total current income tax	**-**	-
Deferred income tax:		
Origination and reversal of temporary differences	**(322,151)**	(540,165)
Change in corporation tax rate	**-**	16,279
Total deferred income tax	**(322,151)**	(523,886)
Income tax credit	**(306,489)**	(505,295)

Factors affecting the corporation tax charge for the year:

	2019 £	2018 £ restated
Deficit before income tax	**(1,452,194)**	(1,511,380)
Tax calculated at the UK standard rate of corporation tax for small companies of 19% (2017: 20%)	**(275,917)**	(287,162)
Effects of:		
Expenses not deductible for tax purposes/(income not taxable)	**(26,389)**	(14,878)
Timing differences	**317,968**	320,631
Tax losses carried forward		
Total current income tax	**15,662**	18,591

Notes to the financial statements for the year ended 31 March 2019

11. Property, plant and equipment

	Harbour Property and Equipment			General	
	Kilkeel	Ardglass	Portavogie	Equipment	Total
	£	£	£	£	£
Cost or valuation					
At 31 March 2017	22,984,871	4,997,742	8,126,945	80,111	36,189,669
Additions	9,841	-	233,473	898	244,212
Indexation	1,668,699	352,763	559,007	-	2,580,469
At 31 March 2018	24,663,411	5,350,505	8,919,425	81,009	39,014,350
Additions	26,319	7,930	330,545	7,472	372,266
Indexation	681,320	143,437	229,843	-	1,054,600
At 31 March 2019	**25,371,050**	**5,501,872**	**9,479,813**	**88,481**	**40,441,216**
Depreciation					
At 31 March 2017	3,779,639	1,073,090	1,978,735	38,871	6,870,335
Additions	897,722	276,219	529,206	6,614	1,709,761
Indexation	298,264	77,774	139,786	-	515,824
At 31 March 2018	4,975,625	1,427,083	2,647,727	45,485	9,095,920
Provided during the year	919,461	279,508	516,467	6,083	1,721,519
Back log depreciation	147,486	39,088	67,130	-	253,704
At 31 March 2019	**6,042,572**	**1,745,679**	**3,231,324**	**51,568**	**11,071,143**
Net book amount					
At 31 March 2019	**19,328,478**	**3,756,193**	**6,248,489**	**36,913**	**29,370,073**
At 31 March 2018	19,687,786	3,923,422	6,271,698	35,524	29,918,430
At 31 March 2017	19,205,232	3,924,652	6,148,210	41,240	29,319,334

Depreciation expense of £1,721,519 (2018: £1,709,761) has been fully charged to expenditure.

The Authority's freehold was revalued on 1st April 2013 by Land and Property Services. The harbour assets were valued by Doran Consulting as of the same date. Valuations were made on the basis of depreciated replacement cost for operational assets, on an existing use basis for other operational assets and on open market value basis for non-operational assets. Indexation has been charged at a rate of +2.90% according to the BCIS index. The Accounting Officer is not aware of any material change in the value of fixed assets other than that which has been fully reflected above and therefore the valuation has not been updated.

Notes to the financial statements for the year ended 31 March 2019

11. Property, plant and equipment (continued)

If land and buildings were stated on the historical cost basis, the amounts would be as follows

	2019	2018	2017
	£	£	£
Cost	39,691,482	39,319,216	39,075,004
Accumulated depreciation	(30,653,086)	(29,628,350)	(28,871,859)
Net book amount	9,038,396	9,690,866	10,203,145

12. Trade and other receivables

	2019	2018	2017
	£	£	£
Trade receivables	155,764	100,148	88,945
Grant receivables	112,952	251,022	26,175
Other receivables – VAT	31,004	63,514	53,057
Prepayments and accrued income	56,652	56,832	17,798
	356,372	**471,516**	**185,975**

None of the Authority's trade and other receivables are impaired or past due. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The fair value of the Authority's trade and other receivables is not materially different to their carrying values.

13. Cash and cash equivalents

	2019	2018	2017
	£	£	£
Cash at bank and on hand	**689,570**	549,400	618,029

Notes to the financial statements for the year ended 31 March 2019

14. Trade and other payables

	2019	2018	2017
	£	£	£
Trade payables	85,340	155,766	47,147
Other tax and social security	10,734	10,967	11,248
Other payables	49,879	49,774	52,829
Corporation tax	15,647	18,591	-
Accruals and Deferred Income	100,179	74,148	76,020
	261,779	**309,246**	**187,244**

15. Pension liabilities

The Authority operates a funded scheme of the defined benefit type with assets held in separate trustee administered funds.
An actuarial valuation of the scheme using the projected unit basis was carried out at 31 March 2016. The valuation was carried out by Scott Campbell FIA of Aon Hewitt Limited.

The financial assumptions used by the actuary were:

	2019	2018	2017
Rate of increase in salaries	**3.7%**	3.6%	3.5%
Rate of increase in pensions in payment	**2.2%**	2.1%	2%
Pension accounts revaluation rate	**2.2%**	2.1%	2%
Discount rate	**2.4%**	2.6%	2.5%
Inflation assumption (RPI)	**3.3%**	3.2%	3.1%
Inflation assumption (CPI)	**2.2%**	2.1%	2%

The mortality assumptions used were as follows:	2019	2018	2017
Longevity at age 65 for current pensioners (in years):			
Male currently aged 65	**22.6**	23.3	23.2
Female currently aged 65	**24.9**	25.9	25.8
Longevity at age 65 for future pensioners (in years)			
Male currently aged 45	**24.3**	25.5	25.4
Female currently aged 45	**26.7**	28.2	28.1

Notes to the financial statements for the year ended 31 March 2019

15 Pension liabilities (continued)

The market value of assets in the scheme and the expected rate of return were:

	Value at 2019 £	Value at 2018 £	Value at 2017 £
Equities	**2,785,000**	3,114,000	3,090,000
Government bonds	**772,000**	227,000	224,000
Corporate bonds	**328,000**	314,000	253,000
Property	**524,000**	436,000	435,000
Cash	**126,000**	196,000	108,000
Other	**145,000**	74,000	37,000
Total market value of assets	**4,680,000**	4,361,000	4,147,000
Present value of scheme obligations	**(5,394,000)**	(5,122,000)	(4,904,000)
Present value of unfunded obligations	**(6,000)**	(6,000)	(6,000)
Deficit in scheme	**(720,000)**	(767,000)	(763,000)

Reconciliation of present value of scheme liabilities	**2019** £	**2018** £	**2017** £
At 1 April 2018	**5,128,000**	4,910,000	3,955,000
Current service cost	**176,000**	170,000	138,000
Past service (gain)/cost	**-**	-	-
Interest cost	**132,000**	122,000	133,000
Contributions by members	**28,000**	27,000	24,000
Benefits paid	**(118,000)**	(114,000)	(113,000)
Actuarial (gains)/losses	**54,000**	13,000	773,000
At 31 March 2019	**5,400,000**	5,128,000	4,910,000

Reconciliation of fair value of scheme assets	**2019** £	**2018** £	**2017** £
At 1 April 2018	**4,361,000**	4,147,000	3,477,000
Interest income on assets	**113,000**	104,000	118,000
Re-measurement gains/(losses) on assets	**202,000**	109,000	553,000
Benefits paid	**(118,000)**	(114,000)	(113,000)
Contributions paid by members	**29,000**	27,000	24,000
Contributions paid by the employer	**93,000**	88,000	88,000
At 31 March 2019	**4,680,000**	4,361,000	4,147,000

Notes to the financial statements for the year ended 31 March 2019

15. Pension liabilities (continued)

Analysis of the amount charged to net expenditure account are as follows:

	2019	2018	2017
	£	£	£
Current service cost (excluding administration expense)	174,000	168,000	136,000
Administration expense	2,000	2,000	2,000
Past service (gain)/cost	-	-	-
Interest on pension scheme liabilities	19,000	18,000	15,000
Total operating charge	195,000	188,000	153,000

The total current service cost of £176,000 (2017: £170,000) is included within staff costs. The total contributions expected to be made to the scheme by NIFHA in the year to 31 March 2019 are £98,000.

Actuarial gains and losses
The cumulative amount of actuarial losses recognised in the statement of changes in taxpayers' equity is £173,000.

Sensitivity analysis
IAS19R requires the disclosure of the sensitivity of the results to the methods and assumptions used.

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below.

On materiality grounds the sensitivity of unfunded benefits has not been included.

Changes in assumptions at year ended 31 March 2018	**Approximate % increase to employer liability**	**Approximate monetary amount (£'000)**
0.1% decrease in Real Discount Rate	1.7%	90
1 year decrease in member life expectancy	3.2%	172
0.1% increase in the Salary Increase Rate	0.5%	26
0.1% increase in the Pension Increase Rate	1.2%	65

Notes to the financial statements for the year ended 31 March 2019

15. Pension liabilities (continued)

Amounts for current and previous four years:

	2019	2018	2017	2016	2015
	£	£	£	£	£
Fair value of scheme assets	4,680,000	4,361,000	4,147,000	3,477,000	3,367,000
Present value of defined benefit obligation	(5,400,000)	(5,128,000)	(4,910,000)	(3,955,000)	(3,951,000)
Deficit	(720,000)	(767,000)	(763,000)	(478,000)	(584,000)
Experience gains/(losses) on assets	202,000	109,000	553,000	(12,000)	261,000
Experience gains/ (losses) on liabilities	(53,000)	(13,000)	(773,000)	172,000	(323,000)

16. Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

	2019	**2018**	**2017**
	£	**£**	**£**
		Restated	**Restated**
Deferred income tax assets to be recovered after more than 12 months	**(136,800)**	(145,730)	(152,600)
Deferred income tax assets to be recovered within 12 months	**(164,339)**	(164,339)	(172,988)
	(301,139)	(310,069)	(325,588)
Deferred income tax liabilities to be recovered after more than 12 months	**5,407,819**	5,510,216	5,678,110
Deferred income tax liabilities to be recovered within 12 months	**164,339**	164,339	172,988
	5,572,158	5,674,555	5,851,098
Deferred income tax liabilities - net	**5,271,019**	5,364,486	5,525,510

Notes to the financial statements for the year ended 31 March 2019

16. Deferred income tax (continued)

The gross movement on the deferred income tax account is as follows:

	£
At 31 March 2017	2,587,764
Prior period adjustment – change in accounting policy	2,937,746
At 1 April 2017	5,525,510
Credited to the net expenditure account	(523,886)
Charged directly to the statement of other comprehensive income	362,862
At 31 March 2018	5,364,486
Credited to the net expenditure account	(322,151)
Charged directly to the statement of other comprehensive income	228,684
At 31 March 2019	**5,271,019**

The movement in deferred tax assets and liabilities during the year is as follows:

	Valuation of property, plant & equipment	**Tax losses**	**Pension provision**	**Total**
	£	**£**	**£**	**£**
At 31 March 2017	2,913,352	(172,988)	(152,600)	2,587,764
Prior period adjustment – change in accounting policy	2,937,746	-	-	2,937,746
At 1 April 2017	5,851,098	(172,988)	(152,600)	5,525,510
(Credited)/charged to the net expenditure account	(521,165)	8,649	(11,370)	(523,886)
(Credited)/charged directly to the statement of other comprehensive income	344,622		18,240	362,862
At 31 March 2018	5,674,555	(164,339)	(145,730)	5,364,486
(Credited)/charged to the net expenditure account	(302,771)	-	(19,380)	(322,151)
(Credited)/charged directly to the statement of other comprehensive income	200,374		28,310	228,684
At 31 March 2019	5,572,158	(164,339)	(136,800)	5,271,019

Notes to the financial statements for the year ended 31 March 2019

17. Government grants

	2019	2018
	£	£
DAERA capital grant	82,496	59,332
EMFF capital grant	247,488	177,997
Building Sustainable Prosperity/EMFF revenue grant	41,167	44,852
Total government grants	371,151	282,181

18. Borrowing powers

The DAERA has confirmed that under Article 26(2) of the Northern Ireland Fishery Harbour Authority Order (Northern Ireland) 1973, the Authority's conditional borrowing limit to 31 December 2020 is £1,000,000.

19. Operating lease commitments

The Authority leases various tangible assets under non-cancellable operating lease arrangements.
The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Land and buildings		Plant and equipment	
	2019	2018	**2019**	2018
	£	£	**£**	£
No later than one year	**11,500**	11,500	**8,612**	8,612
Later than one year and no later than five years	**46,000**	46,000	**28,840**	34,072
Later than five years	**76,667**	88,167	**-**	3,380
	134,167	145,667	**37,452**	46,064

Notes to the financial statements for the year ended 31 March 2019

20. Contingent liabilities

Capital grant contingent liability

The NIFHA has a contingent liability to repay grants received, if certain conditions are not fulfilled.

Post-employment benefit contingent liability

The McCloud judgement

In December 2018 the Court of Appeal ruled against the Government in the 'McCloud/Sargeant' judgement which found that the transitional protection arrangements put in place when the firefighters' and judges' pension schemes were reformed were age discriminatory. The ruling potentially has implications for all public sector schemes which were reformed around the same time and could lead to members who were discriminated against being compensated.

The Government has applied to the Supreme Court for permission to appeal this judgement.
If this appeal is unsuccessful, the case would be referred back to the Employment Tribunal to agree what the remedy would be following appropriate consultation. For the purpose of reporting a contingent liability it would be prudent to assume the remedy would be equivalent to extending the 'best of both' underpin to all members.

The Government Actuary's Department (GAD), under instruction of the LGPS Scheme Advisory Board (England and Wales), has calculated a potential IAS 19 accounting liability which is expected to be 0.5% to 1.0% of defined benefit obligation, should the government be unsuccessful in its application to appeal or if the Court of Appeal's judgement is upheld by the Supreme Court and the agreed remedy for the LGPS is to extend the 'underpin' protections to all members. This estimate is at Scheme level encompassing a range of different assumptions typically used by employers to report pension costs. The eventual impact on the Authority's accounts will depend on the remedy chosen by government to compensate members (which may not be the scenario modelled by the GAD); the membership profile (age/sex/salary) of the Authority's membership, and the assumptions used to report pension costs at time of recognition.

The estimated liability makes a number of simplifications and it is unknown what impact this will have on future employer contributions to the Scheme. The Scheme is a funded arrangement with employers paying contributions based on the results of regular local valuations, with the next valuation due as at 31 March 2019. Where an additional liability arises in the Scheme in relation to past service this will result in increased employer contribution rates in the future. Employer contributions towards future service may also increase if the 'better of both' test is extended beyond members within 10 years of normal pension age at 1 April 2012.

However, legislation requires government to monitor and control the underlying costs of the Scheme (via the Cost Management process agreed as part of the reform of public service pension schemes). If the cost of the LGPS (NI), as monitored by HM Treasury under separate legislation, moves out of line with the envelope cost set when the Scheme was reformed, this could trigger amendments to member benefits, or contributions, to bring the cost to the Employer/taxpayer back into line.

Notes to the financial statements for the year ended 31 March 2019

20. Contingent liabilities (continued)

GMP Indexation and Equalisation

In March 2016 the government introduced an 'interim solution' which made the LGPS (NI) responsible for paying the full increases on Guaranteed Minimum Pension (GMP's) for individuals reaching State Pension Age (SPA) from 5 April 2016 through 6 December 2018. This cost was accounted for in 2017.

In January 2018 Government extended the interim solution to individuals reaching SPA before 5 April 2021, passing further cost to the LGPS (NI). This has not yet been accounted for. Government policy is to fully index and equalise GMP pensions for men and women reaching SPA after 5 April 2021 but has not yet enacted this in legislation.

Separately, on 26 October 2018 the High Court ruled in the Lloyds Bank case that equalisation for the effect of unequal GMPs is required. The ruling confirmed that trustees have a duty "to equalise benefits for men and women so as to alter the result which is at present produced in relation to GMPs".

HM Treasury have responded to confirm that public sector schemes already have a method to equalise guaranteed minimum pension benefits (through the interim solutions and commitment to pay full increases on GMPs) and they do not plan to change their method as a result of that judgment.

Aon, as the Fund's actuary has estimated that the potential IAS 19 accounting liability of full GMP indexation (and equalisation) for members reaching State Pension Age from 6 December 2018 to be in the region of 0.3% of the defined benefit obligation. This estimate has been calculated for a typical LGPS Fund (in England and Wales, but this is still comparable to the LGPS (NI)) and is indicative of an additional liability for a typical employer and does not reflect the individual characteristics of the Authority's membership. Costs could be higher for employers with a membership that is older than average (who predominantly accrued service between 1978 and 1997 when GMPs were being accrued).

The Fund is a funded arrangement with employers paying contributions based on the results of regular local valuations, with the next valuation due as at 31 March 2019. The 2019 valuation of the Fund is expected to include the liability of the second interim solution to April 2021. It is currently not known if the 2019 valuation will allow for indexation beyond 2021, as this will depend on the timing of any Scheme changes announced by HM Treasury and the Committee's policy on reflecting this risk within contribution rates. Where an additional liability arises in the Fund in relation to past service this will result in increased employer contribution rates in the future.

Notes to the financial statements for the year ended 31 March 2019

21. Related party transactions

NIFHA is a Non-Departmental Public Body sponsored by DAERA.

DAERA is regarded as a related party. During the year, the Authority had various material transactions with DAERA.

Apart from this no other members, the Chief Executive, key management staff or other related parties have undertaken any material transactions with the Authority during the year.

As at 31 March the entity had the following balances with DAERA:-

The Authority's related party transactions during the year with DAERA were as follows:

	2019	**2018**
	£	£
Grants received and receivable	**371,151**	282,181
Rents received and receivable	**12,955**	12,955
	384,106	295,136

At 31 March the entity had the following trade and other receivables balances with government entities, all falling due within one year.

	2019	2018
	£	£
Grants receivable from related parties	**90,192**	177,092

Notes to the financial statements for the year ended 31 March 2019

22. Financial instruments

IFRS 7, Financial Instruments: Disclosures, requires disclosure that enables evaluation of the significance of financial instruments for the Authority's financial position and the nature and extent of risks arising from financial instruments to which the organization is exposed during the period and at the reporting date, and how the organization manages those risks.

The entity's financial instruments are classified as follows:

Assets and liabilities	Category of financial instrument
Trade and other receivables	Loans and other receivables
Cash and cash equivalents	Loans and other receivables
Borrowings	Other financial liabilities at amortised cost
Trade and other payables	Other financial liabilities at amortised cost

As the cash requirements of the Authority are met through commercial income received and capital grants provided by DAERA and EMFF, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the Authority's expected purchase and usage requirements and the Authority is therefore exposed to little credit, liquidity or market risk.

The Authority has not identified any financial instruments which are complex or play a significant medium to long term role in its financial risk profile.

23. Ultimate controlling party

NIFHA has no ultimate controlling party.