

**MAZE LONG KESH DEVELOPMENT CORPORATION**

**ANNUAL REPORT AND ACCOUNTS**

**FOR THE YEAR ENDED 31 MARCH 2019**

*Laid before the Northern Ireland Assembly under  
Paragraphs 17(5) and 19(2) of Schedule 1 to the Strategic Investment and Regeneration of Sites (Northern  
Ireland) Order 2003 by The Executive Office.*

*on*

*23 December 2019*

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Any enquiries related to this publication should be sent to us at Maze Long Kesh Development Corporation, 94 Halftown Road, Lisburn, County Antrim, BT27 5RF or email **[contact@mazelongkesh.com](mailto:contact@mazelongkesh.com)**.

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## **CHAIRMAN'S INTRODUCTION**

The basis for the regeneration at Maze Long Kesh remains the joint Ministerial statement of April 2009:

“We fully recognise the economic development potential of this site and we are committed to exploiting this potential to the full, particularly given the climate we now find ourselves in.”

I wish to take this opportunity to reaffirm that the entire Board of the Maze Long Kesh Development Corporation continue to be united in our commitment to our originating vision for the development of the site, “Peace to Prosperity”.

During this year the Board continued to review the strategy for the delivery of our vision, as a basis for any discussions on moving forward. This strategy puts renewed emphasis on the role of Maze Long Kesh as the catalyst for development of the 3,500-acre West Lisburn area, with its potential to deliver around £800m of investment and up to 14,000 high-quality, sustainable jobs. This would be of considerable significance to the entire Region, and we continue to work closely with the Lisburn and Castlereagh City Council and other stakeholders in this regard.

Whilst we have engaged in a number of private political discussions with local elected representatives, during which we have shared information on the history, the current position and our views on a potential way forward for development of the Maze Long Kesh site, the Board remain concerned that we continue to manage the MLK site without an agreed way forward for the Corporation and, given such circumstances, our key focus has been on health and safety matters, as directed by the Accounting Officer at The Executive Office.

Meanwhile, having now established Balmoral Park as a major event venue, as the annual Balmoral Show continues to grow and thrive and the EIKON exhibition and event facility is further developed and brought into extensive use, we continue to work in partnership with the Royal Ulster Agricultural Society to create a portfolio of sustainable year-round activity at the Maze Long Kesh site. Indeed, during the 2019 Balmoral Show, we were pleased to note that over 1,000,000 visitors have now visited our site.

Placing the highest priority upon ensuring good governance, we were pleased to again secure unqualified accounts for the year-ended 31 March 2019 and satisfactory assurance from a range of internal audit reports and we can confirm that we have responded to challenging in-year reductions to our budget by securing the necessary savings and achieving all our end-of-year expenditure targets. Meanwhile, we can confirm that we conduct regular assessments of risks and their mitigation.

During the year the Board continued to be well supported and advised by our Interim Chief Executive, Bryan Gregory, and his highly professional management team and, despite the difficulties and uncertainties surrounding the site, it is testament to their skills and dedication that progress in managing the site in preparation for its future development continues.

In what has been for us yet another challenging year, I wish to take this opportunity to formally acknowledge the continuing support and commitment of my fellow board members to our shared vision for the Maze Long Kesh site and wish to place on record our thanks for the guidance and support given by officials from The Executive Office.

A handwritten signature in black ink, appearing to read 'T. Brannigan', followed by a long horizontal flourish.

**Terence Brannigan  
Chairman**

**13 December 2019**

## **OVERVIEW**

The purpose of this overview is to provide a description of the Maze Long Kesh Development Corporation (MLKDC), its purpose, the key risks to the achievement of its objectives and how MLKDC has performed during the year ended 31 March 2019.

### **Chief Executive's Statement**

I am pleased to present the Annual Report and Accounts for the MLKDC. This has been a year of significant challenge and limited opportunity for MLKDC, given the constraints within which we, as an executive Non Departmental Public Body (NDPB), currently operate. These parameters, set by our sponsor department, The Executive Office (TEO), reflect the ongoing lack of Ministerial agreement on the future development of the site, and the ongoing pressures on the public purse, which saw a further reduction in our budget for the year.

It is against that background that I am pleased to report that the Corporation has continued to fulfil its responsibilities. Careful management enabled us to prioritise our activities and achieve our end of year expenditure targets, and all sixteen business plan targets have been met.

We also continue to work closely with our partners on the site, and are pleased to note:

- The year on year increase in the number of visitors to the site due to the increased programme of activities by the Royal Ulster Agricultural Society (RUAS).
- The growing collection of historical aircraft held by the Ulster Aviation Society (UAS), who have occupied the WW2 hangars since about 2005, under licence.
- The success of the Air Ambulance NI (AANI), who became operational in July 2017, and provide an emergency medical response, to the benefit of the whole community.

In looking forward, I recognise it is impossible to overstate the importance of securing agreement on the way forward for the site, if its potential is to be realised. I am committed to continuing the Corporation's engagement with stakeholders to support the future regeneration of Maze Long Kesh.

## The Purpose and Activities of MLKDC

MLKDC is a Statutory Body under the Strategic Investment and Regeneration of Sites (NI) Order 2003, hereafter referred to as the SIRS Order. Legislation<sup>1</sup> establishing the Corporation was made on 1 June 2011 and the Corporation became operational on the appointment of a Chairman and a Board on 10 September 2012. MLKDC functions as an executive NDPB, sponsored by TEO.

The object of the Corporation as defined in the SIRS Order, under Article 16, is to '*secure the regeneration of the site*' - to be achieved by the following means, as appropriate to the site:

- (a) bringing land and buildings into effective use;
- (b) encouraging public and private investment and the development of industry and commerce;
- (c) creating an attractive environment; and
- (d) ensuring that social, recreational, cultural and community facilities are available.

Following the establishment of MLKDC early activities and achievements included:

- Publication of a Spatial Framework to aid future development;
- Ground remediation to address legacy ground contamination issues; and
- Relocation of the Balmoral Show to Maze Long Kesh, with the development of 55 acres as a show grounds facility by the RUAS.

However, since August 2013, with the lack of Ministerial agreement on the future development of the site, the activities of MLKDC have been guided by the parameters set by TEO. These have largely limited activities to essential maintenance and Health and Safety works, to maintain the site in fulfilment of our statutory responsibilities, as landowner and landlord. This has also impacted on the structure of the organisation, with resources being limited to a skeletal structure of a temporary or part time nature.

In these circumstances the requirement for a Corporate Plan has been suspended. MLKDC's activities have therefore been formulated on the basis of an annual Business Plan and supporting Action Plan.

The objectives as set out in the 2018-19 Business Plan were as follows:

- To identify and explore possible options that could help to maximise the economic, historical and reconciliation potential of the site and inform the development of a regeneration strategy, with the aim of securing Ministerial agreement on the way forward for MLK.

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<sup>1</sup> *The Strategic Investment and Regeneration of Sites (Maze/Long Kesh Development Corporation) Order (Northern Ireland) 2011*



- To fulfil MLKDC's statutory and landowner responsibilities in relation to Health and Safety, estate management and the protection of the listed and retained buildings, and scheduled monuments, taking account of requirements relating to public access.
- To honour MLKDC's agreements with its tenants and occupiers<sup>2</sup>, supporting and facilitating them, as appropriate, in their activities and future planning.
- To ensure MLKDC fulfils its corporate responsibilities with good governance, propriety and regularity.

In addition to essential maintenance and Health and Safety works, MLKDC continued to support RUAS in the phased development of their show grounds (now known as Balmoral Park), as provided for under the Development Agreement between the parties. This has seen increased use of the EIKON exhibition and event centre, and ongoing construction of the covered exhibition space to be known as FE Logan Hall during 2018-19.

In addition, AANI continues their operation of their Helicopter Emergency Medical Service (HEMS). This has provided a fast response doctor led service responding to medical emergencies. Between July 2017 and 31 March 2019, AANI had been tasked on 839 occasions.

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<sup>2</sup> *These include, as of April 2018, RUAS, UAS and AANI. There were no changes to tenants nor occupiers during the reporting year.*

## Principal Risks and Uncertainties

Risk is managed proactively by MLKDC through a systematic process of identification and mitigation, and elimination, where possible.

Relevant internal control considerations, including any issues of risk are taken into account with regard to the achievement of MLKDC's aims and objectives, and where necessary are brought to the attention of TEO.

The key challenge in 2018-19 has been the delivery of MLKDC's Health and Safety responsibilities within the restricted capital budget available. MLKDC has mitigated the risks in this area by working efficiently, prioritising budgets and proactively monitoring areas of concern to ensure the wellbeing of staff, tenants and visitors to the site.

MLKDC has also continued to focus on the mitigation of risks in the following areas:

- Regeneration of the MLK site;
- Security;
- Health and Safety;
- Funding; and
- Executive team.

## Going Concern

TEO have confirmed that there are no plans to dissolve MLKDC. It is therefore appropriate to prepare the 2018-19 accounts on a going concern basis.

## Performance Summary

During the year MLKDC monitored and reviewed its performance against a set of Business Plan targets that were developed during the annual business planning process. At 31 March 2019 all of the sixteen targets were achieved.

Further details on performance can be found at page 7.

## PERFORMANCE ANALYSIS

### Introduction

MLKDC is financed from TEO's Departmental Expenditure Limit (DEL) for normal operating costs and TEO's Annually Managed Expenditure (AME) for impairments of assets. During the year MLKDC has used a range of methods of performance monitoring, such as financial reporting, business plan monitoring (aligned to the 2018-19 Business Plan Objectives), risk registers and assurance statements.

### Financial Performance

#### Statement of Comprehensive Net Expenditure

Total expenditure for the year excluding asset impairment, depreciation and amortisation has increased by £0.500m from £1.141m to £1.641m. This increase is due to the downward revaluation of land and buildings in year.

Asset impairment, depreciation and amortisation has decreased by £0.598m from £0.719m to £0.121m. This was due to the large impairment of Assets Under Construction (AUC) in 2017-18.

#### Statement of Financial Position

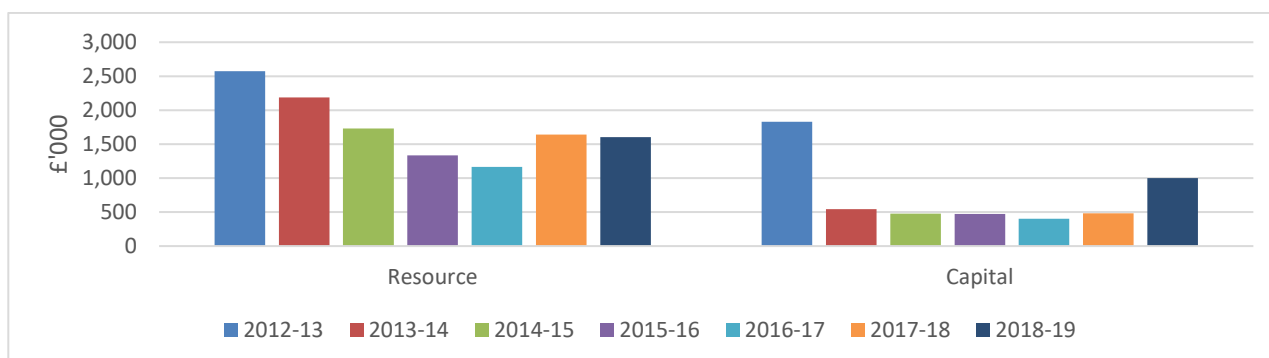
Non-current assets at the year-end were £7.246m, an increase of £0.411m on 2017-18. This increase was due to the additional capital work in year being greater than the revaluations and impairment of assets at 31 March 2018. Working capital has decreased by £0.070m from £0.026m to (£0.044m) due to the increased capital accruals at 31 March 2019.

### Financial Highlights for the Period

This period saw the bedding in of a previously established suite of Policies and Procedures that address areas of risk as well as operational efficiency and effectiveness of the Corporation. This resulted in an overall Satisfactory assurance rating in the areas examined by Internal Audit and Certification of 2017-18 MLKDC Financial Statements by Northern Ireland Audit Office (NIAO).

### Long-term Expenditure Trends

Resource and capital spend for the last seven years has been as follows:



## Non-Financial Performance

### Business Plan Monitoring

Key priorities for the Corporation are identified in the annual Business Plan for 2018-19 and align to the following objectives:

- To identify and explore possible options that could help to maximise the economic, historical and reconciliation potential of the site and inform the development of a regeneration strategy, with the aim of securing ministerial agreement on the way forward for MLK.
- To fulfil MLKDC's statutory and landowner responsibilities in relation to Health and Safety, estate management and the protection of the listed and retained buildings, and scheduled monuments, taking account of requirements relating to public access.
- To honour MLKDC's agreements with its tenants and occupiers<sup>3</sup>, supporting and facilitating them, as appropriate, in their activities and future planning.
- To ensure MLKDC fulfils its corporate responsibilities with good governance, propriety and regularity.

To support the achievement of these objectives 16 Business Plan targets were identified in the 2018-19 Business Plan. The achievement of targets was monitored throughout the year and performance was reported to the Board and TEO quarterly.

Their progress at 31 March 2019 was as follows:

- 16 were completed at year-end.

These business plan targets were time bound and measurable activities used to assess performance and delivery of the strategic objectives.

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<sup>3</sup> These include, as of April 2018, RUAS, UAS and AANI.

### **Anti-corruption and anti-bribery matters**

There were no allegations of corruption or bribery raised during 2018-19. MLKDC continues to strengthen its anti-corruption and anti-bribery arrangements through the sharing of best practice with TEO and other Arm's Length Bodies (ALBs).

### **Freedom of Information**

As a Public Authority, MLKDC is committed to openness and transparency through compliance with the Freedom of Information Act 2000. MLKDC has an explicit control system to meet its responsibility under Freedom of Information. The control system has been established to ensure appropriate handling of data and information used for operational and reporting purposes.

In 2018-19 MLKDC received one Freedom of Information request and responded to it within the 20 day deadline.

### **Information Assurance and Management**

MLKDC is required to report on personal data related incidents. Within its governance framework, MLKDC has an explicit control system to meet its responsibilities under Information Assurance and Management. The control system has been established to ensure appropriate handling of personal data and information used for operational and reporting purposes through the development of an appropriate strategy and policy. MLKDC will continue to monitor and assess its information risks in order to identify and address any weakness and ensure continuous improvement of its systems. There were no incidents of personal data loss recorded within the period under review.

### **Complaints Handling**

MLKDC is required to disclose its approach to complaints handling. MLKDC seeks a positive public perception of its aims and activities. It is open and responsive to suggestions about and criticism of the ways it conducts its business. To this end, any complaint received will be treated courteously, promptly and effectively, on a confidential basis.

MLKDC has a complaints policy and procedure for dealing with complaints from the Public or other third parties available on request.

MLKDC received one complaint during 2018-19 (Nil 2017-18), which was responded to accordingly.

### **Payments to Suppliers**

MLKDC 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), and with the Late Payment of Commercial Debts (Interest) Act 1998 as amended. During 2018-19 MLKDC paid 100% (2017-18: 100%) of its invoices within this standard. DAO (DFP) 04/13 states that public sector organisations should pay suppliers wherever possible, within 10 working days. During 2018-19 MLKDC paid 100% (2017-18: 100%) of its invoices within the 10 working day target.

### **Equality**

MLKDC has a statutory obligation under Section 75 and Schedule 9 of the Northern Ireland Act 1998 to ensure that it carries out its various functions having due regard to the need to promote equality of opportunity between nine social categories, including persons of different religious belief, political opinion, racial group, age, marital or civil partnership status, sexual orientation, gender (including gender reassignment), persons with/without a disability or persons with/without dependants. It is also required to have regard to the desirability of promoting good relations between persons of different religious belief, political opinion, or racial group.

These statutory duties are implemented through the Corporation's Equality Scheme and Action Plan which shows how MLKDC proposes to fulfil these duties. MLKDC is committed to screening all relevant policies and projects for equality impact assessment and to publicise our work in this regard. The Equality Scheme was reviewed in 2018 and resubmitted to the Equality Commission Northern Ireland (ECNI). MLKDC prepares and submits an annual Section 75 progress report for ECNI which is due every August.

An Equality Steering Group has been set up to ensure ongoing compliance in this area. This group, chaired by the Chief Executive, meets quarterly and reports to the Senior Management Team (SMT) and to the Board.

### **Disability Action Plan**

MLKDC is committed to ensuring that it promotes positive attitudes towards people with a disability and encourages participation by disabled people in public life when it is in a position to do so. The organisation's policies and practices comply with the requirements of the Disability Discrimination Act 1995. The Disability Action Plan has also been subject to review as part of the annual Section 75 progress report.

### **Environmental, Social and Community Responsibility**

MLKDC is committed to the promotion of environmental, social and community responsibility and works closely with local residents regarding the traffic management plans for events on the MLK site.

### **Health and Safety**

MLKDC is committed to applying all existing health and safety at work legislation and regulations to ensure staff and visitors enjoy the benefits of a safe environment.

### **Sustainability Report**

MLKDC is committed to ensuring that sustainable development becomes an integral part of our business. Sustainability measures will include:

- Waste management – reduction, recycling and re-use;
- Sustainable drainage systems; and
- Reducing our contribution to climate change in terms of energy consumption and related CO2 emissions.



**Dr Bryan Gregory  
Interim Chief Executive and Accounting Officer**

**13 December 2019**

## CORPORATE GOVERNANCE REPORT

The purpose of the corporate governance report is to explain the composition and organisation of MLKDC's governance structures and how they support the achievement of MLKDC's objectives.

## DIRECTORS' REPORT

The Board presents the Corporate Governance Report and the Financial Statements for the year ended 31 March 2019.

### MLKDC Board

The Board supports the delivery of effective corporate governance and operates within best practice guidelines set out in the '*Corporate Governance Code of Good Practice (NI) issued under DAO (DFP) 06/13 in April 2013*'. The Board takes an objective long-term view of the business of the organisation, leading its strategic planning process and supporting the Accounting Officer in meeting their corporate governance responsibilities. The Board is supported by SMT.

During 2018-19 the Board's second term was extended by six months on 10 September 2018 and by a further twelve months on 10 March 2019. With the exception of Terri Scott all members accepted the extension on each occasion. During 2018-19 the MLKDC Board was comprised of the following members:

<b>Board Members</b>
Terence Brannigan (Chairman)
Anthony Gallagher
John Gallagher
Maurice Kinkead
Ciaran Mackel
Duncan McCausland
Joe O'Donnell
Conor Patterson
Terri Scott <sup>4</sup>

The Board has the structures in place for a number of committees however given the restricted remit of the Development Corporation the Audit and Risk Assurance Committee was the only Committee to meet in the reporting period.

The following Board Members were members of the Audit and Risk Assurance Committee:

<sup>4</sup> Terri Scott's second term terminated on 9 September 2018.



<b>Audit and Risk Assurance Committee</b>
Duncan McCausland (Chairman)
Anthony Gallagher
John Gallagher
Ciaran Mackel

During 2018-19 the MLKDC SMT was comprised of the following members:

<b>Chief Executive and Senior Management</b>	
Bryan Gregory	Interim Chief Executive
Neil McIvor	Director of Development
Alison Stafford	Director of Finance and Corporate Services

### **Register of Interests**

No member of the Board or SMT has declared any position outside MLKDC which may have conflicted with their management responsibilities.

The register of interests is available for public inspection by contacting MLKDC, 94 Halftown Road, Lisburn, BT27 5RF.

### **Personal Data Related Incidents**

There were no personal data related incidents reported during the year.

### **Political Donations and Expenditure**

MLKDC did not make any political donations in this financial year.

### **Events after the Reporting Period**

There were no material events after the reporting period to disclose as defined by IAS 10.

### **Auditors**

The Comptroller and Auditor General is the external auditor of MLKDC. There were no payments made to the NIAO in year in respect of non-audit work (2017-18: Nil).

## STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under Section 13(1) of the Government Resources and Accounts Act (Northern Ireland) 2001 and the Strategic Investment and Regeneration of Sites (NI) Order 2003, TEO (with approval from Department of Finance (DoF)) has directed MLKDC to prepare, for each financial year, a statement of accounts in the form of and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of MLKDC and of its income and expenditure, statement of financial position and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- Observe the Accounts Direction issued by TEO with the approval of DoF, 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 Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- Prepare the accounts on a going concern basis.

The Accounting Officer of TEO has designated the Interim Chief Executive as the Accounting Officer of MLKDC. The responsibilities as an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding assets, are set out in *Managing Public Money Northern Ireland* (MPMNI) published by DoF.

As Accounting Officer, I can confirm that there is no relevant audit information of which the auditors are unaware. 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 informed of it.

As Accounting Officer, I can confirm that the annual report and accounts as a whole is fair, balanced and understandable and that I take personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

## GOVERNANCE STATEMENT

### Introduction

This Statement is given in respect of MLKDC's Accounts for 2018-19 and comprises two broad elements. Firstly, the Statement sets out the governance framework, identifying responsibilities and explains the functions of its constituent elements. Secondly, the Statement reports my assessment as Accounting Officer of the effectiveness of the framework during the reporting period.

### The Purpose of the Governance Framework

The purpose of the Governance Statement is to report publicly on the extent to which MLKDC complies with its code of governance, including how it has monitored and evaluated the effectiveness of governance arrangements in the period. The process of preparing the Governance Statement itself adds value to the effectiveness of the corporate governance and internal control framework.

### Overview of the Governance Framework

The governance framework comprises the systems, processes, culture and values, by which MLKDC is directed and controlled.

The system of internal control is a significant part of this framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk with respect to achieving MLKDC's aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The governance framework described below has been in place in MLKDC during the year ending 31 March 2019. It comprises:

- The Board;
- The Accounting Officer;
- The Audit and Risk Assurance Committee;
- The Internal Audit function; and
- The External Audit function.

These organisational structures, together with an overview of their responsibilities and performance in the period, are explained in the relevant sections below.

The framework also includes a number of additional elements that contribute to the effective governance of the organisation.

These comprise:

- The Appointments & Remuneration Committee;
- The Management Statement and Financial Memorandum;
- TEO Oversight Arrangements;
- The Corporate and Business Plans;
- Performance Management;
- Financial Policies and Procedures;
- The Risk Management Framework;
- The Fraud Prevention Strategy; and
- Whistle Blowing Arrangements.

## **The Board**

The membership of MLKDC (the Board), as defined under the *Strategic Investment and Regeneration of Sites (Maze/Long Kesh Development Corporation) Order (Northern Ireland) 2011*, comprises of a non-executive Chairman, and ten other non-executive members.

The MLKDC Board second term was extended by six months on 10 September 2018, and by a further twelve months on 10 March 2019. With the exception of Terri Scott all members accepted these extensions from 10 September 2018 through to 9 March 2020.

The Board supports the delivery of effective corporate governance and operates within best practice guidelines set out in the '*Corporate Governance Code of Good Practice (NI) issued under DAO (DFP) 06/13 in April 2013*'. The Board takes an objective long-term view of the business of the organisation, leading its strategic planning process and supporting the Accounting Officer in meeting their corporate governance responsibilities.

Under the general guidance and direction of TEO Ministers, the key aspects of the Board's role, as outlined in the Management Statement and Financial Memorandum (MSFM), include:

- Establishing the overall strategic direction of the Corporation within the policy and resources framework determined by the Ministers and TEO;
- Constructively challenging the Corporation's Executive Team in their planning, target setting and delivery of performance;
- Ensuring that TEO is kept informed of any changes which are likely to impact on the strategic direction of the Corporation or on the attainability of its targets, and determine the steps needed to deal with such changes;

- Ensuring that any statutory or administrative requirements for the use of public funds are complied with; that the Corporation operates within the limits of its statutory authority and any delegated authority agreed with TEO, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Corporation takes into account all relevant guidance issued by DoF and TEO;
- Ensuring that the members receive and review regular financial information concerning the management of the Corporation; the members are informed in a timely manner about any concerns about the activities of the Corporation; and the members provide positive assurance to TEO that appropriate action has been taken on such concerns; and
- Demonstrate high standards of corporate governance at all times, including using the Audit Risk and Assurance Committee to help the members to address the key financial and other risks facing the Corporation.

In addition the Board is also responsible for overseeing and monitoring the Corporation's progress against all of its equality of opportunity and good relations obligations.

The Board is required to act in accordance with the responsibilities assigned to it in the *Corporate Governance Code of Good Practice (NI)* and MPMNI.

The Board operates as a collegiate forum under the leadership of the Chair. It ensures that the appropriate strategic planning processes are in place and that there is effective operational management of their implementation. The Board operates in an advisory and consultative capacity, offering guidance when sought. Day-to-day operational matters are the responsibility of the Accounting Officer and that of the SMT. The Board does not direct how MLKDC's business should be run, unless in exceptional circumstances, of which none occurred in this reporting period.

The Standing Orders of the Board make clear the Board's responsibility to establish and oversee the organisation's Corporate Governance arrangements. Notwithstanding this, all tiers of management have commensurate responsibilities for ensuring that good governance practices are followed within the organisation.

Each Non-Executive Board Member participates in the high-level corporate decision-making process as a member of the Board, contributes to corporate governance arrangements within the organisation and supports the roles of Chief Executive and Accounting Officer.

The Chief Executive is responsible for organising the agenda for Board meetings and ensuring the Chair and Board members are provided with timely information to support full discussion at each meeting.

The Board receives written reports at each meeting from the Chief Executive, the Director of Finance and Corporate Services and the Director of Development.

The Chief Executive provides reports on the status of supported projects; and quarterly reports on the delivery of business plan objectives. The Director of Finance and Corporate Services provides reports on: expenditure against plan; resource inputs by project; absence management; recruitment and equality. The Director of Development reports on the status of current and upcoming projects.

The Board maintains a register of interests. This lists for each member all commercial and other relevant interests. A similar register is maintained by senior staff in MLKDC. The lists are updated annually but members and staff are required to report significant changes as they occur.

Each Board and Committee meeting begins with those present declaring any conflicts of interest that may arise from agenda items. The Standing Orders for the Board set out how such conflicts should be managed should they arise. These Orders require a member with a conflict of interest to withdraw from any discussion of the relevant matter and to abstain from any associated vote.

From 1 April 2018 to 31 March 2019 the Board held six meetings, the members and their record of attendance was as follows:

<b>Members<sup>5</sup></b>	<b>Meetings Attended</b>	<b>Possible Attendance</b>
Terence Brannigan	6	6
Anthony Gallagher	4	6
John Gallagher	6	6
Maurice Kinkead	4	6
Ciaran Mackel	5	6
Duncan McCausland	6	6
Joe O'Donnell	6	6
Conor Patterson	5	6
Terri Scott	1	3 <sup>6</sup>

<sup>5</sup> Three vacancies existed on the Board during 2018-19.

<sup>6</sup> Terri Scott's second term terminated on 9 September 2018.

The Board received reports on the status of projects for the site; financial management information; budget monitoring; human resources issues and quarterly reports on the delivery of Business Plan objectives. All reports/papers conform to a standard layout to ensure the appropriate focus on key issues. Financial and performance data is extracted from accounting and operational systems and is therefore subject to regular, planned internal quality assurance checks, verification visits, independent audits, external assurance (for example from the Northern Ireland Audit Office).

The Board considers the information provided to be sufficient to allow it to discharge its strategic planning and corporate governance responsibilities.

Following an initial extension for six months from 10 September 2018 to 9 March 2019 a further twelve month extension was offered to existing members of the Board from 10 March 2019 to 9 March 2020.

### **The Accounting Officer**

The Accounting Officer has responsibility for maintaining a sound system of internal governance that supports the achievement of MLKDC's aims and objectives. The Accounting Officer also has responsibility for the propriety and regularity of the public finances allocated to MLKDC and for safeguarding public funds and assets, in accordance with the responsibilities assigned to them in the Corporate Governance Code and MPMNI.

The Accounting Officer functions with the support of the MLKDC Board. This includes highlighting to the Board specific business risks and, where appropriate, measures that could be employed to manage these risks.

### **Board Committees**

While the structure exists for a number of Board Committees, given the restricted remit of the Development Corporation, the Audit and Risk Assurance Committee was the only Committee operational during the reporting period.

All appointments to the Committees are agreed by the Chairman. Members are provided with the terms of reference of the Committee.

### **The Audit and Risk Assurance Committee**

The Audit and Risk Assurance Committee's terms of reference set out its purpose as being to support the Accounting Officer in monitoring risk, control and governance systems (including financial reporting). Additionally the Committee will advise the Board and the Accounting Officer on the adequacy of audit arrangements (internal and external) and on the implications of assurances provided in respect of risk and control. The Audit and Risk Assurance Committee does not have executive powers.

The Audit and Risk Assurance Committee and its Chair are appointed by the Board from amongst its non-executive members. The Committee also has an external independent member appointed from within a pool of candidates provided by TEO.

The Committee met four times during 2018-19. A minimum of two members of the Committee is required to form a quorum. All of the meetings in 2018-19 were quorate.

<b>Members</b>	<b>Meetings Attended</b>	<b>Possible Attendance</b>
Anthony Gallagher	2	4
John Gallagher	4	4
Iain Greenway	4	4
Ciaran Mackel	3	4
Duncan McCausland (Chairman)	4	4

In addition to its members, the following normally attend meetings of the Committee:

- The Accounting Officer;
- The Director of Finance and Corporate Services;
- The Internal Auditor;
- The External Auditor; and
- A representative of TEO.

In line with best practice set out in the Department of Finance Audit and Risk Assurance Committee Handbook (NI), the Chair of the Audit and Risk Assurance Committee approves an agreed agenda of work for its meetings, which will include:

- The review of the corporate risk register;
- Scrutiny of the annual accounts;
- Review of Assurance Statements;
- Consideration of internal and external audit strategy;
- Review of internal and external audit findings;
- Consideration of fraud;
- Consideration of any Directly Awarded Contracts;
- Consideration of Dear Accounting Officer (DAO) letters;



- Monitoring of implementation of audit recommendations;
- Business Case Updates; and
- Departmental Matters.

MLKDC provided regular reports to the Committee on business planning, risk management and assurance alongside the development of policies and procedures for the Corporation.

In addition to its core work programme the Audit and Risk Assurance Committee also scrutinises the Annual Report and Accounts advising on the content of the Governance Statement.

In this financial year the Audit and Risk Assurance Committee also considered and commented on individual issues of internal governance and their implications for wider governance arrangements.

The Committee Chairman reports after each meeting to the Board on any significant issues that have arisen. He, on behalf of the Committee, reports in writing once a year to the Accounting Officer and the Board on the findings and conclusions of the Committee for the past year. The Chairman's annual report for this period was presented, and accepted by, the Board in June 2019. The Committee reviews its own effectiveness annually. The Committee Chairman reviews the effectiveness of its members and reports on this to the Board Chairman annually.

### **Sources of Independent Assurance**

Independent Assurance is received from the following sources:

- Internal Audit; and
- Northern Ireland Audit Office.

The primary role of Internal Audit is to provide the Accounting Officer and the Board with an independent and objective opinion on risk management, control and governance, by measuring and evaluating their effectiveness in achieving the organisation's agreed objectives. Internal Audit provides independent assurance by giving an independent opinion on the adequacy and effectiveness of MLKDC's system of internal control to the Accounting Officer and to the Audit and Risk Assurance Committee.

MLKDC's internal audit services are provided by ASM, a representative of which attended all MLKDC Audit and Risk Assurance Committee meetings.

The Accounting Officer is independently advised by the Head of Internal Audit who operates in accordance with Public Sector Internal Audit Standards (PSIAS).

Internal Audit has played a crucial role in the review of effectiveness and risk management controls and governance in MLKDC by:

- Focusing audit activity on the key business risks;
- Being available to guide managers and staff through improvements in internal controls; and
- Auditing the application of risk management and control as part of Internal Audit reviews of key systems and processes.

In 2018-19 ASM undertook three internal reviews and one follow up review covering the period of this governance statement:

- |   |                     |
|---|---------------------|
| • Human Resource Management   | <b>Satisfactory</b> |
| • Information management and security (including compliance with General Data Protection Regulations) | <b>Satisfactory</b> |
| • Corporate governance, risk management and complaints handling                                       | <b>Satisfactory</b> |
| • Follow Up Review (see below)  |                     |

Follow up Review: Internal Audit completed a review of recommendations from previous reports. This review concluded that of the seven recommendations reviewed, five recommendations had been fully implemented.

The Internal Auditor's overall assurance rating for 2018-19 was '**Satisfactory**'.

MLKDC is also subject to independent scrutiny from the NIAO. The NIAO is independent of Government and is tasked by the Assembly to hold Northern Ireland Departments and their Agencies to account for their use of public money. The Comptroller and Auditor General works closely with the Assembly's Public Accounts Committee which can require Accounting Officers and senior officials to account for their actions in relation to the management of public funds.

### **Board Effectiveness**

The evidence presented in the preceding sections provides me, as Accounting Officer, with the assurance that the Board operates effectively.

### **The Management Statement and Financial Memorandum (MSFM)**

The MSFM is a key control document. The Management Statement sets out the broad framework within which MLKDC operates, in particular it defines:

- MLKDC's overall aim, objectives and targets in support of TEO's wider strategic aims and objectives;

- The rules and guidelines relevant to the exercise of MLKDC's functions, duties and powers;
- The conditions under which any public funds are paid to MLKDC; and
- How MLKDC is to be held to account for its performance.

The associated Financial Memorandum sets out in greater detail certain aspects of the financial provisions which MLKDC is required to observe, including delegated financial authorities.

### **TEO Oversight Arrangements**

Within TEO, the Strategic Investment and Regeneration Branch (SIRB) is the sponsoring branch for MLKDC. SIRB, in consultation as necessary with TEO's Accounting Officer, is the primary source of advice to Ministers on the discharge of their responsibilities in respect of MLKDC, and the primary point of contact for MLKDC in dealing with the Department. SIRB carries out its duties under a senior officer who has as one of her primary responsibilities the duty of overseeing the activities of MLKDC. In order to discharge its duties on behalf of the sponsor Department, SIRB administers the following oversight controls:

- Quarterly Assurance Statements (see below);
- Quarterly Performance Reports (to a format set out in the MSFM);
- Monthly Financial Monitoring Reports (in a standard format);
- Annual Verification visit; and
- Quarterly Accountability and Liaison Meetings (attended by myself as the Chief Executive and senior MLKDC staff).

The Quarterly Assurance Statement, prepared under the direction of the Accounting Officer, with the agreement of the SMT, and signed as Chief Executive, provides information and assurance in all areas of business planning and corporate and financial governance. During the reporting period on the request of the Department, the following documents have been submitted:

- Quarterly Assurance Statements;
- Quarterly ALB Reports;
- Monthly Resource Consumption returns; and
- 2019-20 Business Plan as required by the MSFM.

As Chief Executive I have attended, with senior staff, Quarterly Accountability Meetings with senior staff from the Department. MLKDC has operated a 'no surprises' policy in respect of ensuring that

officials in the Department are aware of all material events, transactions and other issues that could be considered contentious or attract public comment, whether positive or negative.

In June 2019 SIRB conducted an annual verification visit in line with their Sponsorship Manual. This verification visit concentrated on expenditure incurred by MLKDC in 2018-19, to provide assurance that this expenditure was in accordance with the requirements of the MSFM and the 2018-19 Business Plan. During the visit the attendance of Board Members at meetings and the in-year monitoring process was also reviewed.

The verification team identified no issues in respect to Board attendance at meetings, or the in-year monitoring process and they concluded:

- “All records were detailed and well organised and the work the finance team at MLKDC put into this ensured the verification visit went smoothly and made the task of the verification team much easier. This also serves to inspire confidence in financial management within MLKDC.”

### **The Corporate and Business Plans**

The Corporate and Business Plans are designed to be the main planning documents for MLKDC. The purpose of the Corporate Plan is to set out the medium term objectives for MLKDC and describe the corporate strategy it will follow to achieve them. The annual Business Plan develops the Corporate Plan by defining in detail MLKDC’s targets for the year ahead, the resources it will employ and the activities it will undertake.

However given the lack of Ministerial agreement that presently exists in respect of future development of the Maze Long Kesh site, MLKDC have received approval from TEO that dispenses with the requirement for a three year Corporate Plan. MLKDC has progressed with the annual Business Plan which details MLKDC’s objectives and targets for the year ahead. This document describes the outcomes and the outputs MLKDC will deliver using the resources MLKDC has been allocated.

The Business Plan is drafted by the Chief Executive with input from the Board, Senior Management Team and key stakeholders. The plan is considered in draft by the MLKDC Board and TEO. Once approved by both the Board and TEO it is presented to Ministers for approval and then passed to DoF. Business Plans are submitted to TEO by 31 January each year.

In the absence of Ministers the 2017-18 to 2019-20 Business Plans have been approved by the TEO Board.

## **Performance Management**

MLKDC's performance is monitored against the targets set out in its Business Plan and these are reported quarterly to TEO. The Board and TEO have been provided with reports on the status of supported projects; delivery of business plan objectives; expenditure against plan; resource inputs by project; absence management; recruitment; and communications.

The quality of data reported to the Board is inspected by the Chief Executive and the Board are satisfied with the quality of information provided to them.

## **Financial Management**

Responsibility for ensuring that an effective system of internal financial control is maintained and operated rests with the Accounting Officer. The systems of internal financial control provide reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

Internal financial control is based on a framework of management information, financial regulations and administrative procedures, which include the segregation of duties, management supervision and a system of delegation and accountability.

MLKDC has established Financial Policies and Procedures that address areas of risk as well as operational efficiency and effectiveness.

MLKDC has developed, in consultation with its sponsor Department, a suite of other policies, processes and procedures that cover the full range of its activities. These are available to staff through the MLKDC document management system. Staff are required to refresh their knowledge of the key policies and procedures annually. Senior managers and line managers identify additional training needs as part of the performance appraisal system. These needs are addressed throughout the year by MLKDC. During the period covered by this report, all staff have confirmed that they have read and understand these key policies and procedures.

The implementation of MLKDC's financial management process in 2018-19 included:

- The setting of the annual Resource and Capital budgets;
- Monitoring of actual expenditure against the annual budget;
- Three in-year monitoring reviews of the budget, reported to TEO;
- Setting and management of expenditure profiles;
- Reporting of MLKDC's financial position to the Board;
- A clearly defined system of expenditure authority delegations;
- Clear process for the authorisation of expenditure and the payment of invoices; and
- Managing risk in key financial service areas.

### **Risk Management**

MLKDC's system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives.

Relevant internal control considerations, including any issues of risk, are taken into account with regard to the achievement of MLKDC's aims and objectives, and where necessary, are brought to the attention of TEO.

The system of internal control is based on an on-going process designed to:

- Identify and prioritise the risks to the achievement of MLKDC's aims and objectives;
- Evaluate the likelihood of those risks being realised and the impact should they be realised; and
- Manage them efficiently, effectively and economically.

MLKDC's policy is to follow a structured approach to the management of risk in pursuit of business objectives. MLKDC's policy is to adopt good practices in the identification, evaluation and cost effective control of risks to ensure that they are eliminated, reduced to an acceptable level or managed and contained; and to embed risk management practices within management and planning activities.

MLKDC's risk appetite is defined as the amount of risk that the organisation is prepared to accept, tolerate or be exposed to at any point in time. At present, MLKDC determines its risk appetite on the basis of an assessment of individual risks in the context of all other risks.

MLKDC's risk management policy sets out the process whereby MLKDC methodically identifies, assesses and responds to the risks attaching to its activities. It assigns responsibility and accountability for risk management; defines the processes for risk review and reporting; describes a format for the organisation's corporate risk register; and explains the organisation's approach to training in risk management.

To assist in the risk management process, MLKDC has developed and maintained a Risk Register which is scrutinised through reports to the Audit and Risk Assurance Committee and the Board. The Risk Register:

- Identifies MLKDC's high level risks; and
- Analyses the risks related to the current Business Plan.

The Risk Register identifies the Risk Owner for each risk and reinforces the link between risk management and the business planning and execution processes. The Risk Register is reviewed by the SMT at its monthly meetings and, reported to the Corporation Board. All new business activities are assessed for key risks and controls put in place. It is also subject to regular scrutiny by the Audit and Risk Assurance Committee and the Board. Board members have the opportunity to identify and consider any emerging external risks/threats that could affect the MLKDC's capacity to deliver on its Business Plan commitments. The key challenge in 2018-19 has been the delivery of MLKDC's Health and Safety responsibilities within the restricted capital budget available. MLKDC has mitigated the risks in this area by working efficiently, prioritising budgets and proactively monitoring areas of concern to ensure the wellbeing of staff, tenants and visitors to the site.

No 'Ministerial Directions' have been issued to MLKDC.

There have been no lapses of protective security.

### **Fraud and Counter-Fraud**

MLKDC's Policy and Procedures on Fraud (including MLKDC Whistle Blowing Policy and Guidance on Conflicts of Interest) sets out the responsibilities of staff with regard to fraud prevention, what staff should do if they suspect fraud and the action that will be taken by management in such circumstances (MLKDC Fraud Response Plan).

As part of its risk management strategy, the Corporation has drawn up a Fraud Risk Assessment (FRA). The purpose of the FRA is to identify potential fraudulent schemes and events that need to be mitigated. It identifies where fraud may occur and who the perpetrators might be. The control activities consider both the fraud scheme and the individuals within and outside the Corporation who could be the perpetrators of each scheme.

No instances of fraud have been identified in the reporting period.

## **Whistle Blowing**

MLKDC Whistle Blowing Policy provides staff with a procedure for reporting concerns about unlawful conduct, fraud, dangers to the public or the environment, or other malpractice. The aim of this policy is to reassure them that they can feel confident in exposing wrongdoing without any risk to themselves.

No instances of whistle blowing have arisen during the reporting period.

## **Significant Governance Issues**

In the absence of Ministerial approval of Business Plans MLKDC is operating under the approval of the TEO Board of the draft business plan objectives, TEO is content with this approach and as such mitigates any governance issue in this area.

## **Conformance with the Code of Conduct**

MLKDC, like other public bodies, has a duty to conduct affairs in a responsible and transparent way, and to take into account the standards in public life set out by the Nolan Committee and DoF's '*Corporate Governance in Central Government Departments: Code of Good Practice NI 2013*'.

MLKDC is not a Central Government Department and cannot, therefore, comply with those parts of the code that are only applicable to such Departments. However, MLKDC's corporate governance arrangements have been established in such a way as to conform broadly to these standards. Except where noted below, and throughout the year ended 31 March 2019, MLKDC has complied with all relevant code provisions.

Following the principle of 'Comply or Report' the following paragraph describes where MLKDC has substituted alternative governance measures for provisions in the Code of Good Practice:

- MLKDC does not have a Board Operating Framework (Para 2.8 of the Code). Instead, it has Board Standing Orders and a Board Code of Conduct, which fulfil the same purpose.



## **Conclusion**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal governance. My review of the effectiveness of the system of internal governance is informed by the work of the Internal Auditors and senior staff within the organisation, who have responsibility for the development and maintenance of the internal control framework. I also consider the comments made by the NIAO in its management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the MLKDC Board and by the Audit and Risk Assurance Committee.

MLKDC has a rigorous system of accountability on which I rely, as Accounting Officer, to form an opinion on the probity and use of public funds, as detailed in MPMNI.

Having considered the operation of its governance framework, I am content that MLKDC has operated a sound system of internal governance during the period 1 April 2018 to 31 March 2019.

## REMUNERATION AND STAFF REPORT

### Remuneration Report

The remuneration and staff report sets out the Corporation's remuneration policy for staff employed by the Corporation, reports on how the policy has been implemented and sets out the amounts awarded to senior management.

### Chairman and Board Members

The Chairman and Board Members are appointed by the sponsor department in accordance with the Code of Practice of the Office of the Commissioner for Public Appointments for Northern Ireland. The final decision on the appointments rests with Ministers. All appointments are made on merit and as directed in the Strategic Investment and Regeneration of Sites (NI) Order 2003 Schedule 1, 2(c) are, as far as practicable, representative of the community in Northern Ireland. The initial five year term of appointment expired on 10 September 2017 and the Chairman and Board Members have been reappointed to 9 March 2020. The remuneration of the Chairman and Board Members is set by TEO. Increases are calculated in line with the recommendations of the Senior Salaries Review Body. There are no arrangements in place for the payment of a bonus. Neither the Chairman nor any Board Members receive pension contributions from MLKDC or TEO. MLKDC reimburses the Chairman and Board Members for any incidental expenses incurred for carrying out their duties relevant to the organisation.

The remuneration of the Chairman and Board Members is as follows (the information in the table below has been subject to audit):

Members	Salary 2018-19 £'000	Benefits in Kind 2018-19 £'000	Salary 2017-18 £'000	Benefits in Kind 2017-18 £'000
Terence Brannigan	18	-	22	-
Kenneth Cleland <sup>7</sup>	-	-	2	-
Anthony Gallagher	4	-	4	-
John Gallagher	4	-	5	-
Maurice Kinkead	4	-	4	-
Ciaran Mackel	4	-	5	-
Duncan McCausland	4	-	5	-
Joe O'Donnell	4	-	4	-
Conor Patterson	4	-	4	-
Terri Scott <sup>8</sup>	2	-	4	-

<sup>7</sup> Kenneth Cleland resigned with effect from 14 August 2017.

<sup>8</sup> Terri Scott's second term terminated on 9 September 2018.

### **Chief Executive and the Senior Management Team**

The appointment of the Chief Executive is facilitated by use of an operational partnership agreement with Strategic Investment Board (SIB) and all ongoing costs associated with the appointment, including defined contribution pension costs, are reimbursed to SIB.

The SMT appointments are made in accordance with MLKDC's recruitment policy and the Strategic Investment and Regeneration of Sites (Northern Ireland) Order 2003. This requires appointments to be made on merit on the basis of fair and open competition.

### **Service Contracts**

Appointments are made in line with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme, or where seconded returned to their home organisation. Seconded staff are not entitled to compensation on early termination.

Further information about the work of the Civil Service Commissioners can be found at: [www.nicscommissioners.org](http://www.nicscommissioners.org)

## Salary and Pension Entitlements (Audited Information)

The following sections provide details of the remuneration and defined pension benefit interests of the SMT:

Senior Management Team	Salary £'000	Benefits in Kind (to nearest £100)	Pension Benefits (to nearest £1000)	2018-19 Total £'000	Salary £'000	Benefits in Kind (to nearest £100)	Pension Benefits (to nearest £1000)	2017-18 Total £'000
Bryan Gregory <sup>9,10</sup> <i>Interim Chief Executive</i>	40-45 (FTE 100-105)	-	-	40-45	40-45 (FTE 100-105)	-	-	40-45
Neil McIvor <i>Director</i>	80-85	-	50	130-135	75-80	-	40	115-120
Alison Stafford <sup>11</sup> <i>Director</i>	50-55	-	23	60-65	20-25 (FTE 50-55)	-	17	40-45

### Salary

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation and any severance or ex gratia payments.

The Northern Ireland Assembly was dissolved on 26 January 2017. An Executive was not formed following the 2 March 2017 election, and from this date Ministers ceased to hold office.

### Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs (HMRC) as a taxable emolument. There were no benefits in kind provided in the year (2017-18, Nil).

<sup>9</sup> Denotes Operational Partnership Agreement with SIB.

<sup>10</sup> The Interim Chief Executive works on a part-time basis.

<sup>11</sup> Denotes Seconded from TEO.

**Fair Pay Disclosure (Audited Information)**

<b>Fair Pay Review Disclosure</b>	<b>2018-19</b>	<b>2017-18</b>
Band of Highest Paid Staff Member Total Remuneration	£100k-105k	£100k-105k
Median Total Remuneration*	£18,000	£22,333
Ratio	5.69	4.59

The table below has been included to show the annualised median remuneration and ratios excluding Board members in both the current and comparative years.

<b>Fair Pay Review Disclosure</b>	<b>2018-19</b>	<b>2017-18</b>
Band of Highest Paid Staff Member Total Remuneration	£100k-105k	£100k-105k
Median Total Remuneration*	£49,679	£44,395
Ratio	2.06	2.31

*\* Total remuneration includes salary, non-consolidated performance-related pay, and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.*

**Median Remuneration**

MLKDC is required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the Corporation's workforce.

The banded FTE remuneration of the highest paid staff member in MLKDC in the financial year 2018-19 was £100k-£105k (2017-18, £100k-£105k). This was 5.69 times (2017-18, 4.59) the median remuneration of the workforce, which was £18,000 (2017-18, £22,333).

In 2018-19, Nil (2017-18, Nil) employees received remuneration in excess of the highest paid staff member.

FTE remuneration ranged from £4k to £103k (2017-18, £4k to £103k).

The variation in the ratios is due to changes in the composition of the workforce.

**Pension Entitlements (Audited Information)**

Senior Management Team	Accrued pension at pension age as at 31/3/19 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/3/19 £'000	CETV at 31/3/18 £'000	Real increase in CETV £'000	Employer contribution (to partnership pension account nearest £100)
Bryan Gregory <sup>12</sup> <i>Interim Chief Executive</i>	-	-	-	-	-	-
Neil McIvor <i>Director</i>	10-15 plus nil lump sum	2.5-5 plus nil lump sum	158	113	27	-
Alison Stafford <sup>13</sup> <i>Director</i>	10-15 plus nil lump sum	0-2.5 plus nil lump sum	169	138	12	-

**Northern Ireland Civil Service (NICS) Pension Schemes**

Pension benefits are provided through the Northern Ireland Civil Service (NICS) pension schemes which are administered by Civil Service Pensions (CSP). The alpha pension scheme was introduced for new entrants from 1 April 2015. The alpha scheme and all previous scheme arrangements are unfunded with the cost of benefits met by monies voted each year. The majority of existing members of the classic, premium, classic plus and nuvos pension arrangements also moved to alpha from that date. Members who on 1 April 2012 were within 10 years of their normal pension age did not move to alpha and those who were within 13.5 years and 10 years of their normal pension age were given a choice between moving to alpha on 1 April 2015 or at a later date determined by their age. Alpha is a 'Career Average Revalued Earnings' (CARE) arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The rate is 2.32%.

New entrants joining can choose between membership of alpha or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

New entrants joining on or after 30 July 2007 were eligible for membership of the nuvos arrangement or they could have opted for a partnership pension account. Nuvos is also a CARE arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The current rate is 2.3%.

<sup>12</sup> Denotes not a member of Northern Ireland Civil Service Pension arrangements – member of defined contribution scheme operated by SIB.

<sup>13</sup> Denotes Seconded from TEO.

Staff in post prior to 30 July 2007 may be in one of three statutory based ‘final salary’ defined benefit arrangements (classic, premium and classic plus). From April 2011, pensions payable under classic, premium, and classic plus are reviewed annually in line with changes in the cost of living.

New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of premium or joining the partnership pension account.

All pension benefits are reviewed annually in line with changes in the cost of living. Any applicable increases are applied from April and are determined by the Consumer Prices Index (CPI) figure for the preceding September. The CPI in September 2018 was 2.4% and HM Treasury has announced that public service pensions will be increased accordingly from April 2019.

Employee contribution rates for all members for the period covering 1 April 2019 – 31 March 2020 are as follows:

**Scheme Year 1 April 2019 to 31 March 2020:**

<b>Annualised Rate of Pensionable Earnings (Salary Bands)</b>		<b>Contribution rates – All members</b>
<b>From</b>	<b>To</b>	<b>From 01 April 2019 to 31 March 2020</b>
£0.00	£23,500.99	4.6%
£23,501.00	£54,500.99	5.45%
£54,501.00	£150,000.99	7.35%
£150,001.00 and above		8.05%

Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years’ pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer’s basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach their scheme pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. Scheme Pension age is 60 for members of **classic**, **premium**, and **classic plus** and 65 for members of **nuvos**. The normal scheme pension age in alpha is linked to the member's State Pension Age but cannot be before age 65. Further details about the NICS pension schemes can be found at the website <https://www.finance-ni.gov.uk/topics/working-northern-ireland-civil-service/civil-service-pensions-ni>.

### **Cash Equivalent Transfer Values**

A 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. A CETV 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 from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the NICS pension arrangements. 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 in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2015 and do not take account of any actual or potential benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### **Real increase in CETV**

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



<b>Senior Civil Servants</b>	<b>2018-19</b>	<b>2017-18</b>
<b>Salary Bands</b>	<b>Number</b>	<b>Number</b>
Pay Scale 4 - £155,472 - £182,301	-	-
Pay Scale 3 - £115,187 - £134,660	-	-
Pay Scale 2 - £89,482 – 102,103*	1	1
Pay Scale 1 - £69,651 – 79,849	1	1

\*The Chief Executive Officer (CEO) post is equivalent to SCS Grade 3. The CEO is employed by SIB and his salary does not fall within the SCS pay bands.

**Compensation for Loss of Office (Audited Information)**

No member of the SMT received compensation for loss of office in the current year (2017-18, Nil).

**Payments to Past Directors (Audited Information)**

Payments for professional services amounting to £2,578 (2017-18, £859) were made to a recruitment agency relating to David McCavery. David McCavery was a director at MLKDC until November 2014.

For her role as a staff member, payments relating to Ceara Ryan of £2,728 were paid to a recruitment agency during 2018-19. (2017-18, £45,600). Ceara Ryan was an acting part-time Director of Finance for a period during 2016-17.

## STAFF REPORT

### Staff Numbers and Related Costs (Audited Information)

Staff costs comprise:

	Permanently Employed Staff £'000	Others £'000	2018-19 Total £'000	2017-18 Total £'000
Wages and salaries	161	217	378	456
Social security costs	19	14	33	37
Other pension costs	40	20	60	66
Severance	17	-	17	-
<b>Sub Total</b>	<b>237</b>	<b>251</b>	<b>488</b>	<b>559</b>
Less recoveries in respect of outward secondments	(49)	(28)	(77)	(115)
<b>Total net costs</b>	<b>188</b>	<b>223</b>	<b>411</b>	<b>444</b>

### Pension Costs

The NICS main pension schemes are unfunded multi-employer defined benefit schemes but MLKDC is unable to identify its share of the underlying assets and liabilities. The Government Actuary's Department (GAD) is responsible for carrying out scheme valuations. The Actuary reviews employer contributions every four years following the scheme valuation. The 2012 scheme valuation was completed by GAD in February 2015. The outcome of this valuation was used to set the level of contributions for employers from 1 April 2015 to 31 March 2019.

For 2018-19, employers' contributions of £40k were payable to the NICS pension arrangements (2017-2018 £47k) at one of three rates in the range 20.8% to 26.3% of pensionable pay, based on salary bands.

Work was completed on the 2016 valuation, based on the position as at 31 March 2016. The outcome of this scheme valuation informed employer contribution rates for 2019-20. Employer contribution rates payable will range from 28.7% to 34.2% of pensionable pay, based on salary bands. This change is primarily due to the reduction in the SCAPE discount rate (as announced at Budget 2018) to 2.4% pa above CPI. The contribution rates are set to meet the cost of the benefits accruing during 2019-20 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £0 (2017-2018 £0) were paid to one or more of the panel of two appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% (2017-2018, 8% to 14.75%) of pensionable pay.

The partnership pension account offers the member the opportunity of having a ‘free’ pension. The employer will pay the age-related contribution and if the member does contribute, the employer will pay an additional amount to match member contributions up to 3% of pensionable earnings.

Employer contributions of £0, 0.5% (2017-2018 £0, 0.5%) of pensionable pay, were payable to the NICS Pension schemes to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the **partnership** pension providers at the reporting period date were £0 (2017-18, £0). Contributions prepaid at that date were £0 (2017-18, £0).

No individuals retired early on ill health grounds, (2017-18, 0 persons); the total additional accrued pension liabilities in the year amounted to £0 (2017-18, £0).

Staff employed in the Corporation through an Operational Partnership Agreement with SIB are not members of Northern Ireland Civil Service Pension arrangements, they are members of a defined contribution pension scheme operated by SIB. For 2018-19 the employers’ pension contributions reimbursed to SIB was £5k. (2017-18, £5k).

### **Average Number of Persons Employed (Audited Information)**

The table below shows the average number of whole time equivalent (WTE) persons employed during the year which includes one WTE senior civil service staff (or equivalent):

	<b>Permanent Staff</b>	<b>Others</b>	<b>2018-19 Total</b>	<b>2017-18 Total</b>
Directly employed	3	1	4	3
Other	-	2	2	3
<b>Total</b>	<b>3</b>	<b>3</b>	<b>6</b>	<b>6</b>

### **MLKDC Staffing Statistics**

The table below shows MLKDC staff broken down by gender:

	<b>2018-19</b>			<b>2017-18</b>		
	<b>Male</b>	<b>Female</b>	<b>Total</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>
Board Members	8	-	8	9	1	10
Senior Managers	2	1	3	2	1	3
Others	3	3	6	3	3	6
<b>Total</b>	<b>13</b>	<b>4</b>	<b>17</b>	<b>14</b>	<b>5</b>	<b>19</b>

Note the above is based on total numbers employed, whereas the table stating the average number employed does not include the Board Members and is based on full time equivalent (FTE).

### Civil Service & Other Compensation Schemes – Exit Packages (Audited Information)

Comparative data for previous year shown (in brackets).

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
£10,000 - £25,000	-	1 (0)	1(0)
<b>Total number of exit packages</b>	-	1(0)	1(0)
<b>Total resource cost / £'000</b>	-	17(0)	17(0)

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme (Northern Ireland), a statutory scheme made under the Superannuation (Northern Ireland) Order 1972. Exit costs are accounted for in full in the year of departure. Where the NDPB has agreed early retirements, the additional costs are met by the NDPB and not by the Civil Service pension scheme. Ill health retirement costs are met by the pension scheme and are not included in the table.

#### Absence Management

Staff attendance is actively managed, and the organisation's absence rate for the 2018-19 year was 0 days (2017-18: 0.5 days). The average within the NI Civil Service for 2018-19 was 12.6 days (2017-18: 13 days).

#### Consultancy

MLKDC did not incur any expenditure on external consultants during the year 2018-19 (2017-18, Nil).

#### Staff Policies

MLKDC has an equal opportunities policy and is committed to a policy of equality of opportunity in its employment practices and aims to ensure that no actual or potential job applicant or employee is discriminated against, either directly or indirectly, on the grounds of gender (including gender reassignment), marital or civil partnership status, disability, race, religious or political opinion, age, having or not having dependants and sexual orientation. MLKDC is an Equal Opportunities Employer and all applications for employment are considered strictly on the basis of merit.

The recruitment policy sets out that applicants are given the opportunity to advise MLKDC of any reasonable adjustments that they may require. MLKDC policies are screened for equality impact assessment in line with the commitment in MLKDC's Equality Scheme approved by Equality Commission Northern Ireland (ECNI) in December 2013.

In accordance with commitments outlined in the Corporation's Equality Scheme, all staff have received training on their duties in relation to Equality. This consists of an overview of the legislation, the complaints mechanism attaching to Section 75, and the practical steps that have already been taken to meet the statutory duties.

### **Employee Development and Communication**

MLKDC is committed to the development of its staff through setting annual objectives, reviewing performance and identifying areas for training and development. The suite of policies that the organisation has enables staff to perform effectively in their roles and contribute to the delivery of the objectives of the organisation. Staff are regularly communicated with through one to one interactions and team meetings.

### **Off-Payroll Engagements**

There were no off-payroll engagements within the reporting threshold during the year (2017-18: Nil).

## **ASSEMBLY ACCOUNTABILITY AND AUDIT REPORT**

The Assembly accountability and audit report brings together the key Assembly accountability documents within the annual report and accounts.

### **ASSEMBLY ACCOUNTABILITY DISCLOSURES**

#### **Regularity of Expenditure**

##### **Losses and Special Payments (Audited Information)**

MLKDC has experienced no losses and has made no special payments during the reporting period (2017-18: Nil).

##### **Remote Contingent Liabilities (Audited Information)**

There were no contingent liabilities requiring disclosure under Assembly reporting requirements. MLKDC had no significant remote contingent liabilities for the year ended 31 March 2019 that require disclosure.



**Dr Bryan Gregory**  
**Interim Chief Executive and Accounting Officer**  
**13 December 2019**

**MAZE LONG KESH DEVELOPMENT CORPORATION**

**THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY**

**Opinion on financial statements**

I certify that I have audited the financial statements of the Maze Long Kesh Development Corporation for the year ended 31 March 2019 under the Strategic Investment and Regeneration of Sites (Northern Ireland) Order 2003. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of the Maze Long Kesh Development Corporation's affairs as at 31 March 2019 and of the Maze Long Kesh Development Corporation's net expenditure for the year then ended; and
- have been properly prepared in accordance with the Strategic Investment and Regeneration of Sites (Northern Ireland) Order 2003 and The Executive Office directions issued thereunder.

**Opinion on regularity**

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

**Basis of opinions**

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of this certificate. My staff and I are independent of Maze Long Kesh Development Corporation in accordance with the ethical requirements of the Financial Reporting Council's Revised Ethical Standard 2016, and have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinions.

**Other Information**

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

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### **Opinion on other matters**

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with The Executive Office directions made under the Strategic Investment and Regeneration of Sites (Northern Ireland) Order 2003; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Responsibilities of the Corporation and Accounting Officer for the financial statements**

As explained more fully in the Statement of Accounting Officer Responsibilities, the Corporation and Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

My responsibility is to audit, certify and report on the financial statements in accordance with the Strategic Investment and Regeneration of Sites (Northern Ireland) Order 2003.

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

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

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



**Matters on which I report by exception**

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

- adequate accounting records have not been kept; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with the Department of Finance's guidance.

**Report**

I have no observations to make on these financial statements.



*KJ Donnelly*

*Comptroller and Auditor General*

*Northern Ireland Audit Office*

*106 University Street*

*Belfast*

*BT7 1EU*

*18 December 2019*

**Statement of Comprehensive Net Expenditure  
for the year ended 31 March 2019**

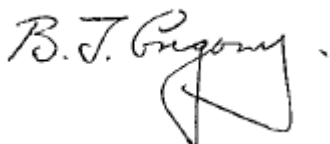
	Note	2018-19 £'000	2017-18 £'000
<b>Income</b>			
Non surrenderable income	4	135	154
<b>Total Operating Income</b>		<u>135</u>	<u>154</u>
<b>Expenditure</b>			
Staff costs	3	(488)	(559)
Other expenditure	3	(666)	(635)
Asset depreciation and amortisation	3	(51)	(45)
Asset revaluation	3	(487)	53
Asset impairment	6	(70)	(674)
<b>Total Operating Expenditure</b>		<u>(1,762)</u>	<u>(1,860)</u>
<b>Net Expenditure for the year</b>		<u>(1,627)</u>	<u>(1,706)</u>
<b>Other comprehensive expenditure</b>			
Items that will not be reclassified to net operating costs:			
Net gain on revaluation of property, plant and equipment		20	66
<b>Comprehensive net (expenditure) for the financial year</b>		<u>(1,607)</u>	<u>(1,640)</u>

The notes on pages 50 to 61 form part of these accounts.

**Statement of Financial Position  
as at 31 March 2019**

	Note	2019 £'000	2018 £'000
<b>Non-current assets:</b>			
Property, plant and equipment	5	7,246	6,835
<b>Total non-current assets</b>		<u>7,246</u>	<u>6,835</u>
<b>Current assets:</b>			
Trade and other receivables	9	12	30
Cash and cash equivalents	8	319	332
<b>Total current assets</b>		<u>331</u>	<u>362</u>
<b>Total assets</b>		<u>7,577</u>	<u>7,197</u>
<b>Current liabilities</b>			
Trade and other payables	10	(375)	(336)
<b>Total current liabilities</b>		<u>(375)</u>	<u>(336)</u>
<b>Total assets less total liabilities</b>		<u>7,202</u>	<u>6,861</u>
<b>Taxpayers' equity and other reserves</b>			
Revaluation reserve		68	56
General reserve		7,134	6,805
<b>Total equity</b>		<u>7,202</u>	<u>6,861</u>

The financial statements on pages 46 to 49 were approved by the Board on 13 December 2019 and signed on its behalf by:



**Dr Bryan Gregory**  
**Interim Chief Executive and Accounting Officer**  
**13 December 2019**

The notes on pages 50 to 61 form part of these accounts.

**Statement of Cash Flows  
for the year ended 31 March 2019**

	Note	2018-19 £'000	2017-18 £'000
<b>Cash flows from operating activities</b>			
Net operating cost		(1,627)	(1,706)
Adjustments for other non-cash transactions		608	666
Decrease / (increase) in trade and other receivables	9	18	(14)
Increase in trade and other payables	10	39	151
<b><i>Net cash outflow from operating activities</i></b>		(962)	(903)
<b>Cash flows from investing activities</b>			
Purchase of property, plant & equipment	5	(999)	(481)
<b><i>Net cash outflow from investing activities</i></b>		(999)	(481)
<b>Cash flows from financing activities</b>			
Grant in Aid from TEO		1,948	1,522
<b><i>Net financing</i></b>		1,948	1,522
<b>Net (decrease) / increase in cash and cash equivalents in the period before adjustment for payments to the Consolidated Fund</b>			
Payments of amounts due to the consolidated fund		(13)	138
		-	(3)
<b>Net (decrease) / increase in cash and cash equivalents in the period after adjustment for payments to the Consolidated Fund</b>			
		(13)	135
<b>Cash and cash equivalents at the beginning of the period</b>		332	197
<b>Cash and cash equivalents at the end of the period</b>	8	319	332

The notes on pages 50 to 61 form part of these accounts.

## Statement of Changes in Taxpayers' Equity for the year ended 31 March 2019

This statement shows the movement in the year on the different reserves held by MLKDC. The Revaluation Reserve reflects the change in asset values that have not been recognised as income or expenditure. The General Fund represents the total assets less liabilities of MLKDC, to the extent that the total is not represented by other reserves and financing items.

	General Fund £'000	Revaluation Reserve £'000	Taxpayers' Equity £'000
<b>Balance at 31 March 2017</b>	<b>6,985</b>	<b>(3)</b>	<b>6,982</b>
Grant in Aid from TEO:			
Resource	1,041	-	1,041
Capital	481	-	481
Comprehensive expenditure for the financial year	(1,694)	-	(1,694)
Auditors remuneration	(12)		(12)
Revaluation gains and losses	-	66	66
CFER payable to the Consolidated Fund	(3)	-	(3)
Transfer between General Fund and Revaluation Reserve	7	(7)	-
<b>Balance at 31 March 2018</b>	<b>6,805</b>	<b>56</b>	<b>6,861</b>
Grant in Aid from TEO:			
Resource	948	-	948
Capital	1,000	-	1,000
Comprehensive expenditure for the financial year	(1,614)	-	(1,614)
Auditors remuneration	(13)		(13)
Revaluation gains and losses	-	20	20
Transfer between General Fund and Revaluation Reserve	8	(8)	-
<b>Balance at 31 March 2019</b>	<b>7,134</b>	<b>68</b>	<b>7,202</b>

The notes on pages 50 to 61 form part of these accounts.

## NOTES TO THE ACCOUNTS

### 1. Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2018-19 *Government Financial Reporting Manual (FReM)* issued by DoF. 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 MLKDC for the purpose of giving a true and fair view has been selected. The particular policies adopted by MLKDC are described below. They have been applied consistently in dealing with items that are considered material to the accounts. The accounts direction is reproduced as an appendix to these financial statements.

#### 1.1 Accounting Conventions

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, and intangible assets.

#### 1.2 Adoption of New and Revised Standards

Management has reviewed new accounting standards that have been issued but are not yet effective, nor adopted early for these accounts. Management consider that these are unlikely to have a significant impact on the accounts in the period of initial application.

#### 1.3 Property, Plant and Equipment

Expenditure on property, plant and equipment of £1,000 or more is capitalised. On initial recognition, assets are measured at cost including any costs directly attributable to bringing them into working condition. All property, plant and equipment is reviewed annually for impairment and is carried at fair value. Land and buildings are stated at their fair value based on annual professional valuation as at the end of the financial year.

Other non-property assets are deemed to be short-life or low value assets and are therefore valued on the basis of depreciated replacement cost, using appropriate indices to account for the effects of inflation, as an approximation of fair value. Additions and subsequent expenditure are capitalised only when it is probable that the future economic benefits associated with the asset will flow to MLKDC and the cost of the asset can be measured reliably.

#### **1.4 Depreciation**

Freehold land and assets under construction are not depreciated. Depreciation is provided on a straight line basis in order to write-off the valuation of other assets, less estimated residual value, of each asset over its expected useful life, or lease period if shorter. Depreciation and amortisation is charged in the month of acquisition. The following useful economic lives should, where necessary, be used as approximations to the levels estimated annually. The base useful lives of assets, which are reviewed regularly, are as follows:

<b>Asset Type</b>	<b>Base Useful Lives</b>
Freehold buildings	25 years
Furniture, fixtures and fittings	10 years
Computer equipment (including software and website development)	4 years
Plant and machinery	10 years
Motor vehicles	4 years

#### **1.5 Assets under Construction**

Assets under construction (AUC) are valued at cost less any impairment loss. Cost includes professional fees and other directly attributable costs necessary to bring the asset into use. AUC are capitalised but not depreciated until brought into use.

#### **1.6 Revaluation of Land and Buildings**

Land and buildings are revalued every year with the surplus or deficit on book value being transferred to the revaluation reserve. The only exception is where a deficit in excess of any previously recognised surplus over depreciated cost relating to the same property, is charged to Net Expenditure. On disposal of an asset which has been previously revalued, the gain or loss recorded in the Statement of Comprehensive Net Expenditure (SoCNE) is based on the net carrying amount rather than the historical cost. Any previously revalued amounts are realised and transferred to the General Reserve account as a reserve movement.

### **1.7 Non-current Assets Held for Sale**

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

### **1.8 Intangible Assets**

Acquired intangible assets such as software and software licences for internal recording and reporting systems, are measured initially at cost, using appropriate indices to account for the effect of inflation, as an approximation of fair value. These assets are amortised on a straight line basis over their estimated useful lives of three to five years. The minimum level of capitalisation is £1,000.

### **1.9 Impairment of Tangible and Intangible Assets**

At each year-end, MLKDC review the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is the higher of the fair value less costs to sell, and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

### **1.10 Financial Instruments**

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A financial instrument is recognised when, and only when, the entity becomes a party to the contractual provisions of the instrument. A previously recognised financial asset is de-recognised when, and only when, either the contractual rights to the cash flows from the asset expire, or the entity transfers the asset such that the transfer qualified for de-recognition. A financial liability is de-recognised when, and only when, it is extinguished.

MLKDC has financial instruments in the form of trade receivables and payables and cash and cash equivalents.

In accordance with IAS 39 Financial Instruments: Recognition and Measurement, trade receivables, cash and other receivables are classified as 'loans and receivables'. Loans and receivables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method less any impairment.



MLKDC assesses at each Statement of Financial Position (SoFP) date whether there is any objective evidence that a financial asset or group of financial assets classified as loans and receivables is impaired. Based on historic experience receivables that are past 'due beyond 361 days' are generally not recoverable.

### **1.11 Trade and Other Receivables**

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectable amounts. Provision is made where there is objective evidence that MLKDC will not be able to recover balances in full. Balances can only be written off when non-recovery is considered certain and after the appropriate approvals have been granted.

### **1.12 Cash and Cash Equivalents**

Cash and cash equivalents comprises cash and demand deposits with commercial banks. As at each year-end, the carrying value of cash and cash equivalents approximates their fair value due to their short term nature.

### **1.13 Taxation (including Value Added Tax)**

As MLKDC does not have Crown exemption it is liable to Corporation Tax when due.

Value Added Tax (VAT) is accounted for in accordance with Statement of Standard Accounting Practice 5. MLKDC cannot recover input VAT so all expenditure, assets and liabilities are shown inclusive of VAT. Any income subject to VAT is shown net.

### **1.14 Trade and Other Payables**

Trade and other payables are measured at cost.

### **1.15 Provisions**

MLKDC makes provisions for liabilities and charges where, at the SoFP date, a legal or constructive liability exists (i.e. a present obligation from past events exists), where the transfer of economic benefits is probable and a reasonable estimate can be made. Where the time value of money is material, MLKDC discounts the provision to its present value using the real rate set by HM Treasury (currently between 0.76% and 1.99% (2017-18 -2.41% to -1.56%) depending on when the cash flow occurs).

### **1.16 Financing from TEO**

Financing represents net funding received from TEO and is credited to the general reserve.

### **1.17 Income**

Income is accounted for on an accruals basis, in accordance with MPMNI as well as DoF and Sponsor Department guidance.

In accordance with the Financial Memorandum income from operating activities represents:

- Income from outward secondments of staff; and
- Receipts from license agreements and recharges from on-site tenants.

Income from operating activities is further classified into two categories, Seconded Income and Other Income.

### **1.18 Expenditure**

Expenditure comprises general running costs, salary costs, internal project support costs, external consultancy, professional services, maintenance project costs and advertising and publicity costs. These components are defined under the programme budgetary framework, as agreed with TEO and accounted for on an accruals basis.

### **1.19 Pensions**

Present and past employees are covered by NICS pension schemes which are administered by CSP and are unfunded. MLKDC recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the CPS schemes of amounts calculated on an accruals basis.

All pension contributions are charged to the SoCNE when incurred.

### **1.20 Contingent Liabilities**

In addition to contingent liabilities disclosed in accordance with IAS 37, MLKDC discloses for Assembly reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to the Assembly in accordance with the requirements of MPMNI.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to the Assembly separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to the Assembly.

## 1.21 Employee Benefits

IAS19 requires that the cost of employee benefits that have been earned but not paid at the year-end is recognised as a liability. An accrual for the estimated cost of total employee annual leave at the year-end has been included in the accounts.

## 1.22 Going Concern

There are currently no plans to dissolve the MLKDC. It is therefore appropriate to prepare the 2018-19 accounts on a going concern basis.

## 2. Statement of Operating Costs by Operating Segment

The operating segments and related activities of the three Directorates within MLKDC are:

- Chief Executive (Ch Exe) - Organisation strategy and direction;
- Finance and Corporate Services (F&CS); and
- Development (Dev) - MLKDC site development;

Information is reported to the Chief Executive through the SMT and other meetings, as well as through the Board and Committee structure. There is no difference between information in the statement of operating costs by operating segment and the primary financial statements. Any transactions between reportable segments are accounted for on an accruals basis. There is no change from prior year segment identification methods. There is no reliance on any major customers.

	<b>2018-19</b>			
	<b>Ch Exe</b>	<b>F&amp;CS</b>	<b>Dev</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Gross expenditure	114	1,165	482	1,761
Income	-	(32)	(102)	(134)
Net expenditure	<b>114</b>	<b>1,133</b>	<b>380</b>	<b>1,627</b>
	<b>2017-18</b>			
	<b>Ch Exe</b>	<b>F&amp;CS</b>	<b>Dev</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Gross expenditure	131	1,260	469	1,860
Income	-	(33)	(121)	(154)
Net expenditure	<b>131</b>	<b>1,227</b>	<b>348</b>	<b>1,706</b>

Impairment losses of £0.070m (2017-18 £0.674m) are accounted for within the F&CS directorate.

### 3. Other Operating Costs

	2018-19 £'000	2017-18 £'000
Staff costs <sup>14</sup>		
Wages and salaries	378	456
Social Security costs	33	37
Other pension costs	60	66
Severance	17	-
	<b>488</b>	<b>559</b>
Other Expenditure		
Site security costs	237	225
Board salaries <sup>15</sup>	47	64
Maintenance	156	171
Other professional costs	111	45
Accommodation costs	54	47
Other costs	20	44
IT costs	28	27
Audit fees <sup>16</sup>	13	12
	<b>666</b>	<b>635</b>
Non-cash items:		
Asset depreciation and amortisation	51	45
Asset revaluation	487	(53)
Asset impairment	70	674
	<b>608</b>	<b>666</b>
<b>Total</b>	<b>1,762</b>	<b>1,860</b>

### 4. Income

	2018-19 £'000	2017-18 £'000
Seconded	77	115
Other	58	39
<b>Total Income</b>	<b>135</b>	<b>154</b>

<sup>14</sup> Further analysis of staff costs is located in the Staff Report in the Accountability Section

<sup>15</sup> Included in Board Salaries above are Social Security costs of £2k (2017-18 £2k).

<sup>16</sup> During the year MLKDC purchased £Nil non-audit services from its auditor, NIAO (2017-18, £Nil).

5. Property, Plant and Equipment

	Land £'000	Buildings £'000	Plant & Machinery £'000	Fixtures & Fittings £'000	Transport Equipment £'000	Assets under Construction £'000	Total £'000
<b>Cost or Valuation:</b>							
At 01 April 2018	4,521	630	65	79	56	1,605	6,956
Additions	-	-	-	-	-	999	999
Transfers Out						(512)	(512)
Transfers In	487	14	11				512
Revaluation	(487)	(14)	-	-	-	-	(501)
Indexation	-	-	2	1	1	-	4
Impairment	-	-	-	-	-	(70)	(70)
<b>At 31 March 2019</b>	<b>4,521</b>	<b>630</b>	<b>78</b>	<b>80</b>	<b>57</b>	<b>2,022</b>	<b>7,388</b>
<b>Depreciation:</b>							
At 01 April 2018	-	-	29	58	34	-	121
Charge for year	-	32	7	5	7	-	51
Revaluation	-	(32)	-	-	-	-	(32)
Indexation	-	-	1	-	1	-	2
<b>At 31 March 2019</b>	<b>-</b>	<b>-</b>	<b>37</b>	<b>63</b>	<b>42</b>	<b>-</b>	<b>142</b>
<b>Carrying amount at 31 March 2018</b>	<b>4,521</b>	<b>630</b>	<b>36</b>	<b>21</b>	<b>22</b>	<b>1,605</b>	<b>6,835</b>
<b>Carrying amount at 31 March 2019</b>	<b>4,521</b>	<b>630</b>	<b>41</b>	<b>17</b>	<b>15</b>	<b>2,022</b>	<b>7,246</b>
<b>Asset financing:</b>							
Owned	4,521	630	41	17	15	2,022	7,246

**Analysis of Land and Property Balance (Net Book Value):**

Land and property was re-valued by Land and Property Services at 31 March 2019 on the basis of current value in existing use. Management considers this basis as the best available estimation of fair value. Plant and equipment were valued using indices.

Assets under construction were impaired in year by £70,294 (2017-18 £674,406) to reflect the fall in value of amounts previously capitalised in respect of the Peace building and Conflict Resolution Centre project. This project was put on hold in 2013-14 and planning permission lapsed in May 2018.

5. Property, Plant and Equipment (continued)

	Land £'000	Buildings £'000	Plant & Machinery £'000	Fixtures & Fittings £'000	Transport Equipment £'000	Assets under Construction £'000	Total £'000
<b>Cost or Valuation:</b>							
At 01 April 2017	4,531	550	61	79	55	1,802	7,078
Additions	-	4	-	-	-	477	481
Revaluation	(10)	76	-	-	-	-	66
Indexation	-	-	4	-	1	-	5
Impairment	-	-	-	-	-	(674)	(674)
<b>At 31 March 2018</b>	<b>4,521</b>	<b>630</b>	<b>65</b>	<b>79</b>	<b>56</b>	<b>1,605</b>	<b>6,956</b>
<b>Depreciation:</b>							
At 01 April 2017	-	-	21	53	50	-	124
Charge for year	-	27	6	5	7	-	45
Revaluation	-	(27)	-	-	(24)	-	(51)
Indexation	-	-	2	-	1	-	3
<b>At 31 March 2018</b>	<b>-</b>	<b>-</b>	<b>29</b>	<b>58</b>	<b>34</b>	<b>-</b>	<b>121</b>
<b>Carrying amount at 31 March 2017</b>	<b>4,531</b>	<b>550</b>	<b>40</b>	<b>26</b>	<b>5</b>	<b>1,802</b>	<b>6,954</b>
<b>Carrying amount at 31 March 2018</b>	<b>4,521</b>	<b>630</b>	<b>36</b>	<b>21</b>	<b>22</b>	<b>1,605</b>	<b>6,835</b>
<b>Asset financing:</b>							
Owned	4,521	630	36	21	22	1,605	6,835

**6. Impairments**

	2018-19 £'000	2017-18 £'000
Fixed asset cost impairment	70	674
At 31 March	<b>70</b>	<b>674</b>

**7. Financial Instruments**

As the cash requirements of MLKDC are met through Grant-in-Aid provided by TEO, 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 MLKDC's expected purchase and usage requirements and the organisation is therefore exposed too little credit, liquidity or market risk.

**8. Cash and Cash Equivalents**

	2018-19 £'000	2017-18 £'000
Balance at 01 April	332	197
Net change in cash and cash equivalent balances	(13)	135
Balance at 31 March	<b>319</b>	<b>332</b>

The following balances at 31 March were held at:

Commercial banks and cash in hand	319	332
Balance at 31 March	<b>319</b>	<b>332</b>

**9. Trade Receivables and Other Current Assets**

	2018-19 £'000	2017-18 £'000
<b>Amounts due within one year:</b>		
Other receivables	3	20
Prepayments and accrued income	9	10
	<b>12</b>	<b>30</b>

**10. Trade Payables and Other Current Liabilities**

	<b>2018-19</b>	<b>2017-18</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts falling due within one year:</b>		
Trade payables, accruals and deferred income	373	334
VAT	2	2
	<b>375</b>	<b>336</b>

**11. Provisions for Liabilities and Charges**

There were no provisions for liabilities and charges in the current year (2017-18, Nil).

**12. Capital Commitments**

Contracted capital commitments at 31 March 2019 not otherwise included in these financial statements:

	<b>2018-19</b>	<b>2017-18</b>
	<b>£'000</b>	<b>£'000</b>
Property, plant and equipment	135	-
	<b>135</b>	<b>-</b>

**13. Related-party Transactions**

MLKDC is a NDPB of TEO. TEO is regarded as a related party. During the year, MLKDC has had various material transactions with TEO as shown below. At the year-end, MLKDC also had an outstanding balance with TEO.

	<b>2018-19</b>	<b>2017-18</b>
	<b>£'000</b>	<b>£'000</b>
Grant in Aid from TEO	1,948	1,522
Secondment & other fees to TEO	85	76
Creditors (due to TEO)	7	16

SIB is also a NDPB of TEO. MLKDC and SIB are regarded as related parties. During the year, MLKDC had various material transactions with SIB as shown below.

	<b>2018-19</b>	<b>2017-18</b>
	<b>£'000</b>	<b>£'000</b>
Fees paid to SIB	64	64
Creditors due to SIB	5	5



## Register of Interests

The Chairman, Board members, Chief Executive and SMT are required to register all interests, direct or indirect, which members of the public might reasonably think could influence their judgment. The register of interests is available for public inspection by contacting MLKDC, 94 Halftown Road, Lisburn, BT27 5RF.

## Transactions involving Chief Executive and Senior Management Team

There were no material related party transactions involving the Chief Executive and SMT during the year.

## Transactions involving Board Members

Transactions with related parties are conducted on an arm's length basis. The purchase of goods and services are subject to normal tendering processes and the organisation's procurement policy, which complies with DoF guidelines. All proposals and transactions are approved in line with the delegation policies approved by TEO.

During the year, the following payments (inclusive of VAT where applicable and aggregate value in excess of £1k) were made to companies/organisations related to Board members:

- Duncan McCausland is an SIB Board Member;
- SIB received £64k from MLKDC for services supplied during the financial year; and
- MLKDC received £28k from SIB for services supplied during the financial year.

The following balances were owed to companies/organisations related to Board members:

- MLKDC owed SIB £5k at 31 March 2019.

## 14. Events after the reporting period

There have been no significant events since the reporting period date that would affect these accounts.

## Date of authorisation for issue

The Accounting Officer authorised the issue of these financial statements on 18 December 2019.