

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Your attendance is requested at a meeting to be held in the Jeffery Room,
Guildhall on Monday, 22 June 2009 at 6:00 pm.

D Kennedy
Chief Executive

AGENDA

1. APOLOGIES
2. MINUTES
3. DEPUTATIONS / PUBLIC ADDRESSES
4. DECLARATIONS OF INTEREST
5. MATTERS OF URGENCY WHICH BY REASON OF SPECIAL CIRCUMSTANCES THE CHAIR IS OF THE OPINION SHOULD BE CONSIDERED
6. ANNUAL AUDIT COMMITTEE REPORT
Report of Director of Finance and Support
I. Procter
X8757
7. KPMG INTERIM REPORT
Report of External Auditor
D. Brett
External
Auditor
(KPMG)
8. THE 2008/09 ANNUAL GOVERNANCE STATEMENT
Joint Report of the Chief Executive, Director of Finance and Support and the Borough Solicitor.
D.
Kennedy
X 7726
I. Procter
X8757
F.
Fernandes
X7334
9. THE 2008/09 STATEMENT OF ACCOUNTS
Report of Director of Finance and Support
I. Procter
X8757
10. EXCLUSION OF PUBLIC AND PRESS
THE CHAIR TO MOVE:
"THAT THE PUBLIC AND PRESS BE EXCLUDED FROM THE REMAINDER OF THE MEETING ON THE GROUNDS THAT THERE IS LIKELY TO BE DISCLOSURE TO THEM OF SUCH CATEGORIES OF EXEMPT INFORMATION AS DEFINED BY SECTION 100(1) OF THE LOCAL GOVERNMENT ACT 1972 AS LISTED AGAINST SUCH ITEMS OF BUSINESS BY REFERENCE TO THE APPROPRIATE PARAGRAPH OF SCHEDULE 12A TO SUCH ACT."

Appendices



Item No.

6

NORTHAMPTON
BOROUGH COUNCIL

Audit Committee

Report Title

ANNUAL AUDIT COMMITTEE REPORT

AGENDA STATUS:

Public

Cabinet Meeting Date:	22 June 2009
Directorate:	Finance and Support – Finance and Assets
Accountable Cabinet Member:	Councillor Malcolm Mildren
Ward(s)	N/A

1. Purpose

- 1.1 To present a summary of the activities undertaken by the Audit Committee in 2008/09 and reflect on its effectiveness.

2. Recommendations

- 2.1 That the Audit Committee review and comment on the 2008/09 Annual Audit Committee Report and refer this report to Council for information.

3. Issues and Choices

3.1 Report Background

- 3.1.1 It is best practice for the Audit Committee to annually review its activity, effectiveness and report to Council on its work.
- 3.1.2 The committee met six times during 2008/09 and this report summarises the subject areas covered in the meetings.
- 3.1.3 There are standing agenda items for each committee meeting, such as an external audit from KPMG and internal audit update from PWC. With the appointment to the Risk and Business Continuity post in the latter end of 2008/09, risk and business continuity is also now a standing item.

Special Reviews

- 3.1.4 Special meetings were arranged during 2008/09 when deemed necessary, such as on the 30th April 2008, there was a special meeting convened to review the risk analysis of the Balloon Festival that was taking place in August 2008. The committee reviewed the budget, risks and probed for reassurance that the event was being managed appropriately.
- 3.1.5 Another special review has also taken place on a subject area in private session.

Reports and Service areas called in to committee

- 3.1.6 The committee also calls in responsible officers to address the committee where there has been a significant control weakness identified by Internal Audit or there has been lack of progress in implementing audit recommendations. The bullet points below list these areas:

- Capital Programme
- Council debt
- Benefits overpayments
- Council Tax debt
- Housing Rents debt
- Bank Reconciliations
- Payroll
- IBS Project update
- The Council's write off policy
- Risk Management policy
- Westbridge Stores
- Building control costs
- NNDR (Business Rates) report review
- Council Tax report review
- Fixed Assets
- Electrical Services

- 3.1.7 At each meeting, Internal Audit provide the committee with a summary of outstanding and overdue audit recommendations. The committee reviews the list and call in officers to attend the next meeting to advise on the lack of progress. This is proving to speed up action taken to address recommendations.

Annual Agenda Items

- 3.1.7 The committee also receives annually the Annual Governance Statement and the Statement of Accounts. These are both received twice for review, question and comment. The end of June each year is the first review, where post committee, Cabinet and Council approve them prior to external audit. Post audit, they are represented by the end of September. For the 2007/08 financial year, the committee reviewed these on the 24th June and 25th September 2008. For 2008/09, the Annual Governance Statement and

Statement of Accounts will be presented on the 22nd June and 21st September 2009.

- 3.1.8 On the 17th February 2009, prior to the 2009/10 budget being set, the committee received and challenged the savings/efficiency proposals in the 2009/10 budget. A report with a traffic light (red, amber, green) status was presented and reviewed. It is planned that this again will happen during the 2010/11 budget setting process.

Internal and External Audit

- 3.1.9 The annual Internal Audit plan is also reviewed and agreed by the committee. The 2008/09 plan was agreed at the meeting on 26th February 2008. The 2009/10 plan was agreed at the meeting on 17th February 2009, prior to the commencement of the year.
- 3.1.10 The committee also receives the annual reports from both internal and external audit. The committee received the 2008/09 Annual Internal Audit Report on the 2nd June 2009 (27th May 2008 for the 2007/08 year).
- 3.1.11 At the meeting on the 25th September 2008, the committee reviewed the external audit report titled The Audit Commission Communication of Matters to those Charged with Governance. This report communicated the review of the statement of accounts, the Use of Resources inspection and value for money.

Training

- 3.1.12 Audit Committee training has been provided by PWC. This has included both an evening training session and also pre and post committee meeting discussions.

3.2 Issues

- 3.2.1 No other issues to be raised, other than the areas that have previously been raised and minuted during the committee meetings.
- 3.2.2 The committee is mindful of the weaknesses and recommendations pointed out by both the internal and external auditors during the year. Taking these into account the committee is satisfied with systems of control.

3.3 Choices (Options)

- 3.3.1 The committee, following the above summary review of agenda items and service areas covered in 2008/09 taking into account the internal audit plan for 2009/10, has the choice of calling in reports during and service areas during 2009/10.
- 3.3.2 The committee has the choice of reviewing its effectiveness and agreeing on what, if any, additional steps they could take during 2009/10 to improve their effectiveness.

4. Implications (including financial implications)

4.1 Policy

4.1.1 There are no direct implications on policy.

4.2 Resources and Risk

4.2.1 The Audit Committee can never give absolute assurances to Cabinet / Full Council, however based on the work of the committee during the year and the assurances the committee has received in the areas reported during the year, the committee are of the view that the Council has appropriate systems in place that are designed to give those charged with governance the necessary assurance in relation to the Annual Governance Statement.

4.2.2 The Audit Committee considers that it has an appropriate balance of skills and keeps its performance under constant review. The Chair of the Committee has had (or had the opportunity to) private discussions with the Section 151 Officer, the Head of Finance and Assets and the lead auditor from the external auditors.

4.2.3 There are no particular issues that need to be brought to the attention of those charged with governance following the committee's work in 2008/09.

4.3 Legal

None

4.4 Equality

N/A

4.5 Consultees (Internal and External)

Chair of the Audit Committee, Director of Finance and Support.

4.6 How the Proposals deliver Priority Outcomes

N/A

4.7 Other Implications

None

5. Background Papers

5.1 2008/09 committee papers.

Gavin Chambers, Head of Finance and Assets.

Appendices



Item No.

7

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	KPMG Interim Report 2008/09
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	22 nd June 2009
Policy Document:	NO
Directorate:	Finance and Support
Accountable Cabinet Member:	Cllr Malcolm Mildren

1. Purpose

1.1 To present to committee the external auditors report on the interim audit work carried out to date on the 2008/09 statement of accounts.

2. Recommendations

2.1 As noted in the attached report and summarised in Appendix A.

3. Issues and Choices

3.1 Report Background

3.1.1 The attached report summarises KPMG's planning and interim audit work in relation to the 2008/09 financial statements. A significant proportion of their accounts audit is completed but further work will follow the completion of the Council's financial statements. The report covers the areas of work done to date and makes recommendations.

3.2 Issues

3.2.1 Recommendations have been made in respect of this review in Appendix A of the attached report. A review of prior year recommendations is made in Appendix B.

3.3 Choices (Options)

3.3.1 To implement the recommendations made.

4. Implications (including financial implications)

4.1 Policy

4.1.1 None in relation to this report.

4.2 Resources and Risk

4.2.1 Implications as identified within the report.

4.3 Legal

4.3.1 None

4.4 Equality

4.4.1 None

4.5 Consultees (Internal and External)

4.5.1 Head of Finance and Assets

4.6 Other Implications

4.6.1 None

5. Background Papers

5.1 KPMG working papers

Report Author: KPMG LLP



GOVERNMENT

**Interim Audit
Report 2008/09**

**Northampton
Borough Council**

June 2009

AUDIT

Content

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Page

Executive summary 1

Interim findings 2

Appendices 7

- A. Recommendations
- B. Prior year recommendations
- C. Accounts risks

This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Mike McDonagh, who is the engagement partner to the Authority, telephone 0121 335 2440, email michael.a.mcdonagh@kpmg.co.uk who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 236 4000, email trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Investigation Officer, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by e mail to: complaints@audit-commission.gov.uk. Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421



Executive summary

Scope of this report

This report summarises our planning and interim audit work at Northampton Borough Council ('the Authority') in relation to the 2008/09 financial statements. A significant proportion of our accounts audit is completed before we receive your financial statements. In particular, our work to date covers the following areas:

- Audit planning and risk analysis: We have identified the key issues for the 2008/09 financial statements and discussed your progress in addressing these.
- Control evaluation: We have reviewed your progress with the closedown and accounts production process. We have also tested controls over the key financial systems. We rely on the work of internal audit wherever possible, and complete an assessment of the internal audit function as part of this work.

Section 2 provides further details of the work completed and sets out our findings.

Our recommendations are included in Appendix A. We have also reviewed your progress in implementing prior recommendations and this is detailed in Appendix B.

Summary of findings

Audit planning – risks in the accounts production process

We discussed with officers changes in accounting requirements for 2008/09 and other factors which will affect the accounts production process such as the economic downturn and the impact this has for accounting estimates. We are satisfied that officers are taking adequate consideration of these factors but will conclude on the accounting treatment during our final accounts visit in August. We note that the Authority has not yet implemented Single Status and the financial implications of implementation are still uncertain. We have made a recommendation that the Authority should monitor progress in section two.

Control environment

We have reviewed the Authority's control environment. We have noted weaknesses in some key controls, for example no bank reconciliations have been performed throughout the year and a lack of detailed reporting on the financial results of rent collection and arrears to members. We seek to rely on such controls as part of our financial statement audit work. Where these have previously been reported by Internal Audit we have not repeated their recommendations. We make one recommendation on the control environment regarding recording transactions from the housing management system on the general ledger and one on reconciling the benefits system to the ledger. We have also made a recommendation on performing bank reconciliations which we note have not been performed during the year.

As part of our assessment of the control environment we seek to rely on the work of Internal Audit. As part of this we review Internal Audit's work to satisfy ourselves that work has been performed to standard. We were able to rely on Internal Audit's work over key financial systems.

We have also reviewed the Authority's controls over key IT systems. We have noted weaknesses in controls over access to systems and that the Authority does not have a formal IT security policy. We have made three recommendations in section two.

Single Status

The Authority is currently in the process of implementing Single Status but has not yet finalised the pay modelling and negotiation process. An implementation date of 1 April 2010 has been set and officers anticipate that the process will be complete by then. Officers are currently working on the job evaluation stage and pay modelling will start once this is scheduled to complete in September 2009. Until pay modelling is complete there remains considerable uncertainty of the financial costs of implementation, therefore the Authority will need to monitor progress in the process to limit the effect on financial planning.

Acknowledgements

We would like to take this opportunity to thank officers and members for their continuing help and co-operation throughout our audit work.

Section two

Financial statements

Introduction

Our work in respect of the audit of financial statements is split into four stages as shown below:

Stage	Tasks	Timing	Completed
Planning	<ul style="list-style-type: none"> Updating our business understanding and risk assessment Assessing the organisational control environment Issuing our accounts audit protocol 	January to February 2009	✓
Control Evaluation	<ul style="list-style-type: none"> Reviewing the accounts production process Evaluating and testing controls over key financial systems Review of internal audit 	March to April 2009	✓
Substantive Testing	<ul style="list-style-type: none"> Planning and performing substantive work Concluding on critical accounting matters 	July to August 2009	-
Completion	<ul style="list-style-type: none"> Completion procedures Forming our audit opinion 	September 2009	-

Key issues in respect of each of these tasks is summarised below.

Planning - Risk assessment

Our 2008/09 *Audit and Inspection Plan*, presented to you in July 2008, included our initial assessment of the risks impacting on the 2008/09 financial statements. We have updated this and consider the following areas to be the key accounting issues for 2008/09.

- Compliance with the 2008 Statement of Recommended Practice on Local Authority Accounting the UK (SORP):** The 2008 SORP includes a number of changes, including a change in the valuation basis for pension assets and prohibiting the revaluation of fixed assets on disposal. Officers have considered the main changes to the 2008 SORP and we have discussed these with finance officers. We will conclude on the accounting treatment of these changes as part of our final accounts audit.
- Accounting estimates and valuations:** The current economic environment introduces a number of risks for the financial statements, in particular for estimates and valuations. This includes the valuation of fixed assets which are carried at market value (such as investment properties) and the assessment of recoverability of debts to determine appropriate provisions. We have discussed suggested methodologies for valuing the Authority's housing stock in light of current market conditions and have agreed that the sector standard methodology is used. This methodology values a property type and extrapolates this valuation over the same type/s of property. We will conclude on the results as part of our final accounts visit.
- Single Status:** The Authority is currently in the process of implementing Single Status but has not yet finalised the pay modelling and negotiation process. An implementation date of 1 April 2010 has been set and officers anticipate that the process will be complete by then. Officers are currently working on the job evaluation stage and pay modelling will start once this is scheduled to complete in September 2009. Until pay modelling is complete there remains considerable uncertainty of the financial costs of implementation, therefore the Authority will need to monitor progress in the process to limit the effect on financial planning.

Recommendation 1: Implementation of Single Status

The Authority should ensure that progress on the Single Status project plan is monitored to minimise the uncertainties within financial and organisational planning that are associated with late or non-implementation.

- Trade Waste Service:** The Authority sold its Trade Waste service in 2008/09. We have asked officers for information on the sale but have not yet received sufficient information to form a view on how the Authority proposes to account for it. We will review this as part of our final accounts work.

Further details are included in Appendix C, which also provides a summary of work you have completed to date to address these risks.

Financial statements (continued)

Control Evaluation - Accounts production process

The audit of the 2007/08 financial statements proved challenging and took longer than planned. A major contributing factor to this was that the Authority had purchased an upgrade to its fixed asset register to facilitate changes to the 2008 SORP relating to capital accounting, however officers established towards the end of the accounts production process that the information produced by the fixed asset register was inaccurate. As a consequence, Officers' took several weeks to rectify the errors and we did not receive a full set of working papers in support of the accounts and were unable to audit several significant balances until officers had corrected errors caused by the fixed asset register.

Officers this year are proposing to use a spreadsheet instead of the fixed asset register to prepare accounting entries relating to fixed assets.

Control Evaluation - Controls over key financial systems

We work with Internal Audit to:

- update our understanding of key financial systems;
- confirm our understanding of these systems by completing walkthrough testing; and
- document, evaluate and test the control framework for these systems.

We have relied on the work performed by Internal Audit when it had a bearing on our external audit. For each of the key financial systems, they agreed to test the high level controls that we would expect to be in place. High level controls are strong controls that should address the key risks. Examples are reconciliations or exception reports.

Our review of your high level control environment identified some weaknesses, highlighted below. Where Internal Audit have not previously identified these we have made recommendations; otherwise we have not sought to repeat their recommendations.

- A monthly reconciliation of Council Tax benefits per the Council Tax system (Northgate) and the general ledger is performed. However we noted that the monthly reconciliation performed only checks that the monthly journal to the ledger to record the month's transactions agrees to the total of transactions per Northgate and that a full reconciliation of Northgate to the ledger is not performed. We reviewed balances for February and found that Northgate did not agree to the ledger.
- We reviewed the reconciliation of the housing management system (IBS) to the general ledger, which is performed weekly. We noted errors in the reconciliation and could not agree the reconciliation to the systems being reconciled. Insufficient codes have been created on the general ledger to record all transactions processed by IBS and consequently a large number of transactions are not recorded on the ledger until the year end.

Recommendation 2: Reconciliation of the Benefits system to the ledger

The Authority should ensure that Council Tax benefits per the Council Tax system is reconciled to the general ledger on a monthly basis. The reconciliation should reconcile the two systems rather than checking that the journal to the ledger is correct.

Recommendation 3: Recording transactions processed by the housing management system on the ledger

The Authority should review the coding of the general ledger to facilitate easier reconciliation with IBS.

Section two

Financial statements (continued)

In addition, reconciliations of the ledger to the Authorities' bank accounts have not been performed during the year. Officers have found the bank reconciliation process challenging historically and in recent reconciliations have been performed at the year end only. In 2007/08 approximately £100,000 was written off as an expense as part of the reconciliation to adjust for historical differences between the ledger and the bank account which could not be reconciled. This write off was intended to make reconciliations easier going forward.

Officers plan to perform the bank reconciliation on a monthly basis throughout 2009/2010.

Recommendation 4: Performing bank reconciliations regularly

The current plan to reconcile the general ledger to bank accounts on a monthly basis should be given a priority. The reconciliation should be reviewed and signed off by a more senior officer.

Control Evaluation - Review of internal audit

The *Accounts and Audit Regulations 2003* require public bodies to maintain an adequate and effective system of internal audit of their accounting records and of their system of internal control. For principal local authorities, guidance is contained in the *Code of Practice for Internal Audit in Local Government* ('the Code'). The Code defines the way in which internal audit should be established and operated and applies equally to in-house audit teams and those provided by external contractors.

We assessed internal audit against the requirements of the Code. Based on our assessment, internal audit complies with the Code. In determining whether we will rely on the work of Internal Audit, auditing standards require us to re-perform some of their work. We were able to place reliance on work performed by Internal Audit on high level controls as where we re-performed work we agreed with their findings. However there were some recommendations in Internal Audit's reports relating to the production of the financial statements. These related to the Authority's policy on depreciation and its methodology for providing for doubtful debts. Our review established that the new policies are still in accordance with the Statement of Recommended Accounting Practice.

Recommendation 5: Internal audit recommendations

The Authority should discuss with External Audit when it is proposing to make changes to accounting policies.

Control Evaluation – IT controls

We also consider controls over the use of information technology (IT). We review access to systems, IT policies and procedures and security of data. Our work identified the following weaknesses:

- There is no Information Security Policy in place. Consequently there is a risk that users are not aware of their responsibilities in relation to information security;
- We identified a number of weaknesses relating to access to the Revenues and Benefits Oracle database. We were able to access the Revenues and Benefits Oracle database using supplier default passwords. We identified that 12 users have high level access to the database and are able to make any changes to the database, that there are six generic accounts which have this access. We identified a user account still active for an employee that had left the Authority two years ago and there are no formal procedures for reviewing user access levels; and
- Administrative tasks in the Revenues and Benefits Northgate system are performed using generic user accounts. Similarly generic user accounts are in use for administrative tasks performed on the IRAS cash receiving system.

Recommendation 6: IT security policy

The Authority should produce a formal IT security policy. This should be made available to all staff who use IT systems and should form part of standard training.

Financial statements (continued)

Recommendation 7: Access to the Revenues & Benefits database




The Authority should restrict the number of users with high level access to the Revenues & Benefits database. It should also review quarterly access to the database so that leavers' access is removed.

Recommendation 8: Generic access accounts

Generic access accounts should be closed and individual accounts be assigned to users for Northgate and IRAS.

Appendix A: Recommendations

We have given each recommendation a risk rating (as explained below) and agreed what action management will need to take. We will follow up these recommendations next year.

Priority rating for recommendation		
<p>Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.</p> 	<p>Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p> 	<p>Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p> 

No.	Risk	Issue and recommendation	Management response	Officer and due date
Implementation of Single Status				
1	● (one)	The Authority should ensure that progress on the Single Status project plan is monitored to minimise the uncertainties within financial and organisational planning that are associated with late or non-implementation.		
Reconciliation of the Benefits system to the ledger				
2	● (two)	The Authority should ensure that Council Tax benefits per the Council Tax system is reconciled to the general ledger on a monthly basis. The reconciliation should reconcile the two systems rather than checking that the journal to the ledger is correct.		
Recording transactions processed by the housing management system on the ledger				
3	● (two)	The Authority should review the coding of the general ledger to facilitate easier reconciliation with IBS.		
Performing bank reconciliations regularly				
4	● (one)	The current plan to reconcile the general ledger to bank accounts on a monthly basis should be given a priority. The reconciliation should be reviewed and signed off by a more senior officer.		
Internal audit recommendations				
5	● (two)	The Authority should discuss with External Audit when it is proposing to make changes to accounting policies.		

Appendix A: Recommendations

No.	Risk	Issue and recommendation	Management response	Officer and due date
		IT security policy		
6	● (two)	The Authority should produce a formal IT security policy. This should be made available to all staff who use IT systems and should form part of standard training.		
		Access to the Revenues & Benefits database		
7	● (two)	The Authority should restrict the number of users with high level access to the Revenues & Benefits database. It should also review quarterly access to the database so that leavers' access is removed.		
		Generic access accounts		
8	● (two)	Generic access accounts should be closed and individual accounts be assigned to users for Northgate and IRAS.		
		HRA rent collection reporting		
9	● (one)	The Authority's HRA financial monitoring should systematically include details on rent collection and arrears. The reports should include details of arrears for both current and former tenants.		

Appendix B: Prior year recommendations

This appendix summarises the progress made to implement the recommendations identified in our ISA 260 2007/08 report

No.	Risk	Issue and recommendation	Management response	Officer and due date	Status at May 2009
1	● (two)	<p>Working papers and the accounts closedown process</p> <p>The Authority should review its accounts closedown timetable and consider whether sufficient time is built into the timetable to produce working papers.</p>	<p>The accounts closedown timetable is reviewed every year to adjust for known issues. The closedown timetable for 2007/08 was affected by the changes to fixed asset accounting which had a knock-on effect on the revenue account because of capital charges. This resulted from errors in the software employed by the Council and the resultant delays affected most areas of the timetable. This issue could not have been foreseen when the timetable was produced. A review will be undertaken as normal.</p>	<p>Bill Lewis February 2009</p>	<p>The Authority has reviewed its closedown timetable and has chosen not to use the fixed asset register to compile the accounts this year. We will review this at our final visit in August.</p>
2	● (two)	<p>Provision for doubtful debts</p> <p>The Authority should assess the recoverability of its debtor balance and should use this information to determine its provision for doubtful debts.</p>	<p>Where possible, the Authority will perform an assessment of the debtor balance and this will inform the provision for doubtful debts.</p>	<p>Phil Morrison March 2009</p>	<p>We have discussed the provision for doubtful debts with the authority and will review at our final visit in August.</p>
3	● (one)	<p>HRA rent collection reporting</p> <p>The Authority's HRA financial monitoring should systematically include details on rent collection and arrears. The reports should include details of arrears for both current and former tenants.</p>	<p>Reporting to members on the collection of rent is already being developed and will be incorporated into regular budget monitoring reports alongside the reporting on garage rents which has already been introduced as a pilot.</p>	<p>Phil Morrison March 2009</p>	<p>This recommendation has not been implemented. We therefore re-iterate.</p>
4	● (two)	<p>Records of debtor and creditor balances</p> <p>The Authority should review its year-end accounting processes for debtor and creditor balances to ensure that there is a clear trail to supporting evidence.</p>	<p>The Authority recognises that more improvements are necessary in this area. These improvements are to be built in during the review of the financial system and the inyear reconciliations of balance sheet accounts which are being introduced.</p>	<p>Bill Lewis February 2009</p>	<p>We have discussed this with officers and agreed the need for clearly presented balances for our final visit.</p>
5	● (two)	<p>Building control account charges</p> <p>The Authority should undertake a review of charges for work operated through its building control account so that regulations are complied with and the account breaks even over a three year period.</p>	<p>The charges will be reviewed during the 2009/10 budget setting process. Charges will be revised if the Authority is able commercially to do so.</p>	<p>Ann Davies February 2009</p>	<p>We have requested information on this but have not been provided with any. We will therefore review at our final visit.</p>

Appendix B: Prior year recommendations

No.	Risk	Issue and recommendation	Management response	Officer and due date	Status at May 2009
6	● (two)	<p>Capitalisation of voids expenditure</p> <p>The Authority should consistently apply its accounting policy for capitalisation of expenditure on void property, ensuring that expenditure which only maintains, and does not enhance, properties is excluded.</p>	<p>Guidelines have been drafted for Housing Capital expenditure which are subject to consultation. The council already consistently applies this policy by ensuring that only expenditure of a capital nature are capitalised. This expenditure will include ancillary works such as redecoration which are necessary as part of the project; where the work cannot be demonstrated to be part of a capital project it will remain in revenue.</p>	N/A	We will review the application of policy on capitalisation as part of our final accounts visit.
7	● (two)	<p>Accounts disclosure</p> <p>The Authority should review disclosures in accounts and determine whether any information included is not needed or could be presented in a more user-friendly way.</p>	<p>The Authority believes that the disclosures it makes are in compliance with SORP and any additional information includes aids the reader of the accounts. Any suggestions for removing disclosure will be considered.</p>	Bill Lewis	We have discussed this with officers and made suggestions for improving the presentation of information. We will review this when the accounts are produced in June.

Appendix C: Accounts risks

This appendix summarises the key accounting issues for the 2008/09 financial statements and the progress you have made to date to address these.

Issue	Risk and implications	Progress
<p>Compliance with the 2008 SORP</p> <p>The 2008 SORP will bring in changes to accounting requirements for the 2008/09 financial year. Whilst it has not yet been finalised, it is expected to introduce changes including:</p> <ul style="list-style-type: none"> • new requirements on accounting for back pay arising from equal pay claims; • changes which reflect the replacement of Local Area Agreement grant with Area Based Grant; and • amended disclosure requirements for retirement benefits following the amendment of FRS17. <p>The Authority will need to review the changes once the SORP is finalised and determine what additional work will be needed to ensure that its accounts comply with the totality of SORP requirements, with a particular focus on the recent changes outlined above.</p>	<p>There is a risk that changes to the 2008 SORP will not be implemented correctly, which may result in increased audit resource and cost for the financial statement audit.</p>	<p>We have met with officers to discuss proposed treatment for new and contentious items. The SORP requires a change in valuation basis for pension assets. The Authority has requested information from its actuaries to determine whether the difference between the valuation of assets on the previous valuation basis as per the 2007/08 is materially different from valuation on the new basis. Once we have received this information we will conclude whether a prior period adjustment is required for the 2007/08 comparative balances. We have discussed other changes to the SORP and are satisfied that officers are taking necessary consideration.</p>
<p>Accounts production process</p> <p>The Authority has historically found the accounts production and audit process challenging. The process in 2007/08 was a significant improvement on previous years; however there remains scope to improve the quality and timeliness of working papers.</p>	<p>An inefficient accounts audit process can cause disruption and increase audit costs. Officers therefore need to ensure that working papers are produced on time and of sufficient quality.</p>	<p>The Authority has reviewed its accounts closedown process and we have discussed this with officers. Officers are producing the accounts without the fixed asset register, instead recording capital transactions on a spreadsheet. This will need to be carefully prepared and reviewed so that all transactions are recorded and presented correctly.</p>
<p>Single Status</p> <p>The process of implementing Single Status has significant potential financial implications. These include the one-off costs of settling back pay claims, and also the ongoing increased payroll costs which typically arise from the revised pay structures.</p> <p>The Authority has faced significant challenges in its work to implement the changes, and this has caused the implementation timetable to be delayed. This increases the financial risk to the Council.</p>	<p>Failure to implement the Single Status agreement would expose the Council to the risk of equal pay claims, which would in themselves have a significant effect on its financial standing.</p> <p>The delay in implementation also creates uncertainty in financial and workforce planning.</p>	<p>Officers are currently undertaking job evaluations. Once this is complete pay and grade modelling can be undertaken. Job evaluations are expected to be complete by September 2009 and full implementation by 1 April 2010.</p> <p>The Authority will need to closely monitor progress to minimise the uncertainty in planning.</p>
<p>Disposal of Trade Waste Service</p> <p>The Authority sold its trade waste service during 2008/09. This will need to be accounted for correctly in the 2008/09 accounts.</p>	<p>There is a risk that the disposal is not accounted for correctly.</p>	<p>Officers are proposing to account for the sale as a capital receipt. We have requested further information but have not as yet been provided with any. Therefore we will conclude on this at our final accounts visit.</p>

Appendices
1



NORTHAMPTON
BOROUGH COUNCIL

Item No.

8

Audit Committee

Report Title

ANNUAL GOVERNANCE STATEMENT

AGENDA STATUS:

Public

Cabinet Meeting Date:	22 June 2009
Directorate:	Finance and Support – Finance and Assets
Accountable Cabinet Member:	Councillor Malcolm Mildren
Ward(s)	N/A

1. Purpose

1.1 To present the 2008/09 Annual Governance Statement to the Cabinet.

2. Recommendations

2.1 That the Audit Committee review the 2008/09 Annual Governance Statement and indicate whether there are any concerns arising that need to be brought to the attention of the Cabinet

3. Issues and Choices

3.1 Report Background

3.1.1 The Accounts and Audit Regulations (A&AR) 2003, as amended in 2006, require the Council to formally approve the Statement of Accounts by 30th June. This includes the adoption of the Annual Governance Statement.

3.1.2 The system on 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. It can therefore only provide reasonable and not absolute assurance.

3.1.3 In many organisations the system (and statement) of internal control is often seen as an audit or finance function. The responsibility lies with both officers and members. In summary:

- The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to value for money.
- In discharging this overall responsibility, the Council (elected Members and officers) is responsible for ensuring there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

3.1.4 The Annual Governance Statement is attached at Appendix 1.

3.2 Issues

As noted within the document, the control weaknesses are detailed in section 5.

3.3 Choices (Options)

N/A

4. Implications (including financial implications)

4.1 Policy

There are no direct implications in relation to the statement on internal control.

4.2 Resources and Risk

The system on 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. It can therefore only provide reasonable and not absolute assurance.

4.3 Legal

None

4.4 Equality

N/A

4.5 Consultees (Internal and External)

Management Board, Corporate Managers and Internal Audit.

4.6 How the Proposals deliver Priority Outcomes

N/A

4.7 Other Implications

None

5. Background Papers

5.1 Office working file including evidence

Gavin Chambers, Head of Finance and Assets. Ext. 7194

CABINET REPORT

SIGNATORIES

Report Title	ANNUAL GOVERNANCE STATEMET
Date Of Call-Over	DD / MM / YYYY

Following Call-Over and subsequent approval by Management Board, signatures are required for all Key Decisions before submitting final versions to Meetings Services.

Name	Signature	Date	Ext.
Monitoring Officer or Deputy			
Section 151 Officer or Deputy			

NORTHAMPTON BOROUGH COUNCIL ANNUAL GOVERNANCE STATEMENT 2008/09

1.0 Scope of responsibility

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.

In discharging this overall responsibility, the council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Northampton Borough Council aims to approve and adopt a local code of corporate governance by the end of November 2009. The code has been drafted and will be reviewed as part of the work plan of constitutional working party. The code will be consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (CIPFA 2007). The code, when implemented, will be subject to a review by Internal Audit.

This statement explains how the council meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, in relation to the publication of a statement on internal control.

2.0 The purpose of the governance framework

The System of Internal Control and the Governance Framework have been in place at Northampton Borough Council for the year ended 31 March 2009 and up to the date of the approval of the annual report and statement of accounts.

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the

risks to the achievement of the council's policies, aims and objectives. It is also designed to evaluate the likelihood of those risks being realised and their impact should they be realised, and to manage them efficiently, effectively and economically.

3.0 The Governance Framework

The Constitution is the relevant governance document and the Code of Governance will form part of it. Our governance framework will derive from the six core principles identified in a 2004 publication entitled The Good Governance Standard for Public Services. This was produced by the Independent Commission on Good Governance in Public Services – a commission set up by the Chartered Institute Of Public Finance and Accountancy (CIPFA), and the Office for Public Management. The commission utilised work done by, amongst others, Cadbury (1992), Nolan (1995) and CIPFA/SOLACE (2001). These principles were adapted for application to local authorities and published by CIPFA in 2007. The six core principles that this governance framework follows are:

- a) Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
- b) Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- c) Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- d) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- e) Developing the capacity and capability of members and officers to be effective; and
- f) Engaging with local people and other stakeholders to ensure robust public accountability.

The key elements of each of these core principles are as follows:

Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

The Council works through a number of strategic partnerships with other service providers in the area. These include the Local Strategic Partnership (LSP), Safer Stronger Northampton Partnership (CDRP) and Children and Young People's Partnership. To be effective and to maximise the use of our shared resources, we

develop shared priorities and deliver them in the most effective way for the people of Northampton.

Many activities which deliver shared priorities are agreed through the Local Area Agreement (LAA) for Northamptonshire. The first LAA was Northamptonshire focused on delivering services and improvements to communities against four key themes. The second LAA for Northamptonshire was submitted to the Government Office of the East Midlands on 30 May 2008. The LAA will identify the key priority outcomes for the whole county as well as informing local priorities for Northampton to be delivered by the Council and its partners.

This will focus on seven key areas:

- Stronger communities
- Safer communities
- Tackling exclusion and promoting equalities
- Children and young people
- Adult health and well-being
- Local economy
- Environmental sustainability

The Local Area Agreement will be the key delivery plan for the Northamptonshire Sustainable Community Strategy. The strategy was approved by the Public Service Board in October 2008 and sets out the vision and key objectives for the county between now and 2031. A Northamptonshire Public Service Board has been established as the body responsible for delivering the second LAA and replaces the previous LAA Board. This Board will take a strategic view for the county as expressed in the 'Sustainable Communities Strategy for Northamptonshire'. It brings key strategic partners together to inform, drive and champion the strategic vision for the county in the longer term.

Our partnership vision for Northampton:

We believe Northampton should be a successful and confident town in which everyone who chooses to live here, work here or visit the town feels they belong, have a future, have financial stability and, where appropriate, business opportunities. It should also be a place that has a vibrant and diverse culture and welcomes a variety of lifestyles.

To achieve this the Northampton Local Strategic Partnership has developed a *Sustainable Community Strategy for Northampton*, which includes key themes from a similar county-wide strategy and focuses on key strategic objectives local to Northampton. Its vision is -

By 2011 Northampton will be:

- **Recognised for good quality, environmentally friendly housing**
- **Well served by modern and efficient public services**
- **Safer**
- **Cleaner**
- **Healthier**

As well as planning services for the future growth of the area, we also intend to improve the quality of our services and make them more accessible to our customers now. By constantly improving to make sure our Council is amongst the best Councils in terms of public service by 2013, we will be able to tackle the opportunities and challenges effectively - challenges such as managing the growth of the area in a way that enhances the quality of life, bringing the town centre to life, renewing local housing estates and putting Northampton on the map, both regionally and nationally. All of this can only be delivered by working hand in hand with our partners.

In order to ensure that our plans meet the needs and aspirations of our local communities, and contributes to wider community outcomes, we consulted with local people and used their feedback to help to select our five priorities. These are:

- **We will help our communities become safer, greener and cleaner**
- **We will improve housing and health to enhance the well-being of our communities**
- **We will be a well-managed organisation that puts our customers at the heart of what we do**
- **We will promote economic development and growth in Northampton**
- **We will strengthen our commitment to partnership working and engaging with our communities to deliver better outcomes**

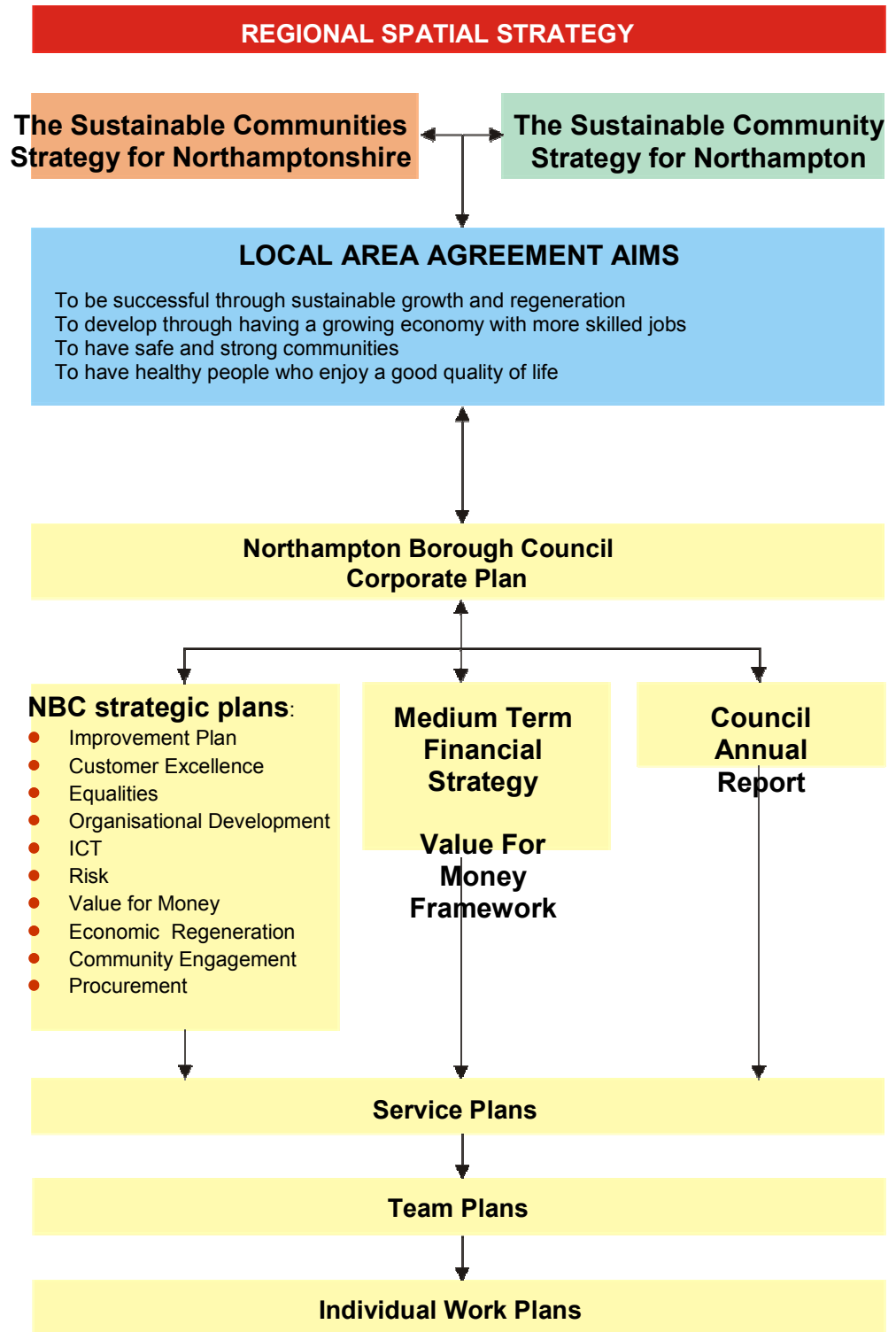
The council uses information from corporate and service consultations, engagement through area partnerships and community forums as well as feedback from customers to check that these priorities remain important to the community and that service delivery meets their expectations. The council also has a Residents Panel, which can be used for structured consultation with a demographically representative sample of the population.

The Council has adopted the following management aims, to enable the above priorities are delivered. The management aims are to:

- Provide excellent customer service
- Engage in meaningful dialogue
- Make best use of our resources
- Work to make Northampton a better place

The diagram below shows how the various groups and plans link together.

How We Deliver Our Key Strategies



Themed strategies and plans

The Council has in place a comprehensive and robust performance management framework. The framework is reviewed annually to ensure that learning and improvement is captured and changes made where necessary.

The Council monitors delivery of its priorities and objectives by use of the performance management framework. The objectives set out in the key strategic plans (Sustainable Communities Strategy, Local Area Agreement, Corporate Plan) are reflected in service plans for each service of the council. The service plans represent the key plan for each service and clearly set out targets and actions for each service and how each service area contributes to corporate objectives and targets. The service plans address service-level improvements, including value for money objectives. Service plans also set out how each service will contribute to a range of corporate performance and improvement imperatives, including data quality, Equalities, and Employee Opinion Survey action plans. Local service improvement plans are reflected in the plans.

The performance management framework requires service plan targets and actions to be reviewed each month by the relevant departmental management teams. At strategic management level overall performance of each service is monitored at monthly Directorate performance meetings, independently supported by a member of the corporate performance team. These reviews, chaired by the relevant Director, address a range of performance aspects: risk management, financial performance, national and local performance targets, complaints and compliments. Issues identified are discussed in one to ones with the Director and Chief executive. From April 2009 a summary exception report will be discussed at bi-monthly management board meetings. In 2009 Service plans will be subject to quarterly review; this will ensure that plans remain current, that targets remain relevant and appropriately challenging and that the service is delivering the actions necessary to achieve the corporate objectives.

Performance information is collated by the Corporate Performance Team who are responsible for ensuring that Data Quality processes and procedures have been completed. Checks on background evidence for indicators are applied each month on a sampling basis, with full background checks quarterly. Information which has no background checks, or which has not been signed off by managers in the service area, is not permitted to go forward into our performance reports. Senior managers and Councillors are then informed of the reason for the missing data. These steps are necessary to ensure that decision makers have confidence in the data presented to them.

Performance information is made widely available. All Councillors are provided with the monthly performance reports. Notice Boards across all council premises are used to display performance information, ensuring that staff who do not use computers can still access up to date information on the performance of each

service area. The reports are also placed on the Council's website so that members of the public can access the information.

At a political level performance is monitored by Portfolio Holders each month in meetings with Directors and Heads of Service. Monthly performance reports are presented to each meeting of Cabinet by the Portfolio Holder for Performance, advised by officers. These reports focus on performance against priority indicators in addition to an overview of performance against all indicators. Focus is placed on those measures where performance has improved or deteriorated over the previous month. The reports also set out an analysis of quartile performance so that the Council's performance levels can be compared to the levels of the best performing Councils.

The Performance Management Framework clearly sets out the flow of management information and accountability across the Council. The framework is reviewed annually to ensure that it remains fit for purpose.

At employee level we have established an Employee Development Scheme so as to jointly agree employee objectives and identify training and development needs. The Scheme provides for an annual appraisal at which past performance is reviewed, and also provides for regular monitoring of performance during the year.

Each year, the Council produces a report, setting out our performance against our corporate objectives.

Through reviews by external auditors, external agencies, Internal Audit, and internal review teams, the Council constantly seeks ways of ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. A corporate procurement strategy/toolkit has been developed to ensure proper arrangements are in place for procurement of goods and services. This was reviewed by Members and senior officers before being adopted.

The Council reviewed its financial regulations during 2007/08 with the updated financial regulations being approved by Council in November 2007. Revised procurement rules were adopted in March 2008, updating the previous guidance that covered 2004 to 2007. All budget heads are allocated *to named budget officers, who are* responsible for controlling spend against budgets, and who are also responsible for assets used in the provision of their services.

Contracts let during the year, as well as partnerships entered into, include appropriate arrangements for monitoring against agreed targets and indicators. A Procurement Monitoring Group has also been set up, where contracts over £20k are referred to the group, to ensure that the appropriate finance, procurement and legal rules are all adhered to.

In January 2009 Cabinet adopted the revised Risk Management Strategy, now incorporating business continuity management. The Strategy clearly sets out the processes and responsibilities for managing risks across the authority and is supported by a Risk and Business Continuity Management Handbook.

Risks are identified and refreshed annually as part of the Service Planning process and are managed using the Performance Management Software. This enables risks to be associated clearly to objectives and priorities, providing management with valuable monthly reporting, ensuring resources are targeted to the priorities and objectives most at risk.

Service-level risks are challenged monthly through the Corporate Performance Review process and Strategic risks quarterly via Management Board.

The Council has defined critical functions and business continuity plans for these functions are well developed across the authority.

Assurance on the Council's risk and business continuity function is provided through a Quarterly Risk Review Meeting chaired by the Director of Finance and Support, and through regular verbal and written updates to the Audit Committee.

Members and officers working together to achieve a common purpose with clearly defined functions and roles

The council has adopted a Constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure these are efficient, transparent and accountable to local people. The constitution reflects the 'Executive/Scrutiny' model following the Local Government Act 2000.

The main decision-making committee is the Cabinet, which is responsible for all executive matters as defined by law and operates within the budget and policy framework approved annually by full Council. Meetings are open to the public except when personal or confidential matters are being discussed. Cabinet Portfolio Holders have authority to make delegated decisions in accordance with the Leader's Scheme of Delegations in the Constitution. Furthermore, senior and other officers of the Council can make decisions under delegated authority – again the extent of these delegations is set out in the Officers' Scheme of Delegations in the Constitution. The Council publishes a forward plan, which contains details of key decisions to be made by the Cabinet. Each Cabinet member has a specific portfolio of responsibilities requiring him or her to work closely with senior and other employees so as to achieve the Council's ambitions.

The Council's Management Board, which consists of the Chief Executive, Directors (including the S151 officer), the Monitoring Officer, Assistant Chief Executive and Head of Human Resources, met on a weekly basis during 2008/09. It now meets on a three weekly cycle (or more if required), to develop

policy issues commensurate with the Council's aims, objectives and priorities. Management Board also considers other internal control issues, including strategic risk management, performance management, compliances, efficiency and value for money, and financial management. Management Board meet with Cabinet on a monthly basis to review progress in achieving the Council's ambitions, priorities for action, performance management and forward planning for major issues. It has a corporate responsibility for the messages that the council puts out, both internally and externally.

A new administration came into power in May 2007, and relevant training followed as detailed within this AGS. An interim Chief Executive was employed during 2007, up to and beyond when the new Chief Executive, David Kennedy, commenced at NBC in November 2007.

- Below Management Board the management structure is well defined in a hierarchical manner, comprising the following groups:

Corporate Briefing

This group consists of Management Board members and also all Heads of Service. The meetings are diarised weekly to meet as required. The agenda and meeting go ahead is agreed weekly by the Chief Executive.

The group, which is non-decision making, provides collective responsibility for:

- Providing corporate leadership
- Employee development
- Internal and external communications
- Performance management
- Co-ordinating and delivering corporate objectives and priorities for action
- Reviewing corporate policy
- Reviewing corporate standards
- Considering key operational matters

Directorate Management Team (DMT)

Each Directorate has a DMT where the Director and Heads of Service meet to discuss Management Board feedback, council wide and service specific areas. DMT meetings:

- Ensure that directorates contribute to Management Board, Corporate Briefing and other teams/groups
- Ensures feedback from Management Board, Corporate Briefing and other teams/groups is communicated within the Directorate
- Provides a lead within Directorates to meet corporate requirements

- Ensures group corporate contribution
- Ensures communication of corporate requirements within and between teams within the respective directorate

Managers' Workshop

The managers' workshop started in 2007/08 and has a planned roll out of corporate subjects. The workshop attendance covers over 100 managers across the council.

Other specific group meetings:

There are also corporate groups for equalities, comprehensive performance assessment use of resources, ICT Governance, VFM Board to name a few.

Corporate priorities, policies and standards translated through service plans into day-to-day activities

The council has adopted a number of codes and protocols that govern both Member and officer activities. These are mainly reviewed annually:

- Members Code of Conduct
- Officers Code of Conduct
- Protocol for Members and officers regarding probity planning
- Protocol on Member/Employee relations
- Gifts and hospitality – Members and officers
- Counter Fraud
- Whistleblowing policy
- Complaints and compliments procedures

Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

The council has designated the Borough Solicitor as the Council's Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. The Monitoring Officer also supports the Standards Committee and is the nominated officer for whistleblowing. After consulting the Chief Executive and Director of Finance, he will report to the Council, under Section 5 of the Local Government and Housing Act 1989, if he considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

Training needs are identified through one to one meetings, team meetings, and appraisals and are addressed via the Human Resources service and/or individual services as appropriate.

Report on Governance Arrangements

The People Development Manager, during 2007/08, conducted interviews with the Council Leader, Mayor, all Portfolio Holders, Directors and the Monitoring Officer, with the objective of examining the extent to which the NBC governance arrangements are:

- Understood by senior officers and inform current decision making
- Understood by portfolio holders and inform their decision making

Additionally, to identify whether potential breaches of governance arrangements take place. The review incorporated structured interviews which include the following questions:

- How effective are current governance arrangements?
- What's working well/needs to be improved?
- Do the arrangements support and have an impact on decision-making process?
- Instances of process failing to work or not compiled with?
- General comments

The executive summary of the report which was presented to the Borough Solicitor and the Interim Chief Executive, is below:

“The overall impression is that the governance arrangements are beginning to have a positive impact on the decision making process. Portfolio holders believe that they are better informed and able to professionally represent their portfolio areas in Cabinet and Council meetings.

Since the election of the new administration in May 2007, the portfolio holders have had to gain an understanding of the role and responsibility of a portfolio holder, as the skills in this area have developed their effectiveness in the role has increased.

There are a number of concerns that the internal structure of NBC does not always match the portfolio holder responsibilities.

There was also a concern from portfolio holders that their political “hot topics” which had immediate media and public attention did not receive the same degree of focus on the agenda as items on improvement plans. The council’s communications team have been working to address this.

There were no reported examples of breaches of governance arrangements within NBC”.

The Interim Chief Executive also issued a report to the Borough Solicitor and new Chief Executive on the governance improvements required, which has been incorporated into the improvement plan for the Borough Solicitor.

Finance and Audit Services

The financial management of the Authority is conducted in accordance with the financial rules set out at Article 13 and the Financial Regulations section within the Constitution. The Council has designated the Director of Finance as the Chief Finance Officer in accordance with Section 151 (S151) of the Local Government Act 1972. The Head of Finance and Assets is the deputy S151 officer. The Council has in place a three-year Financial Strategy, updated annually, to support the medium-term aims of the Council Plan.

The Council maintains an Internal Audit service provided through a contract with PricewaterhouseCoopers, who operate to the standards set out in the ‘Code of Practice for Internal Audit in Local Government in the UK’. Individual services produce annual service plans. These Service Plans are updated each year so as to incorporate the Council Plan requirements into service activities, so that services know what they are required to do to achieve the Council’s priorities and ambitions. These plans also identify any governance impact.

Our external audit services are currently provided by KPMG, who audit our statement of accounts, data quality, use of resources, whole of government accounts and national fraud initiative. External Audit will be transferring over to the Audit Commission during 2009/10.

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

The Council has several committees, which carry out regulatory or scrutiny functions:

- Cabinet, which makes executive decisions
- A Planning Committee to determine planning applications and related matters;
- A Standards Committee that promotes, monitors and enforces probity and high ethical standards amongst the Council’s Members, and this extends to having the same responsibility for all town and parish councils within the Borough;
- An Audit Committee to provide assurance about the adequacy of internal controls, financial accounting and reporting arrangements, and that

effective risk management is in place. Its work is intended to enhance public trust in the corporate and financial governance of the council;

- A Licensing Committee, which monitors and reviews the effectiveness of the Council's licensing policy and procedures.
- General Purposes Committee, which is a sub-committee of full Council and makes decisions which are not the responsibility of the Executive or other committees,
- Appointments and Appeals Committee, which has responsibility for appraising senior officers and dealing with certain disciplinary/grievance matters.

Since May 2007 the Council has operated with four committees which carry out the Overview and Scrutiny (O&S) function. These are:

- Overview and Scrutiny Management Committee, made up of the chairs and vice-chairs of the three Overview and Scrutiny Committees - sets workplan, allocates resources, oversees Member training in O&S area, and reviews arrangements for involvement by Councillors and the public.
- Overview and Scrutiny Committee 1 - Partnerships, Regeneration, Community Safety and Engagement
- Overview and Scrutiny Committee 2 - Housing and Environment
- Overview and Scrutiny Committee 3 - Improvement, Performance and Finance

"Overview and Scrutiny is a key part of the modernised arrangements for governance in local councils and also an important mechanism for driving forward performances in services. The four key legislative roles are: -

- Holding the Executive to account
- Policy development and review
- Best Value Reviews
- External Scrutiny

Overview and Scrutiny provides the opportunity for Councillors that are not members of Cabinet to examine various functions of the Council, to question how key decisions have been made and to champion issues of local concern to residents.

Overview and Scrutiny is charged with finding ways of ensuring that the issues that matter to the public are the focus of their attention, and with finding new ways of getting citizens involved in the things that affect them. Overview and Scrutiny has considerable powers:

- Holding decision makers to account
- Challenging and improving performance
- Supporting the achievement of value for money
- Challenging the ways things are done
- Influencing decision makers with evidence based recommendations
- Bringing the evidence and views of stakeholders, users and citizens

Overview and Scrutiny is Councillor led. As well as Councillors leading on the review of topics, where they research issues and develop recommendations, they are also involved in setting the Overview and Scrutiny Committee, bringing forward topics and issues, identifying who they want to hear from to help their work and what they want to know and how they want it presented to them.

Developing the capacity and capability of members and officers to be effective

The council has a structured councillor development programme which is informed by corporate priorities, legislative changes and individual personal development plans for councillors. The programme is overseen by the councillor development group, which comprises of councillors from all political groups and officers to determine priorities and agree programmes of development on a rolling three-month programme. It also evaluates and monitors outcomes from development sessions.

Extensive Members training was undertaken during 2008/09. The developments focused on three key areas: Briefing, Skills and Committee Development Sessions. Some topics covered were: Constitutional Development, Various Financial Focuses, Overview and Scrutiny Roles, Legal and Probity for Planning, CAA/LAA, Public Speaking, Influencing/Negotiation and many more. The training was supported by a variety of internal and external sources including work with the IDEA, Local Government East Midlands and support from other councils. A member development scorecard is maintained for each member.

Engaging with local people and other stakeholders to ensure robust public accountability

The council has adopted a community engagement strategy. This sets out its principles for talking to and understanding the needs and opinions of residents, forums, community groups, stakeholders and partners, and how they can get involved in community life and decision-making. Detailed work is being carried out to develop a co-ordinated programme of engagement activities to support the implementation of the strategy.

A comprehensive communications strategy is also being prepared, which will make sure that the Council gets its message across, is able to inform local people of what it is doing and what they need to know, protects the Council's reputation and improves how it communicates with its own staff.

4.0 Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of its governance framework including the system of internal control. The process adopted during 2008/09 for a review is below; this will be strengthened during 2009/10:

The AGS group was set up to agree the approach and necessary contributors for the production of the draft AGS and its circulation for comments. The process included:

- Contributions and comments from Heads of Service.
- Internal Audit review for comment
- Review and approval by Management Board
- Review and comment by the Audit Committee
- Review and approval by Cabinet and full Council

The next paragraphs give more detail regarding the actual review process, and actions undertaken during 2008/09.

The review of effectiveness is informed by the work of the managers within the Council who have responsibility for the development and maintenance of the governance environment, the Internal Auditor's annual report and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes:

The Borough Solicitor (the 'Monitoring Officer') has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution regularly to incorporate any necessary changes. A full review of the Constitution was undertaken during the latter part of 2007/08 to ensure it was accurate and reflected current best practice and legal requirements. A further review is currently underway through the Cross Party Constitutional Review Working Party (CRWP).

The Council's three Overview and Scrutiny (O&S) Committees are described above. They can establish 'task and finish' groups, which look at particular issues in depth, taking evidence from internal and external sources, before making recommendations to the Executive (Cabinet). The O&S Committees can "call-in" a decision that has been made by the Executive but not yet implemented, to enable it to consider whether the decision is appropriate. Call in can be referred to O&S by at least two Councillors.

A good example of the call in process at NBC is detailed in an article by the Centre for Public Scrutiny (CFPS), where the Sixfields plan was called in. The article notes that it was effective use of the call in process.

During 2008/09 examples of task and finish work carried out by O&S include:

- Councillor Call for Action
- Potential loss of school playing fields
- Relationship with the West Northamptonshire Development Corporation
- Contaminated water

Scheduled to have an “away-day” to develop an ambitious work programme for 2009/10. The Committee will also be conducting a base-line review using either a bespoke one or the Audit Commission’s Ethical Government toolkit. A programme to policy reviews will form part of the work programme.

In 2008/09, the local filter arrangements to deal locally with Member contract complaints was developed and implemented. A manual of procedures was developed and is being used by the Committee.

The Standards Committee has produced periodic newsletters for the benefit of Members, Parish Councillors and relevant officers, to provide updates on the national position, advice on matters in relation to Standards generally and to also remind Members of their obligations under the Code of Conduct, the Register of Interests, Gifts and Hospitality.

Internal Audit, under the terms of engagement, are required to provide those charged with governance with an opinion on the overall adequacy and effectiveness of the council’s:

- Risk management
- Control and;
- Governance processes.

Collectively this is referred to as “the system of internal control”.

An audit plan is prepared each year and is agreed at the Audit Committee prior to the year commencing. For 2008/09 the audit plan was agreed at the Audit Committee meeting on 26th February 2008.

Included within the planned days for 2008/09 was support provided by PwC on Risk Management. This input was initially when the Risk and Business Continuity post was vacant. During the latter half of 2008/09, this post was covered by a temporary appointment and was permanently appointed to in April 2009.

The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant service manager and/or chief officer. The report includes recommendations for improvements that are included within an action plan and requires agreement or rejection by service manager and/or chief officers. The process includes follow-up reviews of recommendations to ensure that they are acted upon, usually within six months. All Internal Audit reports include a report on the quality and effectiveness of internal control within the Council's systems, and an assessment in accordance with quantification and classification of internal control level definitions. These definitions are summarised below:

High Assurance: No control weaknesses were identified or some low impact control weaknesses were found.

Moderate Assurance: There are some weaknesses in the design and/or operation of controls, which could impair the achievement of the objectives of the system, function or process. However, their impact would be less significant or they are unlikely to occur.

Limited Assurance: There are some weaknesses in the design and/or operation of controls, which could have a significant impact, but should not have a significant impact on the achievements of the organisational objectives.

No Assurance: There are some weaknesses in the design and/or operation of controls, which could have a significant impact and may put at risk the achievement of organisational objectives.

Risk ratings, ranging from critical to low, are also included within the audit reports.

The Internal Audit service is subject to a review by the council's external auditors, KPMG, who place reliance on the work carried out by the section. Internal Audit also carries out an annual self-assessment that is reviewed by the Director and Head of Finance and external audit.

TeamCentral was introduced at the end of 2007/08. This software manages audit recommendations and monitors the adherence of implementing them by agreed dates. TeamCentral sends out automatic monthly reminders where the implementation dates of audit recommendations have passed without being closed. The reports from this system will also be used as part of the monthly Corporate Performance Review meetings and summary information is presented to the Audit Committee. The committee during 2008/09 has requested officers to be present at meetings to explain why recommendations have not been actioned.

As part of the Comprehensive Performance Assessment (CPA) framework for districts, the Council has been assessed under the 'use of resources' category. The overall score for 2007/08 was a 2, with a 3 scored for within VFM and for Financial Management. This is a significant improvement from previous years.

5.0 Significant governance issues

Significant control weaknesses in relation to the following services were identified by Internal Audit and highlighted to the Audit Committee at its meeting of 2nd June 2009 in the Annual Audit Report.

The report states that their work did not identify any significant control weaknesses that were considered pervasive in their effect on the system of internal control. However, isolated significant control weaknesses were identified in the following audits:

Significant Control Weakness areas	Action to address weakness (examples)
<p>Core Financial Systems:</p> <p>Debtors</p> <p>Creditor Payments (Uniclass)</p> <p>Payroll</p> <p>Bank Reconciliations</p> <p>Fixed Assets</p> <p>Housing Rents</p>	<p>Immediate action was taken to address the recommendations on bad debt provision and write offs. A new recovery team has been up as part of the 09/10 budget restructures.</p> <p>Action is being taken to address the recommendations. Internal Audit will carry out a follow up review in 2009/10.</p> <p>The upgrade of the General Ledger system to Agresso 5.5 has enabled many recommendations to be actioned. The Payroll Team also moved to Finance in April 2009 improving resilience.</p> <p>The bank reconciliations for 2008/09 are now fully complete and the process has been re-engineered for 2009/10.</p> <p>The critical item flagged by audit has now been completed. This was to fully close down the 07/08 financial year by updating the transactions on the system.</p> <p>All recommendations, such as recovery procedures and improving the voids reporting process, have been actioned.</p>

<p>Specific Audits:</p> <p>Car Parking income</p>	<p>Action has been taken to improve the use and accuracy of income data. Segregation of duties and management information improvements are also completed or in train.</p>

As a result of the above, Internal Audit can only give the authority limited assurance on the design and effectiveness of the system of internal control.

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

Internal audit recommendations have not been addressed and implemented as quickly as necessary. In response to this, the audit reports and recommendations have been uploaded to TeamCentral. TeamCentral is an IT software solution that requires officers to update the system with their actions and it tracks the implementation status of audit recommendations. A summary of this is now included with the monthly performance reports as part of the CPR scheme referred to above.

Certain services during 2008/09 were monitored via the Government Monitoring Board. Improvements have been made to Finance, Culture and Leisure and the Revenue and Benefits services, that have shown the necessary progress to disengage from this process. Housing and Planning Services currently remain part of the GMB monitoring, but the necessary improvements have been undertaken, no meetings have been necessary recently and it is believed that full disengagement is imminent.

Following the senior management restructuring, the revised structure was adopted and commenced from October 2008. All posts at Director and Head of Service levels have been recruited to.

6.0 Certification by the Leader of the Council, Chief Executive, Director of Finance and the Monitoring Officer.

Signed:

Signed:

Date:

Date:

Councillor Tony Woods
Leader of the Council

David Kennedy
Chief Executive

Signed:

Signed:

Date:

Date:

Isabell Procter
Director of Finance (S151 Officer)

Francis Fernandes
Borough Solicitor/Monitoring
Officer

Appendices

1



NORTHAMPTON
BOROUGH COUNCIL

Item No.

9

AUDIT COMMITTEE REPORT

Report Title

2008/09 STATEMENT OF ACCOUNTS

AGENDA STATUS:

PUBLIC

Audit Committee Meeting Date:	22 June 2009
Policy Document:	No
Directorate:	Finance and Support
Accountable Cabinet Member:	Malcolm Mildren

1. Purpose

1.1 To present the 2008/09 Statement of Accounts to the Audit Committee.

2. Recommendations

2.1 That the committee review the 2008/09 statement of accounts and indicate whether there are any concerns arising that need to be brought to the attention of the committee.

2.2 That the revised general fund balance be noted.

2.3 That subject to any comments arising at 2.1 above that Cabinet be recommended to adopt the 2008/09 statement of accounts.

3. Issues and Choices

3.1 Report Background

3.1.1 The Accounts and Audit Regulations 2003 require the Council to formally approve the Statement of Accounts by 30th June.

3.1.2 The detailed format of the statement of accounts follows guidance issued by CIPFA/LASSAC. The format of the statement can change from year to year to reflect new requirements or changes in best practice.

- 3.1.3 The attached statement of accounts at Annex A will be presented to the external auditor on 30th June 2009 and will thereafter be available to the general public through the statutory deposit period. During this time members of the public may view documents and ask questions.
- 3.1.4 Any material changes arising from the audit of the 2008/09 accounts will be reported back to the Audit Committee in September.

3.2 Issues

General Fund

- 3.2.1 The General Fund working balances total £2.0m as identified within the Statement of Accounts at Annex A (page 29). The Council also holds General Fund earmarked reserves of £8.2m to mitigate specific business risks as identified within the Statement of Accounts at Annex A (page 66 Note 35 e). Taking the Council's financial position into account and the inherent risks in the 2008/09 budget along with potential risks relating to single status, the minimum prudent level of working balance should be £2.0m. This will be reviewed during 2009/10.

Housing Revenue Account (HRA)

- 3.2.2 The outturn position for the HRA shows an accumulated in year surplus of £492k giving a level of working balances of £6.1m as identified within the Statement of Accounts at Annex A (page 81). The Council also holds an HRA earmarked reserve of £8.2m to finance future capital expenditure and the potential PFI set-up costs of £175k as identified within the Statement of Accounts at Annex A (page 66 Note 35 e).

The Collection Fund

- 3.2.3 The collection fund had an in year surplus of £143k resulting in an overall fund deficit of £803k. It was estimated in January 2009 that the deficit would be £553k and this was apportioned between precepting authorities and the proportion relating to this council (£86k) was included when setting the budgets for 2009/10. The balance will be carried forward into the 2009/10 collection fund and will form part of the calculation of surpluses and deficits for setting the 2010/11 budget.

3.3 Choices (Options)

- 3.3.1 The committee is invited to review the 2008/09 statement of accounts and indicate whether there are any concerns arising that need to be brought to the attention of Cabinet and Council.
- 3.3.2 The committee is asked to note the revised general fund balance.
- 3.3.3 The committee is asked, subject to any comments arising at 3.3.1 above, to recommend that Council adopt the 2008/09 statement of accounts.

4. Implications (including financial implications)

4.1 Policy

4.1.1 The statement of accounts summaries the Council's Financial Position as at 31st March 2009.

4.2 Resources and Risk

4.2.1 The statement of accounts summaries the Council's Financial Position as at 31st March 2009.

4.2.2 The Council's General fund working balance as at 31st March 2008 was £2.0m. Balances which have been earmarked for use are £8.2m.

4.2.3 There are Comprehensive Performance Assessment implications on the timing of the approval of the statement of accounts and the annual governance statement.

4.3 Legal

4.3.1 The statement of accounts is a statutory document which needs to be approved by the Council by 30th June 2009 in respect of the 2008/09 financial year.

4.4 Equality

4.4.1 None

4.5 Consultees (Internal and External)

4.5.1 Internal – Management Board, Heads of Service, and Internal Audit.

4.5.2 External – The attached statement of accounts at annex A will be presented to the external auditor on 30th June 2009 and will thereafter be available to the general public through the statutory deposit period. During this time members of the public may view documents and ask questions.

4.6 Other Implications

4.6.1 None

5. Background Papers

5.1 Statement of accounts working papers

Report Author:

Isabell Procter, Director of Finance and Support
Tel. 01604 83 8757 iprocter@northampton.gov.uk



NORTHAMPTON
BOROUGH COUNCIL

Draft

Statement of

Accounts

2008/2009

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Contents

	Page
A Auditor's Report	1
B Explanatory Foreword	5
C Statement Of Accounting Policies	15
D Core Financial Statements	27
D1 Income & Expenditure Account	27
D2 Statement of Movement on the General Fund Balance	29
Reconciling Items for the Statement of Movement	31
D3 Statement of Total Recognised Gains & Losses (STRGL)	33
D4 Balance Sheet	35
D5 Cash Flow	37
E Notes to the Core Financial Statements	39
F Housing Revenue Account	79
F1 HRA Income & Expenditure Account	79
F2 Statement of Movement on the Housing Revenue Account Balance	81
Reconciling Items for the Statement of Movement	83
G Notes To The Housing Revenue Account	85
H Collection Fund Income & Expenditure Account	91
I Notes To The Collection Fund	93
J Statement of Responsibilities for the Statement of Accounts	95
K Annual Governance Statement	97

A. Auditor's Report

Independent auditor's report to the members of Northampton Borough Council

The report will be included here after the audit for the publication of the audited accounts.

A. Auditor's Report

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A. Auditor's Report

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

The report will be included here after the audit.

A. Auditor's Report

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B. Explanatory Foreword

1. Introduction

The Council has a statutory duty to approve and publish this Statement of Accounts document for the period 1st April 2008 to 31st March 2009.

This document complies with recommended practice from the Chartered Institute of Public Finance and Accountancy and its format is largely prescribed.

To comply with the Accounts and Audit Regulation 2003 (subsequently updated by the Accounts and Audit Regulations 2006), the Council is required to have received and approved the Statement of Accounts by the end of June 2009.

This foreword outlines the key individual statements that comprise the Statement of Accounts, including a description of the relationship between them. It also highlights the main activities/variations that took place during 2008/09 in each of the main activity areas.

The detailed accounts and related information are shown on pages 27 to 94 and consist of the following: -

Core Financial Statements

Income and Expenditure Account (page 27)

This statement reports the net cost for the year of all the functions for the year which the Authority is responsible, and demonstrates how that cost has been financed from general government grants and income from local taxpayers. It brings together expenditure and income relating to all of the local authority's functions, in three distinct sections (Net Cost of Services, Net Operating Expenditure, and Surplus (-) / Deficit for the Year), each section being separated by a sub-total. This statement does not, however, show the effect of the Council's activities on the Council Tax or the level of reserves available. To understand the full position, the reader must also consider the Statement of Movements on the General Fund Balance.

Statement of Movements on the General Fund Balance (pages 29 to 31)

This statement details the adjustments which must be made to the movement on the Income and Expenditure Account in order to arrive at the year on year changes to the General Fund Balance. As such this statement also reverses out the effect of the Housing Revenue Account transactions which can be viewed separately in the supplementary statements. The balances left on this statement relate entirely to the General Fund.

Statement of Total Recognised Gains & Losses (page 33)

This statement brings together all the gains and losses of the council for the year and shows the aggregate increase in net worth. In addition to the surplus (-) / deficit generated on the Income and Expenditure Account, this statement includes gains and losses relating to fixed assets, the net liability to cover the cost of retirement benefits, and changes in amounts due to the council from the collection fund.

Balance Sheet (page 35)

The Balance Sheet is fundamental to the understanding of an authority's financial position at the year end and shows balances as at 31st March 2009. It shows the council's balances and reserves, summarised information on the fixed assets held, net current assets employed in its operations, its long -term indebtedness, and net assets held. All reserves and balances (including the levels of General Fund and Housing Revenue Account working balances) are shown in the lower part of the Balance Sheet.

B. Explanatory Foreword

Cash Flow Statement (page 37)

This statement consolidates and summarises the inflows and outflows of cash arising from transactions with third parties for revenue, capital, and investment purposes.

Notes to the Core Financial Statements (pages 39 to 77)

This section comprises the recommended notes to the Income and Expenditure Account, Statement of Movements on the General Fund Balance, the Balance Sheet, and the Cash Flow Statement, plus additional notes deemed useful to aid the understanding of the reader of the accounts.

Supplementary Financial Statements

Housing Revenue Account (HRA) Income and Expenditure Account (page 79)The transactions on this statement are included in the whole authority Income and Expenditure Account but cannot be individually identified within that statement. This statement shows the income and expenditure on HRA services which relate to the provision and maintenance of Council housing.

Statement of Movements on the Housing Revenue Account Balance (pages 81 to 83)

This statement details the adjustments which must be made to the movement on the HRA Income and Expenditure Account in order to arrive at the year on year changes to the Housing Revenue Account Balance. The balances shown on this statement relate entirely to the Housing Revenue Account.

Notes to the Housing Revenue Account (pages 85 to 90)

This section comprises the recommended notes to the Housing Revenue Account supplementary financial statements.

Collection Fund (page 91)

This statement shows income collected from Council Tax and Non-Domestic Rates and how this is distributed between Northampton Borough Council and the other precepting bodies (i.e. the County Council and the Police Authority). This account reflects the statutory requirement for billing authorities, such as Northampton Borough Council, to maintain a separate Collection Fund. The amount shown for Northampton Borough Council is reflected in the Council's Income and Expenditure Account.

Notes to the Collection Fund (pages 93 to 94)

This section comprises the recommended notes to the Collection Fund supplementary financial statements.

Statement of Responsibilities for the Statement of Accounts (page 95)

This statement outlines the Authority's and the Responsible Finance Officer's responsibilities when preparing the accounts.

Annual Governance Statement (pages 97 to x)

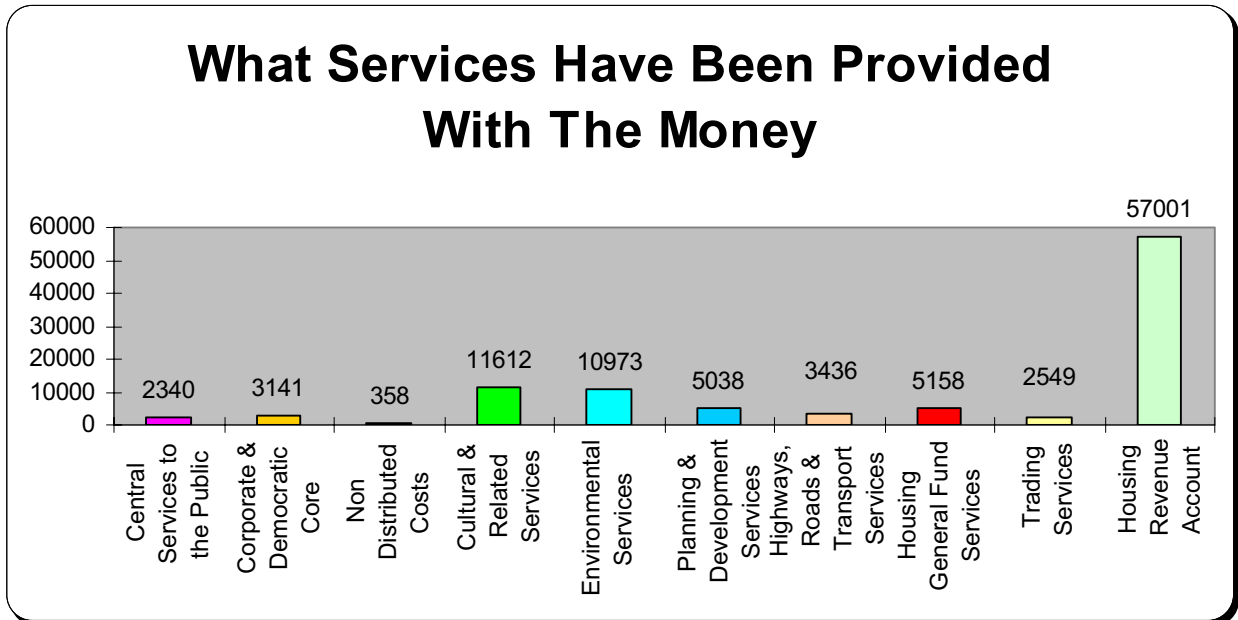
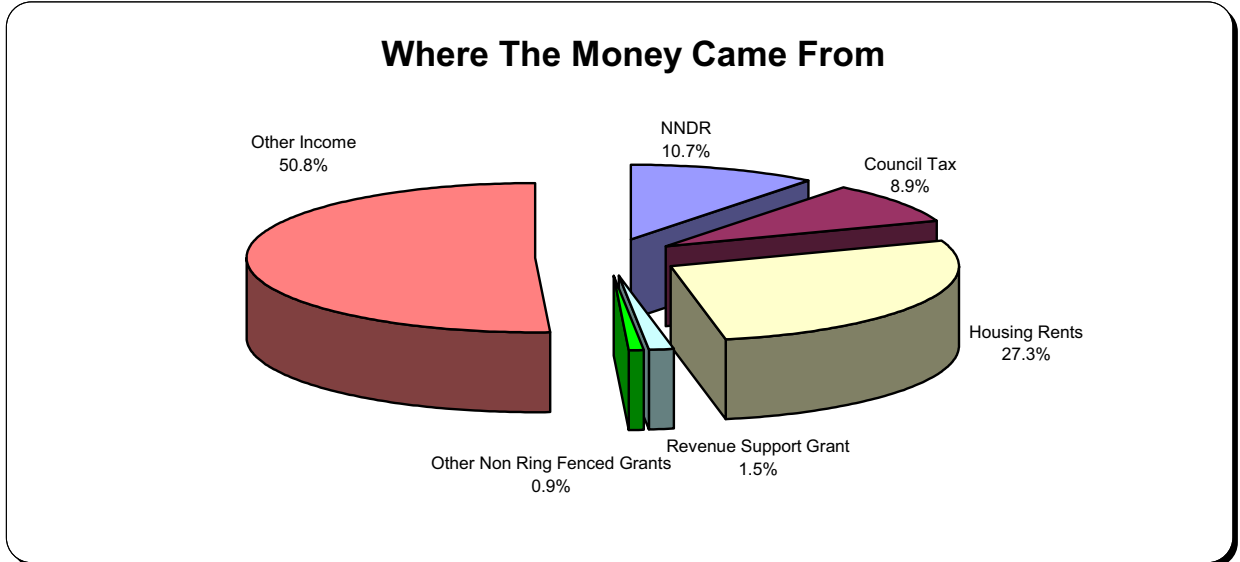
This statement outlines the Council's main systems of internal control and governance arrangements and notes any resultant actions arising for next year.

B. Explanatory Foreword

2. Financial Summary 2008/09

a) Revenue Spending and Sources of Income

The following charts outline where the Council's revenue money came from, how it was spent and on which services. The charts show the overall position of the Council's revenue budgets for 2008/09 (i.e. both General Fund and HRA).



B. Explanatory Foreword

b) General Fund Account

The following table summarises the position for the General Fund for 2008/09. Some notes are included following the table to explain the main variations to the budget for the year.

	Budget	Actual	Variance
	£000s	£000s	£000s
Expenditure			
Net Service Expenditure	45,088	47,238	2,150
Interest & Capital Financing Adjustments	-11,816	-12,736	-920
Total Net Expenditure	33,272	34,502	1,230
Income			
National Non Domestic Rates	-16,453	-16,453	0
Revenue Support Grant	-2,290	-2,290	0
Local Authority Business Growth Incentive	-832	-1,377	-545
Met by local Council Taxpayers	-13,719	-13,719	0
Collection Fund Deficit	22	22	0
Total Income	-33,272	-33,817	-545
(Surplus)/Deficit for the year		685	
Balance brought forward		-2,691	
Balance carried forward		-2,006	

Variations to Budget

After taking account of contributions to reserves and balances, the Council's General Fund working balance was reduced by £685k. This is after making a net contribution to General Fund earmarked reserves of £329k to mitigate some specific business risks.

There were a number of variances that have contributed to this position, the most significant of which are detailed below.

i) Local Authority Business Growth Incentive (LABGI) Funding

When setting the Council's budget, LABGI funding was treated as 'outside' of the Council's base budget due to its uncertain and unsustainable nature. To comply with recommended practice, the £83k that the Council has been awarded to date for 2008/09 has been shown within the accounts as a general government grant.

B. Explanatory Foreword

ii) Other Variations

Under (-) / Over spends	£000s
Financial Instruments	-463
Interest and Debt Management Costs	-323
IT	-152
Benefits	233
Targeted Dwellings	-172
Domestic Refuse	-151
Construction Services	-216
Community Safety	-228
Car Parking	873
Regeneration	-138
Planning	-227
Asset Management	-308
Finance	-704
Non Distributed Costs	-222
Concessionary Fares	175
Provisions for Bad Debt and Insurance	-384
Support Services	2,048

c) Housing Revenue Account

The following table outlines the outturn position for the Housing Revenue Account for 2008/09. Some notes are included following the table to explain the main variations to the budget for the year.

	Budget	Actual	Variance
	£000s	£000s	£000s
Expenditure			
Net Service Expenditure	354	-806	-1,160
Interest & Capital Financing Adjustments	-528	314	842
(Surplus)/Deficit for the year	-174	-492	-318
Balance brought forward		-5,631	
Balance carried forward		-6,123	

Variations to Budget

After taking account of contributions to reserves and balances, the Council's Housing Revenue Account working balance was increased by £492k. This is after making a net contribution to HRA earmarked reserves of £2.175m to fund the capital programme in future years (£2m) and to set up a reserve for anticipated PFI Setup costs (£175k).

B. Explanatory Foreword

There were a number of variances that have contributed to this position, the most significant of which are detailed below.

Under (-) / Over spends	£000s
Rents - dwellings only	-515
Repairs & Maintenance	2,091
Revenue Contributions to Capital	-2,000
Contribution to Earmarked Reserves	2,175
Net Recharges for Support Services	-1,338
Rent Rebate Subsidy Limitation	-503

d) Capital Expenditure

Capital expenditure relates to spending on new and improved assets (primarily Council owned) such as land, buildings, infrastructure, equipment, and information technology. In 2008/09 the Council spent £11.1 million on capital projects, compared with a budget of £15.1 million.

	Budget	Actual	Variance
	£000s	£000s	£000s
Expenditure			
Housing Revenue Account Schemes	10,079	7,925	-2,154
General Fund Housing Schemes	4,848	3,055	-1,793
Other General Fund Schemes	224	136	-88
Total Capital Expenditure	15,151	11,116	-4,035
Sources of Financing			
Major Repairs Allowance		7,336	
Revenue Contributions to Capital Expenditure		519	
Grants & Contributions		1,029	
Capital Receipts		124	
Supported Borrowing		500	
Prudential Borrowing		1,608	
		11,116	

Capital Variations to Budget

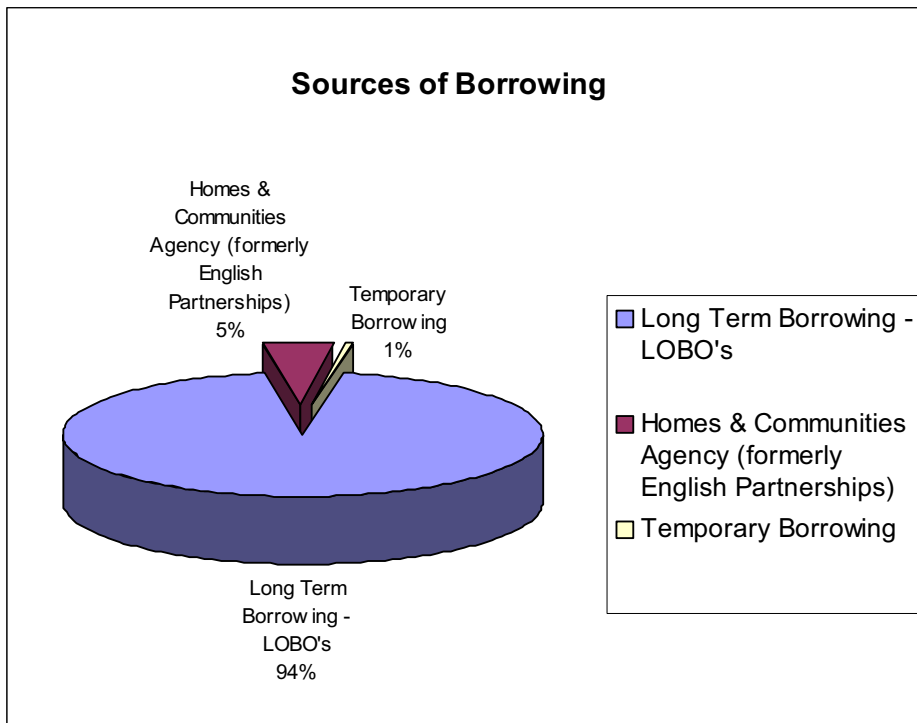
The spend on the capital programme was approximately £4m below budget for the year. Approximately £3.8m of this variance relates to schemes that are currently underway or still planned to take place, but have effectively "slipped " into the next financial year (i.e. 2009/10).

B. Explanatory Foreword

e) Current Borrowing Facilities

Current borrowing facilities are as detailed below: -

Description	£000s
Long Term Borrowing - Bonds	24,785
English Partnerships	1,242
Temporary Borrowing	159
	26,186



B. Explanatory Foreword

3. Major Changes in 2008/09

a) Assets acquired or enhanced

Capital expenditure represents major investment in new and improved assets such as land, buildings, infrastructure, equipment, and information technology assets. Expenditure is incurred in pursuit of the Council's objectives and priorities and the delivery of services, and can be for the acquisition of new assets, enhancement of existing assets or investment in assets owned by third parties.

Capital Expenditure	
	£000s
Housing	
Council Housing	7,460
Other Housing	464
	7,924
General Fund	
Information Technology	882
Corporate Buildings	628
Leisure and Community Facilities	452
Market Square	381
CCTV Installation	357
Community Safety Schemes	233
Recycling Facilities	154
Other Capital Works	105
	3,192
	11,116

b) Accounting Policies

A new Statement of Recommended Practice (SoRP) applies for the production of the 2008/09 accounts. This brings accounting treatments closer into line with UK Generally Accepted Accounting Practice (UK GAAP) and entails some minor changes to accounting treatments and the presentation of the accounts. Details of any changes are included in the section on accounting policies and the note on Prior Period Adjustments and Adjustments Relating to Previous Years.

c) Statutory Functions

The operation for the collection of Trade Waste was sold on 2nd June 2008 for £840k. The Council is responsible for ensuring that a Trade Waste service is available within the town. A service will continue to be available but will be provided by the private sector. The Council will still incur costs in relation to the collection of its own trade waste.

There have been no other changes to the statutory functions of the Authority.

B. Explanatory Foreword

d) Unusual charges or credits in the accounts

As indicated earlier, the Council is in receipt of an additional general government grant in 2008/09 called Local Authority Business Growth Incentive (LABGI) (as it was in 2007/08). This grant will not be ongoing and so the use of this grant is not being built into base budgets.

4. Conclusion

The Council is committed to continuous improvement in the delivery of services to the public whilst maintaining and developing strong internal control arrangements and improving the efficiency of back office functions. This is against a backdrop of an increasingly challenging funding regime which presupposes continuing efficiency savings from council services. To this end a programme of strategic business reviews is being instigated.

During this period of change and improvement, it is important to keep the Council's finances under tight control. The Council has succeeded in maintaining the levels of General Fund reserves at over £2m, which is considered the prudent level of reserves following a risk based analysis. The Council's budgets and the delivery of services within those budgets are the responsibility of service managers with support from a strong finance function and the Council continues to improve service delivery whilst controlling net expenditure.

The Capital Programme is under-spent in 2008/09 against budget but the position has improved compared to previous years. The Council is committed to further improving project management and to bring the capital spend closer to the budget in the future.

The out-turn for the Housing Revenue Account (HRA) shows an increase in the level of working balances and earmarked reserves. The revenue position of the HRA continues to be healthy with challenges facing the Council in delivering the capital improvements necessary to deliver good quality homes at an affordable price to its tenants.

The Council's General Fund Working Balance stood at £2.7m at the end of 2007/08. The working balance was reduced by £0.7m due to transactions in the year. The reasons for this are outlined in section 2b. The Council has adjusted its earmarked reserves to mitigate against emerging risks and against a re-assessment of existing risks together with maintaining its level of balances at the level indicated by risk-based analysis. The Council continues to consolidate and strengthen its financial position to enable a sound platform from which to maintain and improve essential services within available resources. This is demonstrated by the improvements in the Council's Comprehensive Performance Assessment score and the disengagement from close Government scrutiny. The level of working balance and the risk mitigation provided by reserves should enable the Council to concentrate on improving its services in line with priorities and improving the overall efficiency of the Council.

5. Further Information

Further information about these accounts is available from: -

Bill Lewis Assistant Head of Finance Northampton Borough Council Cliftonville House, Bedford Road Northampton NN4 7NR	Isabell Procter Director of Finance & Support Northampton Borough Council Cliftonville House, Bedford Road Northampton NN4 7NR
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B. Explanatory Foreword

In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed and the availability of the accounts is advertised in the local press.

C. Statement Of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2008/09 financial year and its position at the year-end of 31 March 2009. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice 2008* (the SoRP), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the Accounts and Audit Regulations 2003 (as amended). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets and certain categories of financial instrument.

2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. This is in accordance with the SoRP and Financial Reporting Standard 18 (FRS 18). In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the balance sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the balance sheet.
- Interest payable on borrowings and receivable on investments is accounted for in the year to which it relates, on a basis that reflects the overall effect of the loan or investment.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Income and expenditure is credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

3. Provisions

The Authority considers making a provision if the following circumstances occur:-

- A present legal or constructive obligation results from a past event;
- A probable transfer of economic benefit is required to settle an obligation;
- The timing of the transfer is uncertain;
- A reliable estimate can be made of the amount of the obligation.

Provisions are made where an event has taken place that gives the council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate service revenue account in the year that an authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not

C. Statement Of Accounting Policies

now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

4. Reserves

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax in that year for the expenditure.

The Council maintains earmarked reserves for a number of reasons including: -

- Setting aside money for future policy initiatives;
- To finance expenditure on future projects;
- To mitigate the impact between financial years of expenditure and income on general working balances;
- To mitigate the effect of specifically identified significant risks; and
- To protect the Authority against unexpected events and change in legislation.

The Council's risk-based assessment of the required level of General Fund working balance is £2m. This level of general working balance is considered reasonable due to the mitigation of some risks through the holding of earmarked reserves.

Certain reserves are kept to manage the accounting processes for tangible fixed assets, retirement benefits, and financial instruments and these reserves do not represent usable resources for the council – these reserves are explained below.

Insurance Provision / Reserve

Surpluses or deficits required in the insurance provision are charged or credited back to individual services. Any changes required to the Insurance Reserve will be debited or credited to the Statement of Movements to balances. This is in accordance with the SoRP and proper accounting practice.

5. Specific Accounting Adjustment Reserves

Capital Accounts

To comply with capital accounting rules and legislation, the Council has two "capital" accounts that are incorporated into the Consolidated Balance Sheet. These are: -

- **Revaluation Reserve** which broadly represents the changes in asset values arising from revaluations from 1st April 2007 onwards.
- **Capital Adjustment Account** which reflects the timing difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.

C. Statement Of Accounting Policies

The **Revaluation Reserve** commenced with a nil balance from 1st April 2007 is used for gains on all upward revaluations and, to the extent that they reverse gains on upward valuations already held on the Revaluation Reserve for the asset under consideration, losses due to subsequent impairment or downward valuation. All other impairment losses are dealt with through the Income and Expenditure Account and will not impact on this reserve.

The **Capital Adjustment Account** mainly represents

- all resources used for financing capital expenditure,
- the amount of depreciation and impairment charged to revenue services
- disposal of assets, and
- revaluations and impairments that take the value of an asset below its historic cost (as at 1st April 2007).

The opening balance on this account as at 1st April 2007 was the combined balance of the old Fixed Asset Restatement Account (FARA) and Capital Financing Account (CFA), both of which ceased to exist as at that date.

Pensions Reserve

In accordance with Financial Reporting Standard 17 (FRS 17) on pensions, the Council is required to maintain a Pensions Reserve to reflect the net asset or liability of the Council's proportion of the Northamptonshire County Council's Pension Fund.

Financial Instruments Accounts

To comply with Financial Instruments rules and legislation, the Council has two financial instruments accounts that are incorporated into the Consolidated Balance Sheet. These are: -

- **Financial Instruments Adjustment Account (FIAA)**

The FIAA is used to manage balances relating to the difference between the actual interest payable in cash terms and the interest that would be payable at the effective interest rate. It is also used to manage movements relating to premia adjustments in the Statements of Movement in Balances. Finally it is used to manage some of the transitional arrangements for moving to the Financial Instruments Agenda.

- **Available-for-sale Financial Instruments Reserve (AFIR)**

The AFIR is used in accounting for gains and losses arising from a change in value of an available-for-sale financial asset, excluding impairment losses and any foreign exchange losses, which are recognised in the Income and Expenditure Account. These gains and losses are recognised as a separate item within the Statement of Total Recognised Gains and Losses. There are no such adjustments necessary for 2008/09.

6. Collection Fund Balances

The treatment of the collection fund balance is to split the balance on the collection fund by recording the precepting authorities as debtors or creditors in the top half of the balance sheet and the residual balance attributable to NBC in the bottom half. The movement on the amount attributable to NBC then forms part of the Statement of Recognised Gains and Losses. A note reconciling this treatment to the ring-fenced Collection Fund balance is included in the notes to the Accounts. This treatment is consistent with the requirements of the SoRP.

C. Statement Of Accounting Policies

7. Government Grants and Contributions (Revenue)

Government grants and third party contributions and donations are recognised as income at the date that the Authority satisfies the conditions of entitlement to the grant/contribution. This applies whether paid on account, by instalments, or in arrears, as long as there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

8. Retirement Benefits

Employees of the council are members of the Local Government Pensions Scheme, administered by Northamptonshire County Council. This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the council.

The Local Government Pensions Scheme is accounted for as a defined benefits scheme in compliance with FRS 17 to ensure the financial statements reflect at "fair value" the assets and liabilities from an employer's retirement benefit obligations and any related funding. The liabilities of the Northamptonshire County Council pension scheme attributable to the council are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Old: Liabilities are discounted to their value at current prices, calculating the discount rate as a weighted average of "spot yields" on AA rated corporate bonds. Our actuaries believe that it should therefore be broadly appropriate for Local Government Employers.

New: Liabilities are discounted to their value at current prices, calculating the discount rate based on the indicative return on high quality corporate bond(s) (ibox x Sterling Corporates Index). Our actuaries believe that it should therefore be broadly appropriate for Local Government Employers. The previous valuation methodology as used in 2007/08 was on a weighted average of "spot yields" on 'AA rated' corporate bonds. This change does not represent a material effect to the accounts of the Council, however an analysis of the effect that this would have had on the 2007/08 financial year is shown in note 1.

The assets of the Northamptonshire County Council Pension Fund attributable to the council are included in the balance sheet at their fair value:

- quoted securities – current bid price (was: mid-market value)
- unquoted securities – professional estimate
- unitised securities – current bid price (was: average of the bid and offer rates)
- property – market value.

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

- current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the

C. Statement Of Accounting Policies

Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs

- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account
- expected return on assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account
- gains/losses on settlements and curtailments – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses
- contributions paid to the Northamptonshire County Council pension fund – cash paid as employer's contributions to the pension fund.

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. This means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end which appear in the Statement of Movement on the General Fund Balance.

Discretionary Benefits

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

9. VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from them. Where VAT costs are incurred that arise from a transaction in a foreign country and those VAT costs are not reclaimable, the costs are charged to the service incurring them.

10. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice (BVACOP) 2008*. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

These two cost categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

C. Statement Of Accounting Policies

11. Capital Expenditure

All expenditure on the acquisition, creation or enhancement of capital assets is capitalised on an accruals basis. The Council has a general de-minimus limit of £6k for capital projects for capital expenditure purposes, which results in the capitalisation of expenditure that complies with the definition of capital expenditure, above that limit, as an asset in the balance sheet. Where an asset has been acquired for less than £6k but has been funded by ring fenced capital funding, this will be treated as capital and will result in an asset in the balance sheet if appropriate.

All expenditure counted as capital complies with the definition of expenditure for capital purposes as set out in Local Government Act 2003, and the appropriate accounting practices. Capital expenditure is therefore applied to the asset as an addition. Any subsequent revaluation will be undertaken as part of the Council's ongoing programme of revaluations.

12. Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the council (e.g. software licences) is capitalised, subject to the general de-minimus limit of £6k for capital projects, when it will bring benefits to the council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits. Intangible Assets are amortised to revenue over between three and ten years depending on the scale and perceived benefit arising from the asset to reflect the pattern of consumption of benefits. Where appropriate, intangible fixed assets will be revalued, disposed of, and impaired in line with the accounting policies on tangible fixed assets.

13. Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Measurement: Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the basis recommended by CIPFA and in accordance with the Royal Institute of Chartered Surveyors Valuation Standards 6th Edition (The Red Book). The basis of valuation for assets is shown in note 23 to the core statements (section E). Assets not valued at historic or depreciated historic cost are revalued as part of a five-year rolling programme. A schedule of properties valued at more than £0.45m is revalued annually. In order to properly reflect the profit or loss on disposal of an asset, assets which are being disposed of will be revalued at an unencumbered market value at the date of disposal. This revaluation will be outside the five-year rolling programme adopted by the Council. The Council's freehold and leasehold properties are valued by the Council's internal valuer, Richard Lewis FRICS. Vehicles, Plant, and Equipment with a carrying value of over £6k are valued annually by the most appropriate officer of the Council depending on the specific nature of the asset.

C. Statement Of Accounting Policies

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise directly from the reversal of an impairment loss previously charged to a service revenue account. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, which is the date of its formal inception. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment: the values of each category of asset and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for:

- where attributable to the clear consumption of economic benefits – by charging the loss to the relevant service revenue account;
- otherwise – by writing off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Disposals: when an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts in excess of £10k are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Useable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the Statements of Movement on the General Fund Balance and the Statement of Movement on the Housing Revenue Account Balance.

The carrying value of the assets are compared to the sale value to reflect the profit or loss to be shown in revenue. The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance and the Statement of Movement on the Housing Revenue Account Balance so that there is no impact on the General Fund or Housing Revenue Account balances.

Depreciation: is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use.

Depreciation is calculated using the Straight-Line method over the determined life of the asset. The Council does not depreciate assets in the year of acquisition. This is not in accordance with Financial Reporting Standard 15, however this does not materially affect the pattern of consumption. Where an asset has major components with different estimated useful lives, these are depreciated separately. The difference between actual depreciation and historic cost depreciation on revalued assets is charged to the Revaluation Reserve to ensure that the current value is reflected.

Grants and contributions: where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the

C. Statement Of Accounting Policies

Government Grants Deferred Account. The balance is then written down to service revenue accounts, where specific services can be identified, in line with the SoRP, according to the depreciation policy applied to the assets. This will partially offset depreciation charges made for the related assets in the relevant service revenue account, in order that the net impact is charged to services over the useful life of the assets. An adjustment will then be made in the Statements of Movement on balances so that there is no impact on levels of Council Tax or Housing Rents.

14. Charges to Revenue for Fixed Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve which they can be written off against
- amortisation of intangible fixed assets attributable to the service
- Government Grants and other contributions used for the financing of capital expenditure amortised to the service to balance off against depreciation charges

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations, or reduce council tax on the basis of grants and contributions used to finance capital expenditure. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement, excluding amounts attributable to HRA activity). Depreciation, impairment losses and amortisations are therefore replaced by a revenue provision to the Statement of Movement on the General Fund Balance from the Capital Adjustment Account.

15. Revenue Expenditure Funded from Capital under Statute

This represents expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. This expenditure has been charged to the relevant service revenue account in the year. These include private sector renewal grants and advances to other parties to finance capital investment. Where the Council has decided to meet the cost of the deferred charges from existing capital resources or by borrowing, a transfer to the Capital Financing Account is used to reverse out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

16. Leases

Leases have been assessed under the requirements of Statement of Standard Accounting Practice 21 and treated as Finance Leases or Operating Leases accordingly.

Finance Leases

The council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Council. Rentals payable are apportioned between:

- a charge for the acquisition of the interest in the property (recognised as a liability in the balance sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable) and

C. Statement Of Accounting Policies

- a finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, including the general de-minimus of £6k for capital expenditure, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

17. Financial Instruments

Assessment of Fair Value of Assets or Liabilities

Financial liabilities and financial assets are carried in the balance sheet at the appropriate level for their classification as a financial instrument. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated interest rates at 31st March 2009 have been used where applicable based on the rate most appropriate to each type of investment. These have been based on rates for that date including Bank of England base rate (0.5%), PWLB rates and LOBO rates for example;
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next twelve months, the carrying amount is assumed to approximate fair value;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowing that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account on an amortised cost basis in the year of repurchase / settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments with substantially the same overall effect when viewed as a whole, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and written down to the Income and Expenditure Account on a straight-line basis over the term of the replacement loan by an adjustment to the effective interest rate. Where premiums and discounts are to be charged to the General Fund or Housing Revenue Account Balance, regulations allow the impact on the Balances to be spread over future years. In the case of premiums and discounts attributable to the HRA, the Council spreads the gain / loss over the term that was remaining on the loan against which the premium was payable or

C. Statement Of Accounting Policies

discount receivable when it was repaid up to a maximum of ten years. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statements of Movement on Balances. Where there is not a direct replacement of loans, the gains and losses must be derecognised from the balance sheet. Where there is a legal requirement to charge these to revenue over a different period, an adjusting transaction is made to the Statement of Movements on Balances.

Financial Assets

Financial assets are classified into three types:

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

- a) **Loans and receivables** are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. If the value of an investment falls below its cost, the investment is written down to market value and a provision for the unrealised loss is made to the Income and Expenditure Account if it is unlikely to be a temporary fall. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable; the interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

However, the Council has made a number of loans at less than market rates (for example repayable training fees). These are termed 'soft loans'. The soft loans made by the Council have been assessed as non-material following discussions with the auditors and are therefore being accounted for as revenue expenditure and not financial instruments.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited / debited to the Income and Expenditure Account.

- b) **Available-for-sale assets** are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g., dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council. Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

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

C. Statement Of Accounting Policies

- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-sale Financial Instruments Reserve and the gain / loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain / loss for the asset accumulated in the Reserve. Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

c) Financial assets at fair value through income and expenditure – Derivatives

The Council does not generally deal in derivatives but may take out forward loans from time to time as part of its overall Treasury Management Strategy.

18. Interest Receivable

The figure quoted in the Income and Expenditure Account is the total interest that would be receivable from third parties based on the effective interest rate, principally due to the investment of capital receipts and revenue balances. Interest due on revenue balances relating to the Housing Revenue Account is credited to the Housing Revenue Account based on the level of balances and using average rates of interest.

19. Stocks and Work in Progress

The stocks held at the Council's main stores at Westbridge Depot are valued at current prices due to the method of calculation employed by the Council's stores computer system. This accounting policy does not comply with Statement of Standard Accounting Practice 9 (SSAP 9) which requires that stock is carried at the lower of cost and net realisable value. This does not have a material effect on the accounts. Other stocks and stores are included in the balance sheet at the lower of cost and net realisable value in line with the SoRP and SSAP9.

Work in progress on uncompleted jobs is valued at cost.

20. Developers' Contributions

The Council has received a number of contributions from developers, mostly in settlement of their planning (section 106) obligations. Where the contribution is repayable to the developer within a specific time period if, by the end of that time period, certain works have not been completed, the contribution is treated as a creditor. The contributions will remain in creditors until such a point that the money is not repayable (i.e. the works have been completed) or until the contribution is repaid.

Where the contribution is not repayable to the developer within a specific time, there is a different treatment depending on whether the agreement relates to capital or revenue works. Any revenue contribution is treated as a receipt in advance and is held in the balance sheet until there is related expenditure in revenue. At this point the contribution

C. Statement Of Accounting Policies

is credited to the service accounts to support the revenue expenditure. Any capital contribution is treated as a Contribution Unapplied and is written down when the contribution is used to finance a relevant capital project. This treatment is in compliance with the SoRP.

21. Interests in Companies and Other Entities

The council has no material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and so there is no requirement to prepare group accounts.

22. Private Finance Initiative (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. The Council currently has no PFI agreements in operation.

23. Cash flow

The cash flow statement has been compiled using the indirect method, as recommended by FRS1, which works back from the final accounts making the appropriate adjustments. The Council has used the Cash flow model developed by Cipfa for this purpose.

24. Changes in Accounting Treatment

FRS17 Retirement Benefits

Under the 2008 SORP the council has adopted the amendment to FRS17 Retirement Benefits. As a result, quoted securities held as assets in the defined pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of the scheme assets at 31st March 2008 has decreased from £142.1m to £141.5m, a decrease of £587k, resulting in an increase in the pension deficit of £587k. The Council has elected not to restate the accounts for 2007/08 to reflect this change, as it is immaterial.

Soft Loans

Following discussions with the auditors, the Council's soft loans relating to training fees which are repayable in certain circumstances, have been determined to be de minimus. These costs are therefore being treated as revenue expenditure and not financial instruments. The balance sheet item has been written out accordingly.

D. Core Financial Statements

D1 Income & Expenditure Account

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the year. It includes all day to day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

2007/08		2008/09			Note
Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
£000s		£000s	£000s	£000s	
	EXPENDITURE ON SERVICES				
2,016	Central services to the public	15,695	-13,355	2,340	
	Cultural, environmental & planning				
7,809	Cultural & related services	15,757	-4,145	11,612	
11,224	Environmental services	15,610	-4,637	10,973	
4,100	Planning & development services	6,618	-1,580	5,038	2
2,921	Highways, roads & transport	8,175	-4,739	3,436	3
	Housing				
252	Housing Revenue Account	104,102	-47,100	57,002	
4,689	General Fund Housing	58,795	-53,638	5,157	
2,310	Corporate & democratic core	3,207	-66	3,141	4, 5
1,499	Non distributed costs	358		358	
-450	Other Services	0		0	
36,370	Net Cost of Services	228,317	-129,260	99,057	6-10
1,397	Loss on the Disposal of Fixed Assets			-1,213	
825	Parish Council precepts			832	
-59	Parish grants			-21	
	Surpluses (-) / Deficits on trading undertakings not included in Net Cost of Services			2,549	11
1,548	Interest payable and similar charges			1,503	
-799	Premia			0	
4,292	Contributions to housing pooled capital receipts			755	35d
-3,263	Interest & investment income			-3,664	
1,655	Pensions interest cost & expected return on pensions assets			4,679	12
42,052	Net Operating Expenditure			104,477	
-13,045	Demand on the Collection Fund			-13,719	
10	Distributed Surplus (-) / Deficit on Collection Fund			22	
	General Government Grants:				
-2,645	Revenue Support Grant			-2,290	
-15,760	Non-domestic rates redistribution			-16,453	
-451	Local Authority Business Growth Incentive Area Based Grant			-83	
	Concessionary Travel Scheme			-617	
				-677	
10,161	Surplus (-) / Deficit for the Year			70,660	

D. Core Financial Statements

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D. Core Financial Statements

D2 Statement of Movement on the General Fund Balance

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance shows whether the Council has over or under-spent against the council tax that it raised for the year, taking into account the use or reserves built up in the past and contributions to reserves earmarked for future expenditure.

This statement below and the detailed reconciling items on the following page summarise the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

2007/08		2008/09	Note
£000s		£000s	
10,161	Surplus (-) / Deficit for the year on the Income and Expenditure Account	70,660	
-9,959	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	-69,975	13
202	Increase (-) / Decrease in the General Fund Balance for the Year	685	
-2,893	General Fund Balance brought forward	-2,691	
-2,691	General Fund Balance carried forward	-2,006	

D. Core Financial Statements

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D. Core Financial Statements

Reconciling Items for the Statement of Movement on the General Fund Balance

2007/08		2008/09	Note
£000s		£000s	
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year		
-503	Amortisation of intangible fixed assets	-484	
-7,757	Depreciation and Impairment of fixed assets	-10,688	
2,373	Government Grants Deferred amortisation	741	
-667	Revenue Expenditure Funded from Capital Under Statute	-1,850	
-1,450	Net loss on sale of fixed assets	1,105	
	Differences between amounts debited / credited to the Income and Expenditure Account and amounts payable / receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early repayment of debt	-3	
-187			
-5,959	Net charges made for retirement benefits in accordance with FRS 17	-7,880	12
-14,150		-19,059	
	Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the General Fund Balance for the year		
350	Minimum Revenue Provision for capital financing	438	
23	Capital expenditure charged in-year to the General Fund Balance	515	
-4,292	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	-755	
5,523	Employer's contributions payable to the Northamptonshire County Council Pension Fund and retirement benefits payable direct to pensioners	5,980	12
1,604		6,178	
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
-62	Housing Revenue Account Balance	-56,746	
2,649	Net transfers to / from (-) earmarked reserves	-330	
1,900	Adjustments to opening Financial Instrument Balances	-	
-1,900	Adjustments to opening Financial Instrument Balances Reversed to the Financial Instruments Adjustment Account	-18	
2,587		-57,094	
-9,959	Net additional amount required to be credited to the General Fund balance for the year	-69,975	

D. Core Financial Statements

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D. Core Financial Statements

D3 Statement of Total Recognised Gains & Losses (STRGL)

This statement brings together all the gains and losses of the council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income & Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

2007/08		2008/09	Note
£000s		£000s	
10,161	Surplus (-) / Deficit for the year on the Income and Expenditure Account	70,660	I&E
-52,632	Surplus (-) / Deficit arising on revaluation of fixed assets	14,769	
36,515	Actuarial gains (-) / losses on pension fund assets and liabilities	-6,475	12
	Any other gains and losses required to be included in the STRGL		
149	Surplus (-) / Deficit for the year on Collection Fund balance due to Northampton Borough Council	-23	14
1,710	Financial Instruments Restatement Adjustment (2007/08 Only)	-	
-4,097	Total recognised gains (-) / losses for the year	78,931	

D. Core Financial Statements

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D. Core Financial Statements

D4 Balance Sheet

The Balance Sheet summarises the financial position of the Council. It shows the value of the Council's assets and liabilities at 31st March.

2007/08		2008/09		Note
£000s	Fixed Assets	£000s	£000s	15,16
3,540	Intangible Fixed Assets		3,734	17
	Tangible Fixed Assets			18 - 24
	Operational Assets			
596,169	Council dwellings	517,077		
90,141	Other land and buildings	87,051		
911	Vehicles, plant, furniture & equipment	2,788		
1,249	Infrastructure Assets	1,415		
6,026	Community Assets	5,924		
	Non-operational Assets			
43,555	Investment Properties	39,841		
3,050	Assets Under Construction	3,514		
796	Surplus Assets Held for Disposal	1,169		
741,897			658,779	
745,437			662,513	
109	Long-term Debtors		40	
0	Long-term Investments		0	
745,546	Total Long-term Assets		662,553	
379	Stocks & work in progress	441		26
22,732	Debtors	15,662		27
52,503	Investments	53,019		25
29	Cash and bank	49		28
75,643	Total Current Assets		69,171	
821,189	Total Assets		731,724	
-154	Short-term Borrowing	-159		29
-35,597	Creditors	-28,801		30,31
-1,111	Bank Overdraft	-629		28
-36,862	Total Current Liabilities		-29,589	
784,327	Total Assets less Current Liabilities		702,135	
-26,047	Long-term borrowing	-26,027		32
-1,218	Provisions	-1,063		33
-8,145	Grants & contributions – deferred	-8,419		
-1,110	Grants & contributions – unapplied	-1,846		31
-101,215	Liability relating to defined benefit pension scheme	-97,118		12
-137,735	Total Long-term Liabilities		-134,473	
646,592	Total Assets less Liabilities		567,662	34
	Financed by			
50,489	Revaluation Reserve	15,564		
673,402	Capital Adjustment Account	622,581		
-1,582	Financial Instruments Adjustment Account	-1,288		
131	Capital Receipts Reserve	395		
54	Deferred capital receipts	44		
-101,215	Pension reserve	-97,118		12
2,691	General fund balance	2,006		
-148	Collection fund balance	-125		14b
5,631	Housing Revenue Account balance	6,124		
2,617	Major Repairs Reserve	3,113		
14,522	Earmarked reserves	16,366		
646,592	Total Net Worth		567,662	34,35

D. Core Financial Statements

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D. Core Financial Statements

D5 Cash Flow Statement

This statement summarises the inflows and outflows of revenue and capital cash arising from transactions with third parties.

2007/08		2008/09		Note
£000s		£000s	£000s	
11,473	Revenue Activities Net Cash Flow		0	36
	Return on Investments & Servicing of Finance			
-1,357	Cash Outflows - Interest paid	0		
2,847	Cash Inflows - Interest received	0		
1,490	Net Interest		0	36
	Capital Activities			
	Cash Outflows			
-12,819	Purchase of fixed assets	0		
0	Purchase of long-term investments	0		
-667	Other capital cash payments	0		
-13,486		0		
	Cash Inflows			
5,899	Sale of fixed assets	0		
2,916	Capital grants received	0		
39	Other capital cash receipts	0		
8,854		0		
-4,632			0	
8,331	Net Cash (Inflow)/Outflow before financing		0	
	Management of Liquid Resources			36
-7,943	Net increase / decrease in short term deposits	0		
0	Net increase / decrease in other liquid resources	0		
-7,943			0	
	Financing			36
537	Cash Outflows - Repayments of amounts borrowed	0		
-828	Cash Inflows - New loans raised	0		
-291	Financing Net Cash Flow		0	
97	Net Increase / Decrease (-) in cash		0	36

D. Core Financial Statements

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E. Notes To The Core Financial Statements

1. Prior Period Adjustments and Adjustments relating to Previous Years

Prior Period Adjustments

There are no prior period adjustments which have an effect on the overall position of the Council.

Adjustments relating to Previous Years

There is an adjustment relating to changes in valuation for the pension funds (FRS17). This has been processed in 2008/09 and not reflected in the figures for 2007/08 because it does not give rise to a material change.

2. Building Control Trading Account

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the Building Control Unit divided between the chargeable and non-chargeable activities.

The Building Control chargeable services has, for the three-year period to 31st March 2009, made an operating deficit of £210k on a turnover of £1,090k. In the previous three-year period to 31st March 2008, there was a deficit of £25k against a turnover of £1,681k.

Continued...

E. Notes To The Core Financial Statements

	2008/09		
	Chargeable	Non-Chargeable	Total
	£000s	£000s	£000s
Expenditure			
Employees	219	172	391
Premises	0	0	0
Transport	7	5	12
Supplies and services	13	10	23
Support service charges	144	113	257
Capital Charges	0	0	0
Total Expenditure	383	300	683
Income			
Building Regulation fees	-280	0	-280
Other Income	0	0	0
Total Income	-280	0	-280
Surplus (-) / Deficit for Year	103	300	403
Comparatives for 2007/08	2007/08		
	Chargeable	Non-Chargeable	Total
	£000s	£000s	£000s
Expenditure	424	290	714
Income	-324	0	-324
Surplus (-) / Deficit for Year	100	290	390

3. Agency Services

An Agency agreement with the County Council commenced on 1st July 2003 which allows the Council to undertake a much smaller range of functions than under the previous Highways Agency Agreement.

2007/08		2008/09
£000s		£000s
446	Administration costs and ancillary services	431
-239	Income including transfer fees from NCC	-246
207		185

E. Notes To The Core Financial Statements

4. Members' Allowances

The total amount of members' allowances paid in the year ending 2008/09 was £445k. Detailed allowances are listed below:-

2007/08		2008/09
£000s		£000s
	Expenditure	
27	Mayor/Deputy Mayor Allowance	27
330	Members' Allowances	410
7	Expenses	8
364	Total	445

5. Audit Fees

Fees payable for external audit services are detailed below. The Authority's auditor is KPMG LLP and the amounts paid to the auditor for the various functions are: -

2007/08		2008/09
£000s		£000s
234	Fees payable with regard to external audit services carried out by the appointed auditor (Section 5 Audit Commission Act 1998)	268
21	Fees payable in respect of statutory inspection (Section 10 Local Government Act 1999)	0
50	Fees payable for the certification of Grant Claims and Returns (Section 28 Audit Commission Act 1998)	59
32	Fees payable in respect of other services provided by the appointed auditor	0
337		327

6. Discretionary Expenditure

Under the Local Government Act 2000, the maximum amounts in respect of discretionary expenditure were repealed. Councils now have powers under that Act to promote wellbeing in their area. There is still a requirement to disclose any expenditure made under section 137(3), e.g. donations to charities, not-for profit bodies and mayoral appeals. Expenditure made under this section was £239k in 2008/09 (£219k in 2007/08). The spend was mainly on grants to the voluntary sector and community groups working in the Northampton.

E. Notes To The Core Financial Statements

7. Publicity Expenditure

In accordance with the Local Government Act 1986 (Section 5(1)), the Council's spending on publicity was: -

2007/08		2008/09
£000s		£000s
	Expenditure	
152	Recruitment Advertising	261
426	Publicity Unit	428
118	Other Publicity	201
696	Total	890

8. Officers' Remuneration

The Council is required, under the Accounts and Audit Regulations 2003 (regulation 7(2)) to disclose the number of employees whose remuneration (excluding pension payments) was £50k or more. This is shown in bands of £10k in the table below:

2007/08		2008/09
No. of Employees	Remuneration Band	No. of Employees
5	£50,000 - £59,999	16
13	£60,000 - £69,999	10
1	£70,000 - £79,999	2
0	£80,000 - £89,999	2
3	£90,000 - £99,999	0
0	£100,000 - £109,999	1
0	£110,000 - £119,999	0
0	£120,000 - £129,999	0
0	£130,000 - £139,999	1

9. Related Party Transactions

The Council is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Details of transactions with government departments are set out in a note to the Cash Flow Statement.

E. Notes To The Core Financial Statements

Members of the Council have direct control over the Council's financial and operating policies. During 2008/09 expenditure to the value of £1.061m (£1.343m in 2007/08) was paid to parties where Members had an interest or where they serve as a nominated representative on outside bodies and income to the value of £67k (£39k in 2007/08) was receivable from those bodies. Contracts were entered into in full compliance with the Council's Standing Orders. All transactions are recorded in the Register of Members' Interest, open to public inspection at The Guildhall, Northampton.

Officers of the Council – no material disclosures.

Other Public Bodies – no disclosures.

Pension Fund – in 2008/09 the contributions paid to Northamptonshire County Council in respect of employers' contributions, added years' contributions and lump sum payments were £7.518m (£6.974m in 2007/08)

Assisted Organisations – no material disclosures.

Management Contracts – no disclosures.

Companies and Joint Ventures – no disclosures.

10. Local Authorities (Goods and Services) Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies. The Authority provides a variety of services to other local authorities, the income from this is outlined below: -

2007/08			2008/09	
Exp	Income		Exp	Income
£000s	£000s		£000s	£000s
2	-9	Highways	200	-500
315	-155	Call Care	331	-206
32	-32	Print Services Unit	38	-38
349	-196		569	-744

11. Trading Undertakings

The Council operates the following trading undertakings: -

2007/08		2008/09		
Net		Income	Exp.	Net
£000s		£000s	£000s	£000s
-62	Property Management	-1,542	3,597	2,055
-	Construction Services	-551	1,045	494
148	Highways	0	0	0
86	(Surplus)/Deficit to I & E	-2,093	4,642	2,549

E. Notes To The Core Financial Statements

The financial statements include income of £0.488m and expenditure of £0.541m in 2007/08 in respect of the provision of highways related work undertaken by the Council for W S Atkins plc.

Concerns were raised about the legality of these payments. The Council obtained and has accepted counsel's opinion that this income and expenditure is beyond its powers and is therefore unlawful.

The Council also considered the implications of withdrawing from the arrangement and determined it could rely on its well-being powers to follow a phased withdrawal until June 2007 after which point no further work was undertaken.

The following services are also deemed to be trading services but are allocated to main service areas within the accounts: -

2007/08		2008/09		
Net		Income	Exp.	Net
£000s		£000s	£000s	£000s
28	Trade Refuse	-105	222	117
-106	Markets	-558	1,352	794
-78	(Surplus)/Deficit to I & E	-663	1,574	911

The operation for the collection of Trade Waste was sold on 2nd June 2008 for £840k as explained in the explanatory foreword.

12 Accounting for Pensions

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that the employees earn their future entitlement. The council participates in the Local Government Pension Scheme that is administered locally by Northamptonshire County Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The date of the last actuarial valuation was 31st March 2007.

a) Transactions Relating to Retirement Benefits

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movements in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and the Statement of Movement in the General Fund Balance during the year:

E. Notes To The Core Financial Statements

2007/08		2008/09
£000s		£000s
	Net Cost of Service	
4,065	Current Service Cost	4,826
1,830	Past Service Cost / Curtailment	349
-20	Correction of Pension Contributions	42
	Net Operating Expenditure	
12,178	Interest Costs	14,806
-10,523	Expected Return on Assets	-10,127
7,530	Net charge to the Income and Expenditure Account	9,896
	Statement of Movement on the General Fund Balance	
-7,530	Reversal of Net Charges made for Retirement Benefits in accordance with FRS17	-9,896
6,974	Actual amount charged to the General Fund Balance for pensions in the year	7,517

In addition to recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £7.062m were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses is £40.839m.

b) Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

2007/08		2008/09
£000s		£000s
-226,893	Opening Balance	-243,307
-4,065	Current Service Cost	-4,826
-12,178	Interest Cost	-14,806
-1,471	Contribution by Scheme Participants	-1,638
-4,503	Actuarial Gains/(Losses)	48,306
-1,460	Past Service Gains/(Costs)	0
-370	Curtailment Gains/(Losses)	-349
7,633	Benefits Paid	8,022
-243,307	Closing Balance	-208,598

E. Notes To The Core Financial Statements

Reconciliation of Fair Value of the scheme assets:

2007/08		2008/09
£000s		£000s
162,077	Opening Balance	141,505
10,523	Expected Return on Assets	10,127
1,471	Contribution by Scheme Participants	1,638
6,183	Contributions by the Employer	6,652
811	Contributions in respect of Unfunded Benefits	824
-31,927	Actuarial Gains/(Losses)	-41,244
-7,633	Benefits Paid	-8,022
141,505	Closing Balance	111,480

The expected return on assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year 2008/09 was £31.242m and in 2007/08 was £8.227m.

c) Scheme History

31st March	2005	2006	2007	2008	2009
	£000s	£000s	£000s	£000s	£000s
Present Value of Scheme Liabilities	-199,423	-227,855	-226,893	-243,307	-208,598
Fair Value of Assets	123,026	154,034	162,077	141,505	111,480
Surplus / (Deficit) in the Scheme	-76,397	-73,821	-64,816	-101,802	-97,118

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £97m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a positive overall balance of £567.662m

However statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the scheme will be made good by increased contributions over the remaining working life of employee, as assessed by the scheme actuary.

The total contributions expected to be made to the scheme by the Council in the year to 31 March 2010 is £6.5m.

d) Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions

E. Notes To The Core Financial Statements

about mortality rates, salary levels, etc. The scheme liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 1 April 2007.

The principal assumptions used by the actuary have been:

31/03/2008		31/03/2009
	Long Term Expected Rate of Return on Assets in the Scheme	
7.5%	Equity Investments	7.0%
5.3%	Bonds	5.4%
6.5%	Property	4.9%
5.3%	Other	4.0%
	Mortality Assumptions	
	Longevity at 65 for Current Pensioners:	
21.1	- Men	21.1
24.0	- Women	24.0
	Longevity at 65 for Future Pensioners:	
22.5	- Men	22.2
25.0	- Women	25.0
3.6%	Rate of Inflation	3.1%
5.1%	Rate of Increase in Salaries	4.6%
3.6%	Rate of Increase in Pensions	3.1%
6.1%	Rate for Discounting Scheme Liabilities	6.9%
50.0%	Take-up of Option to Convert Annual Pension into Retirement Lump Sum	50.0%

The Local Government Pension Schemes assets consist of the following categories, by proportion of the total assets held:

31/03/2008		31/03/2009
70.0%	Equities	70.0%
17.0%	Bonds	19.0%
7.0%	Property	7.0%
6.0%	Cash	4.0%
100.0%		100.0%

e) History of Experienced Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March 2009:

E. Notes To The Core Financial Statements

31st March	2005	2006	2007	2008	2009
	£000s	£000s	£000s	£000s	£000s
Fair Value of Employer Assets	123,026	154,034	162,077	141,506	111,482
Experienced Gain/Loss(-) on Assets	6,822	21,709	-1,871	-31,927	-41,244
Gain/Loss(-) as % of Asset Fair Value	5.55%	14.09%	-1.15%	-22.56%	-37.00%
Present Value of Liabilities	-199,423	-227,855	-226,893	-243,308	-208,600
Experienced Gain/Loss(-) on Liabilities	3,031	-4,102	0	6,529	-739
Gain/Loss(-) as % of Total Liabilities	-1.52%	1.80%	0.00%	-2.68%	0.35%

The information included for all of the pension disclosures is provided by Hymans Robertson LLP, the Actuary for the Pension Fund. Further information can be found in the County Council's Pension Fund's Annual Report which is available on request from the Pensions Section, Resources Directorate, PO Box 136, County Hall, Guildhall Road, Northampton, NN1 1AT.

13. Minimum Revenue Provision

The Council is required by Statutory Instrument 2003 No. 3146 to set aside a minimum revenue provision (MRP) for the repayment of debt, and by Statutory Instrument 2008 No.414 to determine an amount of minimum revenue provision which it considers to be prudent. In doing so the Council is required to have regard to guidance issued under Section 21A of the Local Government Act 2003.

The Council approved the Council's Annual MRP statement for 2008/09, which is required by the guidance issued by CLG, on 26th Feb 2009.

The MRP charged to the 2008-09 accounts relates to the historic debt liability incurred for years up to and including 2007-08. This has been calculated at the rate of 4% on the reducing balance, in accordance with option 1 of the guidance, the "regulatory method".

The Council's Minimum Revenue Provision for 2008-09 was £438k. This compares to £350k in 2007-08.

14 Collection Fund

The Collection Fund is used to account for the collection of Council Tax and National Non-Domestic Rate (NNDR) and then pays amounts to precepting authorities on the basis of their precept requests.

E. Notes To The Core Financial Statements

a) Precept Split

The split of these precepts is shown below:

Precept 2007/08	Percentage of Total Precepts		Precept 2008/09	Percentage of Total Precepts
£000s		Precepting Authorities	£000s	
59,497	71%	Northamptonshire County Council	62,567	71%
11,037	13%	Northamptonshire Police Authority	11,689	13%
13,045	16%	Northampton Borough Council	13,719	16%
83,579	100%	Total Precepts for the year	87,975	100%

b) Allocation of surplus / deficit

For the purposes of the accounts, the balance on the Collection Fund is assigned to the precepting authorities as shown below: -

Collection Fund Balance 2007/08	Treatment	Collection Fund Balance 2008/09
£000s		£000s
	Creditors / Debtors	
673	Northamptonshire County Council	571
125	Northamptonshire Police Authority	107
	Reserve	
148	Northampton Borough Council	125
946	Collection Fund Balance	803

E. Notes To The Core Financial Statements

15 Capital Expenditure and Financing

a) Capital Expenditure

Total 2007/08		Total 2008/09
£000s		£000s
	Capital Investment	
497	Intangible Assets	628
	Tangible Assets	
10,894	Operational Assets	9,894
384	Non-operational Assets	594
1,331	Deferred Charges	0
13,106		11,116
	Sources of Finance	
500	Supported Borrowing	500
2,559	Prudential Borrowing	1,608
1,477	Capital Receipts	124
7,940	Government Grants	8,182
23	Revenue Contributions	519
607	Other Contributions	183
13,106		11,116

b) Revenue Expenditure Funded from Capital Under Statute

Total 2007/08		Total 2008/09
£000s		£000s
	Capital Investment	
0	Revenue Expenditure funded from Capital	3,140
0		3,140
	Sources of Finance	
0	Supported Borrowing	0
0	Prudential Borrowing	856
0	Capital Receipts	1,010
0	Government Grants	1,194
0	Revenue Contributions	0
0	Other Contributions	80
0		3,140

E. Notes To The Core Financial Statements

c) Capital Financing Requirement

Total 2007/08		Total 2008/09
10,766	Opening Capital Financing Requirement	13,475
500	Supported Borrowing	500
2,559	Prudential Borrowing	2,463
-350	Minimum Revenue Provision	-438
13,475	Closing Capital Financing Requirement	16,000

16 Commitments Under Capital Contracts

Contract	Contractor	2009/10	2010/11	2011/12	2012/13
		£000s	£000s	£000s	£000s
Complete Roofs	Warkton Roofing Ltd	638	23	0	0
Heating Replacement Planned	Wheldon Contracts & Services Ltd	315	12	0	0
Kitchen Replacement Backlog 2008-09 Contract	A Ainge & Sons	163	0	0	0
Door and Ad-hoc Window Replacement (Relating to Hardingstone)	Graham Holmes Astraseal	74	2	0	0
Housing Management System (IBS Open Housing)	IBS Open Housing	61	0	0	0
Complete Roofs	Oakleaf Roofing Ltd	59	4	0	0
Complete Roofs	Ladderbridge Roofing Ltd	22	0	0	0
Door and Ad-hoc Window Replacement	Graham Holmes Astraseal	13	0	0	0
Kitchen Replacement Backlog 2007-08 Contract	Mears	12	0	0	0
Kitchen Replacement Backlog 2007-08 Contract	A Ainge & Sons	5	0	0	0
Spring Lane Victorian School Annexe	Chris Smith Developments	3	0	0	0
Total		1,365	41	0	0

E. Notes To The Core Financial Statements

17 Movement in Intangible Assets

	Purchased Software Licenses	Licenses, Trademarks and Artistic Originals	Patents	Total
	£000s	£000s	£000s	£000s
Original Cost	5,373	0	0	5,373
Amortisations to 1 April 2008	-1,833	0	0	-1,833
Net book value 31st March 2008	3,540	0	0	3,540
Expenditure in Year	628	0	0	628
Adjustments in Year	-510	0	0	-510
Amortisations written back on Disposal	1,307	0	0	1,307
Adjustments in Year - Amortisation	510	0	0	510
Written Off to Revenue in Year - Impairment	-1,203	0	0	-1,203
Written Off to Revenue in Year - Amortisation	-538	0	0	-538
Net book value of assets 31st March 2009	3,734	0	0	3,734

18 Movement in Tangible Fixed Assets

a) Operational Assets

	Council Dwellings	Other Housing Property	Other land & buildings	Vehicles plant, etc.	Infra-structure	Com-munity Assets	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Certified Valuation 31st March 2008	614,482	16,805	80,616	10,062	1,444	6,092	729,501
Accumulated impairment	-948	-382	-1,664	-2,771	0	0	-5,765
Accumulated depreciation	-17,365	-341	-4,893	-6,380	-195	-66	-29,240
Net book value 31st March 2008	596,169	16,082	74,059	911	1,249	6,026	694,496
Movement in 2008/09							
Additions	7,575	0	750	823	180	579	9,907
Disposal	0	0	0	0	0	0	0
Revaluations	10,513	363	1,322	1,176	0	0	13,374
Depreciation	-9,849	-250	-1,876	-466	-15	-21	-12,477
Depreciation Written Back	17,365	254	4,722	6,404	0	0	28,745
Impairments	-104,031	-547	-7,680	-6,062	0	-660	-118,980
Adjustments/Transfers	-665	20	-174	2	1	0	-816
Depreciation Adj/Transfers	0	-3	9	0	0	0	6
Net book value 31st March 2009	517,077	15,919	71,132	2,788	1,415	5,924	614,255
Gross Valuation at 31st March 2009	631,905	17,188	82,514	12,063	1,625	6,671	751,966
Impairments at 31st March 2009	-104,979	-929	-9,344	-8,833	0	-660	-124,745
Depreciation at 31st March 2009	-9,849	-340	-2,038	-442	-210	-87	-12,966
Net Book Value 31st March 2009	517,077	15,919	71,132	2,788	1,415	5,924	614,255

E. Notes To The Core Financial Statements

b) Non-Operational Assets

	Works In Progress	Investment & Commercial	Surplus Assets	Total
	£000s	£000s	£000s	£000s
Certified Valuation 31st March 2008	3,050	44,195	796	48,041
Accumulated impairment	0	-588	0	-588
Accumulated depreciation	0	-52	0	-52
Net book value 31st March 2008	3,050	43,555	796	47,401
Movement in 2008/09				
Additions	465	129	0	594
Disposal	0	0	-1,046	-1,046
Revaluations	0	727	0	727
Depreciation	0	0	-19	-19
Depreciation Written Back	0	0	120	120
Impairments	0	-3,988	-104	-4,092
Adjustments/Transfers	-1	-590	1,550	959
Depreciation Adjustments/Transfers	0	8	-128	-120
Net book value of assets 31st March 2009	3,514	39,841	1,169	44,524
Gross Valuation at 31st March 2009	3,514	44,461	1,300	49,275
Impairments at 31st March 2009	0	-4,576	-104	-4,680
Depreciation at 31st March 2009	0	-44	-27	-71
Net Book Value 31st March 2009	3,514	39,841	1,169	44,524

E. Notes To The Core Financial Statements

19 Information on Assets Held

31/03/2008		31/03/2009
Number	Operational Assets	Number
12,262	Council Dwellings	12,209
	Other Land and Buildings	
27	Council Houses not used as dwellings	27
95	Shared Ownership Properties	94
3,005	Council Garages	3,002
20	Other Housing Properties	19
67	Operational Shops	67
194	Other Garages	194
1	Guildhall	1
62.88ha	Allotments	62.88ha
4	Sports & Leisure Centres	5
27	Community Centres	27
2	Museums, Art Galleries	2
1	Open Markets	1
15	Public Conveniences	14
5	Multi-Storey Pay & Display Car Parks	5
4	Local Area Offices	4
4	Central Administrative Offices	4
1	Gypsy Site	1
1	Bus Station	1
17	Surface Pay & Display Car Parks	18
1	Depots	1
15	Sub-Depots	15
284	Commercial Property (Units)	289
1	Golf Course	1
74	Infrastructure	75
164	Vehicles, Plant, Furniture and Equipment	163
	Community Assets	
887.45ha	Parks and Open Spaces	887.45ha
4	Historical Buildings	4
33	Monuments/Memorials/Exhibitions	35
6	Pavilions	6
6	Cemeteries	8
1	Civic/Mayoral Regalia	1
	Non-operational Assets	
284	Commercial Property (Units)	289
65.97ha	Agricultural Land	65.97ha
1	Theatres	1
1	Indoor Market/Arts Venue	1
78	Intangible Assets	70

E. Notes To The Core Financial Statements

20 Assets Held Under Leases

The Council uses equipment financed under the terms of operating leases. The amount charged to revenue under these arrangements in 2008/09 was £2.53m (£2.48m for 2007/08). The Council has one financing lease above the de-minimus level which was entered into in 2008/09. The amount charged to revenue in 2008/09 was £8k.

a) Cost

2007/08		2008/09
£000s		£000s
0	Finance Lease Rentals	4
314	Operating Lease Charges	339
2,162	Vehicle Operating Lease Charges (including Maintenance)	2,193
2,476		2,536

b) Periods & Commitment

Commitments in 2009/10 for Assets Held Under Operating Leases in 2008/09	31/03/2009
	£000s
Leases Expiring	
Within 1 year	0
2 – 5 years	222
Exceeding 5 years	153
	375

Future Year Obligations for Assets Held Under Finance Leases in 2008/09	31/03/2009
	£000s
Obligations Due	
Within 1 year	7
2 – 5 years	6
Exceeding 5 years	0
	13

21 Assets Held For Leases

The Council received £2.419m (£2.435m in 2007/08) in the year from the lease of property to third parties under operating leases. As at 31st March 2009, the gross value of the assets was £40.309m for which £2.338m accumulated depreciation has been charged to revenue.

E. Notes To The Core Financial Statements

22 Valuation Information

Assets are carried in the Council's balance sheet at current value in accordance with the proper practices as set out in the CIPFA 2008 SoRP (Statement of Recommended Practice).

The valuation methods used for different types of assets are set out at table 23 below.

Valuations of the Council's freehold and leasehold properties are carried out by the Council's internal valuer, Richard Lewis FRICS.

Further information on the way that intangible and fixed assets are accounted for is set out in the Accounting Policies.

a) Tangible Operational

	Council Dwellings	Other HRA Land & Build.	Other Land & Build.	Vehicles Plant & Equip.	Infra-Structure Assets	Comm. Assets	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Valued at Historic Cost	0	0	33	0	1,362	5,202	6,597
Valued at Current Value in: -							
2008/09	517,077	15,793	65,625	2,139	0	0	600,634
2007/08	0	126	262	649	0	184	1,221
2006/07	0	0	487	0	0	0	487
2005/06	0	0	550	0	0	0	550
2004/05	0	0	3,561	0	53	170	3,784
Previous Years	0	0	614	0	0	368	982
Total	517,077	15,919	71,132	2,788	1,415	5,924	614,255

E. Notes To The Core Financial Statements

b) Tangible Non-Operational

	Non-Operational Assets			Total
	Works in Progress	Investment Property	Surplus Property	
	£000s	£000s	£000s	£000s
Valued at Historic Cost	3,513	0	0	3,513
Valued at Current Value in: -				
2008/09	0	24,767	115	24,882
2007/08	0	3,193	554	3,747
2006/07	0	4,698	0	4,698
2005/06	0	3,714	277	3,991
2004/05	0	3,219	50	3,269
Previous Years	0	250	174	424
Total	3,513	39,841	1,170	44,524

23 Valuation Methodologies

Intangible Assets	Historic Cost
Operational Assets	
Council Housing	Existing Use Value - Social Housing
Land & Buildings	Existing Use Value
	Depreciated Replacement Cost
Vehicles, Plant & Equipment	Assets with opening NPV <£6k at Depreciated Historic Cost Assets with opening NPV at or > £6k at lower of Net Realisable Value and Current Replacement Cost
Infrastructure Assets	Historic Cost applied where possible but where unable to determine the historical cost, the asset is valued at £1
Community Assets	Historic Cost applied where possible but where unable to determine the historical cost, the asset is valued at £1
Non-Operational Assets	
Investment Properties	Market Value
Surplus Properties	Market Value
Assets Under Construction	Historic Cost

24 Changes in Valuation Methodologies Used

There have been no changes to valuation methodologies used in 2008/09 compared with the previous year.

E. Notes To The Core Financial Statements

25 Investments

31/03/2008	Investment Type	31/03/2009
£000s		£000s
	Short Term - Under 1 Year	
0	Gilts	0
100	UK Equities	0
47,303	Building Societies	9,959
5,100	Cash On Deposit	11,280
0	Banks	25,477
52,503		46,716
	Long Term - Over 1 Year	
0	Gilts	0
0	UK Equities	0
0	Building Societies	0
0	Cash On Deposit	0
0	Banks	6,303
0	Total	6,303

26 Stocks & Work In Progress

Stocks held at the main stores at Westbridge Depot and the sub-stores are valued at current prices. Each time a commodity is purchased, the entirety of the stock holdings are revalued at that delivery price. Stocks held at the Council's other stores are valued at cost price.

31/03/2008		31/03/2009
£000s		£000s
183	Westbridge Depot Main Stores	259
68	Sub Stores	90
128	Other Stores	92
379	Total	441

E. Notes To The Core Financial Statements

27 Current Assets – Debtors

31/03/2008		31/03/2009
£000s		£000s
4,588	Sundry Debtors	5,275
9,968	Government Departments	3,634
1,949	Other Local and Public Authorities	569
10,554	Local Taxpayers	10,988
4,291	Housing Tenants	3,386
15	Loans to Employees	21
798	Collection Fund Balance owed	677
32,163		24,550
	Provisions for Bad Debts	
-3,809	Local Taxpayers	-3,953
-2,376	Housing Tenants	-1,933
-3,246	Other	-3,002
-9,431	Total Provision for Bad Debts	-8,888
22,732	Net Debtors	15,662

28 Current Assets – Cash & Bank

31/03/2008		31/03/2009
£000s		£000s
0	Co-operative Bank	0
5	Imprests	5
16	Floats	36
8	Girobank	8
29	Cash & Bank	49
-1,111	Overdraft	-629

E. Notes To The Core Financial Statements

29 Current Liabilities – Short Term Borrowing

31/03/2008	Funded by	Period Invested	31/03/2009
£000			£000
50	Billing Parish Council	Fixed Deposit	50
10	Billing Parish Council	7 day Notice	15
94	Northampton Volunteer Bureau	7 day Notice	94
154			159

30 Current Liabilities – Creditors

31/03/2008		31/03/2009
£000s		£000s
10,402	Sundry Creditors	6,385
7,385	Government Departments	6,860
4,136	Other Local and Public Authorities	2,600
4,204	Local Taxpayers	4,515
890	Tenants	540
8,005	Developer's Contributions	7,730
575	Deposits	171
0	Collection Fund Balance owed	0
35,597		28,801

31 Government Grants and Developers' Contributions

Contributions received from developers have been classified depending on whether the contribution is repayable and whether the contribution is for a revenue or capital purpose, in line with the treatment described in the Statement of Accounting Policies.

2007/08		2008/09
£000s		£000s
6,598	Creditors	6,332
1,407	Receipts in advance	1,399
948	Grants & Contributions - Unapplied (Government Grants)	1,361
21	Grants & Contributions - Unapplied (Non-Government Grants)	376
141	Grants & Contributions - Unapplied (Developers)	110
9,115		9,578

E. Notes To The Core Financial Statements

32 Long Term Borrowing

31/03/2008	Source of Loan	Range of Interest Rates (%)	31/03/2009
£000			£000
	Analysis of loans by type		
24,791	Money Markets	4.85 - 7.03	24,785
1,256	English Partnerships	9.25	1,242
26,047			26,027
	Analysis of loans by maturity		
14	Maturing in 1-2 years		16
51	Maturing in 2-5 years		56
15,845	Maturing in 5-10 years		15,820
10,137	Maturing in over 10 years		10,135
26,047			26,027

33 Provisions

a) Insurance Provision

The provision covers the following risks :-

- Liability claims under the policy excess arising from 1992/93 onwards.
- Claims under the policy excess on the Council's own dwellings.
- Claims over the "paid locally" figure but under the excess on the Council's motor vehicles.
- Death in service cover for employees who have council loans for the purchase of cars required for essential purposes.
- Other small miscellaneous items arising from time to time.

External premiums are charged direct to the revenue accounts, as are the costs of the internal Insurance Provision. This provision is reduced as claims are settled.

The estimated cost of outstanding claims on the Insurance provision as at 31st March 2009 is shown below. These sums represent the balance on the Insurance Provision, with any surplus being transferred to the Insurance Reserve.

2007/08		2008/09
£000s		£000s
-982	Ongoing Liability Claims under the policy excess	-992
-7	Motor Vehicle Claims over the "paid locally" figure, but under the policy excess	-1
-989		-993

E. Notes To The Core Financial Statements

b) Overall Provisions

Provisions	Balance 31/03/2008	Costs	Income	Balance 31/03/2009
	£000s	£000s	£000s	£000s
Insurance	-989	1,228	-1,231	-992
DWP Grants	-160	160	0	0
Other	-69	0	-2	-71
	-1,218	1,388	-1,233	-1,063

Department for Work and Pensions (DWP) Grants

The provision of £160k that had been made in relation to prior year subsidy claims is no longer required. Therefore this provision has been written back to revenue in 2008/09.

Other

The balance represents small provisions of £5k in respect of the Rent Assistance and Rent Guarantee Schemes and a provision of £66k relating to electricity payments due on leisure centres.

34 Analysis of Net Assets Employed

	31 March 2008	31 March 2009
	£000s	£000s
General Fund	-11,241	-9,932
Housing Revenue Account	617,853	539,860
Trading Operations	40,216	37,734
Total	646,828	567,662

E. Notes To The Core Financial Statements

35 Reserve Movement

a) Overall Summary

Reserve	Balance 31/03/2008	Net Movement in Year	Balance 31/03/2009	Purpose of Reserve	Further Details of Movements
	£000s	£000s	£000s		
Revaluation Reserve	50,489	-34,925	15,564	Store of gains on revaluation of fixed assets	Note 35 b below
Capital Financing Account	673,402	-50,821	622,581	Store of capital resources set aside to meet past expenditure	Note 35 c below
Financial Instruments Adjustment Account	-1,582	294	-1,288	Adjustments for Financial Instruments transactions to properly reflect the impact on revenue balances in the correct year	Note 35 f below
Capital Receipts Reserve	131	264	395	Proceeds of fixed asset sales available to meet future capital investment	Note 35 d below
Deferred capital receipts	54	-10	44	Future Capital Receipts from mortgaged property	
Pension Reserve	-101,215	4,097	-97,118	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 12 to the Core Financial Statements
General Fund Balance	2,691	-685	2,006	Resources available to meet future running costs for non-housing services	Statement of Movement on the General Fund Balance (D2)
Collection Fund Balance	-148	23	-125	Resources available to be paid to the Council in the future from the collection fund	Collection Fund Statements and Note 14 to the Core Financial Statements
Housing Revenue Account Balance	5,631	493	6,124	Resources available to meet future running costs for council houses	HRA Statements
Major Repairs Reserve	2,617	496	3,113	Resources available to meet capital investment in council housing	HRA Statements
Earmarked Reserves	14,522	1,844	16,366	Reserves set aside for specific purposes	Note 35 e below
Total	646,592	-78,930	567,662		

E. Notes To The Core Financial Statements

b) Revaluation Reserve

	General Fund	Housing Revenue Account	Total
	£000s	£000s	£000s
Balance at 01/04/2008	8,611	41,878	50,489
Revaluation adjustments	8,144	8,960	17,104
Market Factors Impairment Adjustments	-975	-38,524	-39,499
Historic Cost Depreciation Adjustment	-1,098	-9,430	-10,528
Revaluations on Disposal	-1,694	-308	-2,002
Balance at 31/03/08	12,988	2,576	15,564

E. Notes To The Core Financial Statements

c) Capital Adjustment Account

	General Fund	Housing Revenue Account	Total
	£000s	£000s	£000s
Balance at 01/04/2008	92,345	581,061	673,406
Capital Financing			
MRR	0	7,336	7,336
Capital Receipts	1,124	11	1,135
Revenue Contributions	519	0	519
	1,643	7,347	8,990
MRP	438	0	438
Revenue Expenditure Funded from Capital	-1,850	-27	-1,877
Depreciation - General	-2,378	-10,119	-12,497
Depreiated Historic Cost Adjustment	1,098	9,430	10,528
Impairment - Economic Benefits	-2,759	-190	-2,949
Impairment - Market Factors	-6,077	-48,670	-54,747
Amortisation - Intangibles	-484	-53	-537
Amortisation - 3rd Party Contributions	301	0	301
Amortisation - Grants Deferred	440	15	455
	-9,859	-49,587	-59,446
Revaluations			
Disposals	1,479	-409	1,070
	1,479	-409	1,070
Balance at 31/03/2009	84,196	538,385	622,581

E. Notes To The Core Financial Statements

d) Capital Receipts Reserve

2007/08		2008/09
£000s		£000s
	0 Balance as at 1 April	131
5,900	Effects of Disposals	2,154
-4,403	Housing Capital Receipts Pooling	-749
-1,477	Capital Programme Financing	-1,135
111	Other	-6
131	Balance as at 31 March	395

e) Earmarked Reserves

Reserve	Balance 31/03/2008	Additions to Reserve	Use Of Reserve	Balance 31/03/2009
	£000s	£000s	£000s	£000s
Insurance	2,236	-208	-52	1,976
Benefits Clawback	1,300	-496	-804	0
Subsidy Equalisation	550	0	-50	500
Core Business Systems	500	1	-332	169
Building Maintenance	676	0	-176	500
Corporate Initiatives	886	0	-535	351
Service Improvements	215	1,000	-215	1,000
Debt Financing	0	460	0	460
General	2,136	370	706	3,212
Arts	23	0	0	23
HRA	6,000	2,175	0	8,175
	14,522	3,302	-1,458	16,366

i) Insurance Reserve

The Insurance Reserve has been set aside using surplus money from the insurance provision which is used to meet known insurance claims. This reserve is to be used for future insurance or risk management requirements including initiatives to mitigate and manage significant risks.

ii) Benefits Clawback Reserve

Housing benefits subsidy claims from prior years have been closed and there the risk of significant clawback from the Department for Work and Pensions has been removed. This reserve has therefore now been closed.

iii) Subsidy Equalisation Reserve

Subsidy claims are very much reliant upon regulations issued by the grant paying bodies. These can change in-year and so the net cost of benefit payments and subsidy claims from the Government can be extremely volatile. This reserve has been constituted to help smooth the effects of this between years.

E. Notes To The Core Financial Statements

- iv) **Core Business Systems Reserve**
The Core Business Systems Reserve will be used to improve the main financial and subsidiary financial systems of the Council to streamline administrative processes and improve the quality of information and controls.
- v) **Building Maintenance Reserve**
The base budgets for revenue and capital include an allowance for ongoing building maintenance / enhancement. This reserve consists of balances set aside from revenue to finance any major unanticipated maintenance projects.
- vi) **Corporate Initiatives Reserve**
In 2007/08 and 2008/09, general government grant was received relating to the Local Authority Business Growth Incentive Scheme. Due to the volatile nature of this grant, it is not included within base budgets. This income has been moved added into an earmarked reserve to be used on corporate initiatives.
- vii) **Service Improvements Reserve**
This reserve will be used to support strategic business reviews which will improve the performance of the Council.
- viii) **Debt Financing Reserve**
This reserve has been set up to mitigate the additional market risks inherent in treasury management transactions during this period of world-wide economic uncertainty.
- viii) **General Reserve**
The General Reserve allows the Council to commit funding to individual projects which may spread across more than one year. This reserve is also used for any contingency sums set aside during budget setting to mitigate risks within the budget.
- ix) **Arts Reserve**
This is used to finance the purchase of exhibits for the Museum and Art Gallery.
- x) **HRA Earmarked Reserve**
This reserve contains amounts specifically set aside to finance HRA projects. The money in this reserve must be used on the Housing Revenue Account.
- f) **Financial Instruments Adjustment Account**

2007/08		2008/09
£000s		£000s
0	Balance as at 1 April	1,582
1,603	Transitional Arrangements - Unattached Premia	-315
-18	Transitional Arrangements - Recognition of Financial Instruments	18
-3	Effective Interest Rate Adjustments	3
1,582	Balance as at 31 March	1,288

E. Notes To The Core Financial Statements

36 Cash Flow Notes

a) Revenue Activities Net Cash Flow to Income & Expenditure Accounts

2007/08		2008/09	
£000		£000	£000
	Surplus/deficit (-) for the year		
-10,309	Income & Expenditure		0
	Non-Cash Transactions		
19,809	Depreciation / Impairment	0	
-442	Deferred Grants Amortised	0	
-1,932	Grants Funding Deferred Charges	0	
555	Pension Fund Adjustments	0	
-46	Reductions in fair value of soft loans	0	
256	Other non-cash Adjustments	0	
70	Increase / Decrease in Provisions re loans & advances	0	
433	Transfers to Reserves	0	
18,703			0
	Items classified elsewhere in the Cash Flow Statement		
-3,453	Interest received	0	
1,547	Interest paid	0	
667	Deferred Charges	0	
-47	Fixed Assets Gain / Loss	0	
-1,286			0
	Items accrued		
-37	Increase (-) /decrease of stock & work in progress	0	
2,030	Increase (-) /decrease in debtors	0	
2,372	Increase/decrease (-) in creditors	0	
4,365			0
11,473	Revenue Activities Net Cash In-Flow		0

E. Notes To The Core Financial Statements

b) Analysis of Net Debt

	Cash	Temporary Investments & Short Term Deposits	Total	Loans Due within one year	Loans due after more than one year	Deferred Liabilities	Net Debt
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1st April 2008	-1,207	52,503	51,296	-154	-25,862	0	25,280
Cashflow / changes in year	0	0	0	0	0	0	0
Other Non Cash changes	0	0	0	0	-6	0	-6
Balance at 31 March 2009	-1,207	52,503	51,296	-154	-25,868	0	25,274

c) Reconciliation of Changes in Cash to Movement in Net Debt

2007/08		2008/09
£000s		£000s
98	Increase / Decrease (-) in Cash in Year	0
12,983	Cash Inflow / Outflow (-) from Management of Liquid Resources	0
828	Cash Inflow from Loans Raised	0
-537	Cash Outflow from Loans Repaid	0
-6	Net Adjustments for differences between EIR and actual interest	0
11,914	Net Debt B/f	0
25,280		0

d) Analysis of Changes in Cash and Liquid resources

	2007/08	2008/09	Change in Year
	£000s	£000s	
Temporary Investments	52,503	0	-52,503
Short Term Deposits	0	0	0
Cash	29	0	-29
Bank Overdraft	-1,235	0	1,235
Net Cash Inflow / Outflow (-)	51,297	0	-51,297

E. Notes To The Core Financial Statements

e) Analysis of Other Government Grants

2007/08		2008/09
£000s		£000s
627	Planning	0
0	Regeneration	0
1,168	Administration Grant	0
143	Recycling	0
0	Crime Reduction	0
0	Customer Services	0
115	Training and Capacity Development	0
37,344	DWP Grants	0
39,397	Net Cash (In)/outflow	0

37 Contingent Assets and Liabilities

Assets

The Council is currently monitoring two contingent assets. These are: -

- Historic Costs associated with the redevelopment of Grosvenor / Greyfriars may be reimbursed by the developer depending on agreement of contract terms and the timing of that agreement.
- A number of claims for reimbursement of VAT and associated interest were submitted to HMRC in March 2009. These were in the areas of sports tuition, sports services, domestic waste, excess charges levied in car parks and cultural services. We await to hear back from the HMRC on their validation of these and as such, the figures are not yet quantifiable to report as they could vary significantly.

Liabilities

The Council is potentially liable for the following payments: -

- The Council has received Deposits under Section 106 agreements, which may be repayable if the conditions for each agreement are not met. No provision has been made in the Accounts for any interest that may become repayable under the terms of the individual agreements. In the event that every one of these deposits becomes repayable with interest, the Council's maximum liability for interest payable as at 31st March 2009 was estimated to be £1.350m (£1.439m as at 31st March 2008).
- A capital grant was received from East Midlands Development Agency (EMDA) for site clearance of the Blueberry Diner. The grant was awarded on condition of scheme completion within a fixed time period and, due to that time period not having been complied with, up to the full amount of the grant of £2m may be clawed back by EMDA. The Council is making endeavours to secure a development partner for this site and is keeping EMDA fully updated of the progress. To date they have continued to be supportive.
- The Council is currently in negotiations about potential equal pay claims. If there are cases where the Council loses at a tribunal, the Council may be liable to pay back pay.

E. Notes To The Core Financial Statements

- Three employees are currently taking the Council to an industrial tribunal for unfair dismissal. The tribunal proceedings to quantify compensation have not been finalised so an assessment of the compensation figure at this stage is difficult.
- The Council has not yet implemented a full pay and grading review. This is planned to be completed for implementation in April 2010. The impact of this review is unknown at present and in any case will be reflected in budgets for the 2010/11 financial year.

38 The Euro

The Council recognises that there may be costs associated with the introduction of the Euro if this is required by UK law. The purchase of new computer systems must take account of Euro issues and compliance. No other preparations have been made nor has any money been earmarked for the introduction of the Euro. There has been no direct expenditure to date on Euro conversion and it is anticipated that prior to possible introduction of the Euro, all systems will be Euro compliant.

39 Trust Funds

The Council acts as sole trustee in respect of two Trust Funds for the Northamptonshire Regiment museum (balances of £72k) and the other the Northamptonshire Yeomanry Museums Trust (balances of £1k). The Trust funds are used to finance expenditure on the exhibits donated by the Regiments at their disbandment, which are housed at Abington Museum. Surplus funds are invested and accounted for separately to the Council's funds and no money is expended unless there are funds to do so.

40 Financial Instruments Disclosures

a) Financial Instruments Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long-Term		Current	
	31 March 2008	31 March 2009	31 March 2008	31 March 2009
	£000s	£000s	£000s	£000s
Financial Liabilities at amortised cost	-25,862	-26,027	-36,798	-29,589
Financial liabilities at fair value through income and expenditure	0	0	0	0
Total borrowings	-25,862	-26,027	-36,798	-29,589
Loans and Receivables	119	40	69,654	68,053
Available-for-sale financial assets	0	0	0	0
Financial assets at fair value through income and expenditure	0	0	5,040	0
Total Investments	119	40	74,694	68,053

b) Financial Instruments Gains and Losses

The gains and losses recognised in the Income and Expenditure Account are made up as follows:

E. Notes To The Core Financial Statements

2007/08				
	Financial Liabilities	Financial Assets		Total
	Liabilities measured at amortised cost	Loans and Receivables	Available for sale assets	
	£000s	£000s	£000s	£000s
Interest expenditure	-1,363	0	0	-1,363
Gains / Losses on derecognition	0	0	0	0
Impairment losses	0	-4,351	0	-4,351
Interest Payable and similar charges	-1,363	-4,351	0	-5,714
Interest income	0	3,454	0	3,454
Gains / Losses on derecognition	0	0	0	0
Interest and Investment Income	0	3,454	0	3,454
Net gain/(loss) for the year	-1,363	-897	0	-2,260

2008/09				
	Financial Liabilities	Financial Assets		Total
	Liabilities measured at amortised cost	Loans and Receivables	Available for sale assets	
	£000s	£000s	£000s	£000s
Interest expenditure	-1,502	0	0	-1,502
Gains / Losses on derecognition	0	0	0	0
Impairment losses	0	-1,984	0	-1,984
Interest Payable and similar charges	-1,502	-1,984	0	-3,486
Interest income	0	3,664	0	3,664
Gains / Losses on derecognition	0	0	0	0
Interest and Investment Income	0	3,664	0	3,664
Gains on Revaluation			0	
Losses on Revaluation			0	
Amounts recycled to the I+E Account after impairment			0	
Surplus arising on revaluation of financial assets			0	
Net gain/(loss) for the year	-1,502	1,680	0	178

E. Notes To The Core Financial Statements

c) Fair Value of Assets and Liabilities Carried at Amortised Cost

Fair value has been calculated using the assumptions detailed in the Statement of Accounting Policies and are as follows: -

	31 March 2008		31 March 2009	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000s	£000s	£000s	£000s
Financial Liabilities at amortised cost	-61,131	-65,710	-55,617	-61,056
Loans and Receivables	68,234	68,225	68,093	68,594

The fair value of Financial Liabilities at amortised cost at 31st March 2008 and 31st March 2009 is more than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest payable is higher than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest below current market rates increases the amount that the Authority would have to pay if the lender requested or agreed to early repayment of the loans.

The fair value of Loans and Receivables at 31st March 2008 is less than the carrying amount because the authority's portfolio of investments included a number of fixed rate loans where the interest receivable was lower than the rates available for similar loans at the Balance sheet date. This commitment to receive interest below current market rates decreases the amount that the authority would receive if it agreed to early repayment of the loans.

The fair value of Loans and Receivables at 31st March 2009 is higher than the carrying amount because the authority's portfolio of investments includes a number of fixed rate loans where the interest receivable is higher than the rates available for similar loans at the Balance sheet date. This guarantee to receive interest above current market rates increases the amount that the authority would receive if it agreed to early repayment of the loans.

d) The Nature and Extent of Risks Arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority;
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments; and
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in interest rates and stock market movements

The Authority's risk management processes consider the unpredictability of financial markets and seek to minimise potential adverse effects on the resources available to fund services. Risk management is undertaken by the Capital and Treasury team under policies approved by the Council in its Treasury Management Policy Statement, Treasury Management Practices and Schedules and the annual Treasury Management Strategy. These contain overall principles for risk management, as well as covering specific risks, which include liquidity risk, interest rate risk, credit risk, and market risk.

E. Notes To The Core Financial Statements

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures from the Authority's customers. Deposits are made with banks and financial institutions supported by an assessment of risk. The limits put on investments vary according to the particular institution or group depending on the risk level determined for that specific body.

Due to the nature of its business the Authority does not assess operational customers for credit worthiness and does not set credit limits on customers. In relation to mortgages, the Council holds an equity stake in each relevant property as collateral against the mortgage outstanding. There are also certain exceptional circumstances under which the Authority has placed a charge on a property as collateral against a specific debt. Business customers are not given individual credit limits, however, business customers are assessed, taking into account their financial position, past experience, and other factors, in line with parameters set by the Council, when contracts are entered into. This forms part of the council's procurement procedures.

The following analysis summarises the Authority's potential maximum exposure to credit risk based on experience of default and uncollectability over the last four financial years adjusted to reflect current market conditions.

	Amount at 31 March 2009	Historical Experience of Default	Historical Experience Adjusted for Market Conditions at 31 March 2009	Estimated Maximum Exposure to Default and Uncollectability
	£000s	%	%	£000s
Long Term Debtors - Mortgages	40	0.00	0.00	0
Customers: Council Tax	10,138	4.08	4.08	414
Customers: NNDR	850	0.67	0.67	6
Customers: Rent	2,476	3.10	3.10	77
Customers: Sundry *	3,559	24.60	24.60	876
Deposits with Banks and Financial Institutions	53,019	0.00	0.00	0
	53,019			1,373

* Based on last 2 years' experience of default.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits. The Council held no investments in the form of bonds during 2008-09.

E. Notes To The Core Financial Statements

The Council does not generally allow credit for its customers (with the exception of mortgagees) such that £18.4m of the £66.6m is past its due date for payment. The past due amount can be analysed by age as follows:

	Amount at 31 March 2009
	£000s
Less than three months	0
Three to six months	0
Six months to one year	0
More than one year	0
	0

Impairment on the debtors financial asset has been identified, standing at a total of £9.4m at the end of 2008-09.

Collateral

The Council holds collateral against a number of mortgages. The balance sheet value of these is currently £45.5k (£54.8k in 2007/08).

The terms and conditions relating to the pledge are standard in all the mortgages held and are summarised as follows:

- The property is to be kept in good and substantial repair;
- No structural alterations, demolitions, additions are to be carried out to the property or any part of it without written consent of the Council;
- To comply in all respects with the Planning Acts;
- Not to do or permit on the property anything which may prejudice the insurance of the property;
- Limitations on the usage of the property;
- The right of the Council to inspect the property;
- That the borrower is required to observe and perform any covenants and provisions relating to the property;
- The Council's power of sale;
- Events on which the whole mortgage becomes repayable;
- Remedies available to the Council;
- The Council's power to transfer the benefit of the charge;
- The power of the Council to make written concessions in favour of the borrower.

Liquidity Risk

As the Council has ready access to borrowings from the Public Works Loan Board (PWLB), there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The strategy is to manage loans that are due to mature within any rolling three-year period through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments.

E. Notes To The Core Financial Statements

The maturity analysis of financial liabilities is as follows: -

Maturity Profiles of Financial Liabilities	Amount at 31 March 2009
	£000s
Less than one year	29,589
One to two years	16
two to five years	56
More than five years	25,955
	55,616

All trade and other payables are due to be paid in less than one year.

Market Risk

Market risk falls into three categories, Interest Rate Risk, Price Risk, and Foreign Exchange Risk.

Interest Rate Risk

The Council is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For example a rise in interest rates would have the following effects: -

- Borrowing at variable rates – the interest expense charged to the Income and Expenditure Account will rise;
- Borrowing at fixed rates – the fair value of the liabilities will fall;
- Investment at variable rates – the interest income credited to the Income and Expenditure Account will rise;
- Investments at fixed rates – the fair value of the assets will fall.

Borrowing is not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance pound for pound. Movements in the fair value of fixed rate investments will be reflected in the STRGL.

The Council has a number of strategies for managing interest rate risk. For example, during periods of falling interest rates and where economic circumstances make it favourable, fixed rate loans may be repaid early to limit exposure to losses.

The Capital and Treasury Team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

E. Notes To The Core Financial Statements

According to this assessment strategy, at March 2009, if interest rates had been 1% higher with all other variables held constant, the financial effect would be: -

	Amount at 31 March 2009
	£000s
Increase in interest payable on variable rate borrowing	0
Increase in interest receivable on variable rate investments	0
Impact on I & E Account	0
Share of overall impact credited to the HRA	0
Impact remaining on General Fund	0
Impact on GF I & E Account	0
Increase in fair value of fixed rate investment assets	0
Impact on STRGL	0
Decrease in fair value of fixed rate borrowing liabilities (no impact on I & E Account or STRGL)	0

The impact of a 1% increase in interest rates would be as above but with the movements being reversed.

Price Risk

The Council does not invest in equity shares and therefore has no exposure to loss arising from movements in share prices.

Foreign Exchange Risk

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

E. Notes To The Core Financial Statements

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F. Housing Revenue Account

F1 Income & Expenditure Account

The Housing Revenue Account (HRA) summarises the transactions relating to the provision, maintenance and sale of Council houses and flats. The account has to be self-financing and there is a legal prohibition on cross subsidy to or from local taxpayers.

2007/08		2008/09		Notes
£000s		£000s	£000s	
	Income			
-40,461	Dwelling Rents	-41,091		HRA2-4
-1,126	Non Dwelling Rents	-906		
-1,527	Charges for services & facilities	-1,522		
-160	Contributions Towards Expenditure	-266		
0	Housing Revenue Account subsidy receivable	0		
0	Sums Directed by the Secretary of State that are income in accordance with UK GAAP	0		
-43,274	Total Income		-43,785	
	Expenditure			
12,227	Repairs & Maintenance	13,065		HRA5
	Supervision & Management			
5,760	General Management	6,195		
3,653	Special Services	3,739		
53	Rent, Rates, Taxes & other charges	62		
8,483	Negative Housing Revenue Account subsidy payable	9,031		HRA6
10,721	Depreciation and Impairment of Fixed Assets	67,168		HRA7
0	Debt Management Costs	0		
1,275	Increased in provision for bad/doubtful debts	430		
0	Sums Directed by the Secretary of State that are expenditure in accordance with UK GAAP	0		
1,354	Rent Rebates transfer to General Fund	1,097		HRA8
43,526	Total Expenditure		100,787	
252	Net Cost of Services		57,002	
0	HRA Services share of Corporate and Democratic Core		0	
0	HRA share of other amounts included in the whole authority		0	
0	Net Cost of Services but not allocated to specific services		0	
252	Net Cost of HRA Services		57,002	
-52	Gain (-) or Loss on sale of HRA Fixed Assets		-89	
	Interest Payable and other similar charges			
480	Amortisation of Premiums & Discounts		0	
-961	Interest and Investment Income		-1,104	
344	Pensions interest cost and expected return on pensions assets		957	
63	Surplus (-) or Deficit for the year on HRA services		56,766	

F. Housing Revenue Account

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F. Housing Revenue Account

F2 Statement of Movement on the Housing Revenue Account Balance

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Authority is required to account for the net costs of Council Housing in a different way.

This statement below and the detailed reconciling items on the following page summarise the differences between the outturn on the HRA Income and Expenditure Account and the Housing Revenue Account Balance.

2007/08		2008/09	Note
£000s		£000s	
63	Surplus (-) / Deficit for the year on the HRA Income and Expenditure Account	56,766	
109	Net additional amount required by statute to be debited or credited to the HRA Balance for the year	-57,258	
172	Increase (-) / Decrease in the HRA Balance for the Year	-492	
-5,803	HRA Balance brought forward	-5,631	
-5,631	HRA Balance carried forward	-6,123	

F. Housing Revenue Account

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F. Housing Revenue Account

Reconciling Items for the Statement of Movement on the HRA Balance

2007/08		2008/09	Note
£000s		£000s	
	Amounts included in the HRA Income and Expenditure Account but required by statute to be excluded when determining the Movement on the HRA Balance for the year		
	Difference between amounts charged to Income and Expenditure for amortisation of premiums and discounts and the charge for the year determined in accordance with statute	0	
	Difference between any other item of income and expenditure determined in accordance with the SoRP and determined in accordance with statutory HRA requirements (if any)	0	
	Revenue Expenditure Funded from Capital (Deferred Charges)	-27	
	Grants Deferred Written Off	15	
-1,405	Impairment of Fixed Assets	-57,011	
-53	Amortisation of intangible fixed assets	-53	
52	Gain or Loss on sale of HRA fixed assets	89	
-1,571	Net charges made for retirement benefits in accordance with FRS 17	-2,015	
	Sums directed by the Secretary of State to be debited or credited to the HRA that are not income or expenditure in accordance with UK GAAP	0	
-2,977		-59,002	
	Amounts not included in the HRA Income and Expenditure Account but required by statute to be included when determining the Movement on the HRA Balance for the year		
-1,680	Transfer to / from (-) Major Repairs Reserve	-2,287	HRA9
0	Transfers to / from (-) Housing Repairs Account	0	HRA5
1,451	Employer's contributions payable to the Northamptonshire County Council Pension Fund and retirement benefits payable direct to pensioners	1,537	
315	Financial Instruments Adjustments	315	
0	Voluntary set aside for debt repayment	4	
0	Capital expenditure charged in-year to the HRA Balance	0	
3,000	Net transfers to / from (-) earmarked reserves	2,175	
3,086		1,744	
109	Net additional amount required to be credited or debited to the HRA balance for the year	-57,258	

F. Housing Revenue Account

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G. Notes To The Housing Revenue Account

1 Prior Year Adjustments

None

2 HRA Assets and Capital Transactions

- a) At 31st March 2009 the Council was responsible for managing 12,238 units of accommodation: -

Type of Property	Number of Bedrooms				Total
	One	Two	Three	Four+	
Flats-Low Rise	1,468	389	2	1	1,860
Flats-Medium Rise	1,837	879	121	4	2,841
Flats-High Rise	398	83	22	0	503
Houses & Bungalows	879	2,582	3,233	340	7,034
Totals	4,582	3,933	3,378	345	12,238

- b) The movement in housing stock can be summarised as follows: -

Type of Property	Stock at 01/04/2008	Stock Movements			Stock at 01/04/2009
		Sales	Transfers	Additions	
Flats	5,208	-4	0	0	5,204
Houses & Bungalows	7,039	-5	0	0	7,034
Dwellings (excl. Shared)	12,247	-9	0	0	12,238
Shared Ownership	95	-1	0	0	94
Totals	12,342	-10	0	0	12,332

G. Notes To The Housing Revenue Account

c) The gross balance sheet of housing assets at 31st March was as follows:-

2007/08	Gross Balance Sheet Value	2008/09
£000s		£000s
	Operational Assets	
184,307	Land	155,123
418,087	Dwellings	361,954
12,768	Other Capital Assets	16,435
615,162	Total Operational Assets	533,512
1,129	Non Operational Assets	1,944
616,291	TOTAL	535,456
1,206,554	Vacant Possession Value as at 1st April	1,156,025

d) Capital Receipts

2007/08	Housing Capital Receipts	2008/09
£000		£000
365	Land Sales	13
5,465	Dwelling Sales	1,011
0	Other Property Sales	0
5,830	Total	1,024
-3,986	Payable to the Secretary of State	-755
110	Adjustment to amounts payable	0
-3,876	Net cost of Payments to CLG	-755
1,954	Useable Capital Receipts	269

The adjustment to amounts payable of £110k for 2007/08 in the above note relates to the balance of an amount that was being held to pay the Secretary of State for prior years' pooling payments. The settlement amount was £110k less than anticipated.

G. Notes To The Housing Revenue Account

e) Capital Expenditure & Financing

2007/08	HRA Capital Expenditure and Financing	2008/09
£000s		£000s
	Expenditure	
0	Land Purchase	0
5,141	Dwellings	7,460
354	Other Property	464
5,495	Total Expenditure	7,924
	Financing	
	Dwellings	
500	Borrowing	500
0	Useable Capital Receipts	0
0	Revenue Contributions	0
4,641	Major Repairs Reserve	6,871
0	Third Party Contributions	89
5,141		7,460
	Other Property	
0	Borrowing	0
0	Useable Capital Receipts	0
0	Revenue Contributions	0
354	Major Repairs Reserve	464
354		464
5,495	Total Financing	7,924

3 Arrears

During 2008/09, arrears as a proportion of gross income was 8.2%. This represents a decrease of 1.7% since 2007/08 when the proportion was 9.9%. The figures for rent arrears are detailed below: -

2007/08	Arrears	2008/09
£000s		£000s
3,990	Gross Arrears at 31 March	3,386
-588	Prepayments	-540
3,402	Net Arrears at 31 March	2,846
2,293	Provision for bad debts at 31 March	1,933

G. Notes To The Housing Revenue Account

During 2007/08, the process for analysing outstanding debt and establishing a bad debt provision was reviewed and the bad debt provision is now based on age of debt. The size of the provision reflects the probability of the arrears being collected.

4 Vacant Possession Value

The Vacant Possession value of dwellings within the HRA as at 1st April was £1,156m (£1,207m in 2007/08). For the balance sheet, the figure has been reduced to 50% of this value, i.e. £579m (£604m in 2007/08). This shows the economic cost of providing Council housing at less than open market rents.

5 Housing Repairs Account

The transactions on the Housing Repairs Account for 2008/09 balanced to nil for the year, although this may not always be the case.

2007/08	Housing Repairs Account	2008/09
£000s		£000s
0	Balance B/f	0
12,227	Expenditure in the Year	13,065
-12,227	Contributions to the Housing Repairs Account	-13,065
	Increase (-) / Decrease in the Housing Repairs Account Balance for the year	0
0	Balance c/f	0

6 Housing Subsidy

The Government operates a "subsidy system" in relation to the Housing Revenue Account. It is based upon a notional account representing the Government's assessment of what the Council should be collecting and spending. A breakdown of the elements in the subsidy calculations is shown below: -

2007/08	Housing Subsidy	2008/09
£000s		£000s
-161	Prior Year Adjustment	-25
-19,241	Management and Maintenance Allowance	-20,270
-7,611	Major Repairs Allowance	-7,831
-1,126	Charges for Capital	-1,182
0	Other Allowances	0
36,617	Notional Rent	38,335
5	Interest on Receipts	4
8,483	Total Amount to be paid to Government	9,031

G. Notes To The Housing Revenue Account

7 Depreciation and Impairment

a) Depreciation

2007/08	Depreciation	2008/09
£000s		£000s
	Operational Assets	
9,047	Dwellings	9,849
49	Intangible Assets	53
269	Other Property	253
0	Vehicles, Plant & Equipment	17
9,365	Total Operational Assets	10,172
0	Non Operational Assets	0
9,365	TOTAL	10,172

b) Impairment

2007/08	Impairment	2008/09
£000s		£000s
	Operational Assets	
948	Dwellings	104,025
6	Intangible Assets	36
382	Other Property	354
20	Vehicles, Plant & Equipment	25
1,356	Total Operational Assets	104,440
0	Non Operational Assets	0
1,356	TOTAL	104,440

8 Secretary of State Determinations

When councils raise rents by more than an amount determined by the Government, the Government limits the subsidy payable to those councils. Now that the responsibility for paying rent rebates has transferred to the General Fund, any authorities that had rent rebate subsidy limited have to transfer an amount from the HRA to the General Fund to recompense the General Fund in order that the General Fund does not carry additional costs.

G. Notes To The Housing Revenue Account

2007/08	Secretary of State Determinations	2008/09
£000s		£000s
1,354	Rent Rebate Subsidy Limitation	1,097
1,354	Total Effect of Special Directions	1,097

9 Major Repairs Reserve

Authorities are required to maintain a Major Repairs Reserve (MRR). The MRR has two functions; the first is to act as a credit entry for the cost of depreciation on Council dwellings. The second is to hold unused balances of Major Repairs Allowance (MRA), which can be used in future years. The MRA is a grant paid through the Housing Subsidy mechanism which can only be used to finance capital expenditure and represents the estimated annual cost of maintaining an Authority's stock at its existing level.

HRA depreciation is not the same as the MRA, therefore an adjustment is required to ensure there is no bottom line impact on the HRA. The transactions on the MRR are detailed below: -

Major Repairs Reserve	£000s
Balance at 1 April 2008	-2,617
HRA Depreciation	-10,119
Depreciation adjustment to agree to MRA	2,287
	-7,832
Amount used to finance Capital Expenditure	
Dwellings	6,871
Other Property	464
	7,335
Balance at 31 March 2009	-3,114

10 Rental Income

53 week years occur from time to time due to the number of days in a year not being exactly divisible by 7. 2007/08 was such a 53 week rent year. This means that the HRA is showing additional income in 2007/08 relating to that extra week.

H. The Collection Fund

Income and Expenditure Account

The Collection Fund account reflects the statutory requirement for billing Authorities to establish and maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and National Non Domestic Rates (NNDR).

2007/08		2008/09	Note
£000s		£000s	
	INCOME		
-72,884	Council Tax (net of benefits, discounts & transitional relief)	-77,284	CF2
	Transfers from General Fund		
-10,858	Council Tax benefits	-11,866	
-91,922	Income collectable from business ratepayers	-99,609	
	Contributions		
-120	Towards previous years' Collection Fund deficit	-141	CF3
-175,784		-188,900	
	EXPENDITURE		
	Precepts & demands:-		
59,497	Northamptonshire County Council	62,567	14
11,037	Northamptonshire Police Authority	11,689	14
13,045	Northampton Borough Council	13,719	14
	National Non-Domestic Rates		
91,610	Payments to national pool	99,292	
312	Cost of collection	317	
	Bad & Doubtful Debts / Appeals		CF4
1,101	Write-offs	1,129	
133	Provisions	44	
	Contributions		
0	Towards previous years' Collection Fund surplus	0	
176,735		188,757	
951	(Surplus)/deficit for the year	-143	
-5	Fund balance b/fwd	946	
946	Fund Balance c/fwd	803	

H. The Collection Fund

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I. Notes To The Collection Fund

1. National Non Domestic Rates (NNDR)

The Council collects non-domestic rates for its area that are based on local rateable values multiplied by a uniform rate in the pound. The total amount, less certain reliefs and other deductions, is paid into a central pool (the NNDR pool) managed by Central Government, which in turn pays back to councils a standard amount per head of the local adult population.

The total non-domestic rateable value as at 31st March 2009 was £244.3m and the equivalent figure for 2007/08 was £243.7m. The National Non-Domestic Rate multiplier for 2008/09 was 46.2p and the equivalent figure for 2007/08 was 44.4p. The small business non-domestic rating multiplier for 2008/09 was 45.8p and the equivalent figure for 2007/08 was 44.1p.

2. Council Tax

The Council's tax base, i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings for 2008/09 calculated as follows: -

2007/08 Band D Equivalents	Band	Estimated number of taxable properties 2006/07 after discounts	Ratio	2008/09 Band D Equivalents
19.0	A(-)	36.0	5/9	20.3
16,103.9	A	24,659.2	6/9	16,302.3
13,607.2	B	17,876.5	7/9	13,660.7
16,432.2	C	19,456.8	8/9	16,651.7
8,794.9	D	9,127.8	9/9	8,907.8
5,977.6	E	4,966.8	11/9	6,011.0
3,020.3	F	2,142.5	13/9	3,018.1
1,775.6	G	1,085.0	15/9	1,773.5
100.9	H	51.3	18/9	94.5
65,831.6	Gross Council Tax Base			66,439.9
987.5	Non-collection provision			996.6
64,844	Council Tax Base Used for setting the Precept			65,443

The provision for non-collection was set at 1.5% for 2008/09 (1.5% for 2007/08).

I. Notes To The Collection Fund

3. Analysis of In-year Contributions to Fund Deficits

The in-year contributions to Collection Fund deficits from the precepting authorities are detailed below: -

2007/08	Allocation Of Collection Fund Deficits	2007/08
£000s		£000s
-10	Northampton Borough Council	-22
-93	Northamptonshire County Council	-100
-17	Northamptonshire Police Authority	-19
-120	Total Deficit Recovered	-141

4. Bad and Doubtful Debts

2007/08	Bad and Doubtful Debts	2008/09
£000s		£000s
3,240	Bad Debt Provision B/f	3,373
133	Provision Made in Year	44
3,373	Bad Debt Provision c/f	3,417

J. Statement Of Responsibilities For The Statement Of Accounts

The Authority's Responsibilities

The Authority is required to:-

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is Isabell Procter (Director of Finance);
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- approve the Statement of Accounts

The Section 151 Officer

The Section 151 Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing this Statement of Accounts, the Section 151 Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Section 151 Officer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities

I certify that this Statement of Accounts presents fairly the position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2009.

Isabell Procter Section 151 Officer	Councillor Anthony Woods Leader of Northampton Borough Council
Date	Date

J. Statement Of Responsibilities For The Statement Of Accounts

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