

**NORTHAMPTON BOROUGH COUNCIL
AUDIT COMMITTEE**

Your attendance is requested at a meeting to be held in the
The Jeffrey Room, St. Giles Square, Northampton, NN1 1DE.

on Monday, 26 September 2011
at 6:00 pm.

**D Kennedy
Chief Executive**

AGENDA

1. APOLOGIES

Please contact Joanne Birkin on 01604 837358 or
jbirkin@northampton.gov.uk when submitting apologies for
absence.

2. MINUTES

To approve the minutes of the meeting held on 25th July 2011.

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. CORPORATE DEBT- PROGRESS AND AGED DEBT
ANALYSIS**

R Bates X7119

7. DECENT HOMES RISK ASSESSMENT

Christine Ansell
X8584

8. INTERNAL AUDIT PROGRESS REPORT

C Dickens, Internal
Auditor
(PWC)

9. ANNUAL GOVERNANCE STATEMENT

B Lewis X7167

10. STATEMENT OF ACCOUNTS 2010/11

B Lewis X7167

11. EXTERNAL AUDIT UPDATE AND ANNUAL GOVERNANCE REPORT 2010/11

N Bellamy, External Auditor
(Audit Commission)

12. FINANCE AND PERFORMANCE REPORT TO JULY 2011

B Lewis X7167

13. 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.”

Supplementary Agenda

Exempted Under Schedule, 12A of L.Govt Act 1972, Para No: -

Public Participation

Members of the public may address the Committee on any non-procedural matter listed on this agenda. Addresses shall not last longer than three minutes. Committee members may then ask questions of the speaker. No prior notice is required prior to the commencement of the meeting of a request to address the Committee.

AUDIT COMMITTEE

Monday, 25 July 2011

PRESENT: Councillor Duncan (Chair); Councillor Larratt (Deputy Chair); Councillors Beardsworth, Gowen, Nunn, Patel, Subbarayan and Eldred

1. APOLGIES

An apology for absence was received by Councillor Larratt, Councillor Eldred substituted.

2. MINUTES

The Minutes of the meeting held on 27 June 2011 were confirmed and signed by the Chair as a true record.

3. DEPUTATIONS / PUBLIC ADDRESSES

There were none.

4. DECLARATIONS OF INTEREST

There were none.

5. MATTERS OF URGENCY WHICH BY REASON OF SPECIAL CIRCUMSTANCES THE CHAIR IS OF THE OPINION SHOULD BE CONSIDERED

There were none.

6. COUNCILLOR ALLOWANCE & EXPENSES

The Committee received a report from Cassie Triggs, Democratic and Chief Executive Services Manger on the outcome of a review conducted by Management Board on Councillor Allowances and Expenses.

The main points of discussion were:-

- The previous Audit Committee had requested an investigation into the administration costs of the Councillor expenses scheme.
- Most Councillors had not made expenses claims and the average level of the claims made were low.
- Introducing a flat rate payment scheme would be more expensive.
- Management Board decided to retain the current scheme and to introduce clarification of the scheme. This was included in the Councillor Induction pack and the Councillor web pages. Councillors would receive regular updates and reminders about the expenses claims procedures.

It was therefore **RESOLVED** that the review be noted.

7. NORTHAMPTON BOROUGH COUNCIL PARTNERSHIP PROTOCOL

The Committee received a report from Cassie Triggs concerning the partnership protocol that was adopted by the authority in May 2011.

The main points of the discussion were:-

- The Partnership Protocol was launched in May 2011.
- The Protocol establishes minimum standards of governance and management to be followed by partnerships in order to satisfy the Council that the partnerships are being well run and are delivering benefit to the authority.
- The Protocol is available on the website.
- Partnerships now have to be registered and all Service Plans require an annual review of partnerships
- In the near future all Partnerships will be administered by the Partnerships Director.

It was therefore **RESOLVED** that the report be noted.

8. RISK MANAGEMENT OVERVIEW

The Committee received a report from Sue Morrell, Corporate Risk and Business Continuity Manager, giving an overview of Risk Management

The main points of discussion were:-

- Risk is managed at several different levels within the Council. Strategic risks are managed by Management Board, Service risks are managed within service teams and Project and operational risk is reviewed by project managers.
- The same principles to managing risks apply to all levels of risk management throughout the Council.
- Risk assessments can be subjective and therefore not wholly consistent. However work is being undertaken on a strategic scorecard, which will assist in providing examples of different risk levels.
- Recently the Council has revised its Risk Appetite up to 16. This is in response to the current economic climate and innovative approaches taken by the Council. Innovative approaches include the creation of the Leisure Trust and the delivery of Environmental Services in partnership with other Councils.
- Councillors were not involved in the decision to increase risk appetite, but Cabinet will confirm the overall revision of the Risk Management Strategy.
- The Strategic Risk register has been updated.
- Work has been ongoing on Corporate Business Continuity – which will be considered at a future meeting.
- All services now have continuity plans for all critical functions. A wider range of officers are now involved in undertaking risk assessments for their service.

It was **RESOLVED** that the Corporate Risk and Business Continuity Manager be thanked for her report.

9. ANTI-FRAUD ANNUAL REPORT

The Committee considered the Anti Fraud Annual Report from Matthew Steele Benefits and Fraud Manager.

The main points of discussion were:-

- Benefits caseload is currently at its highest level for 5 years.
- There is a proposal by Central Government to amalgamate local Authority investigators with those from Her Majesty's Revenue and Customs (HMRC), Department of Work and Pensions (DWP). There is no confirmed timetable for this,

but it is anticipated that changes will commence in 2013. Discussions are still underway on which agency will undertake the administration.

- If investigation work is lost from the authority that might have an impact in other work that the investigations team undertakes on housing tenancy investigations and misconduct.
- Sanctions are determined in accordance with Home Office guidance. Cautions are similar to Police cautions but administered by the Borough Council. Administrative penalties are a fine and repayment of the overpayment, this is offered as an alternative to attending court.
- With the significant increase in the Housing Benefit caseload targets have had to be set at realistic levels.
- Investigators have taken on the work of internal Human Resources investigations and these are now being cleared much more quickly. This has led to a reduction in suspension costs.
- There have also been some investigations into illegal sub letting with Housing officers. It is hoped that that can be expanded as it can release much needed property back within that available to let.
- External partners were bought in last year to review the uptake of Council Tax single person discounts (SPD'S), funded by the Northamptonshire improvement and efficiency partnership (NIEP). Now that all SPD's have been reviewed, an in house process will be developed to continue to review SPD's on a regular basis.
- Costs of investigation will vary according to each case. Wherever possible prosecutions are carried out with partners.

RESOLVED that the report be noted.

10. TREASURY MANAGEMENT OUTTURN 2010/11

The Committee received a report from Rebecca Smith, Assistant Head of Finance on the Treasury Management Outturn 2010-11.

The main points of discussion were:-

- The Treasury Management Outturn report is a Statutory report with a requirement that it is scrutinised by a designated Committee. Audit is the designated Committee for NBC. Cabinet and Council will also consider the report.
- Long term borrowing remains below the affordable borrowing limit.
- Investment Rates achieved have been higher than the average LIBID rates.

RESOLVED that the report be noted with no comments for onward transmission to Cabinet.

11. ANNUAL GOVERNANCE STATEMENT 2010/11 CONSULTATION

The Committee considered a report from Rebecca Smith, Assistant Head of Finance on the consultation on the 2010/11 Annual Governance Statement.

The main points of discussion were;-

- Comments on the Statement can be submitted until the end of August 2011.

The statement covers

- The Governance Framework including links to the Corporate Plan 2011-14 and the

Partnership Protocol.

- Roles and Functions of Members to achieve a common purpose with clearly defined functions and roles
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Taking informed and transparent decisions, which are subject to effective scrutiny and managing risk.
- Developing the capacity and capability of members and officers to be effective
- Engaging with local people and other stakeholders to ensure robust public accountability.

A Review of Effectiveness is also included which this year included a review of the Constitution, along with annual reports such as that from Overview and Scrutiny.

An outline of significant Governance issues.

Members asked whether there was any profile on how long debts had been outstanding. They were advised that there wasn't but that there had recently been work which focussed on the total indebtedness of individuals. The Council's main debtors are for Council Tax, business rates, Council rents and housing benefits.

The Chair commented that he considered that the Audit Committee should keep a check on progress to recover or write off bad debts from the past.

An update on value for money arrangements would be brought to a future meeting.

RESOLVED (1) that the Assistant Head of Finance be thanked for the report and the report be noted.

(2) That the report be recirculated once complete for final comments before 31 August.

(3) That the final approved report be circulated to all members.

12. INTERNAL AUDIT UPDATE

The Committee considered a report on the internal audit progress.

The main points of discussion were:-

- All recommendations of the 2009/10 Audit Plan have been implemented.
- There are 14 recommendations outstanding from 2010/11; none of these are overdue for action.
- Work has been progressing according to plan with the 2011/12 Internal Audit Plan.

RESOLVED that the report be noted.

13. EXTERNAL AUDIT UPDATE

Neil Bailey submitted a report, which provided an update on the progress of the external audit.

The main points of discussion were as follows:-

- Main Focus has been on the production of financial statements. These are now complete.
- Account reporting is essentially complete and on target to report in September and produce the Annual Governance report.
- Routine testing of financial systems has been on going and there have been no significant areas of concern identified.
- The final Internal Audit report has now been received and will be reviewed.
- The Value for Money statement was reaching its conclusion. Nothing of significance is to be reported.
- The Audit Commission has now confirmed that it will be rebating a further 8% of fees in 2011/12.
- The outcome of consultation in the future of public audit is still awaited. Confirmation on plans to put the Audit Commission out to competition was awaited in the next week. There are no implementation timetables yet available.

RESOLVED that the report be noted.

The meeting concluded at 7:25 pm

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Appendices

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NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Corporate debt – Progress and Age debt analysis
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AGENDA STATUS: PUBLIC

Audit Committee Meeting date:	26 th September 2011
Policy Document:	No
Directorate:	Finance and Support
Accountable Cabinet Member:	Councillor Alan Bottwood

1. Purpose

- 1.1 The chair of the audit committee has requested a report to be provided to each audit committee that shows analysis of debt and the age of outstanding debt across Northampton Borough Council (NBC)

2. Recommendations

- 2.1 That the audit committee note the analysis of debt, the corporate debt policy, fair debt principles, progress and practices/procedures detailed within this report.

3 Issues and Choices

3.0 Report Background

- 3.1 The corporate debt recovery team is responsible for the recovery of all overdue debt across the Council. Initially requests for payment should be requested from individual service areas, with the appropriate reminder notices issued to ensure income is collected as soon as possible. Where this has been completed and debts are still outstanding the debt is then passed to the Councils recovery team in order to seek payment of the

debt. The recovery team have responsibility for recovery of overdue debt as follows:

- Council Tax
- Business Rates (NNDR)
- Business improvement district levy (NNDR)
- Council Tenants but not current rent arrears
- Former Council Tenants
- Service Charges for leaseholders
- Re-chargeable repairs – current tenants
- Re-chargeable repairs – former tenants
- Housing benefit overpayments
- Sundry debts (i.e. Council services)

3.2 The debt recovery team liaise with all service Department to ensure that income collection and debt avoidance practices are incorporated across the Council. This ensures that the quality of debts passed to the section is improving and that the requirements of the Councils Debt recovery policy can be followed in a timely manner.

4.0 Issues

4.1 Procedural and technological issues within service areas have and continue to be addressed. These relate to historic bespoke systems and a plan is in place to replace or improve existing systems.

4.2 These system issues have all been identified for resolution as part of improvement plans and will enable full and correct application of the policy and in particular the timely processing of debts through recovery stages. At present processes can be manual, which delays the progress of the recovery team.

4.3 Excellent progress has been made in taking a single approach to debt recovery and the Revenues debt management team will continue to work across service areas to ensure we take a truly corporate approach to debt avoidance and recovery.

5 Progress

5.1 We are now coming to the end of a corporate debt improvement plan. This followed the transfer of all corporate debt to a single team in October 2009. Since its creation this team have completed and achieved a number of outcomes and these are detailed in the following paragraphs, alongside general progress on reducing debts owed to the Council.

5.2 Action to address debt was initially highlighted as a priority in 2009 / 2010. As a result the new corporate debt recovery team was set up to address historic issues in recovering overdue debt. As a result of setting

up this team an improvement action plan was developed. The initial plan aimed to:

- Minimise debt occurring in the first place, particularly through the timely assessment of benefits,
- Ensuring that services by the Council are paid up front where possible i.e. housing repairs, rental of meeting rooms etc.
- Ensuring the completion of housing benefit forms IRO temporary accommodation,
- Maximising benefit through prompt completion of benefit forms at tenancy sign-ups,
- Completion of processes and procedures between Departments and debt recovery team to ensure all debt referred / showing as overdue is accurate i.e. all appropriate reminders, efforts to ensure prompt payment, reconciliation of actual payments have been completed prior to referral / when picked up as overdue by the debt recovery team.

An initial measure of the team's performance was created to ensure we could measure progress in data cleansing and moving debt through the recovery process. This indicator measured active and inactive debt. Progress on this indicator is highlighted in the following paragraphs.

The principle of measuring active (also referred to as managed) and inactive (also referred to unmanaged or debt awaiting action) is to instil a set of behaviours and culture around debt management.

- All debt is allocated a recovery stage, which is relevant to the actions currently being taken on that debt.
- All recovery stages, will have clearly defined criteria dictating what action/parameters/process are the agreed behaviours for that stage
- These criteria are regularly reviewed.
- By their nature some recovery stages are unmanaged, i. e. "Returned from bailiffs", these cases have been returned from the bailiffs/enforcement agents as uncollectable, and a decision is required on what the next form of action is required. These cases will not be paid, without further action, hence the need to highlight these cases as part of the reporting mechanism.
- Performance can be measured, and audited, against these criteria, and anything that falls outside these criteria is referred to as unmanaged debt
- It is a fact that pro-actively managing debt generates more income.
- By identifying all unmanaged recovery stages and debt types, we are able to prioritise where our resources are utilised to maximise our income.
- It also assists in identifying "squeeze" points in the process and data to demonstrate poor, or inefficient, processes in the life of the debt as a whole.

After meeting our target on reducing the level of inactive debt, a new set of indicators were created for 2011/12 as follows:

- RB09 – Increased collections against Former Tenant Arrears and Overpaid Housing Benefits. For 2011/12 this is 9% above the amount collected last year, which is reported jointly for Corporate purposes, and individually for the service areas.
- HI21 (Housemark benchmark HMPI330) - Former tenant arrears outstanding as a percentage of the annual rent debit. For 2011/12 this is 2.25%.
- HI22 (Housemark benchmark HMPI320) - Rent written off as a percentage of the annual rent roll. For 2011/12 this is 1.23%.
- RB05 – For Council Tax only. Cash collected and benefit awarded against debit raised in current year. This is a good indicator for demonstrating our performance in meeting the budget requirements. For 2011/12 this is 97.6%.
- RB07 - % Debt Awaiting Action. For 2011/12, this has been reduced to 8%.
- RB08 – For Council Tax only. Cash collected against arrears. This is the amount of monies required to support the income predictions made in the collection fund. For 2011/12 this is £1,270,130.30

Now we have addressed our historical issues, we can focus on reducing debt by ensuring it is either collected or written off. Progress on this will be reported throughout 2011/12. Maximisation of collection across debts remains a priority to ensure we can maximise income used to pay for services.

5.3 As a result of the plan we have completed implementing the following:

- The formalisation of debt recovery processes (overdue debt) through the creation of a corporate debt policy,
- The formation of the Corporate Debt Resolution Group. A cross directorate group which meets monthly to identify trends in customer behaviour, work more closely on joint cases, identify changes to working practices to benefit NBC and Customers as a whole
- Data cleansing and action against old debt continues. An analysis of progress in debt reduction within the IRAS system is shown below: This is all debt from the issue of a level 2 letter, the recovery team's first involvement

	Mar-10	Mar-11	Apr-11	May-11	Jun-11	Jul-11
Pre 07-08	613,897.53	442,858.22	439,022.83	429,953.88	410,412.12	402,588.64
07-08	225,881.06	147,882.14	138,813.67	130,170.64	122,659.47	117,916.33
08-09	344,995.10	138,217.29	128,594.37	125,990.75	116,849.60	103,752.30
09-10	551,858.76	132,219.96	128,187.76	120,690.45	110,793.71	85,096.95
10-11		548,489.32	709,499.47	537,726.36	325,464.31	248,902.34
Total	1,736,632.45	1,409,666.93	1,544,118.10	1,344,532.08	1,086,179.21	958,256.56

Between March 2009 and March 2010 aged debt within IRAS was reduced by £461,330. This outstanding debt has been reduced by a further £594,514 in the period April 2010 to the end of July 2011.

This has been achieved through existing recovery, write off and new arrangements being made. In 2009/10 officers were focused on reviewing and addressing debt for years 05/06 and 06/07, where the bulk of the debt existed. The years prior to this have also been reviewed and analysis indicates that the majority of this debt is in recovery, although the arrangements in place are for nominal payment arrangements either weekly and in some cases monthly.

- A new set of fair debt principles that promote debt avoidance and recovery of single indebtedness has been created.
- In July 2010 we completed the Councils corporate debt policy and fair debt principles. This included an exercise to provide a single view of debtor across the Council and completion of an equality impact assessment. Work in 2011 will focus on embedding fair debt principles to ensure we take a fair approach to debt collection.
- Work on a Single View of Debtor (SVOD) has been developed by the Council in order to facilitate a wide range of activities. These activities aim to save time, increase collection of debts and ensure the Council makes every effort to ensure we recover a fair amount against debtor's total indebtedness. The ability to address the single indebtedness of a citizen, alongside summarizing by groups and areas ensures that we can take a fair and equitable approach to collection.
- Liaison meetings are in place with key service areas to address issues with income collection. These meetings are aimed at working towards reducing debt becoming overdue in the first place and to ensure we collect income efficiently.
- Initial equalities screening of the corporate debt policy. This has included completion of a data merging exercise that looks at debts across the Councils system in a single view. This has enabled us to complete necessary data cleansing, alongside starting work on overlaying debtor information on geographical maps. These maps will then allow us to target areas for benefit take up / debt advice etc.
- We have compiled corporate debt matrix that monitors the % of debt not currently managed within the Council. This offers "at a glance" view of all debt across the Council, along with the current

status of debt. This has improved the way our portfolio holder and management board review our position on debt.

- The aim last year was to significantly reduce the amount of the amount of unmanaged debt and this is demonstrated in APPENDIX D(a) – Managed Debt Analysis 2010/11. By managed we mean either in recovery, with a collection agency, lodged with the court, waiting write off etc. The percentage of unmanaged debt was reduced for Former Tenant Arrears 43.60% to 7.41%, Housing Benefit Overpayments 13.15% to 6.64%, and Sundry Debtors 56.03% to 40.99%, at the end of March 2011.
- Former tenant arrears has seen a reduction in debt awaiting action of £743k (88%) and a reduction in arrears outstanding of £300k, compared with the previous year.
- Overpaid housing benefit has seen a reduction in debt awaiting action of £328k (54%), although this period has seen an increase in monies outstanding of £447k, which demonstrates how difficult it has been to recover this type of debt in the current economic climate.
- Sundry debt has seen a reduction in debt awaiting action of £325k (42%) and a reduction in arrears outstanding of £594k, compared with the previous year.
- APPENDIX D(b) – Managed Debt Analysis 2011/12 demonstrates that this is an embedded process. The increase in FTA and OPHB unmanaged debt is a result in a large number of cases being returned from our enforcement agents as uncollectable. These require court action to take place, as this is a labour intensive process, we have an action plan to undertake this work over the next few months, whilst still maintaining the day to day functions.
- A medium term plan to recruit an additional officer to focus on recovery in 2010 / 11 was agreed. This post increased collection in order to meet the cost of the additional post and realise an overall increase in collection across debts.
- In 2010 following the formation of a new Corporate Debt function in October 2009, the service has reduced the amount of inactive corporate debt from 23% in October 2009 to under 9% in April 2011. This represents over £2 million pounds of debt now being actively pursued.
- Resource within revenues and benefits was shifted to add a further full time post to focus on recovery. This post focused on housing benefit overpayments. Due to the huge increases in caseload throughout the recession this area has seen an

associated rise in overpayments occurring and therefore requires an additional resource.

- Proposed changes to the Councils write off instruction have now been completed. This aids a speedier process in writing off debts owed to the Council.
- Write-offs on all debt types are processed and managed within agreed timescales.

6. Choices (Options)

N/A

7. Implications (including financial implications)

7 Policy

7.1 A Corporate Debt Policy was agreed at the cabinet meeting in July 2010- **APPENDIX A**

7.2 Write off financial instruction has also been reviewed as part of process – **APPENDIX B**

Resources and Risk

In applying a priority to overdue debts across the Council, it will need to be recognised that realistic targets continue to be set for those debts attracting a lesser priority. It should be noted however that the highest priority debts are those that carry statutory enforcement through the courts i.e. rent arrears and Council Tax. Lesser priority debts carry a higher risk to the Council where enforced through the County Court. These are less likely to be recovered and carry a high cost in taking action. As a result the recovery you are likely to achieve can be less than the cost of taking further action. Consideration of debts therefore will always be taken prior to recommending action through the County Court.

Existing corporate debt team and managers within the revenues department will continue to work towards the effective management of debt within the Council. Service areas across the Council will be required to improve processes and procedures.

We are still reviewing the implications of welfare reform on the collection of debts across the Council. Reductions in benefits will start to have an impact in 2011/12 and then properly in 2012/13. It is estimated that for those affected, benefits administered by Northampton Borough Council will reduce by over £2million in 2012/13. Reductions in state benefits may also occur meaning household will have less money to allocate to debts they may owe to Northampton Borough Council.

8 Legal

N/A

9 Equality

An equality impact assessment, initial screening has been completed and a subsequent action plan will be created identifying areas to develop as part of ongoing assessments. The initial assessment can be found at **APPENDIX C**.

An equality screening was completed as part of the creation of the corporate debt policy. A full assessment will be completed in 2011 using data and the factors we will need to consider as we move into a period of large scale reform.

10 Consultees (Internal and External)

We will continue to work closely with the public and the voluntary sector in order to ensure that we take a fair approach to debt recovery.

11 Implications

N/A

12. Background Papers

N/A

Report Author: Robin Bates, Head of Revenues and Benefits, Ian Tyrer, Revenues Manager

NORTHAMPTON BOROUGH COUNCIL CORPORATE DEBT POLICY

30th June 2010

1 INTRODUCTION

- 1.1 The Council levies charges and rent for a variety of services and is responsible for the collection of local taxes. Whilst the majority of income due is paid on time, arrears of payment do arise for a variety of reasons. This policy sets out the principles that will be applied when recovering the unpaid rent or charges.
- 1.2 This policy has been created in order to formalise statutory requirements and best practice across the Council.
- 1.3 The Council outlines, which debts should be given priority for recovery.
- 1.4 As part of this policy an initial equality screening has been completed that looks across all areas of corporate debt recovery. This has been published on the Councils website and can be found, alongside other Equalities impact assessments relating to debt at www.northampton.gov.uk
- 1.5 Monitoring of the application of the policy will take place to ensure that any potential for disproportionate disadvantage is addressed. Modification of the policy will also be considered as part of monitoring of the policy.

2 AIMS

- 2.1 The aims of the corporate debt policy are to:
 - Facilitate a coordinated approach to managing multiple debts owed to the Council
 - Identify where appropriate support, which may be required, to those owing money to the Council and ensure their circumstances are taken into consideration
 - Apply best practice in relation to debt collection

3 SUPPORTING CORPORATE AIMS

- 3.1 The corporate debt policy and supporting principles support the delivery of the following corporate priority outcomes:
 - Improved homes, health and well-being
 - Reducing homelessness
 - Meeting housing needs
 - An efficient, well managed organisation that puts our customers at the heart of what we do
 - Improve our financial management

- A well-regarded organisation
 - Equitable services
 - Efficient and effective management of services
- Strong partnerships and engaged communities
 - Effective working with other public, voluntary and community sectors
 - Understanding our customers

4 SCOPE OF POLICY

4.1 This policy applies to the collection of:

- Council Tax
- Business Rates (NNDR)
- Business improvement district levy (NNDR)
- Council Tenant rents
- Former Council Tenant rents
- Rent for temporary and bed and breakfast accommodation
- Collection of rent bond payments
- Service Charges for leaseholders
- Re-chargeable repairs – current tenants
- Re-chargeable repairs – former tenants
- Housing benefit overpayments
- Sundry debts (i.e. Council services)

4.2 There are separate specific rules and legislation, which govern the enforcement and collection of these debts.

5 PRINCIPLES OF THE CORPORATE DEBT POLICY

5.1 The following principles will be followed when seeking to recover debt from customers:

- Effective arrangements will be in place for access, advice and support.
- Debt recovery action will include, where the need is identified, carrying out an assessment of the customer's ability to pay. This will be based on a version of the Common Financial Statement (A budgetary tool operated by the Money Advice Trust)
- Customers will be advised promptly about the existence of debt
- Recovery action, including the provision of advice will be initiated within statutory periods or as soon as practicable.
- All letters will be clear and will give details of where to obtain advice

- Where customers owe more than one debt to the council, consideration will be given to a hierarchy of debt in order to identify priority debts
- Departments will work together to assess how much a customer can afford to pay
- Enforcement action for recovery will be taken where payment of debts owed to the Council are not secured at an amount agreed between the Council and the debtor
- The needs of customers will be taken into account and particularly where it is identified that customers are vulnerable. It is recognised that vulnerable customers may be less able to manage their financial affairs and additional support may be required. Vulnerable customers identified will be sign-posted to appropriate support agencies. Debt recovery action will take account of the vulnerability, for example, personal visits may be increased, assistance in filling in forms or writing letters may be provided, and liaison will take place with support agencies

Some examples of vulnerability include:

- Young people leaving care or those who have left care and are under 25;
- The elderly;
- Customers with mental health needs affecting their ability to sustain independent living
- Customers with substance misuse, learning disability, or physical disability support needs;
- Victims of Hate Crime;
- Victims of serious anti social behaviour;
- Victims of domestic violence;
- Customers with sensory impairment support needs;
- Customers with serious ill health or HIV/AIDS
- Customers who have been homeless recently
- Each case of vulnerability will be considered based on its individual circumstances

6 ASSESSMENT OF ABILITY TO PAY

- 6.1 Debt recovery procedures will include carrying out an assessment of a customer's income and expenditure, identifying unclaimed benefits, providing advice and assistance with claiming benefits and tax credits and identifying priority and other debts.
- 6.2 Where customers are unable to clear the debt in one lump sum payment, arrangements will be made for payment by instalment. Provided the arrangement is kept to, no further recovery action will take place. Instalment arrangements will be realistic (taking into account income and necessary expenditure) and allow the customer to make reasonable payments to clear all priority debts. Customers with multiple debts will be sign-posted to more in depth advice.

7 HIERARCHY OF DEBT

- 7.1 Some customers will owe more than one debt to the Council, and may be on a low income or experiencing financial hardship. In such cases, it needs to be clear, which debts the Council considers a priority.
- 7.2 Priority will be given to debts where non-payment could lead to loss of the customer's home or imprisonment. These relate to rent arrears and Council Tax, which are most commonly enforced through the courts as per statutory requirements.
- 7.3 Where housing benefit is in payment, recovery will be implemented at a rate that allows reasonable re – payment of other debts.
- 7.4 Other debts owed to the Council will be considered to be of lower priority.

8 ENFORCEMENT

- 8.1 The aim of this policy is to recover debt without having to resort to enforcement action. However, enforcement, including court action, will be necessary where debts are not paid. The Council will use all legal means to recover debts, including:
 - Attachment of earnings orders
 - Deduction from benefits
 - Bailiffs and debt collection agencies
 - Possession proceedings
 - Bankruptcy
 - County court money judgements
 - Committal to prison proceedings
 - Charging Orders
- 8.2 Eviction, committal to prison and bankruptcy are actions of last resort.

APPENDIX B – Fair Debt Principles

Fair Debt Principles

The Council has put into place a corporate debt policy. This policy aims to:

- Facilitate a co-ordinated approach to managing multiple debts owed to the Council
- Identify where appropriate support may be required, to those owing money to the Council and ensure their circumstances are taken into consideration
- Apply best practice in relation to debt collection

The Council takes its financial responsibilities in maximising income very seriously and aims to continually improve its financial management. The Council however is equally serious about its social responsibilities in ensuring that fair debt principles will be considered as part of debt collection.

The Council's aims are shown below:

- A significant proportion of debtors are on low incomes or housing and council tax benefit. Debtors may owe more than one debt to the Council. As a result we will always try to consider their total indebtedness. We will work to:
 - Not add to the debt owed due to inability to pay through additional costs being applied,
 - Not cause arrears to occur elsewhere i.e. through unrealistic recovery rates applied to individual debts,
- Ensure that we facilitate a coordinated approach to sharing information in order to assist in managing multiple debts owed to the Council
- We will be clear and concise in managing debts by:
 - Providing assistance to avoid and minimise debts occurring, through implementation and review of preventative actions taken across the Council,
 - Ensure that appropriate support is given to those owing money to the Council,
 - Consider the circumstances of individuals particularly where it is identified that they are vulnerable,
 - Provide customers with information on where to get help and advice about benefits and debt problems. This will include information and advice from the Council and independent advice from the Citizens

Advice Bureau, Community Law Services, Northampton credit union and other independent advice organisations.

- By providing information on payment options,
- By encouraging self-help,
- We will assist in maximising customers income by:
 - Ensuring we take a proactive approach to advertising eligibility to benefits,
 - Provide information about claiming housing and council tax benefit within arrears letters.
 - Ensure all new Council tenants receive both a housing benefit entitlement check and a financial health check when signing up for their tenancy.
- Work with welfare agencies to ensure that a co-ordinated approach is made in making arrangements to pay a debt. In these cases we will set frameworks that enable arrangements to be made by employees of trusted partners that are implemented by the Council
- Take every opportunity to engage with debtors prior to them incurring additional costs
- Ensure we monitor closely the conduct of bailiff and collection agencies employed by the Council. In all cases of distress (removal of possessions), the following goods will be protected from enforcement:
 - Such tools, books, vehicles, and other items of equipment as are necessary to the debtor for use personally in his employment, business or vocation.
 - Such clothing, bedding, furniture, household equipment and provisions as are necessary for satisfying the basic domestic needs of the debtor and his family.
- The Councils housing solution team provide a money advice service. As part of this service we will consider debts owed to outside agencies alongside Council debts.
- The Councils housing solution team will also work with vulnerable customers who contact the Council, both in terms of those fleeing domestic abuse, young single homeless households, homeless families, people with complex multiple needs, alcohol and or drug addiction, a history of offending, learning difficulties, physical disabilities with mental health needs and advice relating to debt.
- Ensure that the Council's corporate debt policy supports the Council's future financial inclusion strategy.

APPENDIX C – Initial Equality Impact Assessment

Initial Screening- Corporate Debt Policy

Equality Impact Assessment – screening.

Name of Strategy/Policy:

Corporate Debt Policy

Date of Assessment: 19/04/2010

Is this a new or updated Policy? New

How is the Strategy/Policy finalised/adopted:

Cabinet/Board Delegated

Lead Officer conducting the assessment: Robin Bates

Job Title: Head of Revenues and Benefits

Service area: Revenues and Benefits

Contact details: 01604837119

Others involved in the assessment: Finance and Support and Housing.

Identify what the activity is trying to achieve – why is the Policy/activity¹ required

Creation of a policy to ensure that all monies due to the Council are collected efficiently, in accordance with legal requirements and using best practice.

Purpose of the Policy/activity.

Northampton Borough Council is continually working to address equality gaps wherever these may be found. The Council has come a long way and is very proud of the progress made but it recognises that it will need to continue to

¹ Policy/activity in this context includes policies, services, strategies, functions, projects, plans, restructures, major events, etc

work hard to maintain its achievements and progress through the Equality Framework. The Council also acknowledges that in these difficult times, difficult decisions will have to be made. The Council has the ambition that by 2013 it will be excellent in terms of public service. This includes priorities in the financial management of the Council.

Identify the main beneficiaries or people affected by the issue

The policy will affect all areas of the community that have overdue debts to the Council, including those liable due to arrears of:

- Council Tax
- Business Rates
- Business improvement district levy
- Council Tenants
- Former Council Tenants
- Temporary and bed and breakfast accommodation
- Service Charges for leaseholders
- Re-chargeable repairs – current tenants
- Re-chargeable repairs – former tenants
- Housing benefit overpayments
- Sundry debts (i.e. Council services)

What information exists already?

Best practice available in relation to collection of debt and will be reviewed as part of creating the draft policy. Best practice associated with the collection of Housing Benefit overpayments (Key Lines of Enquiry from the Audit Commission) Best practice in the collection of rent arrears from the Audit Commission.

Has any consultation been undertaken on this or related issue?

Yes, although the policy incorporates statutory obligations, considerations of fair debt practices (not increasing the total indebtedness) requirement of court orders, established best practice based on research completed elsewhere on communities akin to Northampton. In particular the following have been consulted on the policy:

- NBC internal departments, in particular finance and housing services,
- The Citizens Advice Bureau,

- Community Law Services,
- Audit Committee.

Are any reports or other relevant documents available from our organisation or from partners or other sources?

NBC Equalities level 3 self-assessment

NBC Equalities level 3 peer review report

Equalities Journey framework

Examples of other Corporate Debt policies

Vulnerable tenants policies etc.

Which parts of the activity have the potential for adverse impact or to discriminate unlawfully?

The policy, procedure or working practice may have a differential impact on people's race, religion/belief, disability, gender, age, sexual orientation or caring responsibilities; which could be positive (it could benefit) or negative (it could disadvantage). The policy, procedure or working practice may also have a neutral impact (no consequences).

	Positive Impact (✓)	Negative Impact (✓)	Neutral Impact (✓)	Reason for Impact	Details of People Impacted (e.g. BME community, wheelchair users, females etc)	Evidence (this may include statistics or data already collected)	Can any positive/negative impact be justified? Is it lawful? (e.g. positive action)
Race	✓				Language Line	Vulnerability trigger	Preventative Action
Religion/Belief			✓				
Disability	✓				A clear route for vulnerable people to obtain help and advice	Vulnerability trigger	Preventative action
Gender			✓				
Age	✓				A clear route for vulnerable people to obtain help and advice	Vulnerability trigger	Preventative action

APPENDIX D(a) – Managed Debt Analysis 2010/11

	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR
TOTAL ARREARS	21,148.5k	20,435.0k	19,288.2k	18,530.0k	17,911.3k	17,019.4k	16,862.9k	16,518.3k	15,435.1k	15,082.5k	14,844.7k	14,616.4k
Awaiting Action	2,342.3k	2,137.1k	2,476.6k	1,805.0k	1,610.3k	1,571.6k	1,444.0k	1,313.2k	1,254.1k	1,335.9k	1,291.0k	1,161.8k
Debt in Progress	18,806.2k	18,297.9k	16,811.6k	16,725.0k	16,301.0k	15,447.8k	15,418.9k	15,205.1k	14,181.0k	13,746.6k	13,553.7k	13,454.6k
% Inactive debt [PI]	11.08%	10.46%	12.84%	9.74%	8.99%	9.23%	8.56%	7.95%	8.13%	8.86%	8.70%	7.95%
CTAX	10,493.0k	10,104.6k	9,863.9k	9,090.8k	8,918.5k	8,654.8k	8,515.0k	8,285.3k	7,438.3k	7,135.0k	6,970.0k	6,806.5k
Inactive	715.8k	520.3k	429.7k	474.5k	266.1k	339.3k	368.6k	289.7k	383.5k	330.0k	401.5k	343.1k
In progress	9,777.2k	9,584.3k	9,434.2k	8,616.3k	8,652.4k	8,315.5k	8,146.4k	7,995.6k	7,054.8k	6,805.0k	6,568.5k	6,463.4k
Inactive debt	6.82%	5.15%	4.36%	5.22%	2.98%	3.92%	4.33%	3.50%	5.16%	4.63%	5.76%	5.04%
NDNR	3,296.4k	3,101.0k	2,553.2k	2,697.4k	2,237.5k	1,918.6k	1,610.6k	1,435.9k	1,242.0k	1,124.6k	1,055.9k	1,263.7k
Inactive	0	0	0	0	0	0	0	0	0	0	0	0
In progress	3,296.4k	3,101.0k	2,553.2k	2,697.4k	2,237.5k	1,918.6k	1,610.6k	1,435.9k	1,242.0k	1,124.6k	1,055.9k	1,263.7k
Inactive debt	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FTA	1,694.6k	1,715.1k	1,739.7k	1,772.4k	1,731.8k	1,531.3k	1,511.4k	1,498.8k	1,537.0k	1,523.2k	1,496.7k	1,396.0k
Inactive	3.0k	2.1k	758.5k	271.7k	202.9k	198.5k	215.5k	178.2k	103.8k	149.0k	88.8k	103.4k
In progress	1,691.6k	1,713.0k	981.2k	1,500.7k	1,528.9k	1,332.8k	1,295.9k	1,320.6k	1,433.2k	1,374.0k	1,407.9k	1,292.6k
Inactive debt	0.18%	0.13%	43.60%	15.33%	11.72%	12.97%	14.26%	11.89%	6.75%	9.79%	5.94%	7.41%
HBOP	3,615.5k	3,622.8k	3,650.0k	3,695.6k	3,610.7k	3,682.3k	3,761.5k	3,875.6k	3,948.6k	4,022.1k	4,077.1k	4,063.7k
Inactive	475.5k	498.2k	500.5k	415.3k	376.3k	418.1k	368.0k	391.3k	384.4k	345.0k	320.6k	270.0k
In progress	3,140.0k	3,124.6k	3,149.5k	3,280.3k	3,234.4k	3,264.2k	3,393.5k	3,484.3k	3,564.2k	3,677.1k	3,756.5k	3,793.7k
Inactive debt	13.15%	13.75%	13.71%	11.24%	10.42%	11.36%	9.78%	10.10%	9.74%	8.58%	7.86%	6.64%
SD	2,048.9k	1,891.4k	1,481.2k	1,273.8k	1,412.7k	1,232.1k	1,464.3k	1,422.5k	1,269.0k	1,277.4k	1,244.8k	1,086.3k
Inactive	1,148.0k	1,116.3k	787.9k	643.6k	764.9k	615.5k	491.9k	453.8k	382.4k	511.8k	480.0k	445.2k
In progress	900.9k	775.1k	693.3k	630.2k	647.8k	616.6k	972.4k	968.7k	886.6k	765.6k	764.8k	641.1k
Inactive debt	56.03%	59.02%	53.19%	50.52%	54.14%	49.96%	33.59%	31.90%	30.13%	40.06%	38.56%	40.99%

APPENDIX D(b) – Managed Debt Analysis 2011/12

	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR
TOTAL ARREARS	19,131,164.26	18,858,181.21	17,853,179.21	18,300,059.15								
Awaiting Action	1,471,739.54	1,344,078.03	1,130,889.67	1,194,845.75								
Debt in Progress	17,659,424.72	17,514,102.79	16,722,289.15	17,105,213.40								
% Inactive debt [PI]	7.69%	7.13%	6.33%	6.53%								
CTAX	9,861,307.81	9,312,253.91	8,965,582.52	8,798,625.29								
Inactive	388,267	302,148	357,223	330,884								
In progress	9,473,041	9,010,106	8,608,360	8,467,742								
Inactive debt	3.94%	3.24%	3.98%	3.76%								
NDR	2,523,997	2,419,223	1,949,323	2,031,969								
Inactive	0	0	0	0								
In progress	2,523,997	2,419,223	1,949,323	2,031,969								
Inactive debt	0.00%	0.00%	0.00%	0.00%								
FTA	1,414,084	1,390,874	1,422,396	1,400,314								
Inactive	121,473	112,976	157,715	191,959								
In progress	1,292,611	1,277,898	1,264,681	1,208,355								
Inactive debt	8.59%	8.12%	11.09%	13.71%								
HBOP	4,078,858	4,132,484	4,281,919	4,245,479								
Inactive	365,030	300,500	351,403	363,711								
In progress	3,713,828	3,831,984	3,930,515	3,881,768								
Inactive debt	8.95%	7.27%	8.21%	8.57%								
SD	1252917.31	1603345.85	1233958.23	1823672.56								
Inactive	596,969	628,454	264,548	308,293								
In progress	655,948	974,892	969,410	1,515,380								
Inactive debt	47.65%	39.20%	21.44%	16.91%								

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NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Decent Homes Risk Assessment
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	26 September 2011
Policy Document:	No
Directorate:	Housing
Accountable Cabinet Member:	Councillor C. Malpas

1. PURPOSE

1.1 To enable the Committee to consider the Decent Homes risk assessment

2. RECOMMENDATIONS

2.1 The Committee is recommended to note and comment on the risk assessment in appendix 2.

3. ISSUES AND CHOICES

3.1 Report Background

3.1.1 The Council is required to bring all its properties up the Decent Homes standard. The original deadline for this was 2010. This was extended to 2012 but many authorities were unable to finance the level of work required to meet the standard. The standard is attached in appendix 1.

3.1.2 At the end of March 2010, 48% of the Council's stock was non decent. At the end of March 2011, the figure was 51%. The age of various elements in the building is taken into account and more properties fall into non-decency every year.

3.2 Issues

3.2.1 In December 2010, the government invited bids for additional funding to meet the Decent Homes standard. The Council has been awarded £49.3 million and this will enable all properties to be made decent by the end of March 2015.

3.2.2 The money is available in phases from April 2012 as below. The first year is guaranteed, but the last two years are subject to confirmation from government.

2012/13	£4.5 million
2013/14	£14.76 million
2014/15	£30 million

3.2.3 Decent Homes was previously been flagged as a high risk area in the departmental risk register, particularly before backlog funding was secured. A separate risk assessment just for Decent Homes has been developed and is attached in appendix 2.

4 BACKGROUND PAPERS

A Decent Home
Definition and Guidance
Department of Communities and Local Government

Report Author: Christine Ansell
Head of Landlord Services
Ext 8584

APPENDIX 1: DECENT HOMES STANDARD

In order to be decent a home should be **warm, weatherproof and have reasonably modern facilities**. The following is an extract from the Department of Communities and Local Government Decent Homes guidance.

A home is considered “Decent” if:

1. A) IT MEETS THE CURRENT STATUTORY MINIMUM STANDARD FOR HOUSING

Dwellings that fail to meet this criterion are those containing one or more hazards assessed as serious (‘Category 1’) under the Housing Health and Safety Rating System (HHSRS).

B) It is in a reasonable state of repair

Dwellings which fail to meet this criterion are those where either:

- One or more of the key building components are old and, because of their condition, need replacing or major repair; or
- Two or more of the other building components are old and, because of their condition, need replacing or major repair.

Building components include walls, roofs, windows, doors, chimneys, central heating boilers, gas fires, storage heaters, plumbing and electrics. A component is considered old if it exceeds its standard expected lifetime as defined by DCLG in its guidance.

C) It has reasonably modern facilities and services

Dwellings that fail to meet this criterion are those that lack three or more of the following:

- A reasonably modern kitchen (20 years old or less);
- A kitchen with adequate space and layout;
- A reasonably modern bathroom (30 years old or less);
- An appropriately located bathroom and WC;
- Adequate insulation against external noise (where external noise is a problem); and
- Adequate size and layout of common areas for blocks of flats.

A home lacking two or fewer of the above is still classed as decent, therefore it is not necessary to modernise kitchens and bathrooms if a home meets the remaining criteria.

D) It provides a reasonable degree of thermal comfort

This criterion requires dwellings to have both effective insulation and efficient heating.

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Corporate Scoring Matrix

Impact	5 <i>Catastrophic</i>	5	10	15	20	25
	4 <i>Major</i>	4	8	12	16	20
	3 <i>Moderate</i>	3	6	9	12	15
	2 <i>Minor</i>	2	4	6	8	10
	1 <i>Insignificant</i>	1	2	3	4	5
		1 <i>Rare</i>	2 <i>Unlikely</i>	3 <i>Possible</i>	4 <i>Likely</i>	5 <i>Almost certain</i>
		Probability				

Categories

Probability Guideline

- Customers/citizens
- Communication
- Corporate
- Environmental
- Financial
- Health and Safety
- Human Resources
- IT
- Legal
- Partnership
- Political
- Property and Assets
- Reputation
- Service Delivery/business interruption
- Strategic
- Suppliers/contractors

- Rare <5%
- Unlikely 6 – 20%
- Possible 21 - 50%
- Likely 51 – 80%
- Almost Certain >81%

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Decent Homes Risk assessment

At the beginning of 2010/11 the Housing Risk register showed that there a very high risk that the decent homes standard would not be achieved. This individual risk assessment has been produced to control that risk

The situation has now changed with the award of the backlog funding and work in progress shows that decency can be reached by the end of March 2015. However, risks still need to be managed.

ID	Risk	Risk owner	Risk Cause (as a result of)	Risk Impact (which may result in)	Inherent Risk Scores (assume no controls)			Mitigation Actions and Controls			Actual Risk Scores (current position)			Residual Risk Scores (after mitigating actions and controls)			Action Due Date	Progress update and estimated completion date	Date Action Completed
					Impact (1-5)	Probability (1-5)	Score (1 x P)	Impact (1-5)	Probability (1-5)	Score (1 x P)	Impact (1-5)	Probability (1-5)	Score (1 x P)	Impact (1-5)	Probability (1-5)	Score (1 x P)			
1	Decent Homes not achieved	Christine Ansell	Withdrawal of backlog funding. The funding is guaranteed for 2012/13 but indicative for 2013/14 and 2014/15. If government faces more economic pressures than it anticipated this could result in backlog funding being withdrawn.	Decency would be delayed until 2017 and would have to be financed from the HRA. This would reduce funding for other projects, such as regeneration. This could have a detrimental effect upon Tenant satisfaction	4	4	16	Ensure spend of grant in 2012/13. Poor performers may be targeted for reductions if government finances are under pressure. Ensure that returns to government are made on time and with the detail required. This will maintain the government's positive view of NBC performance in this area.	4	3	12	4	2	8	Christine Ansell	End March 2013	All returns have been submitted on time to government. Contractors are already in place to deliver work for 2012/13	Partially complete - remainder not yet due	
2	Decent Homes not achieved	Christine Ansell	Contractors not in place to deliver the programme	Government backlog funding could be delayed or withdrawn	4	4	16	Contractors already in place for 2012/13. Procurement timetable in place for recruitment of contractors by OJEU process. Progress monitored by Housing Finance Programme meeting.	3	2	6	3	1	4	Christine Ansell	End March 2013	Procurement will commence in September for external recruitment of contractors.	Partially complete - remainder not yet due	
3	Programme not delivered to time	Christine Ansell	Delayed start to contracts	Underspend resulting in risk of government funding being withdrawn	4	4	16	Ensure contractors are allowed sufficient setting up time and that contracts awarded well in advance of start dates.	2	1	3	2	1	1	Christine Ansell	Dec-13	Contracts in place and work taking place under these for 2011/12 and 2012/13. Procurement programme in place for 2013/14 and 2014/15	Partially complete - remainder not yet due	
4	Tenants not fully engaged	Christine Ansell	Tenants not included in planning for Decent Homes	Tenants unhappy with specification or unhappy with expectations have not been identified or met. Potential for damage to Council's reputation.	4	3	12	Tenants were involved in procurement of current contracts and will be involved in procurement process in terms of specifying the contract, visiting potential contractors and giving their views to be taken into account as part of the valuation process.	3	2	6	3	1	4	Christine Ansell	Dec-12	Tenants involved in current phase and tenant steering group being set up.	Partially complete - remainder not yet due	
5	Insufficient staff to support the delivery of the programme	Christine Ansell	Over the next four years approximately £50m will be spend on Decent Homes. Existing resources insufficient to manage the programme	Risk of delay to works taking place, resulting in loss or reduction of government grant, insufficient financial controls in place to manage budget.	5	4	20	Backlog funding bid includes 30% for on costs to cover costs such as these. Need for additional staff identified and in place. This will increase in 2012. Additional resources in place for asbestos surveys.	3	3	9	3	1	4	Christine Ansell	Jul-12	Job descriptions completed and evaluated; four additional staff in place already. Remainder will be in place next year.	Partially complete - remainder not yet due	
6	Contractors fail to deliver according to the contract terms	Christine Ansell	Poor performance by contractors. Insufficient monitoring and management of contracts.	Detrimental impact on tenant satisfaction. Impact on Council's reputation. Spend not achieved resulting in loss or reduction of govt funding.	5	4	20	Robust procurement process to ensure contractors have capacity and ability to deliver a programme of this size. More than one contractor in place so that delays by one can be covered by another. Key performance indicators to identify progress; regular meetings with contractor's directors at the Decent Homes Core Group (meetings to examine performance, spend, discuss progress. Regular site meetings with contractors by Housing Asset management staff; Clear management responsibilities designating lead personnel to manage each contract.	3	2	6	3	2	6	Christine Ansell	on going	Arrangements already in place on going. for contract for £22m awarded last year to two contractors. Decent Home governance process in place. Monthly core group meetings held with Directors of the contractors.	on going.	
7	Budget over or under spend	Christine Ansell	Lack of financial control	Budget not monitored with potential for over or under spend. Inaccurate payments made.	4	4	16	Lead officer identified for each contract. Budget profiled over year. Regular site visits and post inspections of all works by NBC before payment made. Procedures in place for contract management. Monthly monitoring and projection of spend.	3	1	4	3	1	4	Christine Ansell	on going	Processes in place for current contract	on going.	
8	Ineffective communication with contractors	Christine Ansell	Poor communication with contractors	Delays in work, potential for underspends and overspends issues not resolved as they arise and develop into major problems. Risk to Council's reputation	4	4	16	Clear lines of communication and responsibility specified. Structure of meetings set up with contractors at a range of level to monitor and to aid communication. Meetings take place at site level and also with contract directors and the Head of Service	3	2	6	2	1	3	Christine Ansell	on going	Governance and meeting structure set up	on going.	

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Appendices
1



NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Internal audit progress report
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	26 September 2011
Policy Document:	NO
Directorate:	Finance and Support
Accountable Cabinet Member:	Councillor Alan Bottwood

1. Purpose

1.1 To provide the Audit Committee with a report summarising progress made against the approved internal audit plan for 2011/12.

2. Recommendations

2.1 Receive the report.

3. Issues and Choices

3.1 Report Background

3.1.1 Introduction

The report is produced to inform the Committee on internal audit activity in the current year up to the date of the Committee meeting.

3.1.2 2010/11 TeamCentral Report

We have included a report in Appendix 1 detailing progress against recommendations raised within our 2010/11 audit work.

3.1.3 2011/12 Plan Outturn

We have undertaken work in accordance with the 2011/12 Internal Audit Plan which was presented to the Audit Committee at its meeting in March 2011.

We have issued final reports for the following reviews:

- The void properties review (**11_12 NBC Voids 02**) focussed on controls in place over the management of void council houses. The review focussed on void operational management, void management information and cost control. We identified seven findings, one of which was deemed to be high risk. We identified that management information on voids is undermined because data on the Integrated Business Solutions (IBS) housing system is wrong in a number of cases and unlettable periods have been calculated incorrectly. This makes the Council's performance look better than it actually is. The root cause is that IBS is not updated fully when properties become lettable following unlettable periods, such as when major works have occurred.

Our overall report classification for voids was **high risk**.

- The recruitment review (**11_12 NBC Recruitment 03**) focussed on recruitment guidance and support, vacancy advertising and the selection process. We did not identify any critical or high risk issues. We identified two medium and two low risk issues. The medium risk issues related to
 - policies and procedures required updates to reflect current processes and controls
 - recruitment procedures were not always followed by recruiting managers, which indicated that additional training may be required to reinforce the procedures

Our overall report classification for recruitment was **medium risk**.

We have issued draft reports for the following reviews:

- Risk Management and Business Continuity
- Treasury Management
- Expenses

We have also completed our work on procurement and issued a draft report. The Authority has identified new interim management arrangements for procurement. We anticipate reporting our findings to the next Audit Committee.

3.2 Issues

3.2.1 As detailed in the report

3.3 Choices (Options)

3.3.1 N/a

4. Implications (including financial implications)

4.1 Policy

4.1.1 No implications other than enabling monitoring of internal audit reporting performance.

4.2 Resources and Risk

4.2.1 Risks may be highlighted as a result of audit issues being reported.

4.3 Legal

4.3.1 N/a

4.4 Equality

4.4.1 N/a

4.5 Consultees (Internal and External)

4.5.1 Director of Finance and Support and Head of Finance.

4.6 Other Implications

4.6.1 N/a

5. Background Papers

5.1 Appendices to the report

- Appendix 1 – TeamCentral report summary

Other individual internal audit reports are available if required.

Chris Dickens
Senior Manager
PricewaterhouseCoopers LLP
01509 604041

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Appendix One

TEAMCENTRAL 30th August 2011

Year	Number of recommendations made	Implemented / Closed	Outstanding
2010/11	124	101	23 – (0 overdue)

The table above shows the position as at the 30th August 2011.

Note:

- Only finalised reports are being tracked through TeamCentral
- All recommendations for 2009/10 have been marked as implemented on Teamcentral
- The 2010/11 recommendations are detailed in the table below:

2010/11 Recommendation Status

Review and number of recommendations still pending as at 10 June 2011	Responsible HoS	Total Outstanding	Outstanding & overdue	Outstanding but not yet due	Total Implemented
Project : 10_11 NBC 04 -NNDR (3)	Robin Bates	1	0	1	2
Project : 10_11 NBC 08 - Creditors (IBS) (15)	Christine Ansell	3	0	3	12
Project : 10_11 NBC 11 -General Ledger (9)	Bill Lewis	1	0	1	8
Project : 10_11 NBC 12 -Temporary Accommodation Follow Up (3)	Fran Rogers	3	0	3	0
Project : 10_11 NBC 13 -Home Renovation and DFG Follow Up (2)	Fran Rogers	2	0	2	0
Project : 10_11 NBC 14 -Debtors (11)	Bill Lewis	1	0	1	10
Project : 10_11 NBC 15 –Payroll (11)	Bill Lewis	7	0	7	4
Project : 10_11 NBC 25 – Project Governance (3)	Cara Boden	3	0	3	0
Project : 10_11 NBC 17 – Backup and Recovery Controls (2)	Marion Goodman	2	0	2	0

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Appendices: 1



NORTHAMPTON
BOROUGH COUNCIL

Item No.

9

AUDIT COMMITTEE REPORT

Report Title

Annual Governance Statement 2010/11

AGENDA STATUS:

PUBLIC

Audit Committee Meeting Date:	26 th September 2011
Policy Document:	No
Directorate:	Finance and Support
Accountable Cabinet Member:	Cllr Alan Bottwood

1. Purpose

- 1.1 To present the Annual Governance Statement 2010/11 to the Audit Committee and request approval of the Statement.

2. Recommendations

- 2.1 To consider and approve the Annual Governance Statement;

3. Issues and Choices

3.1 Report Background

- 3.1.1 The Outline Annual Governance Statement was brought to Audit Committee on 25th July 2011 and the Committee was asked to identify areas of concern for inclusion in the Statement and to review the outline Statement and identify if additional comment or content is required on the areas considered in the Statement. The Committee did not propose any changes at that stage.
- 3.1.2 Following Audit Committee, the Outline Annual Governance Statement was considered by Internal Audit; proposed responses to the significant governance issues have been amended and agreed by the lead officers in those areas and the report has been passed to the Council's Monitoring Officer. The Statement attached at Appendix 1 incorporates all changes requested at the time of publication.

- 3.1.3 The Council must publish an Annual Governance Statement. For 2010/11, this statement must accompany the Statement of Accounts, but does not need to be included in the Statement of Accounts.
- 3.1.4 The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure, to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance.
- 3.1.5 In many organisations the system (and statement) of internal control is often seen as an audit or finance function. The responsibility properly 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.
- 3.1.6 Audit Committee are requested to Consider and approve the Annual Governance Statement 2010/11 (attached at Appendix 1)

3.2 Issues

- 3.2.1 The significant governance issues are detailed in section 6 of the document at Appendix 1.

3.3 Choices (Options)

- 3.3.1 None

4. Implications (including financial implications)

4.1 Policy

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

4.2 Resources and Risk

- 4.2.1 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

- 4.3.1 There are no specific legal implications arising from this report.

4.4 Equality

4.4.1 There are no specific equalities implications arising from this report.

4.5 Consultees (Internal and External)

4.5.1 None at this stage.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 Protecting and enhancing the reputation of Northampton Borough Council.

4.7 Other Implications

4.7.1 Not applicable

5. Background Papers

Appendix 1 –Annual Governance Statement 2010/11

Bill Lewis
Head of Finance, ext 7167

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NORTHAMPTON BOROUGH COUNCIL ANNUAL GOVERNANCE STATEMENT 2010/11

1 Executive Summary

This document describes Northampton Borough Council's governance arrangements and assesses how closely the Council aligns with good practice. In overall terms this is a positive statement for the financial year 2010/11. This document relies on several assurance mechanisms including the internal audit annual review, internal audit reports throughout the year, the Statement of Accounts, Audit Committee, the overview and scrutiny process and external audit.

External audit is undertaken by the Audit Commission and provides assurance on the controls the Council has in place. Where the auditor identifies weaknesses in the Council's arrangements, these are highlighted in the Annual Audit and Inspection Letter. The Council received an unqualified audit opinion on its 2009/10 accounts, the latest ones published.

The statement reports positive progress on the three significant issues that arose as part of last year's statement:

- Debtors
- Uniclass Creditors
- Grounds Maintenance

There are three significant areas raised for the financial year 2010/11:

- IBS creditors
- Debt recovery
- Expenses

2 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. Overview and challenge of the Council's management of risk is performed by the Audit Committee.

Northampton Borough Council has, through its cross party Constitutional Review Working Group, agreed a local code of corporate governance which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE) Framework 'Delivering Good Governance in Local Government' from 2007. A copy of the local code is on the Council's website at www.northampton.gov.uk.

This Annual Governance Statement explains how the Council has complied with the code and also 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.

3 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 2010 and up to the date of the approval of the 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.

4 The Governance Framework

The Constitution is the relevant governance document and the Code of Governance forms part of it. The Council's Governance Framework derives 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 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 and the key elements of each of those core principles are as follows.

4.1 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's strategic objectives are set out in the Corporate Plan 2011-14 which was adopted by the Full Council at its meeting on 28th February 2011. These objectives are based around the three headings:

- You
- Your Town
- Your Council

Progress against the plan is monitored via the Council's Corporate Performance Framework which integrates financial and service planning. The Council's annual financial planning process is driven by the council's Medium Term Financial Strategy to ensure that the future priorities and ambitions are resourced.

Partnership working is an increasingly important way in which Local Government can deliver more efficient and effective services to local residents. The Council is a member of a number of partnerships with organisations across the local area, and in some cases is also the lead authority with responsibility for establishing and leading some of these partnerships.

The Council has adopted a Partnerships Protocol over the last year. The protocol establishes minimum standards of governance and management to be followed by partnerships in order to satisfy the Council that the partnerships are being well run and are delivering benefit to the Council and the residents of the Borough. The protocol outlines key requirements for initiating, approving, setting up, operating, reviewing and exiting partnership arrangements including the Governance Arrangements to be adopted.

The Council maintains a database of all partnerships it is involved in. This contains details of the Council's representatives in the partnership, the Council's contribution, the name of the lead organisation, the resources committed by the Council and the risk register. The Council evaluates each partnership to assess the risks and rewards to the Council and local communities, including legal issues, insurance, implications arising from the Councils Constitution, the Councils own processes and applicable protocols, financial regulations, issues of partnership procurement and whether the benefits from the partnership are likely to justify the costs involved in membership. The viability and validity of continuing with any partnership is reviewed on a regular basis as part of the ongoing service planning process.

The Council undertakes a significant number of consultations with customers. To facilitate this, the Council has adopted a consultation strategy, toolkit and web based portal. This process sets out a clear methodology for defining aims and objectives, resourcing the consultation, defining the level and method of consultation required, identifying whom to consult, ensuring inclusivity, planning the consultation, using the results, and evaluating the effectiveness of the consultation. Through adopting this methodology, the Council can be sure that consultations are more focussed and effective.

The Council has 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 through the performance management framework. A service plan is in place for each of the Council's service areas and the objectives set out in the Corporate Plan are embedded in these plans. 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.

A Management Board Data Set is reported on a monthly basis to Management Board and performance data is included in monthly dashboard monitoring reports to Cabinet. Service plans are reviewed at Departmental Management Teams, ensuring 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.

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 2010/11 with the updated financial regulations being approved by Council in May 2011. Revised procurement rules were adopted in March 2008. 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.

The Council's Risk Management Strategy, which incorporates business continuity management, has been further improved in 2010. 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 registers comprehensively refreshed on an annual basis as part of the Service Planning process and are updated monthly at Departmental Management Team meetings. This enables risks to be associated clearly to objectives and priorities, providing management with valuable monthly reporting information and ensuring resources are targeted to the priorities and objectives most at risk.

The Council has approved critical functions and business continuity plans for these functions are well developed across the authority. A high proportion of these plans have been tested. These business continuity plans are currently being reviewed and a Corporate Business Continuity Plan is being drafted. Assurance on the Council's risk and business continuity function is provided through regular verbal and written updates to the Audit Committee and through internal audits.

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

4.2.1 The Constitution

The Council has adopted a Constitution, which sets out how the Council operates, how decisions are made and the procedures that 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 Constitution has been reviewed and a revised Constitution adopted in May 2011.

4.2.2 The Cabinet

Cabinet is responsible for making executive decisions 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 non-key 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 in order to achieve the Council's ambitions.

4.2.3 Management Board

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 2010/11. Management Board considers other internal control issues, including strategic risk management, performance management, compliance, efficiency and value for money, and financial

management. Management Board has a corporate responsibility for the messages that the Council puts out, both internally and externally.

4.2.3 Corporate Briefing

This group consists of Management Board members and also all Heads of Service. The meetings are diarised fortnightly 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

4.2.5 Directorate Management Team

Each Directorate has a Directorate Management Team where the Director and Heads of Service meet to discuss Management Board feedback, council wide and service specific matters. These meetings ensure that:

- Directorates contribute to Management Board, Corporate Briefing and other teams/groups
- Feedback from Management Board, Corporate Briefing and other teams/groups is communicated within the Directorate
- Communication of corporate requirements within and between teams within the respective directorate occurs
- Service area performance is reviewed through Performance Report Packs

4.2.6 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.

4.2.7 Project Initiation Group

During 2009/10 the Project Initiation Group (PIG) was formed. This group reviews all new change plan initiatives and all existing live projects currently in progress. The group ensures that correct project management principles are applied, using the standard templates that have been introduced. The group will review and challenge where necessary, ensuring that the projects are robust, financed, managed appropriately, authorised and necessary.

4.2.8 Other Groups

There are also corporate groups for equalities, comprehensive performance assessment use of resources, ICT Exchange Group, Procurement Monitoring Group (PMG) to name a few.

4.2.9 Codes and Protocols

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

4.3 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 and Support, 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.

The Council has a Standards Committee which is responsible for: -

- Ensuring Councillors and other representatives are trained to carry out their duties effectively;
- Advising on the Members' Code of Conduct and helping Councillors and other representatives to understand what their duties are in relation to the Code;
- Investigating complaints received about elected Borough and Parish Council Members;
- Monitoring the operation of the Code;
- Conducting local hearings and determination of sanctions should a breach of the Code of Conduct be found;
- Granting dispensations to Councillors, co-opted members from requirements relating to interests set out in the Members' Code of Conduct;
- Advising the Council on other Codes and Protocols forming the authority's ethical framework;
- Considering arrangements for the appointment of Independent Members to the Committee;
- Ensuring the authority operates within a robust corporate governance framework; and
- Considering any report referred to it by the Cabinet or any other Committee where there are implications for ethical standards and report back as appropriate.

The Council's internal auditors carried out an electronic governance survey in March 2010, as part of the planned 2009/10 audit work. A similar survey was carried out in 2006/07, which was compared with the 2009/10 results. In summary, the results

indicate that perceptions of the strength and quality of governance have increased for Members and senior management as a whole since the 2006/07 survey.

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 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 Corporate 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.

The Council's external audit services are provided by the Audit Commission, who audit the statement of accounts, grant returns, whole of government accounts and national fraud initiative.

4.4 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:

4.4.1 Cabinet

Cabinet makes executive decisions.

4.4.2 Planning Committee

Planning Committee determines planning applications and related matters.

4.4.3 Standards Committee

Standards Committee promotes, monitors and helps to maintain 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;

4.4.4 Audit Committee

Audit Committee provides 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;

The Audit Committee has become a very effective committee meeting. During 2010/11, the committee has again monitored the delivery of internal audit recommendations. The Committee has requested officers to attend where recommendations have not been implemented by the due date. This extends to audit reports that have a no or limited assurance rating or where there is a significant high risk recommendation. This supports a good internal control framework.

The Committee also reviews risk registers, approved the 2009/10 Annual Governance Statement (AGS) and Statement of Accounts and will approve these for 2010/11. The committee received its annual training from internal audit in March 2010.

4.4.5 Licensing Committee

Licensing Committee monitors and reviews the effectiveness of the Council's licensing policy and procedures.

4.4.6 General Purposes Committee

General Purposes Committee, which is a sub-committee of full Council, makes decisions which are not the responsibility of the Executive or other committees,

4.4.7 Appointments and Appeals Committee

Appointments and Appeals Committee has responsibility for appraising senior officers and dealing with certain disciplinary and grievance matters.

4.4.8 The Overview and Scrutiny Committee

In May 2010 the Overview and Scrutiny Structure changed. One Overview and Scrutiny Committee was established which sets up time-limited Scrutiny Panels to carry out in-depth Reviews. The Overview and Scrutiny Committee comprises fifteen Members. The Scrutiny Panels now hold their meetings in public and individuals are encouraged to attend.

Some of the Overview and Scrutiny Committee responsibilities are:

- **Co-ordinating Work Programme** – to co-ordinate the work plan to avoid duplication and ensure joint working, or other suitable arrangements.
- **Allocation of Resources** – to consider the overall work loads of Scrutiny Panels and to agree the allocation of resources to each Panel according to need on an equal basis.
- **Involvement of other People in the Overview and Scrutiny Process** – to review arrangements for involving Councillors or people outside the Council, in the Overview and Scrutiny process, such as by co-option, or setting up working parties which include outside representatives and be responsible for agreeing appointments of external parties to relevant Scrutiny Panel.
- **Training and Development** – to review training needs of Overview and Scrutiny Committee Members and of Councillors and Council employees generally in relation to the Overview and Scrutiny process; and to consider the development of operational styles and techniques to aid the usefulness and effectiveness of the Overview and Scrutiny process.
- **Appoint three Overview and Scrutiny Panels**
- **Policy Development and Review** – The Overview and Scrutiny Committee may assist the Council and Cabinet in the development of its Budget and Policy Framework by in-depth analysis of policy issues by a variety of methods.
- **Support Needs** – To consider any general issues which arise with regard to the levels of co-operation and support which the Overview and Scrutiny Committee and Scrutiny Panels receive from other parts of the Council.

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 agenda, 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.

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. There were four Call-In Hearings during 2010/2011, which demonstrates that the decision-making process is transparent and open to challenge.

Overview and Scrutiny becomes involved with decisions at an appropriate early stage to apply real influence and therefore play the important role of ‘critical friend’ to Cabinet. The first piece of pre-decision scrutiny work that the Overview and Scrutiny Committee undertook, early in 2010/2011, was looking at the Delapre Abbey Options Appraisal. The Committee undertook five pre-decision scrutiny activities during this year and already has one pre-decision scrutiny activity programmed for 2011/2012.

A key example of pre-decision scrutiny was on the Environmental Services Procurement. Cabinet agreed that the Council’s waste, grounds and street care services should be market tested. The procurement would be undertaken in partnership with Daventry District Council. This project was recognised as being a major procurement initiative for the Council. In addition to its large scale and ambitious scope, it presented the added challenge of being undertaken in partnership with another Local Authority. Its outcomes had the potential for a major impact on key factors, i.e. customer experience, finance and organisational reputation. Risk and legal implications were noted as potential concern. For these reasons, the process was selected for pre-decision scrutiny by O&S. A non-Executive from Daventry District Council was co-opted to the pre-scrutiny activity.

Upon completion of the pre-decision scrutiny process, O&S was satisfied a thorough process had been undertaken to determine the preferred bidder for the award of the proposed joint contract and was satisfied that robust mechanisms would be developed to ensure that costs and benefits would be appropriately shared between the two partner Councils and neither Council would in any way subsidise (or be subsidised by) the other. This pre-decision scrutiny activity demonstrates non-Executives influencing organisational culture at the Council.

During 2010/11, the scrutiny panels reviewed the following areas: -

- **Northamptonshire Alcohol Strategy** – to review the local delivery of Northamptonshire Alcohol Strategy in Northampton

- **Commissioning Framework for the Voluntary and Community Sector** – To investigate the development of a Commissioning Framework for the Voluntary and Community Sector.
- **Absence Management** – To evaluate the impact that staff absence has upon service delivery.
- **Neighbourhood Model** – To investigate which groups will be engaging with and who the Council will be working with.
- **Lease between Northampton Borough Council and Northampton Town Football Club and the contractual arrangements between Northampton Town Football Club and the Rugby and Northampton Athletics Club** – To review the operation of the lease that Northampton Borough Council has with Northampton Town Football Club, the contractual arrangements between Northampton Town Football Club and the Rugby and Northampton Athletics Club, and make recommendations for improvement to the facility, if appropriate.

4.5 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 2010/11. The developments focused on three key areas: Knowledge briefings, personal skills development and Committee Development Sessions. Some topics covered in knowledge briefings were: Emergency Planning, Community Safety, and Financial Budgets & Service Planning. Personal skills development was identified through Personal Development Reviews (based on the IdeA competencies). These ranged from IT skills to developmental conferences. Training was conducted for Committee members in the areas of Planning, Licensing, Standards & Overview & Scrutiny.

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

The Council's community engagement activities have been brought together into one overarching strategy. The key principles of the strategy are that:

- All communities should be involved in the decisions that affect them
- All communities deserve high quality public services, shaped around their needs
- Council policies and strategies should reflect local priorities, requirements and aspirations.

The Community Engagement Strategy recognises the diversity of our communities, the importance of community capacity building and the need to provide appropriate opportunities for customers and communities to participate at whatever level they wish to influence service delivery, decision making and policy development.

The Community Engagement Strategy aims to support strong, active and inclusive communities, who are informed and involved in decision-making and enable us to improve public services to enhance quality of life in Northampton. By this we mean:

- strong communities, who can form and sustain their own neighbourhoods, bringing people together to deal with their common concerns
- active communities, where people are supported to improve quality of life in their own communities

- influential communities, where all sections of the community feel they have opportunities to be involved in decision-making and influence public services

5 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 2010/11 for a review is below.

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

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 2010/11 to ensure it was accurate and reflected current best practice and legal requirements and a revised Constitution was approved by Full Council on 14th March 2011.

The Council's Overview and Scrutiny (O&S) Committee is described above and is a very effective model, both for pre-decision investigations, and for a call-in process to scrutinize decisions of the executive. The annual report of the Overview and Scrutiny Committee was presented to Cabinet on 11th July 2011.

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.

The Audit Committee has been very effective during 2010/11. An example is that all outstanding Internal Audit recommendations are reviewed at each meeting. Senior officers are requested to attend the committee to explain why recommendations have not been implemented within the agreed timescales. The Committee, through its review of outstanding recommendations, has assisted in drastically reducing the number of overdue recommendations.

Internal Audit, under the terms of engagement, is 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 2010/11 the audit plan was agreed at the Audit Committee meeting on 22nd March 2010.

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 Annual Report for 2010/11 was reported to Audit Committee on 27th June 2011. In this report, Internal Audit noted excellent progress in some areas, including:

- **Bank Reconciliations** – where Internal Audit found that “The Authority has successfully made significant changes to this process over the last two years and we can now conclude that bank reconciliations are well controlled.”
- **Fixed Assets, Housing Benefits and IT Backup and Recovery** – where Internal Audit found that “We were able to provide high assurance opinions for all three of these areas.”
- **General Ledger and Cash Collection** – where Internal Audit found that “We identified an overall improvement in control for both these audits.”

In 2009/10 Internal Audit provided a ‘No assurance’ opinion for three audits and this resulted in their limited assurance opinion on the system of internal control.

In 2010/11 however, no internal audit reports were issued with a no assurance opinion which indicates improving levels of control at the Authority. Internal Audit have, however, provided ‘Limited’ assurance opinions for Expenses, IBS Creditors and Debt Recovery. The Authority has further work to do in these areas to address the control weaknesses identified. These issues are identified in more detail below.

Therefore, on the basis of their conclusions, Internal Audit gave **moderate** assurance on the design, adequacy and effectiveness of the system of internal control at the Council. Internal Audit noted this significant improvement on their prior year assessment and

recognised the improved control framework that is now in place. Internal Audit provide 'moderate' assurance in our annual opinion where they have identified mostly low and medium rated risks during the course of their audit work on business critical systems, but there have been some isolated high risk recommendations and the number of medium rated risks is significant in aggregate. The level of their assurance is therefore moderated by these risks and so they cannot provide a high level of assurance.

The Internal Audit service is subject to a review by the council's external auditors, the Audit Commission, 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 of Finance and Support, the Head of Finance and external audit.

6 Significant Governance Issues

6.1 Review of the previous year's Significant Governance Issues

The 2009/10 statement highlighted significant control weaknesses in the following areas:

Significant Control Weakness areas	Update
<p>Core Financial Systems:</p> <p>Debtors</p> <p>Uniclass Creditors</p>	<p>A moderate assurance opinion was provided by internal audit for Debtors in 2010/11. This was a significant improvement on the no assurance opinion in 2009/10</p> <p>The Uniclass system has been replaced by the IBS system, which is detailed within 'This Year's Significant Governance Issues' below</p>
<p>Other Systems Audits:</p> <p>Grounds Maintenance</p>	<p>The aspects of the service which had significant control weaknesses have now been outsourced through a competitive dialogue procurement process. The work is therefore now controlled through contract monitoring processes which include monthly reported performance data against targets. The Environmental Services Contract monitoring arrangements are programmed to be reviewed during 2011/12.</p>

It should be noted that the 2008/09 statement highlighted significant control weaknesses in Uniclass Creditors system which was reported again 2009/10 due to the delay in the implementation of the IBS system. However, the replacement for the Uniclass Creditors system, IBS Creditors, has been reported in 2010/11 (below).

6.2 This year's Significant Governance Issues

Significant control weaknesses in relation to the following services for 2010/11 were identified by Internal Audit and highlighted to the Audit Committee at its meeting of 27th June 2011 in the Annual Audit Report.

Significant Control Weakness areas	Action to address weakness
<p>IBS creditors: There was no review or authorisation of new suppliers on the IBS system, increasing the risk of false suppliers being created</p> <p>The following value for money issues were identified:</p> <ul style="list-style-type: none"> • 4 significant contracts between the Authority and their • suppliers had expired. • There was no preferred supplier listing in place. • The Authority did not use any purchasing consortium. 	<p>New procedure agreed and in place: No new suppliers will be added by finance without a signed authorisation form which will contain at least two signatures</p> <p>This will be addressed by the Stores Strategic Business Review (SBR) and the DSO SBR. The SBRs are due to commence during 2011/12.</p> <p>Since these are long term projects, interim arrangements will be put in place with interim short term contracts; Void works have been tendered and there is, therefore, a preferred supplier system in place for voids.</p>
<p>Debt recovery A high number of control issues around delays within the debt recovery process were identified, increasing the likelihood that debts won't be collected. Specifically these were around: Backlogs for Former Tenant Arrears and Housing Benefit overpayments;</p> <p>Accountability for Sundry Debts; and</p> <p>Bailiff performance</p>	<p>For former tenant arrears and housing benefit overpayments, all backlogs have been cleared. All cases are monitored on a monthly basis.</p> <p>For sundry debts, the Director now writes to Heads of Service to ensure accountability for their debts is highlighted and understood.</p> <p>Bailiff performance to be addressed as part of contract management.</p>
<p>Expenses The Authorised Signatory List was out of date and poorly organised meaning that signatures authorising expenses claims could not be checked properly.</p>	<p>The authorised signatory list has been updated, and payroll has been given a copy of the new updated Authorised signatory list.</p> <p>If an expense form is received and it is authorised by a person not on the authorised signatory list it will be returned and not processed.</p>

The Council proposes to address the above matters, as set out in the table, to further enhance governance arrangements. The Council is satisfied that these steps will address the need for improvements that were identified in the review of effectiveness and the progress of these will be monitored during the year and their implementation and operation will be reported on as part of our next annual review.

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

Signed:

Signed:

Date:

Date:

Councillor David Palethorpe
Leader of the Council

David Kennedy
Chief Executive

Signed:

Signed:

Date:

Date:

Isabell Procter
Director of Finance and Support
(S151 Officer)

Francis Fernandes
Borough Solicitor
(Monitoring Officer)

Northampton Borough Council has, through its cross party Constitutional Review Working Group, agreed a local code of corporate governance which is scheduled to be adopted by Full Council in July 2010. The code format is based on 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.

Appendices



Audit Committee

Report Title	Statement of Accounts 2010/11
---------------------	--------------------------------------

AGENDA STATUS: **Public**

Audit Committee Meeting Date:	26 th September 2011
Policy Document:	No
Directorate:	Finance and Support
Accountable Cabinet Member:	Cllr Alan Bottwood

1. Purpose

- 1.1 To present the audited and amended Statement of Accounts 2010/11 to Audit Committee.

2. Recommendations

- 2.1 That the Audit Committee approves the Statement of Accounts (Appendix 1), subject to any changes arising from the consideration of the report of the external auditor.
- 2.2 That the Audit Committee approves the Council's Letter of Representation (Appendix 2).

3. Issues and Choices

3.1 Report Background

- 3.1.1 The draft Statement of Accounts 2010/11 were authorised to be made available for audit, and following that the accounts have been open to public inspection and have been audited by the Council's external auditors, the Audit Commission.
- 3.1.2 There were no issues raised by the public during the period of public inspection.
- 3.1.3 The Audit Commission have completed their audit and have produced their report to those charged with Governance; the Annual Governance Report,

otherwise known as the ISA 260 which is considered elsewhere on this agenda.

- 3.1.4 Following the audit, it is standard practice for the auditors to request a letter of representation, attached at Appendix 2.

3.2 Issues

- 3.2.1 Changes, which have been made to the Statement of Accounts, are detailed in the Annual Governance Report on pages 16 to 17.

- 3.2.2 The Council's auditors have identified a number of improvements which the Council could make for next year and these are shown in the Annual Governance Report on page 23.

3.3 Choices (Options)

- 3.3.1 Audit Committee are asked to approve the Statement of Accounts 2010/11 and the Letter of Representation.

4. Implications (including financial implications)

4.1 Policy

None

4.2 Resources and Risk

4.3 Legal

The Council must publish the approved Statement of Accounts by 30th September.

4.4 Equality

None

4.5 Consultees (Internal and External)

Members of the Public during the Statutory Period of Public Inspection.

4.6 How the Proposals deliver Priority Outcomes

None

4.7 Other Implications

None

5. Background Papers

- 5.1 Office working files including evidence

Bill Lewis, Head of Finance. Ext. 7167



NORTHAMPTON
BOROUGH COUNCIL

Statement of Accounts 2010/2011

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A. Auditor's Report

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 2010 to 31st March 2011.

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 (as amended by later updates), the Council is required to make reasonable endeavours to have the Statement of Accounts audited and received and approved by the end of September 2011. The responsibility for approval is delegated to the Audit Committee. The Audit Committee are due to meet and approve the accounts at its meeting on 26th September 2011 to include any changes arising from the audit of the accounts. The Council's Chief Financial Officer approved the accounts for publication on (to be inserted).

This foreword outlines the key individual statements that comprise the Statement of Accounts, including a description of their purpose and the relationship between them. It also highlights the main activities/variations that took place during 2010/11 in each of the main activity areas.

2. The Statements

The detailed accounts and related information are shown on pages 19 to 134 and consist of the following: -

Core Financial Statements

Movements in Reserves Statement (pages 19 to 21)

This statement shows the movement in the year on the different reserves held by the authority, analysed into: -

- Usable Reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and
- Unusable Reserves.

The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The "Net Increase/Decrease before Transfers to Earmarked Reserves" line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Comprehensive Income and Expenditure Statement (page 22 to 23)

This statement summarises the transactions, shown on an accounting basis in line with the requirements of International Financial Reporting Standards (IFRS), undertaken in the year to provide services to the public. This statement does not show in detail the amount of funding from local taxes and general government grants. Authorities raise taxation to cover expenditure in accordance with regulations which may be different from the accounting cost. The taxation position is shown in the Notes to the Core Statements.

Balance Sheet (page 25)

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less

B Explanatory Foreword

liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes:

- reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and
- reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Cash Flow Statement (page 27)

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources, which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

Notes to the Core Statements (pages 29 to 120)

This section comprises the recommended notes to the Movements in Reserves Statement, the Comprehensive Income and Expenditure Statement, 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 121)

The HRA Income and Expenditure Account shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Statement of Movement in the Housing Revenue Account Reserve. The HRA accounts do not form part of The CIPFA Code and so the presentation adopted is the same as in previous years, following UK GAAP.

Movement in Housing Revenue Account Reserve (pages 123 to 124)

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 HRA Accounts (pages 125 to 130)

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

B Explanatory Foreword

The Collection Fund Income and Expenditure Account (page 131)

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

Notes to the Collection Fund (pages 133 to 134)

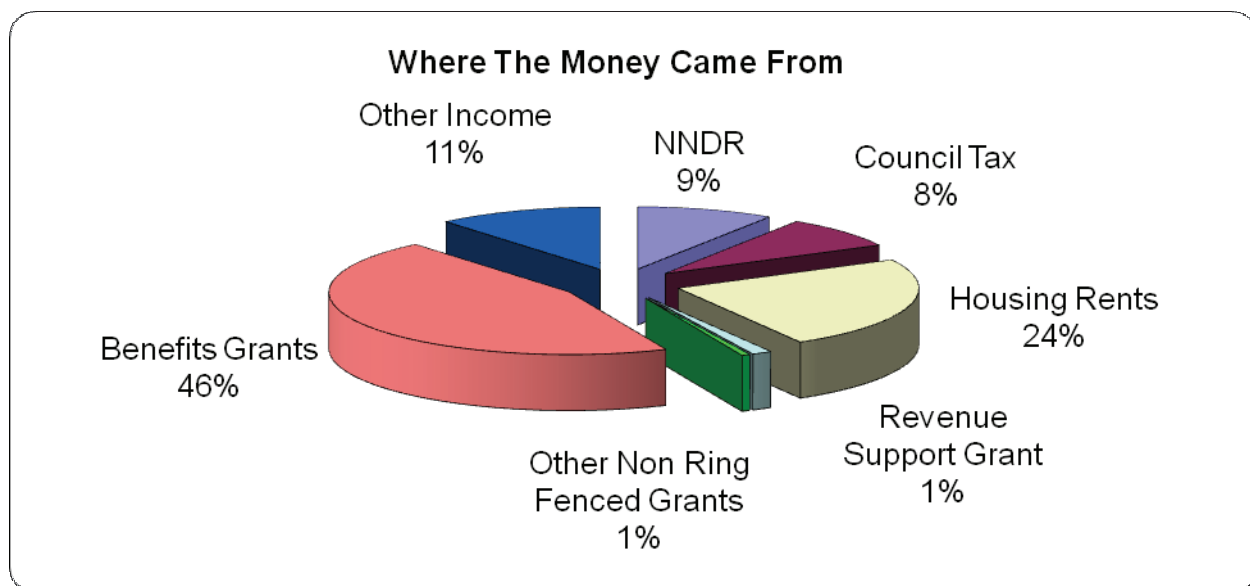
This section comprises the recommended notes to the Collection Fund supplementary financial statements.

3. Financial Summary 2010/11

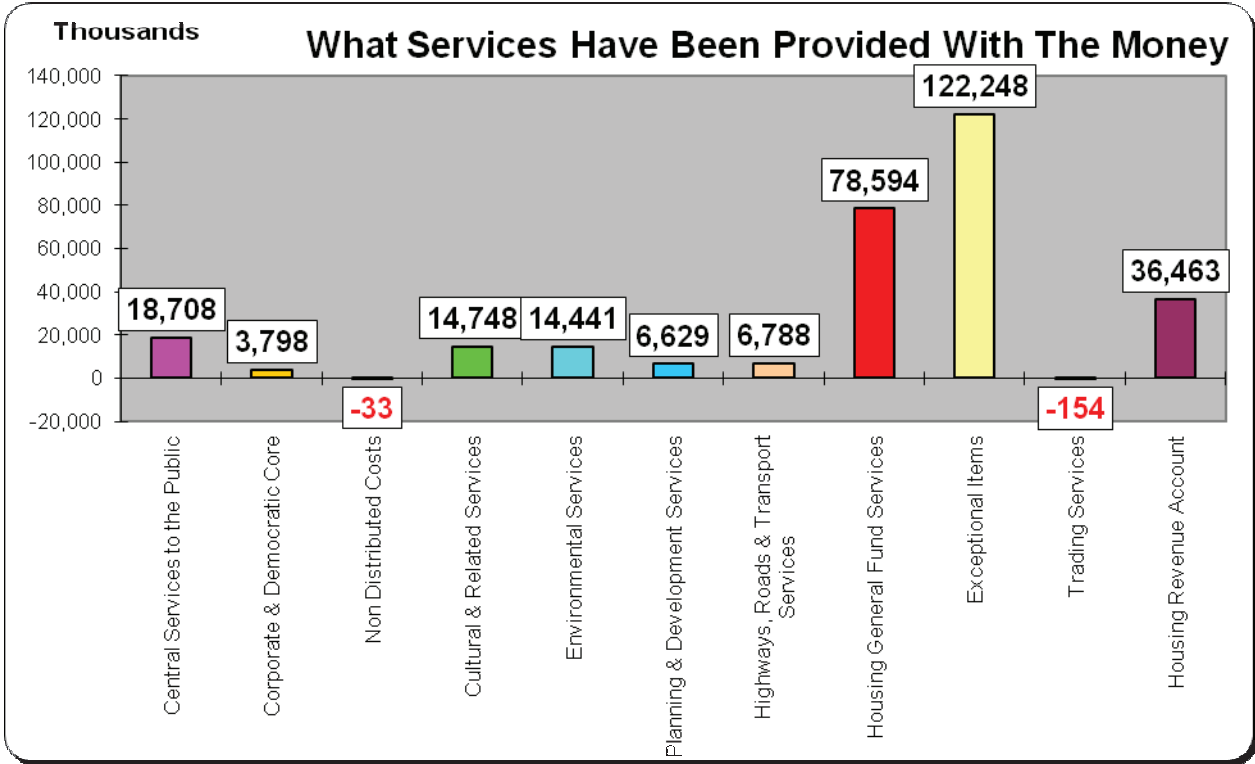
This section shows service expenditure, interest payable, other operating costs, income from grants, local taxpayers and other sources compared in overall terms to the budget.

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 accounts for 2010/11 (i.e. both General Fund and HRA).



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B Explanatory Foreword

b) General Fund Account

The following table summarises the position for the General Fund for 2010/11. 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	40,003	38,890	-1,113
Interest & Capital Financing Adjustments	-5,399	-4,660	739
Total Net Expenditure	34,604	34,230	-374
Income			
National Non Domestic Rates	-16,535	-16,535	0
Revenue Support Grant	-2,401	-2,401	0
Non Ringfenced Grants	-988	-988	0
Met by local Council Taxpayers	-14,951	-14,951	0
Collection Fund Deficit	171	171	0
Total Income	-34,704	-34,704	0
(Surplus)/Deficit for the year	-100	-474	-374
Balance brought forward		-2,198	
Balance carried forward		-2,672	

Variations to Budget

After taking account of contributions to reserves and balances, the Council's General Fund working balance was increased by £474k. This is after making a net contribution to General Fund earmarked reserves of £2,657k to mitigate some specific business risks.

There were a number of variances that have contributed to this position, which are listed below. Further details of these variances can be found in the Council's out-turn reports which were considered by Cabinet on 27th July 2011.

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Under (-) / Over spends	£000s
Reserve Movements	1,096
Provisions	86
Interest and Debt Management	-361
Support Services	594
Electoral Services	-145
Meeting Services	-68
Communications	-64
Community Centres	-199
Asset Management	-192
Building Control	-112
Development Control	-68
Financial Services	-71
Non Distributed Costs	-153
Concessionary Fares	-344
Office Accomodation	-73
Information Technology	-237
Benefits	-80
Revenues	388
Land Charges	-66
Events	-70
Leisure Centres	363
Domestic Refuse	-155
Head of Environmental Services	260
Westbridge Depot	121
Recycling	-146
Car Parking	-340
Other Variations Each Below +/- £60k	-338
	-374

B Explanatory Foreword

c) Housing Revenue Account

The following table outlines the outturn position for the Housing Revenue Account for 2010/11. 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	200	1,894	1,694
Interest & Capital Financing Adjustments	227	68	-159
(Surplus)/Deficit for the year	427	1,962	1,535
Balance brought forward		-6,855	
Balance carried forward		-4,893	

Variations to Budget

After taking account of contributions to reserves and balances, the Council's Housing Revenue Account working balance was increased by £1,962k. This is after making a net contribution to HRA earmarked reserves of £5.862m to fund the capital programme in future years (£3.841m) and to set up reserves for Self-financing (£2m) and for Supporting People (£500k). A transfer of £119.5k was made from the Service Improvement Reserve to support revenue expenditure during the year.

There were a number of variances that have contributed to this position, the most significant of which are listed below. Further details of these variances can be found in the Council's out-turn reports which were considered by Cabinet on 27th July 2011.

Under (-) / Over spends	£000s
Repairs & Maintenance	-1,061
General Management	-233
Special Services	-857
Contribution to Earmarked Reserves	4,994
Net Recharges for Support Services	-622
Insurance Provision	-335
Interest and Financing	-159
Other Minor Variations	-192
	1,535

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d) Capital Expenditure

Capital expenditure relates to spending on new and improved assets, such as land, buildings, infrastructure, equipment, and IT. It also includes revenue expenditure funded from capital under statute (REFCUS). In 2010/11 the Council spent £20.2 million on capital projects, compared with a budget of £34.6 million.

	Budget	Actual	Variance
	£000s	£000s	£000s
Expenditure			
Housing Revenue Account Schemes	16,674	11,826	-4,848
General Fund Housing Schemes	6,058	3,915	-2,143
Other General Fund Schemes	11,917	4,506	-7,411
Total Capital Expenditure	34,649	20,247	-14,402
Sources of Financing			
Major Repairs Allowance		10,122	
Revenue Contributions to Capital Expenditure		193	
Grants & Contributions		4,038	
Capital Receipts		2,483	
Supported Borrowing		500	
Unsupported Borrowing		2,911	
		20,247	

Capital Variations to Budget

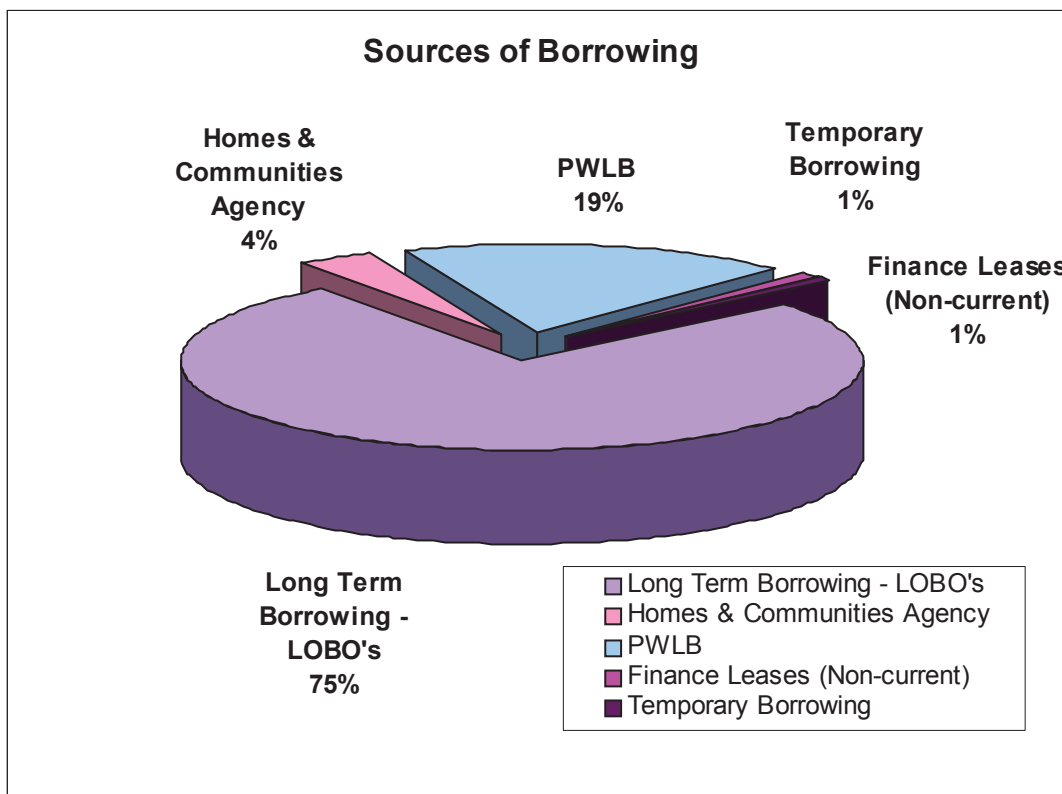
The expenditure on the capital programme was approximately £14.4m below budget for the year. The majority of this variance (12.8m) relates to schemes that are currently underway or are still planned to take place, but effectively “slipped” into the next financial year (i.e.2011/12). The majority of this slippage is due to the timing of approvals and the timescales for letting contracts. The net underspend of £1.6m is due to a combination of lower costs than anticipated and due to the Council not securing “capitalisation directives” as anticipated.

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e) Current Borrowing Facilities

Current borrowing facilities are as detailed below: -

Description	£000s
Long Term Borrowing - LOBO's	24,788
Homes & Communities Agency	1,209
PWLB	6,049
Finance Leases (Non-current)	351
Temporary Borrowing	191
	32,588



Long term borrowing is undertaken to finance capital programme expenditure, both in relation to the historic programme and for future capital schemes up to three years in advance.

Borrowing decisions are made with reference to prudential indicators that ensure that borrowing is prudent, affordable and sustainable. The prudential indicator for net borrowing and capital financing requirement (CFR) is the key indicator of prudence, measuring whether net external borrowing exceeds the closing CFR in the preceding year plus the estimates of any additional capital requirement for the current and next two financial years. The Councils net external borrowing figure of £32.2m falls well within the forward looking CFR forecast of 46.0m (based on prudential indicators agreed by Council in February 2011).

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Capital programme expenditure of £1.8m was financed by borrowing during 2010-11, through PWLB loans taken out during 2009-10. Borrowing was undertaken early to take advantage of favourable interest rates.

No new external borrowing was entered into during 2010-11; the Council's external borrowing was reduced by £80k through repayment of the annual amount due on the annuity loan from Homes and Communities Agency; and payments on finance leases (£64k). The amount of temporary borrowing increased by 11k.

The current net book value (fair value) of the Council's property plant and equipment (non current assets) is £468m, of which £361m relates to council dwellings.

4. Significant Changes in 2010/11

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. None of these are unusual in scale when considered in the context of the Council's normal activities.

Capital Expenditure	
	£000s
Housing Revenue Account	
Council Housing	11,359
Information Technology	355
Other Housing	112
	11,826
General Fund	
Information Technology	1,374
Market Square	191
Corporate Buildings	1,486
Leisure and Community Facilities	770
Recycling Facilities	114
Community Safety Schemes	20
Other Capital Works	507
Revenue Expenditure Funded from Capital under Statute	3,959
	8,421
	20,247

b) Accounting Policies

in 2010/11, local authority accounts have moved from being presented on a UK GAAP (UK Generally Accepted Accounting Policies) basis to an IFRS basis. The impact of changes in accounting policies will be detailed in the notes to the financial statements. This means that the format of the accounts has changed radically. IFRS requires accounts to be produced as if they had always been produced on an IFRS basis.

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Therefore the previous years comparative figures have been restated from the UK GAAP basis to an IFRS basis. Due to statutory mitigations, although there are significant changes to presentation, there are no material impacts on the General Fund and Housing Revenue Account balances. Details of any changes are included in the section on accounting policies and the note on Prior Period Adjustments, Adjustments Relating to Previous Years, and the reconciliation of UK GAAP to IFRS.

c) Statutory Functions

There have been no changes to the statutory functions of the Authority for 2010/11.

d) Unusual charges or credits in the accounts

In 2010/11, the Council is in receipt of a backdated refund and associated interest from HMRC relating to VAT overpaid in previous years on sporting services and car parking charges. This refund is one-off and amounts to approximately £1.25m in respect of overpaid VAT and £1.17m for the interest element of the claim.

In addition to this the Councils accounts reflect a past service gain in pensions of £29.2m (Note 43 defined Benefit Pension Schemes refers).

5. Other Matters of Note

a) Pensions Liabilities and Assets

Retirement Benefits that are promised to employees under the terms of the pension scheme are recognised as a liability on the Council's balance sheet. Liabilities are measured on an actuarial basis, estimating the future cash flows that will arise. The Council's share of the investments held in the pension scheme is measured at fair value at the date of the balance sheet. Details of the Council's pensions assets and liabilities can be found in note 43 to the financial statements.

b) Significant Provisions or Contingencies and Material Write-offs

The Council makes a provision to cover future insurance liabilities where values can be reasonably estimated. Details of this provision, and all other provisions made by the Council, are shown in note 22 to the Core Statements.

The only significant contingency item reported in the accounts (at note 44 and 45 to the Core Statements) relates to interest on section 106 deposits. Section 106 agreements are made where a developer has to pay for additional costs of services relating to their development, i.e. new parks requirements. This interest will only become due if the Council fails in its obligations under the section 106 agreements. Since it is unlikely that the interest will become payable, the Council has chosen to report this as a contingent liability. This is not a new contingent liability for this year.

There have not been any material write offs in the year. There has been impairment of £152m in relation to Council Dwellings due to a change in the Existing Use Value (EUV) calculation. The percentage used in 2010/11 is 34% compared to 50% in 2009/10.

c) Current Economic Climate

The main impact to the Council of the current economic climate has been on loss of interest due to the general reductions in interest rates. This impacted on the Council during 2009/10 and the effect has been to reduce interest on investments from £3,518k

B Explanatory Foreword

in 2008/09 to £757k in 2010/11; 2009/10 had a part year impact of the reductions in rates. This impact has been managed through savings and efficiencies made generally across the Council.

d) Adequacy of Reserves

An appropriate level of reserves was determined by a professional judgement based on local circumstances including overall budget value, risks and robustness of budgets, major initiatives being undertaken, budget assumptions, available earmarked reserves and provisions, and the Council's historic record of effective budget management.

The Chief Financial Officer has developed a risk management approach to the level of reserves and determined that the minimum level should be £3m, and reserves should be built up to this level over the longer medium term.

In arriving at the recommendation on the minimum prudent level of reserves strategic, operational, and financial risks have been taken into account, as has the robustness of estimates information (above) and guidance from CIPFA and Government on Treasury risk.

In addition, earmarked reserves are held against specific risks and known expenditure commitments.

6. Conclusion

On the General Fund, the Council has managed to deliver an outturn at less than budget for 2010/11, allowing the Council to increase its level of working balances towards its risk assessed level of £3m and increase the level of earmarked reserves needed to support future expenditure and mitigate against future business risks. This is against a backdrop of an increasingly challenging funding regime, which presupposes continuing efficiency savings from council services and significantly cut the amount of government grant for 2011/12 and onwards. The Council is committed to continuing its programme of strategic business reviews, which will drive out further efficiencies and will allow the Council to meet the financial challenges ahead.

During 2010/11, the Council managed to increase General Fund working balances to £2.7m whilst also contributing a net of £2.7m to General Fund earmarked reserves to mitigate some specific business risks. This is testament to the strong financial control operated by the Council and to the ability of service managers to deliver services, aided by strong support services, in a difficult economic climate.

The Capital Programme is under-spent in 2010/11 against budget, however this is largely to do with timing; a major housing contract started late in the year and will continue into 2011/12. 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 HRA finance reform is due to be in place for 2012/13 and the Council is monitoring the developing position on this.

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

B Explanatory Foreword

resources. The level of working balances and the risk mitigation provided by reserves should enable the Council to concentrate on improving its services and improving the overall efficiency of the Council in line with priorities.

7. Further Information

Further information about these accounts is available from: -

Bill Lewis Head of Finance Northampton Borough Council The Guildhall, St Giles Square Northampton NN1 1DE	Isabell Procter Director of Finance & Support Northampton Borough Council The Guildhall, St Giles Square Northampton NN1 1DE
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Interested members of the public have a statutory right to inspect the accounts before the audit is completed and the availability of the accounts was advertised in the local press and on the Council's website in order to facilitate this.

C. Statement of Responsibilities

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 the Chief Financial Officer, 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 Chief Financial Officer

In preparing this Statement of Accounts, the Chief Financial Officer has:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice on Local Authority Accounting.

Certificate

I certify that this Statement of Accounts gives a true and fair view of the financial position of the authority at the reporting date and of its income and expenditure for the year ended 31st March 2011.

Isabell Procter Section 151 Officer
Date

C. Statement of Responsibilities

D Core Financial Statements

D1 Movement in Reserves Statement

The Movement in Reserves Statement (MiRS) shows the movement in the year on the different reserves held by the authority, analysed into:

- Usable Reserves – those that can be applied to fund expenditure or reduce local taxation); and
- Unusable Reserves – those that cannot be applied. These comprise of reserves to hold accounting adjustments relating largely to timing differences between when amounts have to be reported as income and expenditure and when those amounts are actually realised.

The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

The Statement is shown on the next two pages.

D Core Financial Statements

D1 Movement in Reserves Statement

	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Earmarked HRA Reserves
	£000s	£000s	£000s	£000s
Balance at 31st March 2009 Brought forward	-1,889	-9,633	-6,241	-8,233
<u>Movement in reserves during 2009/10</u>				
Surplus or (deficit) on provision of services	23,774	0	8,909	0
Other Comprehensive Expenditure and Income	64,827	0	-12,887	0
Total Comprehensive Expenditure and Income	88,601	0	-3,978	0
Adjustments between accounting basis & funding basis under regulations	-92,629	0	339	0
Net Increase/Decrease before Transfers to Earmarked Reserves	-4,028	0	-3,639	0
Transfers to/from Earmarked Reserves	3,719	-3,719	3,025	-3,025
Increase / (Decrease) in Year	-309	-3,719	-614	-3,025
Balance at 31st March 2010 carried forward	-2,198	-13,352	-6,855	-11,258
<u>Movement in reserves during 2010/11</u>				
Surplus or (deficit) on provision of services	-15,119	0	134,973	0
Other Comprehensive Expenditure and Income	-46,856	0	11,174	0
Total Comprehensive Expenditure and Income	-61,975	0	146,147	0
Adjustments between accounting basis & funding basis under regulations	58,844	0	-150,167	0
Net Increase/Decrease before Transfers to Earmarked Reserves	-3,131	0	-4,020	0
Transfers to/from Earmarked Reserves	2,657	-2,657	5,981	-5,981
Increase / (Decrease) in Year	-474	-2,657	1,961	-5,981
Balance at 31st March 2011 carried forward	-2,672	-16,009	-4,894	-17,239

D Core Financial Statements

D1 Movement in Reserves Statement

Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
£000s	£000s	£000s	£000s	£000s	£000s
-3,112	-395	-2,012	-31,515	-547,957	-579,472
0	0	0	32,683	0	32,683
0	0	0	51,940	0	51,940
0	0	0	84,623	0	84,623
1,030	-256	-379	-91,895	91,895	0
1,030	-256	-379	-7,272	91,895	84,623
0	0	0	0	0	0
1,030	-256	-379	-7,272	91,895	84,623
-2,082	-651	-2,391	-38,787	-456,062	-494,849
0	0	0	119,854	0	119,854
0	0	0	-35,682	0	-35,682
0	0	0	84,172	0	84,172
2,082	-3,840	686	-92,395	92,395	0
2,082	-3,840	686	-8,223	92,395	84,172
0	0	0	0	0	0
2,082	-3,840	686	-8,223	92,395	84,172
0	-4,491	-1,705	-47,010	-363,667	-410,677

D Core Financial Statements

D2 Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. This statement does not show in detail the amount of funding from local taxes and general government grants. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Notes to the Core Statements.

2009/10			
Gross Expenditure	Gross Income	Net Expenditure	
£000s	£000s	£000s	
			EXPENDITURE ON SERVICES
17,478	-16,183	1,295	Central services to the public
			Cultural, environmental & planning
12,615	-5,326	7,289	Cultural & related services
14,382	-4,545	9,837	Environment and Regulatory Services
7,397	-2,028	5,369	Planning Services
8,194	-4,801	3,393	Highways, roads & transport
			Housing
53,202	-45,309	7,893	Housing Revenue Account
		0	Exceptional Item - change in valuation basis
71,077	-65,970	5,107	General Fund Housing
2,840	-57	2,783	Corporate & democratic core
380	0	380	Non distributed costs
		0	Exceptional Item - Past Service Gain
583		583	Other Services
188,148	-144,219	43,929	Cost of Services
			Other Operating Expenditure
21,731	-416	21,315	Financing and Investment Income and Expenditure
8,747	-3,032	5,715	Taxation and Non-Specific Grant Income
0	-38,276	-38,276	
		32,683	(Surplus) or Deficit on Provision of Services
		-14,030	Surplus or deficit on revaluation of non current assets
		18,653	Net Operating Expenditure
		0	Surplus or deficit on revaluation of available for sale financial assets - Generally movement in Available for Sale FI's
		65,971	Actuarial gains / losses on pension assets / liabilities
		0	Share of other Comprehensive Expenditure & Income of associates & joint ventures
		84,624	Total Comprehensive Income and Expenditure

D Core Financial Statements
D2 Comprehensive Income and Expenditure Statement

	2010/11			Note
	Gross Expenditure	Gross Income	Net Expenditure	
EXPENDITURE ON SERVICES	£000s	£000s	£000s	
Central services to the public	18,708	-16,933	1,775	
Cultural, environmental & planning				
Cultural & related services	14,748	-5,867	8,881	
Environment and Regulatory Services	14,441	-5,149	9,292	
Planning Services	6,629	-1,888	4,741	
Highways, roads & transport	6,788	-4,877	1,911	
Housing				
Housing Revenue Account	36,463	-44,661	-8,198	
Exceptional Item - change in valuation basis	151,457		151,457	
General Fund Housing	78,594	-72,352	6,242	
Corporate & democratic core	3,798	-101	3,697	
Non distributed costs	-33	0	-33	
Exceptional Item - Past Service Gain	-29,209		-29,209	
Other Services			0	
Cost of Services	302,384	-151,828	150,556	
Other Operating Expenditure	3,246	-2,897	349	9
Financing and Investment Income and Expenditure	6,972	-2,215	4,757	10
Taxation and Non-Specific Grant Income	0	-35,809	-35,809	11
(Surplus) or Deficit on Provision of Services			119,853	
Surplus or deficit on revaluation of non current assets			7,913	
Net Operating Expenditure			127,766	
Surplus or deficit on revaluation of available for sale financial assets - Generally movement in Available for Sale FI's			0	
Actuarial gains / losses on pension assets / liabilities			-43,595	
Share of other Comprehensive Expenditure & Income of associates & joint ventures			0	
Total Comprehensive Income and Expenditure			84,171	

D Core Financial Statements
D2 Comprehensive Income and Expenditure Statement

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D Core Financial Statements

D3 Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

1st April 2009	31st March 2010		31st March 2011	Notes
£000s	£000s		£000s	
619,939	630,778	Property, Plant & Equipment	468,572	12
39,842	7,058	Investment Property	6,664	13
3,734	3,370	Intangible Assets	3,919	14
0	0	Assets Held for Sale	0	20
6,303	0	Long Term Investments	0	15
40	36	Long Term Debtors	33	15
669,858	641,242	Long Term Assets	479,188	
25,715	14,706	Short Term Investments	44,162	15g
0	0	Assets Held for Sale	892	20
441	438	Inventories	502	16
12,760	21,379	Short Term Debtors	8,267	18
20,399	32,809	Cash and Cash Equivalents	34,633	19,15g
59,315	69,332	Current Assets	88,456	
0	0	Cash and cash Equivalents	0	19
-479	-354	Short Term Borrowing	-191	15
-20,054	-11,907	Short Term Creditors	-24,240	21
-225	-230	Provisions	-206	22
-20,758	-12,491	Current Liabilities	-24,637	
0	0	Long Term Creditors	0	15
-1,063	-957	Provisions	-59	22
-26,604	-32,477	Long Term Borrowing	-32,397	15
-101,542	-169,799	Other Long Term Liabilities	-99,872	15
-129,209	-203,233	Long Term Liabilities	-132,328	
579,206	494,850	Net Assets	410,679	
31,249	38,787	Usable Reserves	47,010	23
547,957	456,063	Unusable Reserves	363,669	24
579,206	494,850	Total Reserves	410,679	

D Core Financial Statements

D3 Balance Sheet

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D Core Financial Statements

D4 Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources, which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

2009/10		2010/11	Notes
£000s		£000s	
-32,683	Net (surplus) or deficit on the provision of services	-119,853	
315,258	Adjustments to net surplus on the provision of services for non-cash movements	165,340	
-267,389	Adjustments for items included on the net surplus or deficit on the provision of services that are financing activities	-25,757	
15,186	Net cash flows from Operating Activities	19,730	25
-924	Investing Activities	-34,103	26
-2,847	Financing Activities	16,197	27
11,415	Net Increase or decrease in cash and cash equivalents	1,824	
19,770	Cash and cash equivalents at the beginning of the reporting period	32,809	
31,185	Cash and cash equivalents at the end of the reporting period	34,633	19

D Notes to Core Financial Statements

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D Notes to Core Financial Statements

1 ACCOUNTING POLICIES

1.1 INTRODUCTION

The accounting policies for the authority have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code for Local Authority Accounting. Where there is no specific guidance in the CIPFA Code, the authority has developed its own accounting policy, which is aimed at creating information, which is:

- Relevant to the decision making needs of users; and
- Reliable, in that the financial statements:
- Represent faithfully the financial position, financial performance and cash flows of the entity;
- Reflect the economic substance of transactions, other events and conditions and not merely the legal form;
- Are neutral i.e. free from bias;
- Are prudent; and
- Are complete in all material respects.

This document outlines how Northampton Borough Council (the Council) will account for all income, expenditure, assets and liabilities held and incurred during the 2010/11 financial year. In accordance with IFRS 1 (first time adoption of IFRS), these policies will also apply for the comparative restatement of 2009/10 accounts, and the opening balance sheet restatement of the 2009/10 accounts.

The accounting policies of the authority are updated annually to reflect any changes in IFRS, including changes in International Public Sector Accounting Standards (IPSAS), HM Treasury guidance, CIPFA guidance or any other change in statute, guidance or framework impacting on the authorities accounts.

The accounting policies of the authority as far as possible have been developed to ensure that the accounts of the authority are understandable, relevant, reliable and comparable, and free from material error or misstatement.

A **Glossary of Terms** can be found in section G

1.2 ACCOUNTING PRINCIPLES

a **Going Concern**

The authority prepares its accounts on the basis that the authority is a going concern; that is that there is the assumption that the functions of the authority will continue in operational existence. In the case of a pending local government reorganisation, where assets and liabilities are due to be redistributed, the authority would still account on the basis of going concern as the provision of services would continue in another authority.

b **Accruals Concept**

The authority accounts for income and expenditure in the period to which the service to which it relates has taken place, rather than when cash payments are received or made.

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 respectively. Equally, where cash has been received or paid which is not yet recognised

D Notes to Core Financial Statements

as income or expenditure, a creditor (income in advance) or debtor (payment in advance) is recorded in the Balance Sheet respectively and the Comprehensive Income and Expenditure Statement adjusted accordingly.

c Cost of Services

Internal service costs (e.g. Human Resources) are apportioned across the core service areas to represent the total cost of delivering that service to the public.

This is in accordance with the costing principals of the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to benefits received, with the exception of:

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

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

d Value Added Tax

Income and expenditure treated as either capital or revenue, excludes any amounts related to VAT. All VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it. Any amounts outstanding (payment or receipt) at the year-end date is held as a creditor or debtor after netting off the amounts due / owed.

e Changes in Accounting Policy

Where there is a known future change in accounting policy required by the CIPFA Code, the authority will disclose in the notes to the accounts:

- The nature of the change in accounting policy;
- The reasons why applying the new accounting policy provides reliable and more relevant information;
- For both the current reporting period, and the previous year comparatives reported, the extent to which the change in accounting policy would have impacted on the financial statements if it had been adopted in that year;
- The amount of adjustment relating to years previous to those reported in the set of financial statements, had the proposed policy been adopted retrospectively;
- If retrospective application is impracticable for a particular period, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

The authority will also disclose information relating to an accounting standard, which has been issued but not yet adopted.

f Previous Year Adjustments

Omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- i) Was available when financial statements for those periods were authorised for issue; and
- ii) Could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

D Notes to Core Financial Statements

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Where those errors are thought to be material, an adjustment will be entered into the financial statements comparative year balances, and the columns headed restated. In addition full disclosure as to the nature, circumstance and value of the adjustment will be disclosed in the notes to the accounts.

g Events after the Balance Sheet date

Where there is a material post balance sheet event, a disclosure in the notes to the accounts will be included. If this event provides additional evidence of conditions that existed at the Balance Sheet date, and materially affects the amounts to be included in the accounts; adjusting items will have been shown in the accounts.

h Exceptional and extraordinary items and prior period adjustments

Exceptional and extraordinary items will have been disclosed separately on the face of the Comprehensive Income and Expenditure Statement and details will be disclosed in the notes to the accounts.

i Contingent assets and liabilities

Where the Council has a contingent asset or liability this will be disclosed as a note to the accounts.

Capital Accounting

j Recognition of Capital Expenditure (de-minimus Policy).

In accordance with International Accounting Standard 16 (IAS 16), the council recognises non-current assets when all for of the following tests are met:

- Assets held for use in the production or supply of goods or services, rental to others, or for administrative purposes.
- Assets expected to be used for more than one financial period.
- Assets where it is expected that future economic benefit will flow to the authority.
- Assets where the cost can be measured reliably.

The capital cost of an asset is recognised to be:

- Purchase price, construction cost, minimum lease payments or equivalent including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- Costs associated with bringing the asset to the location and condition necessary for it to be capable of operating in the manner required by management.
- Initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located, the obligation for which the authority incurred either when the asset was acquired or as a consequence of having used the asset during a particular period for purposes other than producing inventories during that period.
- Subsequent expenditure that will substantially increase the market value of the asset.
- Subsequent expenditure that will substantially increase the extent to which the authority can use the asset for the purpose, or in conjunction with the functions of the authority.

D Notes to Core Financial Statements

The authority has a general de-minimus level of £6,000 for capital expenditure purposes. Where an asset has been acquired for less than £6,000 but has been funded by ring fenced capital funding, this will be treated as capital.

Capital Assets are held on the balance sheet as non-current assets, unless otherwise stated.

k Non-Current Asset Classification.

The authority manages its assets in the following categories:

- **Intangible Assets.**

In line with International Accounting Standard 38 (IAS 38), the authority recognises intangible assets as non-monetary assets without physical substance, where that asset meets the capital expenditure criteria set out in accounting policy j.

- **Property, Plant and Equipment Assets.**

Property Plant and Equipment Assets are subcategorised into Operational Land & Building, Community Assets, Vehicles Plant & Equipment, Infrastructure Assets, Assets Under Construction and Non-Operational Assets.

- **Land and/or Buildings Assets**, in line with IAS 16, are recorded, valued and accounted for based on their significant components.
- **Community Assets** are assets that have no determinable useful life and which may, in addition, have restrictions on their disposal. There is little prospect for sale or change of use.

If the asset is used for a specific operational purpose, it does not qualify as a community asset and should be valued accordingly.

Test for Community Assets:

- Is the intent to hold the asset forever?
- Does the asset have an indeterminable useful life?
- Are there restrictions on disposal?

The answers for the first two questions have to be yes, while an affirmative answer to the third question is not obligatory but may help determine the correct classification.

- **Infrastructure Assets**, include all tangible (physical) assets required within the authorities land drainage system, and cemetery roadways. There is no prospect for sale of infrastructure assets; expenditure is only recoverable through continued use of the asset.
- **Vehicles, Plant and Equipment Assets and Assets Under Construction** are also classified as Property Plant and Equipment where they do not meet the criteria for Investment Property Assets or Assets Held for Sale.
- **Surplus Assets** are assets, which the authority no longer operates from, however do not meet the definition of held for sale. All surplus assets are treated in the same way as operational assets of the same type (valuation, depreciation, recognition etc).

D Notes to Core Financial Statements

- **Investment Property Assets**, are items of land and / or buildings held by the authority solely for the purpose of rental income generation or capital appreciation or both.

As such where there is a service of the authority being delivered from the property, this is not classified as Investment Property Assets. This includes where the intention of the asset is to generate economic growth to an area such as below market value rental.

Some Assets Under Construction will also be classified as Investment Property Assets where the intended eventual use is rental income generation or capital appreciation.

- **Assets Held for Sale.**

The authority will classify assets as held for sale where:

- The asset is in the condition required for sale and is vacant.
- The assets sale is highly probable.
- The asset has been advertised for sale and a buyer sought.
- The completion of the sale is expected within 12 months.

Assets which become non-operational / surplus which do not meet all of the requirements set out as assets held for sale continue to be classified and accounted for as their previous category. In addition, if the asset later no longer meets the criteria, it is restored to its previous classification and all transactions, which would have occurred, shall be retrospectively applied as though the asset had never been held for sale. Investment properties, which become available for sale remain as Investment Properties.

Assets meeting the criteria as held for sale are held as current assets on the balance sheet as income is expected within 12 months.

It is possible that assets meet the criteria to be held for sale; however a change in circumstance beyond the control of the authority means that the sale is delayed beyond 12 months. In these instances the authority follows the policies outlined for assets held for sale; however disclosure of the value for these assets is within non-current assets.

I **Non-Current Asset Valuation Methodology.**

The various classifications of assets as outlined in accounting policy k are valued on differing basis. Where not explicitly stated otherwise, property revaluations are completed by an RICS qualified valuer, on a 5 year rolling programme i.e. 20% of the Councils assets are revalued each year.

Where there is an upward revaluation, the carrying value is increased and the associated credit charged directly to the revaluation reserve. This is then reflected in the MIRS as a revaluation gain. Where there is a revaluation, which results in a lower than carrying amount valuation, this is treated in line with accounting policy m impairment of assets.

Valuations are completed as follows:

D Notes to Core Financial Statements

- **Intangible Assets** - the authority recognises Intangible Assets at cost. The authority will revalue intangible assets annually where there is determinable market value for the asset.
- **Property Plant and Equipment** - Property Assets are held at fair value, which is the amount that would be paid for the asset in its existing use. This requirement is met by providing a valuation on the basis of exiting use value (EUV) in accordance with UKPS 1.3 of the RICS Valuation Standards. As a matter of last resort, where no other valuation method can be used, depreciated replacement cost is used.

Vehicles and Assets under construction within PPE are held at fair value.

- **Infrastructure Assets** - the authority recognises Infrastructure Assets at depreciated historic cost (not revalued).
- **Investment Property Assets** - Investment Properties are annually revalued at fair value, which is to be interpreted as the amount that would be paid for the asset in its highest and best use, i.e. market value. This includes investment property under construction. The fair value of investment property held under a lease is the lease interest.
- **Community Assets** - the authority recognises Community Assets at depreciated historic cost (not revalued).
- **Assets Held for Sale** - Assets held for sale are held at fair value.

m Impairment of Non-Current Assets

The accounting policy has been created in accordance with IAS 36

Impairment is the amount to which the carrying amount of an asset exceeds the recoverable amount.

At the end of each reporting period the authority assesses whether there is any indication that an asset may be impaired

The authority recognises impairment as:

- A significant decline (i.e. more than expected as a result of the passage of time or normal use) in an assets market value during the period;
- Evidence of obsolescence or physical damage of an asset;
- A commitment by the authority to undertake a significant reorganisation; and
- A significant adverse change in the statutory or other regulatory environment in which the authority operates.

Where there has been a previous revaluation taken to the revaluation reserve, an impairment up to that value would reverse the previous revaluation. Any further impairment or if there has been no previous revaluation, the impairment is charged to revenue. This is then reversed through the movement in reserves statement and charged to the capital adjustment account.

n Disposal of Non-Current Assets

D Notes to Core Financial Statements

Where an asset is identified as surplus to requirements, and meets the definition of an asset held for sale (see note k) it will be accounted for in accordance with note k, where an asset does not meet the classification of available for sale it will be tested for impairment, prior to being made available for disposal. There will be no impairments at the point of disposal. When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the Comprehensive Income and Expenditure Statement 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.

Sale proceeds in excess of £10,000 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 are credited to the Useable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the councils underlying need to borrow (the capital financing requirement). Receipts are transferred to the Reserve from the movement in reserves statement. The value of the asset is transferred to the capital adjustment account via the movement in reserves statement.

Sale proceeds below £10k are below de-minimus and are credited straight to the Comprehensive Income and Expenditure Statement.

o Depreciation / Amortisation Methodology

In order to recognise the total cost of using fixed assets, the authority has a policy to depreciate assets on a straight-line basis over their useful economic life (taking into account any residual values), reducing the value of the asset, and charging the relevant revenue service expenditure. However, as under statute depreciation is not chargeable to the taxpayer, the authority removes this charge through the Movement in Reserves Statement and charges to the Capital Adjustment Account.

Residual values

Asset Type	Assumed Residual Value
Property Assets	Land Value only
Vehicles, Plant and Equipment	Nil
Intangible Assets	Nil

D Notes to Core Financial Statements

Useful Economic Lives of assets are:

Asset Group	Useful economic Lives (UELS)
Council Dwellings	50 years
Housing Buildings	10-70 years*
Other Buildings	4-69 years*
Land	Not depreciated
Community Assets	15-50 years*
Infrastructure Assets	25 years
Intangible Assets	3-10 years*
Vehicles, Plant & Equipment	3-25 years*
Investment Properties	Not depreciated
Assets Held for Sale	Not depreciated
Surplus Assets	5-60 years*

* Depending on the nature of the specific asset

In the Year of acquisition and disposal, the Authority charges a quarter of the annual depreciation where the asset is owned on the first day of each financial quarter.

p Leases

In line with the interpretation IFRIC 4, the authority recognises a lease to be any agreement, which transfers the right to use an asset for an agreed period in exchange for payment, or a series of payments.

This includes; leases, hire purchase, rental, contracts of service, service level agreements and any other arrangement where the ability to use an asset is conveyed.

q Defining a Finance Lease

A finance lease is where substantially all of the risks and rewards incidental to ownership transfer to the lessee.

Tests to give an indication of the transfer of risk and reward are:

- If the lessee will gain ownership of the asset at the end of the lease term (e.g. hire purchase)
- If the lessee has an option to purchase the asset at a sufficiently favourable price that it is reasonably certain, at the inception of the lease, that it will be exercised
- If the lease term is for the major part of the economic life of the asset even if title is not transferred.
 - The economic life of the asset is deemed to be that which is consistent with the class of asset in the depreciation policy.
 - The authority recognises major part to be 75% of the life of the asset, unless on an individual case basis this would not give a true representation of the substance of the transaction.
- At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.
 - The present value of the minimum lease payments is calculated by discounting at the rate inherent in the lease.
 - If this rate cannot be determined the incremental borrowing rate applicable for that year is used.

D Notes to Core Financial Statements

- The authority recognises “substantially all” to mean 90% of the value of the asset. In some circumstances, a level of 75% can be used if the Council believes that using this level will give a result that better reflects the underlying transaction.
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications.
- If the lessee cancels the lease, the losses of the lessor, associated with the cancellation are borne by the lessee.
- Gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (e.g. in the form of a rent rebate equalling most of the sales proceeds at the end of the lease).
- The lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

A suitably experienced accountant, with assistance from qualified valuers, will make a judgement based on the level of risk and reward held by the authority as to whether an asset is operating or finance.

r Defining an Operating Lease

Any lease which is not a finance lease is recognised by the authority to be an operating lease.

s Lessee Accounting for a Finance Lease

Where the authority is tenant in a property, or is, by definition of IFRIC 4, leasing an asset which is deemed under IAS 17 to be a finance lease the authority will recognise that asset within the asset register, and account for that asset as though it were an owned asset.

The initial recognition of the asset is at the fair value of the asset, or if lower, the present value of the minimum lease payments. A liability is also recognised at this value, which is reduced as lease payments are made. Lease payments made to the lessor, are split between the repayment of borrowings, and interest, which is charged to the Income and Expenditure account.

t Lessor Accounting for a Finance Lease

Where the authority is the lessor for a finance lease, the asset is not recognised in the asset register; however a long-term debtor at the present value of minimum lease payments is recognised. Income received is split between capital - credited against the debtor, and finance income credited to the Comprehensive Income and Expenditure Statement as interest receivable.

u Lessor Accounting for an Operating Lease

Where the authority is the lessor for an operating lease, normally the asset is classified as an investment property. Any rental income is credited to the relevant service income.

v Lessee Accounting for an Operating Lease

Costs associated with operating leased assets where the authority is the lessor are charged immediately to the relevant revenue service expenditure within the net cost of services on an accruals basis.

w Service Concession Agreements (PFI and other similar contracts)

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. PFI and similar contracts are assessed against criteria within IFRIC 12

D Notes to Core Financial Statements

Service Concession Arrangements to determine whether the risks and rewards incidental to ownership lie with the authority or the contractor.

For those, which lie with the contractor, all payments made during the life of the contract are chargeable to revenue as incurred.

For those, which lie with the authority, the authority recognise an asset in the Balance Sheet for the construction costs of the asset. Once recognised this asset is treated in line with all capital assets. A corresponding long-term liability is also recognised at the construction value. Payments made during the life of the contract are split into finance costs, capital costs and service costs. Determining the split of payments is calculated at the inception of the contract and is based on the inherent interest rate within the original agreement. Finance costs are chargeable to the Comprehensive Income and Expenditure Statement as Interest payable. Capital Costs reduce the level of liability in the Balance Sheet. Service costs are chargeable to the relevant revenue service expenditure. Pre-payments or Dowry payments reduce the level of liability at the start of the contract.

PFI Credits are treated as general revenue government grants.

x **Capital Grants and Contributions**

The authority recognises capital grants and contributions as being related to capital assets and uses them to fund capital expenditure on those assets. Grants, contributions and donations are recognised as income at the date that the authority has satisfied the conditions of entitlement, and there is reasonable assurance that the monies will be received.

Any grant received before these recognition criteria were satisfied would be held as a capital grant received in advance. Any grant, which had met the recognition criteria but had not been received, would be shown in the Comprehensive Income and Expenditure Account with a corresponding debtor. This is in line with the accruals concept policy.

Once the recognition criteria above have been satisfied, capital grants are recognised as income in the relevant service revenue account within the net cost of services.

In order to not impact on the level of Council Tax, the authority removes the credit from the General Reserves through the Movement in Reserves Statement, and crediting to the Capital Grants Unapplied Reserve.

Once expenditure has been incurred on the related asset, the credit is removed from the Capital Grants Unapplied Reserve and credited to the Capital Adjustment Account.

Relevant Government Grants are treated in accordance with this policy.

y **Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provisions or that is capital in nature but does not result in the creation of non-current assets has been charged as expenditure to the relevant service revenue account in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Movement in Reserves Statement so there is no impact on the level of council tax.

D Notes to Core Financial Statements

z Minimum Revenue Provision (MRP)

As a result of the changes introduced by International Financial Reporting Standards, some PFI and Leased assets now classified as finance leases are being brought onto the balance sheet. As a result, the authority has adopted the policy of charging MRP for these assets using the asset life method. This method charges MRP at the value of the associated with the asset depreciation each year, thus mitigating the impact to the general fund.

Where a historical debt liability was created prior to 1st April 2008, MRP will be charged at the rate of 4% on the reducing balance, in accordance with option 1 of the guidance, the “regulatory method”.

aa Capital Reserves

The authority holds capital reserves for the purpose of financing capital expenditure. Reserves will be disclosed as either usable (available to fund capital expenditure) or unusable (reserves held as a result of timing differences associated with recognition of capital expenditure and related financing).

Movements in capital reserves are accounted for through the Movement in Reserves Statement.

Revenue Accounting

ab Recognition of Revenue Expenditure.

The authority recognises revenue expenditure as expenditure, which is not capital.

ac Employee Costs

In accordance with IAS 19, the authority accounts for the total benefit earned by employees during the financial year.

Employee Costs are split into 3 categories; short term benefits, termination benefits and pensions costs.

Short-term employee benefits:

- **Salaries and Wages** - The total salary and wages earned by employees within the financial year have been charged to the revenue expenditure account. Where the amount accrued exceeds the amount paid at the 31st March, a creditor will be reflected in the accounts.
- **Leave Owed** - The authority allows employees to earn time off in one period and carry forward amounts of accrued leave into the following period, such as annual leave, flexi-time and time off in lieu. The cost associated with this leave is attributable to the period in which it is earned, rather than when it is exercised. As such a charge has been made to the service revenue account and a creditor accrual has been reflected in the Balance Sheet.
- **Maternity/Paternity Leave** - The obligation upon the authority to allow maternity leave and pay maternity pay occurs in mid stages of pregnancy. The cost associated with this leave is attributable to the period in which the obligation is created, rather than when it is exercised. As such a charge has been made to the service revenue account and a creditor accrual has been reflected in the Balance Sheet for time off owed at the 31st March.

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Termination Benefits

- **Redundancy Costs** - The obligation to pay redundancy costs occurs when there is a formal plan to create redundancies, which has been approved. The plan would include the location, function and approximate number of employees affected; the termination benefits offered; and the time of implementation. When these recognition criteria have been met the authority recognises the costs associated with this in the service revenue expenditure and create a creditor in the Balance Sheet. In the case of an offer to encourage voluntary redundancy, the authority has recognised the estimated cost based on the expected number of employees taking the offer.

- **Pensions Costs**

Employees of the Council are members of the Local Government Pension Scheme administered by Northamptonshire County Council. The Scheme provides benefits to members (retirement lump sums and pensions) earned as employees of the Council.

The Local Government Pension Scheme is a defined benefit scheme. The liabilities of the scheme attributable to the authority 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 earnings for current employees.

Pension liabilities are measured using the projected unit method and discounted at the balance sheet date rate of return on high quality corporate bonds of equivalent term to the liabilities. The discount rate is the weighted average of spot yields on AA rated corporate bonds.

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 Comprehensive Income and Expenditure Statement 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 Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement
- Expected return on assets - the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return - credited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement
- 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 Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Statement of Comprehensive Income and expenditure.

D Notes to Core Financial Statements

- Contributions paid to the Northamptonshire County Council Pension Fund - cash paid as employers contributions to the Pension Fund.

In relation to retirement benefits, statutory provisions require the General Reserves to be charged with the amount payable by the council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. Adjustments are therefore made in the Movement in Reserves Statement.

- **Early Retirement, Discretionary Payments** - the authority 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 (including teachers) 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.

ad Revenue Grants and Contributions

Grants, contributions and donations are recognised as income at the date that the authority has satisfied the conditions of entitlement, and there is reasonable assurance that the monies will be received. Any grant received before these recognition criteria were satisfied would be held as a creditor (income in advance). Any grant, which had met the recognition criteria but had not been received would be shown as a debtor. This is in line with the accruals concept policy.

Revenue grants will either be received to be used only for a specific purpose, or can be used for general purpose. Those for a specific purpose are recognised as income in the relevant service revenue account (wherever the related expenditure is incurred) within the net cost of services. Those, which are for general purpose, are shown in the foot of the Comprehensive Expenditure and Income Statement, before the net surplus or deficit.

ae Provisions

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 the authority recognises an obligation, based on the best estimate of the likely settlement. When payments are eventually made, it is charged to the provision. Estimated settlements are reviewed at the end of each financial year and adjustments with the service revenue account are made as required.

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.

af Revenue 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

D Notes to Core Financial Statements

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 £3m. For affordability reasons it is not possible to move directly to this level of reserves, however the Council will build up its General Fund working balances to this level over as short a time as possible. 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 MIRS.

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. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

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. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

Building Maintenance Reserve

This reserve consists of balances set aside from revenue to finance any major unanticipated maintenance projects. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

Supporting Business and Economic Growth Reserve

This reserve has been set up to finance corporate initiatives to support business and economic growth in the local area. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

D Notes to Core Financial Statements

Change and Performance Reserve

This reserve will continue to support strategic business reviews and other service reviews that will improve the performance of the Council. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

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. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

Rent Deposit Scheme

The rent deposit scheme reserve supports part of the council's anti-homelessness policies. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

Leasing

The leasing reserve is used to equalise the impact of lease agreements to revenue over the life of the lease. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

Carbon Management

This reserve is used to hold funding for carbon management initiatives and includes funds the Council has saved from operating such initiatives and also the balance of funding received from Salix (which is an independent social enterprise, a not for profit company limited by guarantee), which must be used specifically for this purpose. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

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. It also holds general fund grants pending matching expenditure. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

Arts Reserve

This is used to finance the purchase of exhibits for the Museum and Art Gallery. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

HRA Earmarked Reserves

These reserves contain amounts specifically set aside to finance HRA projects. The money in these reserves must be used on the Housing Revenue Account. Any changes

D Notes to Core Financial Statements

required to these Reserves will be debited or credited to the Movement in Reserves Statement.

ag Council Tax Recognition

Council tax income included in the Comprehensive Income and Expenditure Statement for the year shall be the accrued income for the year. The authority's share of the accrued council tax income is obtained from the information that is required by billing authorities in the production of the Collection Fund Statements.

If the net cash paid to the authority in the year is more than its proportionate share of net cash collected from council tax debtors in the year the authority will recognise a credit adjustment for the same amount in creditors after adjusting for the previous year brought forward and vice versa if net cash paid is less than the proportionate share.

The Cash Flow Statement includes within operating activities the net council tax cash received from the Collection Fund in the year (i.e. the precept for the year plus its share of Collection Fund surplus for the previous year, or less the amount paid to the Collection Fund in respect of its share of the previous years Collection Fund deficit). The difference between the net cash received from the Collection Fund and the authority's share of cash collected from council tax debtors by the billing authority in the year is included within financing activities in the Cash Flow Statement.

The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement.

ah Inventories and long-term contracts

Inventories include goods held for future use. Inventories are included in the Balance Sheet at the lower of cost and net realisable value. Inventories are recorded in terms of average cost. Work in progress on long term contracts is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works. The Council currently does not have any contracts that fulfil this criterion.

ai Provisions for bad and doubtful debts

In order to suitably reflect the varied nature of debtors within the Council, the basis for providing for bad debts is specific to the circumstances in each individual department. The general policy followed is;

- No public sector debt is provided for (other Local Authorities, NHS or Central Government).
- Aged debt is reviewed and a reasonable percentage provided for.

Significant individual invoices are reviewed and wholly provided for where it is thought to be necessary.

Treasury Management

aj Definition of Treasury Management Activities

The authority has adopted the following definition of Treasury Management activities:

D Notes to Core Financial Statements

The management of the authority's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The authority regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the authority.

The authority acknowledges that effective treasury management will provide support towards the achievement of its service objectives. It is therefore committed to the principals of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

ak Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost.

Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus any interest accrued to 31st March and interest charged to the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate. Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Reserves to be spread over future years.

The authority has a policy of spreading the gain/loss over the term of the replacement loan subject to a minimum period of 10 years with the case of discounts. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Reserves is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

al Financial Assets

Financial assets are classified into two types:

- **Loans and receivables** - assets that have fixed or determinable payments but are not quoted in an active market

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable plus any interest accrued to 31st March

D Notes to Core Financial Statements

and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement. However, the council could make loans to organisations or individuals at less than market rates (soft loans).

When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Reserves is the interest receivable for the financial year. The reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Reserves is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

- **Available-for-sale assets** - assets that have a quoted market price and/or do not have fixed or determinable payments.

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument.

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

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Movement in Reserves Statement. The exception is where impairment losses have been incurred these are debited to the Comprehensive Income and Expenditure Statement, 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 Comprehensive Income and Expenditure Statement. Any gains and losses that arise on the derecognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses.

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

- **Financial assets at fair value through income and expenditure** – 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.

D Notes to Core Financial Statements

am 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. The Council has two Joint Arrangements that are Not Entities (JANE's), the Joint Planning Unit (JPU) and Northampton Area Procurement Service (NAPS). Both arrangements are immaterial to the accounts.

an Business Improvement Districts

The Council collects Business Rates in respect of one Business Improvement District (BID) based on the Brackmills Industrial Estate geographic area. From 2011/12, another BID will be established based on the Town Centre geographic area. For both of these BIDs, the Council collects the business rates and pays the amount collected over to the BID on a monthly basis. The money collected is treated as a creditor in the Council's accounts to reflect the fact that the cash received will be paid to the BID and any balances are only there because of a timing issue.

ao Cash and Cash Equivalents

Cash is represented by notes and coins held by the authority and deposits available on demand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts only arise as part of the Council's cash management and are therefore netted off against Cash and Cash Equivalents.

Bank overdrafts will only be shown separately as liabilities in the Balance Sheet where they are not an integral part of the Council's cash management; no such instances currently exist that would require separate disclosure from cash and cash equivalents.

ap Component Accounting

Components will only be shown separately in the asset register if they are significant i.e. if they cost more than £6,000 and their cost amounts to more than 25% of the total cost of the asset. Where the value of an asset is not known, Gross Book Value will be used as a proxy for the determination of significant components.

Land and buildings will be separately valued. The building component will be fully depreciated over its useful life, the residual value of the whole asset being the land component.

The nature of property assets is such that any revaluation relates mainly to the land and structure so will not be passed down to any individual components that have been identified.

Components will only be separately valued if they are significant, i.e. above the de-minimus level detailed above. Where significant components, as defined above, have been separately recorded on the asset register they will be depreciated over their useful lives.

aq General Government Grants

General government grants and contributions in the form of Revenue Support Grant, NNDR, Local Authority Business Growth Incentive, Area Based Grant, Concessionary Travel Scheme, and Housing & Planning Delivery Grant are disclosed on the face of the Comprehensive Income and Expenditure Statement in the line Taxation and Non-Specific Grant Income. Further detail of this is shown in Note 11 to the accounts.

D Notes to Core Financial Statements

2 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT BEEN ADOPTED

The authority is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that been issued, but is not yet required to be adopted by the Authority, in this case, heritage assets. As is set out above, full adoption of the standard will be required for the 2011/12 financial statements. However, the Authority is required to make disclosure of the estimated effect of the new standard in these (2010/11) financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Authority's Balance Sheet in the 2011/12 financial statements.

a) Changes

The 2011/12 Code confirms that the Heritage Assets disclosure will be required in relation to the Code's adoption of FRS 30. It sets out the detail of the disclosure requirements for 2010/11 financial statements i.e.:

"An authority shall, where material, disclose the following items in the 2010/11 financial statements (to the extent that the information is known or reasonably estimable):

a) narrative, related to the authority's specific circumstances, explaining that heritage assets are to be recognised as a separate class of assets for the first time in the 2011/12 financial statements, in accordance with FRS 30;

b) the carrying amount of assets expected to be reclassified as heritage assets, and their classification in the 2010/11 financial statements;

c) the expected amount of any revaluation gains and losses to be recognised on reclassification; and

d) the expected change in depreciation and impairment to be recognised in 2010/11."

(See 2011/12 Code, Appendix C, paragraph C.2.1).

The extract from the Code above sets out the information to be provided and states that the information should be provided to the extent that it is known or reasonably estimable.

b) Heritage Assets

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Authority, which will need to be adopted fully by the authority in the 2011/12 financial statements.

Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. They are held by the reporting entity in pursuit of its overall objectives in relation to the maintenance of the heritage. Heritage assets include historical buildings, archaeological sites, military and scientific equipment of historical importance, civic regalia, museum and gallery collections and works of art. Community assets (including parks (excluding archaeological sites); cemeteries and crematoria (land only); and allotments where there are restrictions on alternative uses) are not heritage assets, but are accounted for as property, plant and equipment (see paragraph 4.1.2.2 of the Code).

A tangible heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

D Notes to Core Financial Statements

An intangible heritage asset is an intangible asset with cultural, environmental, or historical significance. Examples of intangible heritage assets include recordings of significant historical events.

Heritage assets are assets that are held by the authority principally for their contribution to knowledge or culture. The heritage assets held by the authority are the collections of assets and artefacts either exhibited or stored in the local authority museum, monuments, statues and art, and historic buildings. These are currently accounted for at depreciated historical cost and classified as community assets within Property, Plant and Equipment in the Balance Sheet.

The Code will require that heritage assets are measured at valuation in the 2011/12 financial statements (including the 2010/11 comparative information). The 2011/12 Code will permit some relaxations in the valuation requirements of heritage assets and this will mean that the authority is able to recognise more of its heritage assets in the Balance Sheet. The Authority anticipates that it will be able to recognise certain heritage assets on the Balance Sheet using at its base the detailed insurance valuations held by the Authority. The authority is unlikely to be able to recognise the majority of the various statues and monuments as this would involve a disproportionate cost of obtaining the information in comparison to the benefits to the users of the Authority's financial statements – this exemption is permitted by the 2011/12 Code.

The carrying value of heritage assets currently held in the Balance Sheet as Community Assets (at cost) within Property, Plant and Equipment at 1 April 2010 is £0.83 million. The authority also holds information on the value of many of these assets supplied by both internal property valuers and an external valuer (Art and Antiques Appraisals Ltd.). The market value of the assets as at 1 April 2010 is £30.53 million. This estimate has been verified by the external valuers. This increase in valuation will be recognised as a gain (of £29.7 million) in the revaluation reserve.

As these assets have not been recognised in the Balance Sheet at full market value this will require a corresponding increase in the Revaluation Reserve of £29.7 million, ie a revaluation gain.

Depreciation is charged on the heritage assets that are currently classified as community assets. However, the Authority considers that the heritage assets held by the Authority will have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation for the assets. There will therefore be no change to the depreciation charged in the financial statements in relation to the authority's heritage assets.

Community Assets

As a consequence of the adoption of FRS 30 in the Code (see above), the Code added the option for local authorities not to extend the measurement and disclosures required by heritage assets to community assets, a sub classification of Property, Plant and Equipment in the Balance Sheet. The authority has opted to change its accounting policy in relation to the measurement and disclosure of community assets in the financial year 2011/12 as it believes that the resource required is disproportionate to the benefits obtained for the readers of the accounts.

The Authority is required to disclose information relating to the impact of this change in accounting policy in the 2011/12 financial statements in a disclosure note to the 2010/11 financial statements.

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Community assets are currently held at depreciated historical cost in the financial statements. The carrying amount for community assets at the 1 April 2010 is £5.96 million. The adoption of the heritage assets standard will mean that £0.83 million of assets currently classified as community assets within property plant and equipment will be reclassified as heritage assets. The remaining carrying amount of £5.13 as at 1 April 2010 million relates to the land of two Crematoria sites at depreciated historical cost and the land relating to the five community parks.

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgments about complex transactions or those involving uncertainty about future events. The critical judgments made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to reduce levels of service provision.
- The state of the economy is very unpredictable at the present time. The Authority has based its assumptions about bad debt levels based on its current expectations about peoples' ability to pay.
- Valuations of Council Dwellings have been based on the latest Government guidance, and impairment has been recognised to reflect this. Local authority housing is facing significant financial reform in the coming years, however, there are no indications at present that the social housing valuation percentages for the local area will be changed again.
- Useful economic lives are based on estimates either from professional (RICS qualified) valuers in the case of property, and service experts in relation to other assets. Infrastructure has a useful economic life of 25 years in line with CIPFA guidance.

Estimates and judgements are evaluated based on historical experience and other factors including horizon scanning for future events that are believed to be reasonable under the circumstances. Actual events may differ from these expectations.

The main areas where judgement and estimates are used are in accounting for fixed assets and provisions.

4 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

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Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment (excluding land)	Assets are depreciated over useful lives that are dependant on assumptions about the level of repairs and maintenance that will be carried out in relation to individual assets. The current economic climate makes it uncertain how much the authority will be able to spend on repairs and maintenance on these assets, so there is uncertainty in the useful economic lives allocated to each asset.	If useful economic lives are reduced there would be an increase in depreciation and a reduction in the carrying value of the assets. It is estimated that the annual depreciation charge for buildings would increase by approximately £135k for every year that useful lives had to be reduced.
Benefit Overpayments Provision	The Authority has made a provision of £3.98m in respect of Overpayments to Benefit Claimants. This provision is based upon a analysis of outstanding debt as at year end and is considered prudent in light of the highly uncertain nature of future recovery levels.	As the provision for Benefit Overpayments is currently set at 98.5% of the overall debt, any movement in the level of overpayments will have a corresponding, equivalent impact on the level of provision required.
Insurance Provision and Reserve	The Council has made a provision of £70k for actual insurance claims outstanding and a reserve of £2.3m is set aside for unknown future claims. The amount in the reserve is based upon an actuarial report from our independent advisors, who have specialist experience in forecasting.	If the insurance provision proves to be insufficient then funds can be transferred from the insurance reserve. If the level of insurance reserve were to prove incorrect, then the effect would be equivalent to the amount of the revised adjustment.
Pensions Liability	The Council has a liability for retirement benefits promised under the terms of the pension scheme of £95m. Liabilities are measured on an actuarial basis, estimating future cash flows discounted to present values. This estimation of the net liability to pay pensions depends on a number of complex judgements relating to the	If the principal assumptions used to measure the liability were to differ, then the effect would be: - 0.5% decrease in discount rate = £21m - 1 year increase in life expectancy = £8m - 0.5% salary increase = £4m - 0.5% increase in Pensions rate = £18m

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	discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	
Arrears	The General Fund has provided for a bad debt provision of £491k. This is based on modelled assumptions of the amount of debt cleared at various time points. The model is based on past recovery rates but any changes in the economic climate could impact on the recovery of outstanding debts.	The amount of debt having a provision against it equates to £1.45m. Therefore any changes in the recovery of our debts will have a maximum impact of £959k.
Minimum lease payments on operating leases (authority as lessor)	Future estimates of minimum lease payments contain a number of assumptions about lease rental income and lease periods; for example that leases will not be renewed at the end of their term, and that vacant properties will not be leased at a future date.	If leases are extended beyond their original term or renewed on expiry, and vacant properties are leased out, then future rental income will exceed the minimum lease payments calculated. Conversely if lessees default on their leases or payments then future rental income may be reduced.

This list does not include assets and liabilities that have are carried at fair value based on a recently observed market price.

5 MATERIAL ITEMS OF INCOME AND EXPENSE

In 2010/11, the Council is in receipt of a backdated refund and associated interest from HMRC relating to VAT overpaid in previous years on sporting services and car parking charges. This refund is one-off and amounts to approximately £1.25m in respect of overpaid VAT and £1.17m for the interest element of the claim.

Significant revaluation losses were charged to the HRA. This was a result of the percentage of asset value to be declared in the accounts being reduced from 50% to 34%. This resulted in an adjustment of £165.93m being applied to HRA dwellings, with £151.457m of this hitting the Comprehensive Income and Expenditure Account. The overall effects of changes in asset values are shown in Note 12a to the core statements.

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In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has the effect of reducing the Council's liabilities in the Northamptonshire Pension Fund by £29.209m (of which £22.96m relates to General Fund and £6.249m relates to the HRA) and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund or Housing Revenue Account. It is represented on a separate line in the Comprehensive Income and Expenditure Account as negative expenditure.

The Council vacated one of its administrative offices, Cliftonville House during 2010/11 and sold the property, with associated land including Brer Court, receiving a capital receipt for the sale of £6.56m.

6 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Director of Finance and Support on the date shown in the Explanatory Foreword section 1. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2011 as they provide information that is relevant to an understanding of the Authority's financial position but do not relate to conditions at that date:

a) Leisure Trust

On 1 April 2011 the Council put its Leisure Centres, Lings Forum Cinema and Sports and Play Development activities out into an independent Trust.

1) The management and operation of the Council's three Leisure Centres (Danes Camp, Lings Forum, and the Mounts), the Forum Cinema and play development services have been transferred to Unity Leisure (trading as Northampton Leisure Trust, "the Trust") under an Operating Agreement with effect from 1 April 2011

2) The Operating Agreement shall continue for an initial period of 15 years ("Initial Period"). At the end of the Initial Period the arrangement may be extended for an additional period of 3 years (subject to the agreement of the parties) and extended up to a maximum of 5 such renewals whereupon the arrangement shall automatically terminate.

The Council shall pay the Trust a Management Service Fee for the provision of the Services on the following basis:

Year 1 – the Management Service Fee for the first six (6) months shall be payable in one instalment in advance and instalments for the third and fourth quarters of the first year shall be payable in advance.

Year 2 – the Management Service Fee shall be payable bi monthly in advance.

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Year 3 – the Management Service Fee shall be payable monthly in advance.

Year 4 (and subsequent years) – the Management Service Fee shall be payable monthly in arrears.

For each year operating year the Trust shall be entitled to retain the total Income (if any) received during that year at each of the Leisure centres. Insofar as in any year there is a surplus (i.e. trading incomes (together with any other amounts, including the Management Service Fee) exceed all overheads for that year) in the Trust's audited accounts, the trust, shall reinvest such surplus into the provision of the services for the following and subsequent years in consultation with the Council and in accordance with the business plan or the Trust's reserves strategy. Any deficit (ie overheads for that year exceed all trading incomes (together with any other amounts, including the Management Service Fee) will be for the account of the Trust and the Council will have no liability in respect of such deficit.

3)a The Council will grant to the Trust a 30 year lease for the 3 Leisure Centres

3)b The Council and the Trust have agreed to enter into Service Level Agreements in respect of the provision by the Council to the Trust of the following services:

- HR
- Finance
- ICT (including telephones)
- Asset Management
- Print & Design
- Landscaping
- CCTV
- Post

The Council and the Trust may enter into further Service Level Agreements from time to time subject to the Council and the Trust agreeing the terms of such further Service Level Agreements at the relevant time.

4) The parties can alter, add to or otherwise change any part or parts of the services or processes by any alteration, addition or omission subject the agreement of both parties.

b) Environmental Services

On 4 June 2011 the authority outsourced its Environmental services, including domestic waste collection, recycling, parks, etc. to EMS, a private company.

- 1) The outsourcing of the Council's waste management services (domestic collection and recycling), street cleansing/sweeping, grounds maintenance, play area inspections and countryside services in partnership with Daventry District Council
- 2) The Contract will operate from the 4 June 2011 for a period of 7 years. At the discretion of the Councils (Northampton Borough Council & Daventry District Council) the Contract maybe extended for any number of periods up to an aggregate of a further 7 years

D Notes to Core Financial Statements

- 3)
- a) The Council have granted Leases of certain parts of Westbridge Depot, Sheep Street Depot and other depots together with Licences in respect of certain Public Open Space facilities.
 - b) Certain ICT Systems, Vehicles and Equipment were made available to the contractor
 - c) Contractor is obliged to acquire/purchase such equipment and services to ensure the services are provided in accordance with the Contract to the contract standard.
 - d) The Contract provides for default remedies, termination together with the consequences of termination.
 - e) Any changes required to the services maybe dealt with under the variation procedure.

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7 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATION

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2009/10	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Major Repairs Reserve	Capital receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Movement in Unusable Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Adjustments primarily involving the capital adjustment account:								
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:								
Charges for depreciation and impairment of non-current assets	-4,403	0	0	0	0	0	-4,403	4,403
Revaluation gains on PPE	0	0	0	0	0	0	0	0
Revaluation losses on Property Plant and equipment	-17,992	-15,088	0	0	0	0	-33,080	33,080
Movements in the market value of Investment properties	-2,612	13	0	0	0	0	-2,599	2,599
Amortisation of Intangible assets	-700	-76	0	0	0	0	-776	776
Revenue expenditure funded from capital under statute	-3,964	0	0	0	0	0	-3,964	3,964
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure statement	-1,153	-735	0	0	0	0	-1,888	1,888
Total Reversals	-30,824	-15,886	0	0	0	0	-46,710	46,710
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement								
Statutory provision for the financing of capital investment	916	0	0	0	0	0	916	-916
Capital expenditure charged against the General Fund and HRA balances	297	0	0	0	0	0	297	-297
Balance of MRA	0	0	0	0	0	0	0	0
Capital Financing	0	0	0	-5,373	0	0	-5,373	5,373
Refinancing of Capital Expenditure due to Grants being repaid	0	0	0	8,986	360	3,882	13,228	-13,228
Total Insertions	1,213	0	0	3,613	360	3,882	9,068	-9,068
Total Adjustments primarily involving the capital adjustment account	-29,611	-15,886	0	3,613	360	3,882	-37,642	37,642

D Notes to Core Financial Statements

2009/10	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Major Repairs Reserve	Capital receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Movement in Unusable Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Adjustments primarily involving the Capital Grants Unapplied Account:								
Application of grants to capital financing transferred to the Capital Adjustment account	4,260	0	0	0	0	-4,260	0	0
Revenue Expenditure funded from capital grant	0	0	0	0	0	0	0	0
Total Adjustments primarily involving the Capital Grants Unapplied Account	4,260	0	0	0	0	-4,260	0	0
Adjustments primarily involving the Capital Receipts Reserve:								
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	210	1,002	0	0	-1,212	0	0	0
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	-2	0	0	2	0	0	0
Contribution from the Capital Receipts Reserve to finance payments to Government Capital Receipts pool	-599	0	0	0	599	0	0	0
Transfer from Deferred Capital receipts Reserve upon receipt of cash	0	0	0	0	-5	0	-5	5
Total Adjustments primarily involving the Capital Receipts Reserve	-389	1,000	0	0	-616	0	-5	5
Adjustments primarily involving the Deferred Capital Receipts Reserve:								
Surplus or deficit on revaluation of Property, Plant and Equipment Assets	1,143	12,887	0	0	0	0	14,030	14,030
Total Adjustments primarily involving the Deferred Capital Receipts Reserve	1,143	12,887	0	0	0	0	14,030	14,030
Adjustment primarily involving the Major Repairs Reserve:								
Reversal of major Repairs Allowance credited to the HRA	0	2,582	0	-2,582	0	0	0	0
Total Adjustment primarily involving the Major Repairs Reserve	0	2,582	0	-2,582	0	0	0	0

D Notes to Core Financial Statements

2009/10	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Major Repairs Reserve	Capital receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Movement in Unusable Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<p>Adjustments primarily involving the Financial Instruments Adjustment Account:</p> <p>Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements</p>	0	315	0	0	0	0	315	-315
<p>Adjustments primarily involving the Pensions Reserve:</p> <p>Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and expenditure Statement</p> <p>Employer's pensions contributions and direct payments to pensioners payable in the year</p>	-74,602	-2,389	0	0	0	0	-76,991	76,991
	6,622	1,830	0	0	0	0	8,452	-8,452
Total Adjustments primarily involving the Pensions Reserve	-67,980	-559		0	0	0	-68,539	68,539
<p>Adjustments primarily involving the Collection Fund Adjustment Account:</p> <p>Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements</p>	-49	0	0	0	0	0	-49	49
<p>Adjustment primarily involving Earmarked Reserves:</p> <p>Transfers to Earmarked Reserves</p>	3,719	3,025	-6,744	0	0	0	0	0
<p>Adjustment primarily involving the Accumulated Absences Account:</p> <p>Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements</p>	-4	-1	0	0	0	0	-5	5
Total Adjustments	-88,911	3,363	-6,744	1,031	-256	-378	-91,895	91,895

D Notes to Core Financial Statements

2010/11	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Major Repairs Reserve	Capital receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Movement in Unusable Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Adjustments primarily involving the capital adjustment account:								
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:								
Charges for depreciation and impairment of non-current assets	-3,148	0	0	0	0	0	-3,148	3,148
Revaluation gains on PPE	452	131	0	0	0	0	583	-583
Revaluation losses on Property Plant and equipment	-3,737	-151,457	0	0	0	0	-155,194	155,194
Movements in the market value of Investment properties	127	0	0	0	0	0	127	-127
Amortisation of Intangible assets	-589	-170	0	0	0	0	-759	759
Revenue expenditure funded from capital under statute	-3,924	-35	0	0	0	0	-3,959	3,959
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure statement	-5,717	-1,031	0	0	0	0	-6,748	6,748
Total Reversals	-16,536	-152,562	0	0	0	0	-169,098	169,098
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement								
Statutory provision for the financing of capital investment	716	0	0	0	0	0	716	-716
Capital expenditure charged against the General Fund and HRA balances	193	0	0	0	0	0	193	-193
Balance of MRA	0	0	0	-4,393	0	0	-4,393	4,393
Capital Financing	0	0	0	10,122	3,295	4,038	17,455	-17,455
Refinancing of Capital Expenditure due to Grants being repaid	0	0	0	0	20	-20	0	0
Total Insertions	909	0	0	5,729	3,315	4,018	13,971	-13,971
Total Adjustments primarily involving the capital adjustment account	-15,627	-152,562	0	5,729	3,315	4,018	-155,127	155,127

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2010/11	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Major Repairs Reserve	Capital receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Movement in Unusable Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Adjustments primarily involving the Capital Grants Unapplied Account:								
Application of grants to capital financing transferred to the Capital Adjustment account	912	452	0	0	0	-1,364	0	0
Revenue Expenditure funded from capital grant	1,990	0	0	0	0	-1,990	0	0
Total Adjustments primarily involving the Capital Grants Unapplied Account	2,902	452		0	0	-3,354	0	0
Adjustments primarily involving the Capital Receipts Reserve:								
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	4,916	3,487	0	0	-8,403	0	0	0
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-13	-8	0	0	21		0	0
Contribution from the Capital Receipts Reserve to finance payments to Government Capital Receipts pool	-1,231	0	0	0	1,231		0	0
Transfer from Deferred Capital receipts Reserve upon receipt of cash	0		0	0	-4		-4	4
Total Adjustments primarily involving the Capital Receipts Reserve	3,672	3,479	0	0	-7,155	0	-4	4
Adjustments primarily involving the Deferred Capital Receipts Reserve:								
Surplus or deficit on revaluation of Property, Plant and Equipment Assets	3,261	-	0	0	0	0	-7,913	7,913
Total Adjustments primarily involving the Deferred Capital Receipts Reserve	3,261	-	0	0	0	0	-7,913	7,913
Adjustment primarily involving the Major Repairs Reserve:								
Reversal of major Repairs Allowance credited to the HRA	0	3,646	0	-3,646	0	0	0	0
Total Adjustment primarily involving the Major Repairs Reserve	0	3,646	0	-3,646	0	0	0	0

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2010/11	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Major Repairs Reserve	Capital receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Movement in Unusable Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<p>Adjustments primarily involving the Financial Instruments Adjustment Account:</p> <p>Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements</p>	0	315	0	0	0	0	315	-315
<p>Adjustments primarily involving the Pensions Reserve:</p> <p>Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and expenditure Statement</p> <p>Employer's pensions contributions and direct payments to pensioners payable in the year</p>	57,892	3,879	0	0	0	0	61,771	-
	6,563	1,786	0	0	0	0	8,349	-8,349
Total Adjustments primarily involving the Pensions Reserve	64,455	5,665	0	0	0	0	70,120	-
<p>Adjustments primarily involving the Collection Fund Adjustment Account:</p> <p>Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements</p>	174	0	0	0	0	0	174	-174
<p>Adjustment primarily involving Earmarked Reserves:</p> <p>Transfers to Earmarked Reserves</p>	2,636	5,981	-8,638	0	0	21	0	0
<p>Adjustment primarily involving the Accumulated Absences Account:</p> <p>Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements</p>	28	12		0	0	0	40	-40
Total Adjustments	61,501	-144,186	-8,638	2,083	-3,840	685	-92,395	92,395

D Notes to Core Financial Statements

8 TRANSFERS TO / FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2010/11.

	Balance at 1st April 2009	Additions to Reserve 2009/10	Use Of Reserve 2009/10	Balance at 31st March 2010	Additions to Reserve 2010/11	Use Of Reserve 2010/11	Balance at 31st March 2011
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
General Fund							
Insurance	1,977	0	-457	1,520	782	0	2,302
Subsidy Equalisation	500	100	0	600	94	-194	500
Core Business Systems	169	130	0	299	0	0	299
Building Maintenance	500	0	0	500	0	-172	328
Supporting Business & Economic Growth	351	124	-74	401	0	-16	385
Change and Performance	1,000	0	-168	832	500	-472	860
Debt Financing	460	411	-393	478	0	-100	378
Rent Deposit Scheme	0	100	0	100	0	0	100
Leasing	0	31	0	31	0	-24	7
Carbon Management	0	78	0	78	46	0	124
General	4,653	5,306	-1,492	8,467	4,943	-2,703	10,707
Arts	23	23	0	46	0	-28	18
Total General Fund	9,633	6,303	-2,584	13,352	6,365	-3,709	16,008
HRA							
Housing repairs Account Improvement Reserve	8,233	3,025	0	11,258	6,101	-120	17,239
Leaseholder Reserve							
Total HRA	8,233	3,025	0	11,258	6,101	-120	17,239
Total Earmarked	17,866	9,328	-2,584	24,610	12,466	-3,829	33,247

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 MIRS.

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. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

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

D Notes to Core Financial Statements

improve the quality of information and controls. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

Building Maintenance Reserve

This reserve consists of balances set aside from revenue to finance any major unanticipated maintenance projects. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

Supporting Business and Economic Growth Reserve

This reserve has been set up to finance corporate initiatives to support business and economic growth in the local area. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

Change and Performance Reserve

This reserve will continue to support strategic business reviews and other service reviews that will improve the performance of the Council. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

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. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

Rent Deposit Scheme

The rent deposit scheme reserve supports part of the council's anti-homelessness policies. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

Leasing

The leasing reserve is used to equalise the impact of lease agreements to revenue over the life of the lease. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

Carbon Management

This reserve is used to hold funding for carbon management initiatives and includes funds the Council has saved from operating such initiatives and also the balance of funding received from Salix (which is an independent social enterprise, a not for profit company limited by guarantee), which must be used specifically for this purpose. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

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. It also holds

D Notes to Core Financial Statements

general fund grants pending matching expenditure. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

Arts Reserve

This is used to finance the purchase of exhibits for the Museum and Art Gallery. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

HRA Earmarked Reserves

These reserves contain amounts specifically set aside to finance HRA projects. The money in these reserves must be used on the Housing Revenue Account. Any changes required to these Reserves will be debited or credited to the Movement in Reserves Statement.

9. OTHER OPERATING EXPENDITURE

2009/10		2010/11
£000s		£000s
904	Parish council precepts	926
-21	Levies	-20
	Payments to the Government Housing capital	
599	Receipts Pool	1,231
19,155	Trading	-154
678	Gains/Losses on the disposal of non-current assets	-1,633
21,315	Total	349

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2009/10		2010/11
£000s		£000s
1,637	Interest payable and similar charges	1,792
7,110	Pensions interest cost and expected return on pensions assets	5,181
-1,887	Interest receivable and similar charges	-1,876
-1,145	Income and expenditure in relation to investment properties and changes in their fair value	-339
5,715	Total	4,758

D Notes to Core Financial Statements

11. TAXATION AND NON SPECIFIC GRANT INCOME

2009/10		2010/11
£000s		£000s
-14,307	Council tax income	-14,954
-1,143	Capital grants and contributions	-931
-3,533	Revenue Support Grant	-2,401
-15,309	Non domestic rates	-16,535
-3,984	Non-ring fenced government grants	-989
-38,276	Total	-35,810

D Notes to Core Financial Statements

12. PROPERTY, PLANT AND EQUIPMENT

a) Movements

Movements in 2009/10	Council Dwellings	Housing Land and Buildings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment
	£000s	£000s	£000s	£000s
Cost or Valuation				
At 1st April 2009	526,925	16,165	76,757	7,421
Additions	9,437	0	644	2,816
Donations	0	0	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	6,176	1,422	-1,592	-80
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	-19,970	-225	-21,081	-1,085
Derecognition – disposals	-648	0	-326	0
Derecognition – other	0	0	0	0
Assets reclassified (to) / from Held for sale	0	0	-457	-2
Other movements in cost or valuation	121	484	35,610	-114
At 31 March 2010	522,041	17,846	89,555	8,956
Accumulated Depreciation and Impairment				
At 1 April 2009	-9,848	-338	-5,625	-4,633
Depreciation Charge	-4,953	-407	-3,155	-1,782
Depreciation written out to the revaluation reserve	4,756	525	2,878	139
Depreciation written out to the Surplus/Deficit on the Provision of Services	5,094	19	195	268
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	-73	-313
Derecognition – Disposals	3	0	31	0
Derecognition – other	0	0	0	0
Other Movements	-1	-207	-616	13
At 31 March 2010	-4,949	-408	-6,365	-6,308
Net Book Value				
At 31 March 2009	517,077	15,827	71,132	2,788
At 31 March 2010	517,092	17,438	83,190	2,648

D Notes to Core Financial Statements

Infra- structure Assets	Community Assets	Surplus Assets	Assets Under Construct -ion	Total Property, Plant and Equipment
£000s	£000s	£000s	£000s	£000s
1,625	6,011	1,196	3,514	639,614
0	218	0	126	13,241
0	0	0	0	0
0	6	0	0	5,932
0	0	-24	0	-42,385
-46	0	-652	-230	-1,902
0	0	0	0	0
0	0	0	0	-459
-177	-210	1,197	-1,786	35,125
1,402	6,025	1,717	1,624	649,166
-211	-87	-27	0	-20,769
-16	-151	-35	0	-10,499
0	72	0	0	8,370
0	99	0	0	5,675
0	0	0	0	0
0	0	0	0	-386
0	0	131	0	165
0	0	0	0	0
0	-2	-131	0	-944
-227	-69	-62	0	-18,388
1,414	5,924	1,169	3,514	618,845
1,175	5,956	1,655	1,624	630,778

D Notes to Core Financial Statements

Movements in 2010/11	Council Dwellings	Housing Land and Buildings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment
	£000s	£000s	£000s	£000s
Cost or Valuation				
At 1st April 2010	522,041	17,846	89,555	8,956
Additions	11,415	69	739	2,039
Donations	0	0	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-16,952	540	1,499	23
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	-151,123	-330	-3,294	-541
Derecognition – disposals	-794	-243	-5,225	-44
Derecognition – other	0	0	0	0
Assets reclassified (to) / from Held for sale	0	-146	0	0
Other movements in cost or valuation	0	0	0	44
At 31 March 2011	364,587	17,736	83,274	10,477
Accumulated Depreciation and Impairment				
At 1 April 2010	-4,949	-408	-6,365	-6,308
Depreciation Charge	-4,070	-312	-2,309	-777
Depreciation written out to the revaluation reserve	4,949	288	1,203	6
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	110	623	506
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	-1
Derecognition – Disposals	5	1	225	25
Derecognition – other	0	0	0	0
Other Movements	0	0	0	-15
At 31 March 2011	-4,065	-321	-6,623	-6,564
Net Book Value				
At 31 March 2010	517,092	17,438	83,190	2,648
At 31 March 2011	360,522	17,415	76,651	3,913

D Notes to Core Financial Statements

Infra- structure Assets	Community Assets	Surplus Assets	Assets Under Construct -ion	Total Property, Plant and Equipment
£000s	£000s	£000s	£000s	£000s
1,402	6,025	1,717	1,624	649,166
0	29	0	1,614	15,905
0	0	0	0	0
0	4	474	0	-14,412
0	0	-278	0	-155,566
0	0	0	0	-6,306
0	0	0	0	0
0	0	-523	0	-669
0	-28	0	-1,624	-1,608
1,402	6,030	1,390	1,614	486,510
-227	-69	-62	0	-18,388
-13	-16	-44	0	-7,541
0	49	3	0	6,498
1	0	13	0	1,253
0	0	0	0	0
0	0	0	0	-1
0	0	0	0	256
0	0	0	0	0
0	0	0	0	-15
-239	-36	-90	0	-17,938
1,175	5,956	1,655	1,624	630,778
1,163	5,994	1,300	1,614	468,572

D Notes to Core Financial Statements

b) Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

Council Dwellings	50 years
Housing Buildings	10-70 years*
Other Buildings	4-69 years*
Land	Not depreciated
Community Assets	15-50 years*
Infrastructure Assets	25 years
Intangible Assets	3-10 years*
Vehicles, Plant & Equipment	3-25 years*
Investment Properties	Not depreciated
Assets Held for Sale	Not depreciated
Surplus Assets	5-60 years*

* Depending on the nature of the specific asset

c) Capital Commitments

At 31 March 2011, the Authority has a number of committed contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost £634k. Similar commitments at 31 March 2010 were £707k. The major commitments are:

Contract	Contractor	2011/12 £000s	Basis of Commitment
Improvement Works at Grosvenor Centre Car Park	Concrete Repairs	476	Improvement works at Grosvenor Centre Car Park.
Choice Based Lettings - Sub-regional scheme	Arbitras	17	For the implementation of a sub-regional choice based lettings scheme, in partnership with Daventry District Council (DDC).
Danes Camp Roof Renewal	Jeakins Weir	1	Danes Camp Leisure Centre roof renewal works
Refurbishment of Parks	Jeakins Weir	140	Dallington & Kingsthorpe changing room works
Total		634	

d) Effects of Changes in Estimates

In 2010/11, the Authority made one material change to its accounting estimates for Property, Plant and Equipment. In line with guidance issued by the Royal Institute of Chartered Surveyors, the reduction to the market value of Social Housing to reflect its existing use has increased from 50% to 66%. This results in additional revaluation losses of £165m, and as a result reduced depreciation charges to the HRA of approximately £1.9m.

D Notes to Core Financial Statements

e) Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The significant assumptions applied in estimating the fair values are:

- Each property has good title
- Each property is not subject to flooding, subsidence, shrinkage, or other such hazards
- The land is not affected in any way by contamination
- Each property is free from structural defect and is in reasonable condition
- Where properties are vacant, the current and future use are the same with no potential redevelopment of the site

	Council Dwellings	Other HRA Land & Build.	Other Land & Build.	Vehicles, Plant, Furniture & Equip.	Surplus Assets	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Carried at Historical Cost	0	0	22	0	0	22
Valued at fair value in						
2010/11	353,966	10,091	67,083	3,046	1,281	435,467
2009/10	0	7,387	7,846	2,916	0	18,149
2008/09	0	71	7,402	0	0	7,473
2007/08	0	506	934	10	581	2,031
2006/07	0	0	707	0	50	757
Previous Years	0	0	189	0	0	189
Total	353,966	18,055	84,183	5,972	1,912	464,088

D Notes to Core Financial Statements

f) Information on Assets Held

31/03/2010		31/03/2011
Number	Operational Assets	Number
12,194	Council Dwellings	12,175
	Other Land and Buildings	
27	Council Houses not used as dwellings	27
91	Shared Ownership Properties	90
3,002	Council Garages	3,002
16	Other Housing Properties	16
68	Operational Shops	68
0	Other Garages	0
1	Guildhall	1
62.88ha	Allotments	62.88ha
5	Sports & Leisure Centres	5
26	Community Centres	26
2	Museums, Art Galleries	2
1	Open Markets	1
13	Public Conveniences	13
5	Multi-Storey Pay & Display Car Parks	5
3	Local Area Offices	3
4	Central Administrative Offices	3
1	Gypsy Site	1
1	Bus Station	1
19	Surface Pay & Display Car Parks	19
1	Depots	1
13	Sub-Depots	13
73	Infrastructure	73
171	Vehicles, Plant, Furniture and Equipment	223
	Community Assets	
887.45ha	Parks and Open Spaces	887.45ha
4	Historical Buildings	4
34	Monuments/Memorials/Exhibitions	34
6	Pavilions	6
8	Cemeteries	8
1	Civic/Mayoral Regalia	1
	Non-operational Assets	
290	Commercial Property (Units)	290
65.97ha	Agricultural Land	65.97ha
1	Golf Course	1
1	Theatres	1
1	Indoor Market/Arts Venue	1
52	Intangible Assets	50

D Notes to Core Financial Statements

g) Donated Assets

The Council did not hold any donated assets in 2009/10 or 2010/11.

13. INVESTMENT PROPERTIES

- a) The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2009/10		2010/11
£000s		£000s
-477	Rental income from investment property	-426
5	Direct operating expenses arising from investment property	9
-472	Net (gain) / loss	-417

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

- b) The following table summarises the movement in the fair value of investment properties over the year:

2009/10		2010/11
£000s		£000s
6,501	Balance at start of the year	7,058
	Additions:	
0	Purchases	0
0	Construction	0
0	Subsequent expenditure	0
-5	Disposals	0
	Transfers:	
0	to/from Inventories	0
-111	to/from Property, Plant and Equipment	-315
673	Net Gains / Losses from fair value adjustments	-79
7,058	Balance at end of year	6,664

14. INTANGIBLE ASSETS

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generally software.

D Notes to Core Financial Statements

- a) All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority are:

	Internally Generated Assets	Other Assets
	£000s	£000s
3 Years	0	475
5 Years	0	2,599
10 Years	0	845
Total	0	3,919

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £758k charged to revenue in 2010/11 was charged to the appropriate cost centres and then absorbed as an overhead across all the service headings in the Net Expenditure of Services where the original service charged was an overhead. It is not, therefore, possible to quantify exactly how much of the amortisation is attributable to each service heading.

- b) Movements

2009/10				2010/11		
Internally Generated Assets	Other Assets	Total		Internally Generated Assets	Other Assets	Total
£000s	£000s	£000s	£000s	£000s	£000s	
			Balance at start of year			
0	4,289	4,289	Gross carrying amounts	0	4,581	
0	-554	-554	Accumulated amortisation	0	-1,211	
0	3,735	3,735	Net carrying amount at start of year	0	3,370	
0	543	543	Purchases	0	441	
0	-251	-251	Changes in Asset class - Gross value		1,550	
0	119	119	Changes in Asset class - Amortisation	0	15	
0	0	0	Disposals - Gross value	0	-1,301	
0	0	0	Disposals - Amortisation	0	603	
0	-776	-776	Amortisation for the Period	0	-758	
0	3,370	3,370	Net carrying amount at end of year	0	3,920	
			Comprising:			
0	4,581	4,581	Gross carrying amounts	0	5,271	
0	-1,211	-1,211	Accumulated Amortisation	0	-1,351	
0	3,370	3,370	Net carrying amount at end of year	0	3,920	

D Notes to Core Financial Statements

- c) There is one item of capitalised software that is individually material to the financial statements:

31 March 2010		31 March 2011	Remaining Amortisation Period
£000s		£000s	
0	IBS - Housing Management System	1,883	5 Years

15. FINANCIAL INSTRUMENTS

- a) Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Long-Term		Current	
	31 March 2010	31 March 2011	31 March 2010	31 March 2011
	£000s	£000s	£000s	£000s
Investments				
Loans and receivables	0	0	49,138	79,189
Available for sale financial assets	0	0	0	0
Total Investments	0	0	49,138	79,189
Debtors				
Loans and receivables	36	33	13,155	6,823
Financial assets at contract amounts	0	0	0	0
Total Debtors	36	33	13,155	6,823
Borrowings				
Financial Liabilities at amortised cost	-32,062	-32,046	-1,803	-586
Total Borrowings	-32,062	-32,046	-1,803	-586
Other Long Term Liabilities				
PFI and finance leases	-415	-351	0	0
Total Other long term liabilities	-415	-351	0	0
Creditors				
Financial Liabilities at amortised cost	0	0	-16,177	-18,511
Total Creditors	0	0	-16,177	-18,511

D Notes to Core Financial Statements

b) Reclassifications

There have been no reclassifications of financial instruments during the year.

c) Income, Expense, Gains and Losses

2009/10				2010/11		
Financial Liabilities measured at amortised cost	Financial Assets: Loans and Receivables	Total		Financial Liabilities measured at amortised cost	Financial Assets: Loans and Receivables	Total
£000s	£000s	£000s		£000s	£000s	£000s
-1,637	0	-1,637	Interest expenditure	-1,792	0	-1,792
0	0	0	Losses on derecognition	0	0	0
		0	Reductions in fair value			0
0	-1,859	-1,859	Impairment losses	0	-1,054	-1,054
		0	Fee expense			
-1,637	-1,859	-3,496	Total Expense in Surplus or Deficit on the Provision of Services	-1,792	-1,054	-2,846
0	1,887	1,887	Interest income	0	1,876	1,876
		0	Interest Income accrued on impaired financial assets			0
		0	Increases in fair value			0
		0	Gains on derecognition			0
0	0	0	Fee Income	0	0	0
0	1,887	1,887	Total Income in Surplus or Deficit on the Provision of Services	0	1,876	1,876
-1,637	28	-1,609	Net gain/(loss) for the year	-1,792	822	-970

The authority did not have any Financial Assets available for sale or Assets and Liabilities at Fair Value through profit and loss for either 2009/10 or 2010/11.

d) Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. 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 ranges of interest rates at 31st March 2011 of 3.57% to 4.15% for loans from the PWLB based on new lending rates for equivalent loans at that date and 3.79% to 4.63% for other loans payable, based on discount rates applying at 31st March 2011; 0.48 to 1.28% for loans receivable based on new lending rates for equivalent loans at that date;
- no early repayment or impairment is recognised;
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

D Notes to Core Financial Statements

The fair values calculated are as follows:

	31 March 2010		31 March 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000s	£000s	£000s	£000s
Financial Liabilities	-17,981	-17,982	-19,097	-19,108
Long Term Creditors	-32,477	-37,339	-32,397	-36,450

The fair value of Financial Liabilities at 31 March 2010 and 31 March 2011 is higher 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 prevailing rates at the Balance Sheet date. This shows a notional future loss (based on the economic conditions at 31 March 2010 and 31 March 2011 respectively) arising from a commitment to pay interest to lenders above current market rates.

	31 March 2010		31 March 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000s	£000s	£000s	£000s
Loans and Receivables	62,294	62,393	86,013	86,032
Long Term Debtors	36	36	33	33

The fair value of the assets at 31 March 2010 and 31 March 2011 is higher than the carrying amount at the same date because the authority's portfolio of investments includes a number of fixed rate loans where the interest receivable is higher than the prevailing rates at the Balance sheet date. This shows a notional future gain (based on the economic conditions at 31 March 2010 and 31 March 2011 respectively) arising from a commitment to receive interest above current market rates.

Available for sale assets and assets and liabilities at fair value through profit and loss are carried on the balance sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

e) Short Term Borrowing

31 March 2010	Short Term Borrowing	31 March 2011
£000s		£000s
70	Billing Parish Council 7 day notice account	80
94	Northampton Volunteer Bureau 7 day notice account	94
16	HCA principal due within 1 year	17
180		191

D Notes to Core Financial Statements

f) Long Term Borrowing

31 March 2010	Long Term Borrowing	31 March 2011
£000s		£000s
	Analysis of loans by type	
6,049	Public Works Loan Board	6,049
24,787	Money Market LOBOs	24,788
1,226	Homes & Communities Agency	1,209
32,062		32,046
	Analysis of loans by maturity	
17	Maturing in 1-2 years	19
15,780	Maturing in 2-5 years	17,802
6,195	Maturing in 5-10 years	4,193
10,070	Maturing in over 10 years	10,032
32,062		32,046

g) Investments

31/03/2010	Investment Type	31/03/2011
£		£
	Included in Cash and Cash Equivalents	
3,400	Deposit and Call Accounts	21,004
0	Money Market Funds	5,000
3,000	Building Society Investments < or = 3 months	0
28,000	Bank Investments < or = 3 months	9,000
34,400		35,004
	Current Investments - Under 1 Year	
0	Building Society Investments < 1 Year	4,007
14,706	Bank Investments < 1 Year	34,139
0	Local Authorities < 1 Year	6,011
0	Other Investments < 1 Year	5
14,706		44,162
	Long Term Investments - Over 1 Year	
0	Building Society Investments > 1 Year	0
0	Bank Investments > 1 Year	0
0		0
49,106	Total	79,166

D Notes to Core Financial Statements

16. INVENTORIES

	Westbridge Depot Main Stores	Sub Stores	Other Stores	Total
	£000s	£000s	£000s	£000s
2009/10				
Balance outstanding at start of year	259	90	92	441
Purchases	1,026	627	15	1,668
Revaluations	23	-16	67	74
Recognised as an expense in the year	-1,084	-646	0	-1,730
Written off balances	-5	0	-11	-16
Reversals of write-offs in previous years	0	0	0	0
Balance outstanding at year end	219	55	163	437
2010/11				
Balance outstanding at start of year	219	55	163	437
Purchases	1,090	763	468	2,321
Revaluations	0	3	4	7
Recognised as an expense in the year	-1,042	-714	-459	-2,215
Written off balances	0	-44	-5	-49
Reversals of write-offs in previous years	0	0	0	0
Balance outstanding at year end	267	63	171	501

17. CONSTRUCTION CONTRACTS

In 2010/11, the Council did not have any external construction contracts in progress.

D Notes to Core Financial Statements

18. DEBTORS

31/03/2009	31/03/2010		31/03/2011
£000s	£000s		£000s
5,188	8,327	Sundry Debtors	6,447
3,743	10,201	Government Departments	6,689
3,831	4,226	Other Local and Public Authorities	2,034
2,307	2,582	Local Taxpayers	2,424
3,386	3,692	Housing Tenants	3,275
21	21	Loans to Employees	41
18,476	29,049		20,910
		Impairment (Bad Debt Provision)	
-780	-1,416	Local Taxpayers	-1,443
-1,933	-2,126	Housing Tenants	-1,863
-3,003	-4,128	Other	-4,577
-5,716	-7,670	Total Impairment	-7,883
12,760	21,379	Net Debtors	13,027

19. CASH AND CASH EQUIVALENTS

31/03/2010		31/03/2011
£000s		£000s
25	Cash held by the authority	24
8	Bank current accounts - Giro Account	0
33	Total Cash & Giro Accounts	24
-1,624	Overdraft used as part of cash management	-395
3,400	Deposit Account Facilities with banks	21,004
0	Deposit Account Facilities with building societies	0
0	Deposits with money market funds	5,000
28,000	Short Term Investments (up to 3 months) with banks	9,000
3,000	Short Term Investments (up to 3 months) with building societies	0
34,400	Total Cash Equivalents	35,004
32,809	Total Cash and Cash Equivalents	34,633

D Notes to Core Financial Statements

20. ASSETS HELD FOR SALE

	Current		Non Current	
	2009/10	2010/11	2009/10	2010/11
	£000s	£000s	£000s	£000s
Balance outstanding at start of year	0	0	0	0
Assets newly classified as held for sale:				
Property Plant and Equipment	0	984	0	0
Intangible Assets	0	0	0	0
Other assets/liabilities in disposal groups	0	0	0	0
Revaluation losses	0	-91	0	0
Revaluation gains	0	0	0	0
Impairment losses	0	0	0	0
Assets declassified as held for sale:				
Property, Plant and Equipment	0	0	0	0
Intangible Assets	0	0	0	0
Other assets/liabilities in disposal groups	0	0	0	0
Assets sold	0	0	0	0
Transfers from non-current to current	0	0	0	0
Other movements	0	0	0	0
Balance outstanding at year end	0	893	0	0

21. CREDITORS

31/03/2009	31/03/2010		31/03/2011
£000s	£000s		£000s
6,212	5,158	Sundry Creditors	7,296
8,011	1,541	Government Departments	17,373
2,600	2,546	Other Local and Public Authorities	1,877
441	194	Local Taxpayers	172
540	549	Tenants	566
2,079	1,740	Developer's Contributions	1,596
171	179	Deposits	185
20,054	11,907		29,065

D Notes to Core Financial Statements

22. PROVISIONS

	Insurance Provision	Other Provisions	Total
	£000s	£000s	£000s
Balance at 1 April 2010	-935	-23	-958
Additional provisions made	-521	0	-521
Amounts used	370	0	370
Unused amounts reversed	1,032	18	1,050
Unwinding of discounts	0	0	0
Balance at 31 March 2011	-54	-5	-59

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 is held in the Insurance provision as at 31st March 2010; an actuarial forecast of future valid claims made against 2010/11 and before is held in the Insurance Reserve.

b) Other

The balance of £5k represents a small provision in respect of the Rent Assistance and Rent Guarantee Schemes.

D Notes to Core Financial Statements

23. USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and further detail about earmarked reserves is shown in Note 8.

24. UNUSABLE RESERVES

a) Balances

31/03/2010		31/03/2011
£000s		£000s
-24,419	Revaluation Reserve	-13,612
973	Financial Instruments Adjustment Account Available for Sale Financial Instruments Reserve	658
0	Capital Adjustment Account	0
-598,637	Deferred Capital Receipts Reserve	-446,405
-40	Pensions Reserve	-35
165,657	Collection Fund Adjustment Account	95,536
174	Unequal Pay Back Pay Account	0
0	Short Term Compensated Absences Account	0
230		190
-456,062		-363,668

b) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

D Notes to Core Financial Statements

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

General Fund	Housing Revenue Account	2009/10		General Fund	Housing Revenue Account	2010/11
£000s	£000s	£000s		£000s	£000s	£000s
-11,342	-2,556	-13,898	Balance at 1 April	-9,644	-14,775	-24,419
-3,925	-13,599	-17,524	Upward Revaluation of assets	-3,930	-1,512	-5,442
2,781	712	3,493	Downward Revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	668	12,686	13,354
-1,144	-12,887	-14,031	Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	-3,262	11,174	7,912
1,491	385	1,876	Difference between fair value depreciation and historical cost depreciation	1,220	91	1,311
1,351	283	1,634	Accumulated gains on assets sold or scrapped	1,565	19	1,584
2,842	668	3,510	Amounts written off to the Capital Adjustment Account	2,785	110	2,895
-9,644	-14,775	-24,419	Balance at 31 March	-10,121	-3,491	-13,612

c) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account is used to reconcile the accounting treatment of Financial Instruments that has been adopted and the actual charges that must be made under statute.

2009/10		2010/11
£000s		£000s
1,288	Balance as at 1 April	973
-315	Transitional Arrangements - Unattached Premia	-315
973	Balance as at 31 March	658

d) Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

D Notes to Core Financial Statements

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

The Council currently holds no equity investments, other quoted investments, or other financial assets classified as available for sale.

e) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

D Notes to Core Financial Statements

General Fund	HRA	2009/10		General Fund	HRA	2010/11
£000s	£000s	£000s		£000s	£000s	£000s
-94,276	-538,495	-632,771	Balance at 1 April	-71,419	-527,218	-598,637
			Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
4,403	5,374	9,777	- Charges for depreciation and impairment of non current assets	3,148	4,393	7,541
17,992	15,087	33,079	- Revaluation losses on Property, Plant and Equipment	3,737	151,457	155,194
0	0	0	- Revaluation gains on Property, Plant and Equipment	-452	-131	-583
700	76	776	- Amortisation of intangible assets	588	170	758
3,964	0	3,964	- Revenue expenditure funded from capital under statute	3,959	0	3,959
-198	452	254	- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	4,152	1,013	5,165
26,861	20,989	47,850		15,132	156,902	172,034
-1,491	-385	-1,876	Adjusting amounts written out of the Revaluation Reserve	-1,219	-92	-1,311
25,370	20,604	45,974	Net written out amount of the cost of the Revaluation Reserve	13,913	156,810	170,723
			Capital financing applied in the year:			
-360	0	-360	- Use of the Capital Receipts Reserve to Finance new capital expenditure	-2,616	-679	-3,295
0	-8,986	-8,986	- Use of the Major Repairs Reserve to finance new capital expenditure	0	-10,122	-10,122
-3,104	-6	-3,110	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital expenditure	-1,775	-393	-2,168
-449	-323	-772	- Application of grants to capital financing from the Capital Grants Unapplied Account	-1,738	-132	-1,870
-916	0	-916	- Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	-716	0	-716
-296	0	-296	- Capital expenditure charged against the General Fund and HRA balances	-193		-193
-5,125	-9,315	-14,440		-7,038	-11,326	-18,364
2,612	-12	2,600	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	-127	0	-127
0	0	0	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	0	0	0
-71,419	-527,218	-598,637	Balance at 31 March	-64,671	-381,734	-446,405

D Notes to Core Financial Statements

f) Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of noncurrent assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2009/10		2010/11
£000s		£000s
-45	Balance as at 1 April	-40
5	Transfer to the Capital Receipts Reserve upon receipt of cash	5
-40	Balance as at 31 March	-35

g) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2009/10		2010/11
£000s		£000s
97,118	Balance as at 1 April	165,657
65,971	Actuarial gains or losses on pension assets and liabilities	-43,595
11,032	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of services in the Comprehensive Income and Expenditure Statement	-18,133
-8,452	Employer's pensions contributions and direct payments to pensioners payable in the year	-8,349
-12	Pensions Correction	-43
165,657	Balance as at 31 March	95,537

D Notes to Core Financial Statements

h) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council taxpayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2009/10		2010/11
£000s		£000s
125	Balance as at 1 April	174
49	Amounts by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	-174
174	Balance as at 31 March	0

i) Unequal Pay Back Pay Account

The Unequal Pay Back Pay Account compensates for the differences between the rate at which the Authority provides for the potential costs of back pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the General Fund Balance until such time as cash might be paid out to claimants. The information available at this time is that any further settlements of Unequal Pay back pay are unlikely to be made.

j) Short Term Compensated Absences Account

The Short Term Compensated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2009/10		2010/11
£000s		£000s
225	Balance as at 1 April	230
5	Movements in year	-40
230	Balance as at 31 March	190

D Notes to Core Financial Statements

25. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2009/10		2010/11
£'000		£'000
-32,683	Net Surplus or (Deficit) on the Provision of Services	-119,853
	<u>Adjust net surplus or deficit on the provision of services for non cash movements</u>	
9,777	Depreciation	7,541
33,080	Impairment and downward valuations	155,194
776	Amortisation	758
52	Adjustments for effective interest rates	0
0	Increase/Decrease in Interest Creditors	10
-2,649	Increase/Decrease in Creditors	2,302
823	Increase/Decrease in Interest and Dividend Debtors	1,373
-2,665	Increase/Decrease in Debtors	5,052
3	Increase/Decrease in Inventories	-64
2,568	Pension Liability	-26,525
-102	Contributions to/(from) Provisions	-922
1,888	Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	6,748
0	Issuing of Council Mortgages relating to deferred capital receipts	0
271,707	Carrying amount of short and long term investments sold	14,000
0	Movement in Investment Property Values	-127
315,258	Adjusted net surplus or deficit on the provision of services for non cash movements	165,340
	<u>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</u>	
-776	Capital Grants credited to surplus or deficit on the provision of services	-3,375
-265,404	Proceeds from the sale of short and long term investments	-14,000
-1,209	Proceeds from the sale of property plant and equipment, investment property and intangible assets	-8,382
-267,389	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	-25,757
15,186	Net Cash Flows from Operating Activities	19,730

D Notes to Core Financial Statements

26. CASH FLOW STATEMENT - OPERATING ACTIVITIES (INTEREST)

2009/10		2010/11
£'000		£'000
2710	Interest Received	3,249
-1,585	Interest Paid	-1,756
0	Dividends Received	0
1,125	Total	1,493

27. CASH FLOW STATEMENT - INVESTING ACTIVITIES

2009/10		2010/11
£'000		£'000
-12,559	Purchase of Property, Plant and Equipment, investment property and intangible assets	-16,333
-254,396	Purchase of short and long term investments	-44,005
-3,878	Other payments for investing activities	0
1,215	Proceeds from the sale of property plant and equipment, investment property and intangible assets	8,387
265,404	Proceeds from short-term and long-term investments	14,000
3,290	Other Receipts from Investing Activities	3,848
-924	Total Cash Flows from Investing Activities	-34,103

28. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2009/10		2010/11
£'000		£'000
6,005	Cash receipts of short and long term borrowing	10
-8,852	Billing Authorities - Council Tax and NNDR adjustments	16,491
0	Repayment of Short-Term and Long-Term Borrowing	-189
0	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	-115
-2,847	Total Cash Flows from Financing Activities	16,197

D Notes to Core Financial Statements

29. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Best Value Accounting Code of Practice*. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across Directorates and Departments. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement);
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year;
- expenditure on support services is budgeted for within the relevant department and not charged to other departments and directorates.

D Notes to Core Financial Statements

	2009/10				
	Chief Executive	Director of Environment and Culture	Director of Finance and Support	Director of Planning and Regeneration	Borough Solicitor
	£000s	£000s	£000s	£000s	£000s
Fees, charges and other service income	-1,275	-11,123	-3,005	-2,366	-326
Surplus or deficit on associates and joint ventures	0	0	0	0	0
Interest and investment income	0	0	0	0	0
Income from council tax	0	0	0	0	0
Government grants and contributions	-414	-2,894	-76,756	-682	-1
Employee expenses	2,342	13,599	9,791	3,311	851
Other service expenses	2,843	10,737	83,327	3,057	158
Support service recharges	755	2,871	-8,126	-698	-766
Depreciation, amortisation and impairment	231	4,772	1,422	19,021	2
Interest payments	0	0	0	0	0
Pensions interest cost and expected return on pensions assets	0	0	0	0	0
Precepts and levies	0	0	0	0	0
Payments to Housing Capital Receipts Pool	0	0	0	0	0
Gain or loss on disposal of non-current assets	72	345	292	229	0
Surplus or deficit on the provision of services	4,554	18,310	6,946	21,873	-83

	2009/10				
	Director of Housing	HRA	Debt Financing	Other (Below the line)	Total
	£000s	£000s	£000s	£000s	£000s
Fees, charges and other service income	-2,062	-54,911	0	0	-75,067
Surplus or deficit on associates and joint ventures	0	0	0	0	0
Interest and investment income	0	0	-1,887	0	-1,887
Income from council tax	0	0	0	-14,307	-14,307
Government grants and contributions	-673	9,603	0	-23,969	-95,786
Employee expenses	2,434	8,895	0	0	41,223
Other service expenses	4,506	19,412	0	0	124,039
Support service recharges	906	4,378	0	0	-679
Depreciation, amortisation and impairment	-2,310	20,517	0	583	44,240
Interest payments	0	0	1,637	0	1,637
Pensions interest cost and expected return on pensions assets	0	0	0	7,110	7,110
Precepts and levies	0	0	0	883	883
Payments to Housing Capital Receipts Pool	0	0	0	599	599
Gain or loss on disposal of non-current assets	0	-260	0	0	678
Surplus or deficit on the provision of services	2,801	7,633	-251	-29,101	32,683

D Notes to Core Financial Statements

	2010/11				
	Chief Executive	Director of Environment and Culture	Director of Finance and Support	Director of Planning and Regeneration	Borough Solicitor
	£000s	£000s	£000s	£000s	£000s
Fees, charges and other service income	-522	-13,058	-2,035	-2,964	-258
Surplus or deficit on associates and joint ventures	0	0	0	0	0
Interest and investment income	0	0	0	0	0
Income from council tax	0	0	0	0	0
Government grants and contributions	-404	-2,897	-83,054	-354	-51
Employee expenses	2,210	13,878	-12,448	3,930	880
Other service expenses	2,490	10,691	89,049	2,822	142
Support service recharges	1,876	2,947	-8,754	-936	-786
Depreciation, amortisation and impairment	337	4,586	1,538	401	10
Interest payments	0	0	0	0	0
Pensions interest cost and expected return on pensions assets	0	0	0	0	0
Precepts and levies	0	0	0	0	0
Payments to Housing Capital Receipts Pool	0	0	0	0	0
Gain or loss on disposal of non-current assets	2	-52	897	-33	0
Surplus or deficit on the provision of services	5,989	16,095	-14,807	2,866	-63

	2010/11				
	Director of Housing	HRA	Debt Financing	Other (Below the line)	Total
	£000s	£000s	£000s	£000s	£000s
Fees, charges and other service income	-2,276	-54,627	0	0	-75,740
Surplus or deficit on associates and joint ventures	0	0	0	0	0
Interest and investment income	0	0	-1,876	0	-1,876
Income from council tax	0	0	0	-14,954	-14,954
Government grants and contributions	-2,541	9,966	0	-20,856	-100,191
Employee expenses	2,627	2,693	0	0	13,770
Other service expenses	1,187	18,304	0	0	124,685
Support service recharges	4,765	4,785	0	0	3,897
Depreciation, amortisation and impairment	22	155,889	0	0	162,783
Interest payments	0	0	1,792	0	1,792
Pensions interest cost and expected return on pensions assets	0	0	0	5,181	5,181
Precepts and levies	0	0	0	906	906
Payments to Housing Capital Receipts Pool	0	0	0	1,231	1,231
Gain or loss on disposal of non-current assets	0	-2,447	0	0	-1,633
Surplus or deficit on the provision of services	3,784	134,563	-84	-28,492	119,851

D Notes to Core Financial Statements

30. TRADING ACCOUNTS

The Authority has established 2 trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations. Details of these units are as follows:

2008/09	2009/10		2010/11	2010/11	2010/11
Net	Net		Income	Exp.	Net
£000s	£000s		£000s	£000s	£000s
2,055	2,730	Property Management	-1,582	1,068	-514
494	88	Construction Services	0	21	21
2,549	2,818	Total Surplus\Deficit	-1,582	1,089	-493

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. Some are an integral part of one of the Authority's services to the public (e.g. markets), whilst others may be support services to the Authority's services to the public. The expenditure of these operations is allocated or recharged to headings in the Net Operating Expenditure of Continuing Operations. Only a residual amount of the net surplus on trading operations is charged as Financing and Investment Income and Expenditure:

2008/09	2009/10		2010/11	2010/11	2010/11
Net	Net		Income	Exp.	Net
£000s	£000s		£000s	£000s	£000s
117	-2	Trade Refuse	-1	5	4
794	482	Markets	-420	1,149	729
911	480	Total Surplus\Deficit	-421	1,154	733

31. 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.

2009/10		2010/11
£000s		£000s
428	Administration costs and ancillary services	438
-272	Income including transfer fees from NCC	-289
156	Net surplus / deficit arising on the agency agreement	149

D Notes to Core Financial Statements

32. POOLED BUDGETS

The Council has entered into a pooled budget arrangement with its partners to work together to increase the joint working they undertake to improve the well being of children and young people in their area and to better deliver the "Every Child Matters" agenda. The contributions are agreed to be in the following proportions: -

Northamptonshire County Council	45%
PCT	35%
District / Borough Councils in Northamptonshire (Total)	10%
Police Authority & Learning Skills Council	10%

The contributions are subject to change as per the agreement.

2009/10		2010/11
£000s		£000s
0	Balance B/f	-198
	Funding Provided to the Pool	
-13	Northampton BC	-13
-749	Other Partners	-710
-762		-723
564	Expenditure met from the Pool	665
-198	Balance c/f	-256

33. MEMBERS' ALLOWANCES

The Authority paid the following amounts to members of the council during the year:

2009/10		2010/11
£000s		£000s
	Expenditure	
27	Mayor/Deputy Mayor Allowance	27
430	Members' Allowances	420
3	Expenses	3
460	Total	450

D Notes to Core Financial Statements

34. OFFICERS' REMUNERATION

a) Senior Officers

Job Title	Year	Note	Salary (inc Fees & Allowances)	Performance Related Pay	Compensation for loss of Office	Benefits in Kind (Car Allowance)	Total Remuneration excl Pension	Pension Contributions	Total Remuneration including Pension
			£000s	£000s	£000s	£000s	£000s	£000s	£000s
Chief Executive	2010/11		138	0	0	1	139	38	177
	2009/10		138	0	0	1	139	33	172
Assistant Chief Executive	2010/11		83	0	0	1	84	23	107
	2009/10		80	0	0	1	81	21	102
Borough Solicitor	2010/11		69	0	0	0	69	19	88
	2009/10		65	0	0	0	65	17	82
Director of Environment & Culture	2010/11		111	0	0	1	112	30	142
	2009/10		108	0	0	1	109	28	137
Director of Finance & Support	2010/11		105	0	0	1	106	28	134
	2009/10		99	0	0	1	100	26	126
Director of Housing	2010/11		105	0	0	1	106	28	134
	2009/10		99	0	0	1	100	26	126
Director of the Local Strategic Partnership	2010/11		67	0	0	1	68	19	87
	2009/10		65	0	0	1	66	17	83
Director of Planning & Regeneration	2010/11		102	0	0	1	103	27	130
	2009/10		96	0	0	1	97	25	122
Head of Culture & Leisure	2010/11		56	0	0	2	58	15	73
	2009/10		53	0	0	2	55	14	69
Head of Customer Service & ICT	2010/11		67	0	0	1	68	18	86
	2009/10		63	0	0	1	64	16	80
Head of Finance	2010/11	1	37	0	0	0	37	10	47
Head of Housing Needs & Support	2010/11		80	0	0	0	80	22	102
	2009/10		67	0	0	0	67	18	85
Head of Human Resources	2010/11		83	0	0	1	84	22	106
	2009/10		78	0	0	1	79	20	99
Head of Joint Planning Unit	2010/11		63	0	0	1	64	18	82
	2009/10	3	16	0	0	0	16	4	20
Head of Landlord Services	2010/11		77	0	0	1	78	21	99
	2009/10	3	60	0	0	1	61	16	77
Head of Neighbourhood & Environment Services	2010/11		67	0	0	0	67	18	85
	2009/10		66	0	0	0	66	17	83
Head of Northampton Area Procurement Service	2010/11		55	0	0	1	56	15	71
	2009/10		55	0	0	1	56	14	70
Head of Performance & Improvement	2010/11		55	0	0	1	56	15	71
	2009/10		53	0	0	1	54	14	68
Head of Planning	2010/11		85	0	0	1	86	23	109
	2009/10		80	0	0	1	81	21	102
Head of Policy & Community Engagement	2010/11		62	0	0	1	63	17	80
	2009/10		65	0	0	1	66	17	83
Head of Public Protection	2010/11		56	0	0	1	57	15	72
	2009/10		53	0	0	1	54	14	68
Head of Regeneration & Development	2010/11		71	0	0	1	72	19	91
	2009/10		67	0	0	1	68	18	86

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Head of Revenues & Benefits	2010/11		58	0	0	1	59	16	75
	2009/10		55	0	0	1	56	14	70
Head of Finance & Assets	2010/11	2	27	0	0	1	28	8	36
	2009/10		67	0	0	1	68	18	86
Total	2010/11		1779	0	0	21	1800	484	2284
	2009/10		1648	0	0	20	1668	428	2096

Notes re 2010/11

- 1 Head of Finance - Appointment September 2010 - Annualised Salary £63,453
- 2 Head of Finance & Assets - Left August 2010 - Annualised Salary £67,317

Notes re 2009/10

- 3 Head of Joint Planning Unit - Appointment January 2010 - Annualised Salary £63,456
- 4 Head of Landlord Services - Appointment June 2009 - Annualised Salary £75,768

b) Officers paid over £50,000

The Authority's employees (including those shown above) receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) fell into the following bands:

2009/10 No. of Employees	Remuneration Band	2010/11 No. of Employees
7	£50,000 - £54,999	4
4	£55,000 - £59,999	6
4	£60,000 - £64,999	4
7	£65,000 - £69,999	4
0	£70,000 - £74,999	1
1	£75,000 - £79,999	1
2	£80,000 - £84,999	3
0	£85,000 - £89,999	1
0	£90,000 - £94,999	0
1	£95,000 - £99,999	0
2	£100,000 - £104,999	1
1	£105,000 - £109,999	2
0	£110,000 - £114,999	1
0	£115,000 - £119,999	0
0	£120,000 - £124,999	0
0	£125,000 - £129,999	0
0	£130,000 - £134,999	0
1	£135,000 - £139,999	1

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35. EXTERNAL AUDIT COSTS

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:

2009/10		2010/11
£000s		£000s
231	Fees payable with regard to external audit services carried out by the appointed auditor (Section 5 Audit Commission Act 1998)	200
0	Fees payable in respect of statutory inspection (Section 10 Local Government Act 1999)	0
35	Fees payable for the certification of Grant Claims and Returns (Section 28 Audit Commission Act 1998)	42
37	Fees payable in respect of other services provided by the appointed auditor	1
303		243

The Council's appointed auditor for the 2009/10 and 2010/11 Statement of Accounts audits was the Audit Commission and KPMG for the 2008/09 Statement of Accounts audit.

The fees for other services payable in both 2009/10 and 2010/11 related to specialist advice on a successful claim against HM Revenue & Customs for the refund of VAT.

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36. GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

2009/10		2010/11
£000s		£000s
	Credited to Taxation and Non-Specific Grant Income	
-3,533	Revenue Support Grant	-2,401
-15,309	NNDR from Pool	-16,535
-124	Local Authority Business Growth Incentive	0
-523	Area Based Grant	-276
-693	Concessionary Travel Scheme	-713
-2,643	Housing & Planning Delivery Grant	0
0	Other Grants individually less than £100,000	-33
-22,825	Total	-19,958
	Credited to Services	
-242	Additional Housing Admin. Grant	-359
-14,084	Council Tax Grant	-15,140
-1,512	Rent Rebate Subsidy Limitation Claim	-891
-222	Northamptonshire County Council Contribution for Grass Cutting	-110
-419	Homelessness Admin Grant	-131
-1,807	Housing Benefit Admin. Grant	-1,662
-25,715	HRA Rent Rebates Grant	-26,243
-113	Non HRA Rent Rebates	-209
-186	Northamptonshire Area Procurement Service Contributions	-228
-1,113	Northamptonshire County Council Recycling Credits	-1,149
0	Recruitment Portal project	-135
-32,484	Rent Allowance Grant	-37,135
-192	Section 106 Contributions	-320
0	Shared Customer Contact Centre	-199
-17	Single Persons Discount	-127
-433	Joint Planning Unit Contribution	-665
-137	Supporting People	-310
-1,002	Other Grants Individually Less Than £100,000	-2,119
-79,677	Total	-87,132

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

D Notes to Core Financial Statements

2009/10		2010/11
£000s		£000s
	Capital Grants Receipts in Advance	
0	Playbuilder Dallington	-49
-50	Playbuilder Eastfield Park	-50
-49	Playbuilder Kingsthorpe	
-49	Playbuilder Racecourse	
-3	Greyfriars Lighting	
-12	Money 4 Youth	
-8	Improving Access	
-7	Air Quality Monitoring	-5
0	Night Safe and Target Hardening	-21
-223	Market Square	-126
-344	Housing & Planning Improvements	-266
-609	Countywide Climate Friendly Communities	-133
-528	Places of Change	-622
-52	Empty Homes	-52
-15	Disabled Facilities Grants	
-500	GOEM Decent Homes Assistance	-251
	Other	-188
-2,449	Total	-1,763
	Donated Assets Account	
0		0
0	Total	0

37. RELATED PARTIES

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 access the extent to which the Council might have constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with 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 governments departments are set out in a note to the Cash Flow Statement. Grant receipts outstanding at 31 March 2011 are shown in Note 36.

Members of the Council have direct control over the Council's financial and operating policies. During 2010/11 expenditure to the value of £1.26m (£.971m 2009/10) 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 £111k (£91k in 2009/10) was receivable from these bodies. Contracts were entered into in full compliance with

D Notes to Core Financial Statements

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.

38. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

Total 2009/10		Total 2010/11
£000s		£000s
16,921	Opening Capital Financing Requirement	18,224
	Capital Investment	
11,237	Property, Plant & Equipment	15,846
0	Investment Properties	0
543	Intangible Assets	441
3,964	Revenue Expenditure Funded from Capital under Statute	3,959
15,744		20,246
	Sources of Finance	
-360	Capital Receipts	-2,483
0	Sums Set aside from Capital Receipts	-812
	Government Grants and Other	
-12,868	Contributions	-14,159
-916	Sums Set aside from Revenue	-716
-297	Direct Revenue Contributions	-193
-14,441		-18,363
18,224	Closing Capital Financing Requirement	20,107

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Total 2009/10		Total 2010/11
£000s		£000s
16,921	Opening Capital Financing Requirement	18,224
500	Increase in underlying need to borrow (supported by government financial assistance)	500
803	Increase in underlying need to borrow (unsupported by government financial assistance)	1,373
0	Assets acquired under finance lease	10
0	Assets acquired under PFI/PPP	0
1,303	Increase/(decrease) in Capital Financing Requirement	1,883
18,224	Closing Capital Financing Requirement	20,107

39. LEASES

Authority as Lessee

Finance Leases

- a) The Council has acquired temporary buildings, wheeled bins, IT assets and road sweepers under finance leases. The assets acquired under these leases are carried in the Balance Sheet at the following net book values:

31/03/2010		31/03/2011
£000s		£000s
693	Vehicles, Plant, Furniture and Equipment	464
20	Intangible Fixed Assets	16
713		480

- b) The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

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31/03/2010		31/03/2011
£000s		£000s
	Finance lease liabilities (net present value of minimum lease payments):	
380	Current	168
415	Non Current	351
120	Finance costs payable in future years	75
915	Closing Capital Financing Requirement	594

c) The minimum lease payments will be payable over the following periods:

31/03/2010	Finance Leases - Minimum Lease Payments	31/03/2011
£000s		£000s
331	Not later than one year	200
584	Later than 1 year and not later than 5 years	394
0	Later than 5 years	0
915		594

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. There are no contingent rents on these assets in 2009/10 or 2010/11.

Operating Leases

d) The Council uses IT equipment, gym equipment and vehicles financed under the terms of operating leases.

The future minimum lease payments due under non-cancellable leases in future years are:

31/03/2010	Operating Leases - Minimum Lease Payments	31/03/2011
£000s		£000s
549	Not later than one year	417
283	Later than 1 year and not later than 5 years	426
0	Later than 5 years	0
832		843

D Notes to Core Financial Statements

- e) The expenditure charged to the Council's Comprehensive Income and Expenditure Statement during the year in relation to these operating leases was:

31/03/2010		31/03/2011
£000s		£000s
1,971	Minimum lease payments	1,977
40	Contract Hire	54
40	Other	65
0	Contingent rents	0
0	Sublease payments receivable	0
2,051		2,096

Authority as Lessor

Finance Leases

The Council has adopted the mitigation in The Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2010 in relation to pre-existing leases and has no new lessor leases that would be classified as finance leases for 2010/11

- f) There is no gross investment because of the mitigation:
- g) There are no time periods for leases because of the mitigation:

Operating Leases

The Authority leases out property and equipment under operating leases for the following purposes:

- for the provision of community services, such as sports facilities;
- for economic development purposes to provide suitable affordable accommodation for local businesses.

- h) The future minimum lease payments receivable under non-cancellable leases in future years are:

31/03/2010	Operating Leases - Minimum Lease Payments	31/03/2011
£000s		£000s
1,800	Not later than one year	1,777
4,868	Later than 1 year and not later than 5 years	4,876
34,799	Later than 5 years	34,010
41,467		40,663

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 £1k contingent rents were receivable by the Authority (£16k in 2009/10).

D Notes to Core Financial Statements

40. IMPAIRMENT LOSSES

During 2010/11 the Council recognised impairment losses of £1,700. This related to small items of equipment that are no longer of operational use following the consolidation of the Council's office accommodation. Land and property assets have been reviewed and no impairment due to economic consumption was identified.

41. CAPITALISATION OF BORROWING COSTS

The Council has no capitalised borrowing costs. All borrowing costs are recognised as an expense in the accounts as they are incurred.

42. TERMINATION BENEFITS

The Authority terminated the contracts of a number of employees in 2010/11, incurring liabilities of £398,235 (£615,624 in 2009/10). Of this total, £177,360 relates to pension strain and £220,927 relates to the lump sum payments.

43. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The authority participates in one post employment scheme:

The Local Government Pension Scheme, administered locally by Northamptonshire County Council – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported 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 post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

- a) The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

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2009/10		2010/11
£000s		£000s
	<u>Comprehensive Income and Expenditure Statement</u>	
	Net Cost of Service	
3,430	Current Service Cost	5,895
492	Past Service Cost	-29,209
0	Settlements and curtailments	0
-12	Correction of Pension Contributions	-43
	Financing and investment Income and Expenditure	
14,302	Interest Cost	16,295
-7,192	Expected Return on Scheme Assets	-11,114
11,020	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of services	-18,176
-65,971	Actuarial gains and losses	43,595
-54,951	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	25,419
	Movement in Reserves Statement	
54,951	Reversal of net charges against the Surplus or deficit for the Provision of Services for the post employment benefits in accordance with the Code	-25,419
8,452	Actual amount charged against the General Fund Balance for pensions in the year: employers' contributions payable to scheme	8,349

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2010/11 is a loss of £63.215m.

Assets and Liabilities in Relation to Post-employment Benefits

- b) Reconciliation of present value of the scheme liabilities (defined benefit obligation):

2008/09	2009/10		2010/11
£000s	£000s		£000s
-243,308	-208,599	Opening Balance	-320,187
-4,826	-3,430	Current Service Cost	-5,895
-14,806	-14,302	Interest Cost	-16,295
-1,638	-1,742	Contribution by Scheme Participants	-1,738
48,306	-99,975	Actuarial Gains/(Losses)	50,225
0	-28	Past Service Gains/(Costs)	29,209
-349	-464	Curtailment Gains/(Losses)	0
8,022	8,353	Benefits Paid	10,219
-208,599	-320,187	Closing Balance	-254,462

D Notes to Core Financial Statements

c) Reconciliation of fair value of the scheme (plan) assets:

2008/09	2009/10		2010/11
£000s	£000s		£000s
141,506	111,481	Opening Balance	154,530
10,127	7,192	Expected Return on Assets	11,115
1,638	1,742	Contribution by Scheme Participants	1,738
6,652	7,597	Contributions by the Employer	7,539
824	867	Contributions in respect of unfunded benefits	854
-41,244	34,004	Actuarial Gains/(Losses)	-6,629
-8,022	-8,353	Benefits Paid	-10,216
111,481	154,530	Closing Balance	158,931

The expected return on scheme 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 was a loss of £10.561m (£41.196m in 2009/10).

d) **Scheme History**

	2006/07	2007/08	2008/09	2009/10	2010/11
	£000s	£000s	£000s	£000s	£000s
Present Value of Scheme Liabilities	-226,893	-243,308	-208,600	-320,187	-254,468
Fair Value of Assets	162,077	141,506	111,482	154,530	158,931
Surplus / (Deficit) in the Scheme	-64,816	-101,802	-97,118	-165,657	-95,537

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £95.537m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (ie before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2012 is £7.3m.

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Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme has been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1 April 2007.

e) The principal assumptions used by the actuary have been:

31/03/2010		31/03/2011
	Long Term Expected Rate of Return on Assets in the Scheme	
7.8%	Equity Investments	7.5%
5.0%	Bonds	4.9%
5.8%	Property	5.5%
4.8%	Other	4.6%
	Mortality Assumptions	
	Longevity at 65 for Current Pensioners:	
20.8	- Men	21.4
24.1	- Women	23.3
	Longevity at 65 for Future Pensioners:	
22.3	- Men	23.4
25.7	- Women	25.5
3.8%	Rate of Inflation	2.8%
5.3%	Rate of Increase in Salaries	5.1%
3.8%	Rate of Increase in Pensions	2.8%
5.5%	Rate for Discounting Scheme Liabilities	5.5%
50.0%	Take-up of Option to Convert Annual Pension into Retirement Lump Sum Pre April 2008	50.0%
75.0%	Take-up of Option to Convert Annual Pension into Retirement Lump Sum Post April 2008	75.0%

f) The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

31/03/2010		31/03/2011
76%	Equities	72%
16%	Bonds	20%
6%	Property	6%
2%	Cash	2%
100.0%		100.0%

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History of Experienced Gains and Losses

- g) The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March 2011:

	2006/07	2007/08	2008/09	2009/10	2010/11
	£000s	£000s	£000s	£000s	£000s
Fair Value of Employer Assets	162,077	141,506	111,482	154,531	158,931
Experienced Gain/Loss(-) on Assets	-1,871	-31,927	-41,244	34,004	-6,629
Gain/Loss(-) as % of Asset Fair Value	-1.15%	-22.56%	-37.00%	22.00%	-4.17%
Present Value of Liabilities	-226,893	-243,308	-208,600	-320,188	-254,468
Experienced Gain/Loss(-) on Liabilities	0	6,529	-739	-726	35,113
Gain/Loss(-) as % of Total Liabilities	0.00%	-2.68%	0.35%	0.23%	-13.80%

44. CONTINGENT 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 2011 was estimated to be £887k (£1.542m as at 31st March 2010).
- A capital grant received from the East Midland 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.
- Currently the Council is involved in the following Human Resources issues:
 - Equal Pay claims outstanding: 2 claims are yet to be finalised, one claimant is expected to withdraw; the worst case scenario of the remaining case would be £50k.
 - An unfair dismissal case: if the Council lost, costs could be £68.4k.
 - An Employee Appeals Tribunal (EAT) outstanding which if successful could cost the Council £6k.
- In 1987, Home Group Limited raised finance to carry out development in a number of local authority areas. In so doing they entered into arrangements with local authorities for the purchase of land in return for nomination rights over 50% of the properties constructed. In addition the local authorities agreed to indemnify bond holders against a fixed percentage of indebtedness under the bonds incurred by Home Group. Home Group in turn gave a counter indemnity to the said local authorities in the same amount. Thus, for so long as Home Group remains solvent, there is no practical likelihood of a claim under the indemnity being made against a participant local authority. Home Group has a strong credit

D Notes to Core Financial Statements

rating and the bond issue is underpinned by income from the properties constructed using the finance provided. The NBC proportion of the financial guarantee is 1.35% of £82.551m, representing a value of £1.111m.

- There is a legal dispute with Mobisoft over the length of a contract with them. The Council's belief is that they were contracted for 12 months but the company dispute this and say the contract was for 4 years. This case is going forward into Law with the worst case scenario being £80k.

45. CONTINGENT 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 case lost by a developer who claimed that the NBC failed to consult when drawing up the Feeschool Street Master Plan which he claimed resulted in a disadvantage. The case was lost by the Developer and the Council is claiming costs, expected to be in region of £60,000.

46. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council'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 Council'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 treasury team under policies approved by the Council in its Treasury Management Policy Statement, Treasury Management Practices and accompanying Schedules and the annual Treasury Management Strategy. These contain overall principles for risk management and specific risks which include credit and counterparty risk, liquidity risk, interest rate risk, exchange rate risk, refinancing risk, legal and regulatory risk, and market risk.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures from the Authority's customers.

The risk exposure from investment counterparties is minimised through policies and procedures set out in the Council's Treasury Management Practices and accompanying Schedules and its Annual Investment Strategy. These require that deposits are not made with financial institutions unless they meet identified minimum credit criteria that includes, but is not entirely dependant on, external credit ratings, including sovereign ratings.

The Annual Investment Strategy also imposes value and investment period limits for each category of approved counterparty. The maximum limits for placements with

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individual or group counterparties are £15m and 729 days for UK nationalised or part nationalised banking institutions and UK banks or building societies supported by the UK banking system support package, and £12m and 729 days for counterparties having sovereign ratings of AAA (Overseas or UK). Lower limits will apply in many instances depending on credit ratings and other factors specific to each institution.

Due to the nature of its business, the Council does not assess operational customers for credit worthiness and does not set credit limits on customers. In relation to mortgages, the Authority holds an equity stake in each relevant property as collateral against the mortgage outstanding. There are also certain exceptional circumstances under which the Council 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 Council's maximum exposure to credit risk in relation to its investments totalling £79.2m in banks, building societies and other institutions cannot be assessed generally as the risk of any counterparty failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2011 that this was likely to crystallise. Deposit protection arrangements, such as the UK banking system support package, will limit any losses that might arise.

D Notes to Core Financial Statements

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

Estimated Maximum Exposure to Default and Uncollectability at 31 March 2010		Amount at 31 March 2011	Historical Experience of Default	Historical Experience Adjusted for Market Conditions at 31 March 2011	Estimated Maximum Exposure to Default and Uncollectability at 31 March 2011
£000s		£000s	%	%	£000s
0	Long Term Debtors - Mortgages	33	0.00	0.00	0
252	Customers: Council Tax & NNDR Cost of Collection	943	26.96	26.96	254
111	Customers: Rent	2,790	3.39	3.39	95
2,508	Customers: Sundry	7,275	26.96	26.96	1,961
0	Deposits with Banks and Financial Institutions	79,165	0.00	0.00	0
2,871		90,206			2,310

No credit limits were exceeded during the reporting period and the authority 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 2010/11.

The Council does not generally allow credit for customers, (with the exception of mortgagees) such that £11.0m of the £90.2m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

Amount at 31 March 2010	Aged Debt Analysis	Amount at 31 March 2011
£000s		£000s
6,525	Less than three months	4,951
1,478	Three to six months	1,427
1,422	Six months to one year	1,375
4,230	More than one year	3,256
13,655		11,009

D Notes to Core Financial Statements

Impairment on the debtors financial asset has been identified, standing at a total of £6.7m at the end of 2010/11.

The Council holds collateral against a number of mortgages. The balance sheet value of the principal amount outstanding on these is currently £35.8k (£40.7k in 2009/10).

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

The Council has a comprehensive cashflow management system in place that seeks to ensure that cash is available as needed. In the event of unexpected movements to the downside, the Council has ready access to borrowings from the money markets and (for capital expenditure purposes) from the Public Works Loan Board (PWLB). There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority 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.

The maturity analysis of financial liabilities is as follows:

Amount at 31 March 2010	Maturity Profiles of Financial Liabilities	Amount at 31 March 2011
£000s		£000s
-19,061	Less than one year	-19,097
-21	One to two years	-160
-15,788	two to five years	-18,011
-16,265	More than five years	-14,226
-51,135		-51,494

D Notes to Core Financial Statements

Market Risk

Interest Rate Risk

The Authority 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 authority. For instance, a rise in interest rates would have the following effects:

- Borrowing at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise;
- Borrowing at fixed rates – the fair value of the liabilities will fall;
- Investment at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise;
- Investment 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 borrowing would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowing and investment will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

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 Council 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 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.

According to this assessment strategy, at 31 March 2011, if interest rates had been 1% higher with all other variables held constant, the financial effect would be: -

D Notes to Core Financial Statements

Amount at 31 March 2010		Amount at 31 March 2011
£000s		£000s
248	Increase in interest payable on variable rate borrowing	248
-80	Increase in interest receivable on variable rate investments	-163
0	Increase in government grant receivable for financing costs	0
168	Impact on Surplus or Deficit on the Provision of Services	85
28	Share of overall impact credited to the HRA	52
140	Impact remaining on General Fund	33
184	Increase in fair value of fixed rate investment assets	141
184	Impact on Other Comprehensive Income and Expenditure	141
11	Decrease in fair value of fixed rate borrowings liabilities (no impact on the surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	13

The impact of a 1% fall 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 Authority has no financial assets or liabilities denominated in foreign currencies and therefore has no exposure to loss arising from movements in exchange rates.

47. BUILDING CONTROL TRADING ACCOUNT

A local authority is required at the end of the financial year to prepare a statement that sets out fully the details of its scheme for setting charges in relation to its building control function. The statement should also show the income recovered and the total costs incurred. There is no requirement for the information to be published, however it has been decided to continue publishing this note.

The Building Control chargeable services has, for the three-year period to 31st March 2011, made an operating deficit of £18k on a turnover of £879k. In the previous three-year period to 31st March 2010, there was a deficit of £186k against a turnover of £1,045k.

D Notes to Core Financial Statements

	2010/11		
	Chargeable	Non-Chargeable	Total
	£000s	£000s	£000s
Expenditure			
Employees	125	102	227
Premises	0	0	0
Transport	7	6	13
Supplies and services	10	8	18
Support service charges	135	111	246
Capital Charges	0	0	0
Total Expenditure	277	227	504
Income			
Building Regulation fees	-345	0	-345
Other Income	0	0	0
Total Income	-345	0	-345
Surplus (-) / Deficit for Year	-68	227	159
Comparatives for 2009/10	2009/10		
	Chargeable	Non-Chargeable	Total
	£000s	£000s	£000s
Expenditure	238	238	476
Income	-255	0	-255
Surplus (-) / Deficit for Year	-17	238	221

48. PUBLICITY EXPENDITURE

There is now no longer a requirement to publish this note within the statement of accounts, however, the information must be produced and made available on request. It has been decided to continue publishing the note. In accordance with the Local Government Act 1986 (Section 5(1)), the Council's spending on publicity was: -

2009/10		2010/11
£000s		£000s
	Expenditure	
126	Recruitment Advertising	29
185	Publicity Unit	219
200	Other Publicity	185
511	Total	433

D Notes to Core Financial Statements

49. 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: -

2009/10			2010/11	
Exp	Income		Exp	Income
£000s	£000s		£000s	£000s
441	-209	Call Care	210	-282
35	-35	Print Services Unit	27	-27
476	-244		237	-309

50. TRUST FUNDS

The Council acts as sole trustee in respect of two Trust Funds. One for the Northamptonshire Regiment museum (balances of £78k) 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.

51. BIG LOTTERY FUND

2009/10 Exp.	2009/10 Income	2009/10 Accrual	Big Lottery Fund Grants	2010/11 Exp.	2010/11 Income	2010/11 Accrual
£000s	£000s	£000s		£000s		£000s
3	-3	0	Community Spaces - Camp Hill MUGA (Capital)	47	-45	0
0	0	0	Improving Access (Capital)	35	-35	0
3	-3	0		82	-80	0

52. 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 2010/11, which is required by the guidance issued by CLG, on 26th February 2010. The MRP charged to

D Notes to Core Financial Statements

the 2010/11 accounts relates to the general fund historic debt liability incurred for the years up to and including 2009/10.

The debt liability for general fund capital expenditure up to and including 2007/08 has been calculated at the rate of 4% on the reducing balance, in accordance with option 1 of the guidance, the "regulatory method".

The debt liability for general fund capital expenditure incurred since 2008/09 has been calculated as equal instalments over a period reasonably commensurate with the estimated useful life of each asset, in accordance with option 3 of the guidance, the "asset life method".

The Council's Minimum Revenue Provision, including finance leases, for 2010/11 was £716k. This compares to £916k in 2009/10. The Council made a repayment of borrowing from capital receipts of £812k in 2010/11.

53. COLLECTION FUND

The Council, as a billing authority, is required to maintain a 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. The statutory transactions relating to this fund are detailed in the supplementary statements. Under the Code, the Authority is required to report on the collection fund figures shown within the core statements on an agency basis. The effect of this is shown below.

a) Precept Split

The split of these precepts is shown below:

Precept 2009/10	Percentage of Total Precepts		Precept 2010/11	Percentage of Total Precepts
£000s		Precepting Authorities	£000s	
65,725	71%	Northamptonshire County Council	68,777	71%
12,351	13%	Northamptonshire Police Authority	12,924	13%
14,442	16%	Northampton Borough Council	14,951	16%
92,518	100%	Total Precepts for the year	96,652	100%

D Notes to Core Financial Statements

b) Allocation of 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 2009/10	Treatment	Collection Fund Balance 2010/11
£000s		£s
	Creditors / Debtors	
792	Northamptonshire County Council	172
149	Northamptonshire Police Authority	32
	Reserve	
174	Northampton Borough Council	37
1,115	Collection Fund Balance	241

c) Allocation of Council Tax Balances

The treatment of other balances, including debtors and creditors, relating to collection fund activity is shown below for both the statutory presentation and the presentation on an agency basis.

Statutory Presentation 2009/10	Agency Presentation 2009/10		Statutory Presentation 2010/11	Agency Presentation 2010/11
£000s	£000s		£000s	£000s
		Creditors / Debtors		
10,439	1,615	Local Taxpayers Arrears	9,580	1,483
-1,254	-194	Local Taxpayers Prepayments	-1,112	-172
-7,280	-1,126	Local Taxpayers Impairments	-7,402	-1,146
-	2,147	Northamptonshire County Council	-	759
-	404	Northamptonshire Police Authority	-	142
		Reserves		
1,115	-	Collection Fund	0	-
-	174	Collection Fund Adjustment Account	-	0
3,020	3,020	Total	1,066	1,066

D Notes to Core Financial Statements

54. CHANGES IN ACCOUNTING POLICY TAKING EFFECT AFTER THE REPORTING YEAR

Heritage Assets: Impact Of The Adoption Of The New Standard On The 2011/12 Financial Statements

Further detailed information can be found under Accounting standards that have been issued but have not been adopted 2b on page 48 and 49.

The movements of heritage assets in the 2010/11 financial year are set out in the table below. Note that the authority is of the view on the advice of its external valuers that there are no material revaluation gains or losses on its holdings of heritage assets as at 31 March 2011.

	2010/11
	£000s
Heritage Assets (Previously held as Community Assets) Valued at 1 April 2010	30,527
Heritage Assets Recognised for the First Time at 31 March 2011	0
Additions	0
Carrying Value at 31 March 2011	30,527

E1 Housing Revenue Account Income and Expenditure

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.

2009/10		2010/11		Notes
£000s		£000s	£000s	
	Income			
-42,035	Dwelling Rents	-42,246		HRA2-4
-1,141	Non Dwelling Rents	-1,118		
-1,408	Charges for services & facilities	-1,452		
-276	Contributions Towards Expenditure	-88		
0	Housing Revenue Account subsidy receivable	0		
0	Sums Directed by the Secretary of State that are income in accordance with UK GAAP	0		
-44,860	Total Income		-44,904	
	Expenditure			
10,242	Repairs & Maintenance	11,196		HRA5
	Supervision & Management			
6,592	General Management	6,310		
	Exceptional Item - Past Service Gain	-6,249		5
3,762	Special Services	3,536		
72	Rent, Rates, Taxes & other charges	90		
9,610	Negative Housing Revenue Account subsidy payable	10,014		HRA6
20,517	Depreciation and Impairment of Non-current assets	4,432		HRA7
	Exceptional Item - change in valuation basis	151,457		5
0	Debt Management Costs	0		
446	Increased in provision for bad/doubtful debts	396		
0	Sums Directed by the Secretary of State that are expenditure in accordance with UK GAAP	0		
1,512	Rent Rebates transfer to General Fund	891		HRA8
52,753	Total Expenditure		181,784	
7,893	Net Cost of Services		136,880	
0	HRA Services share of Corporate and Democratic Core		0	
0	HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services		0	
7,893	Net Cost of HRA Services		136,880	
-265	Gain (-) or Loss on sale of HRA Non-current assets		-2,447	
-382	Interest Payable and other similar charges		-247	
1,540	Interest and Investment Income			
	Pensions interest cost and expected return on pensions assets		1,108	
	Non Specific Grant Income		-452	
8,786	Surplus (-) or Deficit for the year on HRA services		134,842	

E1 Housing Revenue Account Income and Expenditure

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E2 Movement in Housing Revenue Account Reserve

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.

2009/10		2010/11	Note
£000s		£000s	
8,786	Surplus (-) / Deficit for the year on the HRA Income and Expenditure Account	134,842	
-9,516	Net additional amount required by statute to be debited or credited to the HRA Balance for the year	-133,012	
-730	Increase (-) / Decrease in the HRA Balance for the Year	1,830	
-6,124	HRA Balance brought forward	-6,854	
-6,854	HRA Balance carried forward	-5,024	

E2 Movement in Housing Revenue Account Reserve

Detailed Transactions

2009/10		2010/11	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		
-15,067	Impairment of Non-Current Assets	-151,457	
-76	Amortisation of intangible Non-current Assets	-170	
265	Gain or Loss on sale of HRA Non-current Assets	2,447	
-2,389	HRA share of contributions to or from the pensions reserve	3,879	
0	Revenue Expenditure Funded from Capital Under Statute	-35	
0	Application of Capital Grants and Contributions to capital financing passing through CI&E	452	
0	Revaluations	131	
-17,267		-144,753	
	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		
2,582	Transfer to / from (-) Major Repairs Reserve	3,646	HRA9
0	Transfers to / from (-) Housing Repairs Account	0	HRA5
1,830	Employer's contributions payable to the Northamptonshire County Council Pension Fund and retirement benefits payable direct to pensioners	1,786	
315	Financial Instruments Adjustments	315	
-1	Amount by which officer remuneration charged to CI&E on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	13	
0	Capital expenditure charged in-year to the HRA Balance	0	
3,025	Net transfers to / from (-) earmarked reserves	5,981	
7,751		11,741	
-9,516	Net additional amount required to be credited or debited to the HRA balance for the year	-133,012	

E3 Notes to the HRA Accounts

1. Prior Year Adjustments

None

2. HRA Assets and Capital Transactions

- a) At 31st March 2011 the Council was responsible for managing 12,201 units of accommodation (excluding shared ownership properties): -

Type of Property	Number of Bedrooms				Total
	One	Two	Three	Four+	
Flats-Low Rise	1,514	395	2	1	1,912
Flats-Medium Rise	1,783	866	120	4	2,773
Flats-High Rise	398	83	22	0	503
Houses & Bungalows	879	2,570	3,222	342	7,013
Totals	4,574	3,914	3,366	347	12,201

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

Type of Property	Stock at 01/04/2010	Stock Movements			Stock at 01/04/2011
		Sales	Transfers	Additions	
Flats	5,198	-10	0	0	5,188
Houses & Bungalows	7,022	-17	0	8	7,013
Dwellings (excl. Shared)	12,220	-27	0	8	12,201
Shared Ownership	91	-1	0	0	90
Totals	12,311	-28	0	8	12,291

E3 Notes to the HRA Accounts

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

2009/10	Gross Balance Sheet Value	2010/11
£000s		£000s
	Operational Assets	
307,563	Land	188,396
214,478	Dwellings	176,191
17,850	Other Capital Assets	20,113
539,891	Total Operational Assets	384,700
2,067	Non Operational Assets	71
541,958	TOTAL	384,771
1,025,215	Vacant Possession Value as at 1st April	1,038,447

d) Capital Receipts

2009/10	Housing Capital Receipts	2010/11
£000		£000
0	Land Sales	1,790
1,005	Dwelling Sales	1,693
0	Other Property Sales	0
1,005	Total	3,483
-599	Payable to the Secretary of State	-1,231
-599	Net cost of Payments to CLG	-1,231
406	Useable Capital Receipts	2,252

E3 Notes to the HRA Accounts

e) Capital Expenditure & Financing

2009/10	HRA Capital Expenditure and Financing	2010/11
£000s		£000s
	Expenditure	
0	Land Purchase	0
9,495	Dwellings	11,358
56	Other Property	468
9,551	Total Expenditure	11,826
	Financing	
	Dwellings	
500	Borrowing	500
0	Useable Capital Receipts	567
8,931	Major Repairs Reserve	9,766
64	Grants	393
0	Third Party Contributions	132
9,495		11,358
	Other Property	
0	Useable Capital Receipts	112
56	Major Repairs Reserve	356
56		468
9,551	Total Financing	11,826

3 Arrears

During 2010/11, arrears as a proportion of gross income was 6.9%. This represents an decrease of 1.6% since 2009/10 when the proportion was 8.5%. The figures for rent arrears are detailed below: -

2009/10	Arrears	2010/11
£000s		£000s
3,573	Gross Arrears at 31 March	2,899
-549	Prepayments	-566
3,024	Net Arrears at 31 March	2,333
2,126	Provision for bad debts at 31 March	1,863

E3 Notes to the HRA Accounts

4 Vacant Possession Value

2009/10	HRA Vacant Possession Value	2010/11
£000s		£000s
1,025,215	Vacant Possession Value as at 1st April	1,038,447

2009/10	HRA Existing Use	2010/11
£000s		£000s
513,253	Existing Use Value as at 1st April	353,966

The Vacant Possession value of dwellings within the HRA as at 1 April was £1,038m (£1,025m in 2009/10). For the balance sheet, the figure has been reduced to 34% of this value for all except a small number of specific properties(this has changed since 2009/10 when the reduction was 50%), i.e. £354m (£513m in 2009/10). This reflects 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 2010/11 balanced to nil for the year, although this may not always be the case.

2009/10	Housing Repairs Account	2010/11
£000s		£000s
0	Balance B/f	0
10,267	Expenditure in the Year	9,831
-10,267	Contributions to the Housing Repairs Account	-9,831
0	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: -

E3 Notes to the HRA Accounts

2009/10	Housing Subsidy	2010/11
£000s		£000s
2	Prior Year Adjustment	-19
-20,555	Management and Maintenance Allowance	-21,274
-7,956	Major Repairs Allowance	-8,039
-1,171	Charges for Capital	-1,200
0	Other Allowances	0
39,287	Notional Rent	40,545
3	Interest on Receipts	1
9,610	Total Amount to be paid to Government	10,014

7 Depreciation and Impairment

a) Depreciation

2009/10	Depreciation and Amortisation	2010/11
£000s		£000s
4,953	Operational Assets Dwellings	4,070
395	Other Property	313
12	Vehicles, Plant & Equipment	11
5,360	Total Depreciation	4,394
76	Intangible Assets -amortisation	170
	Intangible Assets -revaluation gain	-132
76	Total Amortisation	38
5,436	Total Amortisation	4,432

b) Impairment

2009/10	Impairment	2010/11
£000s		£000s
15,346	Operational Assets Dwellings	163,174
0	Intangible Assets	0
452	Other Property	969
2	Vehicles, Plant & Equipment	0
15,800	Total Operational Assets	164,143
0	Non Operational Assets	0
15,800	TOTAL	164,143

E3 Notes to the HRA Accounts

There has been significant impairment on Dwellings in 2010/11 due to the change in percentage used for the Existing Use Value Social Housing calculation. In 2009/10 the adjustment factor was 50%, however this was reduced to 34% in 2010-11 as advised in the Stock Valuation for Resource Accounting guidance.

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.

2009/10	Secretary of State Determinations	2010/11
£000s		£000s
1,512	Rent Rebate Subsidy Limitation	891
1,512	Total Effect of Special Directions	891

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 2010	-2,082
HRA Depreciation	-4,394
Depreciation adjustment to agree to MRA	-3,646
	-8,040
Amount used to finance Capital Expenditure	
Dwellings	9,766
Other Property	356
	10,122
Balance at 31 March 2010	0

F1 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).

2009/10		2010/11	Note
£000s		£000s	
	INCOME		
-82,590	Council Tax (net of benefits, discounts & transitional relief)	-83,261	CF2
-13,858	Transfers from General Fund Council Tax benefits	-14,892	
-	Income collectable from business ratepayers	-97,011	
100,630			
-553	Contributions Towards previous years' Collection Fund deficit	-1,098	CF3
-		-	
197,631		196,262	
	EXPENDITURE		
	Precepts & demands:-		
65,725	Northamptonshire County Council	68,777	53a
12,351	Northamptonshire Police Authority	12,924	53a
14,442	Northampton Borough Council	14,951	53a
	National Non-Domestic Rates		
100,326	Payments to national pool	96,707	
304	Cost of collection	304	
	Bad & Doubtful Debts / Appeals		CF4
0	Write-offs	0	
4,796	Provisions	1,484	
	Contributions		
0	Towards previous years' Collection Fund surplus	0	
197,944		195,147	
313	(Surplus)/deficit for the year	-1,115	
802	Fund balance b/fwd	1,115	
1,115	Fund Balance c/fwd	0	

F1 Collection Fund Income and Expenditure Account

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F2 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 31 March 2011 was £247.6m and the equivalent figure for 2009/10 was £244.8m. The National Non-Domestic Rate multiplier for 2010/11 was 41.4p and the equivalent figure for 2009/10 was 48.5p. The small business non-domestic rating multiplier for 2010/11 was 40.7p and the equivalent figure for 2009/10 was 48.1p.

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 2010/11, was calculated as follows: -

2009/10 Band D Equivalents	Band	Estimated number of taxable properties 2010/11 after discounts	Ratio	2010/11 Band D Equivalents
20.0	A(-)	34.9	5/9	19.4
16,439.5	A	24,897.1	6/9	16,598.0
13,904.0	B	18,160.7	7/9	14,125.0
17,294.9	C	19,607.2	8/9	17,428.6
9,127.8	D	9,315.6	9/9	9,315.6
6,070.5	E	4,987.5	11/9	6,095.8
3,094.7	F	2,139.6	13/9	3,090.5
1,808.4	G	1,101.2	15/9	1,835.3
102.5	H	51.4	18/9	102.9
67,862.2	Gross Council Tax Base			68,611.2
1,696.6	Non-collection provision			1,715.3
66,166	Council Tax Base Used for setting the Precept			66,896

The provision for non-collection was set at 2.5% for 2010/11 (and the same for 2009/10).

F2 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: -

2009/10	Allocation Of Collection Fund Deficits	2010/11
£000s		£000s
-86	Northampton Borough Council	-171
-394	Northamptonshire County Council	-780
-73	Northamptonshire Police Authority	-147
-553	Total Deficit Recovered	-1,098

4. Provision for Bad and Doubtful Debts

2009/10	Provision for Bad and Doubtful Debts	2010/11
£000s		£000s
3,417	Bad Debt Provision B/f	7,280
-932	Write Offs	-1,362
4,795	Provision Made in Year	1,484
7,280	Bad Debt Provision c/f	7,402

G Glossary of Terms

GLOSSARY OF TERMS

Accrual

The accruals concept requires that the cost or benefit of a transaction is shown in the period to which the goods or services are received or provided, rather than when the cash is paid or received.

Actuarial Basis

The estimation technique applied when estimating the liabilities to be recognised for defined benefit pension schemes in the financial statements of an organisation.

Amortisation

The term used to describe the charge made for the cost of using intangible fixed assets. The charge for the year will represent the amount of economic benefits consumed aka wear and tear.

Amortised Cost

The cost of intangible assets reduced by the amount of amortisation charged to date.

Assets

Right or other access to future economic benefits.

Assets Held for Sale

Non-Current Assets which meet the relevant criteria to be classified as held for sale.

Available for Sale Assets

Financial assets that have a quoted market price and/or do not have fixed or determinable payments.

Balance Sheet

Shows all balances including reserves, long-term debt, fixed and net current assets, together with summarised information on the fixed assets held.

Balance Sheet Date

The date at which the authority reports its financial statements. For Northampton Borough Council, this date is the 31st March.

Best Value Accounting Code of Practice (BVACOP)

Establishes proper practice with regard to consistent financial reporting, which allows direct comparisons to be made with the financial information published by other local authorities.

Capital Adjustment Account

Capital reserve largely comprising of resource applied to capital financing and is not available to the authority to support new investment

Capital Costs

Reflects the element of annual payment for PFI or Leased assets which is in relation to the reduction in the long term debt associated with the asset.

Capital Expenditure

Expenditure on the acquisition of, or enhancement to fixed assets. This cannot be merely to maintain the value of an existing asset.

G Glossary of Terms

Capital Grant

Grant which is intended to fund capital expenditure.

Capital Grant Unapplied Reserve

Capital reserve reflecting the value of capital grant received where there are no conditions outstanding; however expenditure on the associated asset has not been incurred.

Capital Reserves

Reserve balances held for capital purposes

Cash Flow Statement

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

CIPFA Code

A publication produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) that provides comprehensive guidance on the content of a Councils Statement of Accounts.

Collection Fund

The fund maintained by authorities who have responsibility to bill Council Tax and Non-Domestic Rate payers (billing authorities).

Collection Fund Adjustment Account

Revenue reserve to represent the difference between the income received by a local authority in Council Tax and the amount attributable to them.

Collection Fund Statements

The statutory financial statements produced as part of the Statement of Accounts by authorities who have responsibility to bill Council Tax and Non-Domestic Rate payers (billing authorities).

Community Assets

Assets which are held for the benefit of the community where there is no determinable useful life, such as works of art.

Comprehensive Income and Expenditure Statement (CIES)

This statement reports the net cost of all the services which the Council is responsible for, and demonstrates how that cost has been financed.

Contingent Liability

Potential costs that the Council may incur in the future because of something that happened in the past, but there is no certainty that a cost will occur.

Core Service Areas

The services provided by the authority externally, such as education, highway maintenance and adult social care.

Corporate & Democratic Core

Costs associated with the democratic management of the authority such as the Chief Executives salary and Members Allowances.

Council

The Council comprises all of the democratically elected Councillors who represent the various electoral divisions.

G Glossary of Terms

Council Tax

Council Tax is a local taxation that is levied on dwellings within the local Council area, and funds all Council services

Credit

A credit represents income to an account.

Creditors

Represents the amount that the Council owes other parties.

Debit

A debit represents expenditure against an account.

Debtors

Represents the amounts owed to the Council.

Deficit

Arises when expenditure exceeds income or when expenditure exceeds available budget.

Defined Benefit Scheme

Also known as a Final Salary Scheme. Pension scheme arrangement where the benefits payable to the members are determined by the scheme rules. In most cases there is a compulsory members contribution but over and above this all costs of meeting the quoted benefits are the responsibility of the employer.

Depreciation

The term used to describe the charge made for the cost of using tangible fixed assets. The charge for the year will represent the amount of economic benefits consumed aka wear and tear.

Derecognition

The process by which assets that are no longer deemed to belong to the authority either by sale, destruction or other form of disposal, are removed from the accounts of the Authority.

Discount

An allowance received through the early repayment of debt

Discounted Cash Flow

A method of analysing future cash flows, by removing the impact time has on the value of money, and producing an equivalent current value (present value).

Donated Assets

Assets which have been acquired at below market cost.

Earmarked Reserves

Reserve balances which have been set aside for future spending in a specific area.

Employee

A person who holds an office within the authority, but does not include a person who is an elected councillor.

G Glossary of Terms

Employee Costs

The costs directly associated with employees, including but not exhaustively salaries and wages, National Insurance contributions and pensions costs.

Enhancement Expenditure

Expenditure which increases the value of an asset.

Exceptional Items

Events which are material in terms of the authority's overall expenditure and are not expected to recur frequently or regularly.

Extraordinary Items

Material items possessing a high degree of abnormality which arise from events or transactions that fall outside the ordinary activities of the reporting entity and which are not expected to recur.

Fair Value

Usually the amount that would be paid for an asset in an active market, however where there is no market for a certain type of asset (such as schools) other methods to determine fair value are used.

Finance Costs

Reflects the element of annual payment for PFI or Leased assets which is in relation to interest payable on the loan liability.

Finance Lease

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

Financial Assets

A right to future economic benefits controlled by the authority.

Financial Instruments Adjustment Account

Revenue reserve which records the timing differences between the rate at which gains and losses are recognised and the rate at which debits and credits are required to be made against council tax.

Financial Liabilities

An obligation to transfer economic benefits controlled by the authority.

General Reserves / General Fund Balance

The reserve held by the County Council for general purposes, i.e. against which there are no specific commitments.

Going Concern

The going concern accounting concept assumes that the organisation will not significantly curtail the scale of its operation in the foreseeable future.

Grants

Payment towards the cost of local authority services. These are either for particular purposes or services (specific grants) or in aid of local services generally (formula grant).

G Glossary of Terms

Impairment

Impairment of an asset is caused either by a consumption of economic benefits, a deterioration in the service provided by an asset, or by a general fall in prices of that particular asset.

Infrastructure Assets

Assets associated with the road networks owned and maintained by Northampton Borough Council.

Intangible Asset

Non-current assets which do not have physical form such as software.

Internal Service Costs

The provision of services by the central departments of the County Council. Examples finance, personnel, legal, administration, information technology and property.

International Accounting Standard (IASs)

Regulations outlining the method of accounting for activities, IASs are currently being replaced with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board.

International Financial Reporting Standards

Regulations outlining the method of accounting for activities, issued by the International Accounting Standards Board.

Investment Property Assets

Assets held solely for the purposes of rental generation or for increasing the value pre-sale (capital appreciation).

Leases

A method of funding expenditure by payment over a defined period of time.

Lessee

The person or organisation that is using or occupying an asset under lease (tenant).

Lessor

The person or organisation that owns an asset under lease (landlord).

Liabilities

An obligation to transfer economic benefits. Current liabilities are payable within one year.

Loans and Receivables

Financial assets which are not quoted in an active market and have either a fixed or determinable payment.

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.

Minimum Revenue Provision (MRP)

A minimum amount, set by law, which the Council must charge to the income and expenditure account, for debt redemption or for the discharge of other credit liabilities (e.g. finance lease).

G Glossary of Terms

Movement in Reserves Statement

The statement detailing the movement in the reserves of the authority.

Non-Current Assets

Assets that yield benefits to the Council for a period of more than one year, examples include land, buildings and vehicles.

Non-Distributed Costs

The value of revenue operating expenditure that is not able to be apportioned to one of the authorities core service areas.

Operating Lease

A lease where an asset is used only for a small proportion of its economic life.

Pensions Costs

The benefits paid by the authority which are accrued during the period of employment and paid to ex-employees after retirement.

Pensions Liability

The cost, calculated by an Actuary, of providing the current members of a pension scheme with retirement benefits as set out in the pension scheme rules.

PFI

See Private Finance Initiative

PFI Credits

The financial support provided to Local Authorities to part fund PFI capital projects.

Premium

A payment made in association with the early repayment of debt.

Previous Year Adjustments

These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors.

Principal

The amount of repayment to a lender which relates to the reduction in the loan, rather than the interest paid on the loan.

Private Finance Initiative (PFI)

A Government initiative that enables, through the provision of financial support, Authorities to carry out capital projects through partnership with the private sector.

Projected Unit Method

This is a common actuarial funding method to value pension scheme liabilities.

Provisions

Potential costs that the Council may incur in the future because of something that happened in the past, which are likely or certain to be incurred and a reliable estimate can be made to the costs.

G Glossary of Terms

Provision for Bad & Doubtful Debts

A prudent reduction in the reported level of income owed to the authority for non payment of invoices and other debt.

Quoted Market Prices

A method of determining the fair value of financial assets via prices quoted on an active market.

Recognition

The process upon which assets are deemed to belong to the authority either by purchase, construction or other form of acquisition.

Revaluation Gain

The increase to the fair value of an asset following a valuation.

Revaluation Reserve

This reserve contains revaluation gains on assets recognised since 1 April 2007 only, the date of its formal implementation.

Revenue Expenditure

Expenditure which is not capital.

Revenue Grant

Grant which is not capital.

Revenue Expenditure Funded from Capital under Statute

This is expenditure that is classified as capital although it does not result in the creation of a fixed asset.

Service Concession Arrangements

Arrangements which involve the supply and maintenance of assets and service delivery.

Service Costs

Reflects the element of annual payment for PFI or Leased assets which is in relation to services provided within the contract.

Short Term Benefits

Employee benefits earned and consumed during employment.

Soft Loans

Low interest rate loans.

Specific Grant

A grant awarded to a Council for a specific purpose or service that can not be spent on anything else.

Statement of Total Recognised Gains and Losses

This statement identifies all gains and losses within the Council for the financial year.

Stock

Fair value of current assets purchased which have not yet been consumed.

G Glossary of Terms

Straight Line Basis

The method of calculating depreciation via charging the same amount each year over the life of the asset.

Subsidiary

An organisation that is under the control of the Council aka the Council is the majority share holder.

Surplus

Arises when income exceeds expenditure or when expenditure is less than available budget.

Surplus Assets

Assets which are no longer in operation.

Tenant

The person or organisation that is occupying an asset under lease.

Termination Benefits

Employee benefits paid upon termination of employment such as redundancy.

Treasury Management

Utilisation of cash flows through investments and loans.

Useful Life

The period with which an asset is expected to be useful to the authority in its current state.

Value Added Tax

National taxation charged on goods and services.

Work in Progress

The fair value of incomplete contracts for goods and services which are to be charged to external customers.

Mr Neil Bellamy
District Auditor
Audit Commission
Rivermead House
7 Lewis Court
Grove Park
Enderby
Leicestershire
LE19 1SU

Our Ref: IP/
Your Ref:
Please Contact: Isabell Procter
Ext/Direct Line 8757 / 838757
Date: 26th September 2011
E-mail: iprocter@northampton.gov.uk

Dear Mr Bellamy

Northampton Borough Council - Audit for the year ended 31 March 2010

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of Northampton Borough Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2011.

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the *Code of Practice for Local Authority Accounting in the United Kingdom* which give a true and fair view of the financial position and financial performance of the Council, for the completeness of the information provided to you, and for making accurate representations to you.

Supporting records

All relevant information and access to persons within the Council has been made available to you for the purpose of your audit, and all the transactions undertaken by the Council have been properly reflected and recorded in the financial statements.

Internal Control

I have communicated to you all deficiencies in internal control of which I am aware.

Irregularities

I acknowledge my responsibility for the design, implementation and maintenance of internal control systems to prevent and detect fraud or error.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangement and codes of practice

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other authority. The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

Related party transactions

I confirm that I have disclosed the identity of Northampton Borough Council related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirement of the framework.

Subsequent events

All events subsequent to the date of the financial statements, which would require additional adjustment or disclosure in the financial statements, have been adjusted or disclosed.

Other representations

- The Council provided accurate information to the actuary for the purpose of calculating the required pension disclosures in accordance with the Code of Practice for Local Authority Accounting and IAS19. All unfunded liabilities (e.g. discretionary added years awarded to staff) are included in the IAS 19 figures.
- There are no known bad debts other than those already provided for in the financial statements.

I confirm that this letter was discussed and agreed by the Audit Committee on 26th September 2011.

Yours sincerely,

Isabell Procter

Director of Finance & Support

Signed on behalf of Northampton Borough Council

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Appendices: 1



NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	External Audit Update and Annual Governance Report 2010/11
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	26 th September 2011
Policy Document:	No
Directorate:	Finance and Support
Accountable Cabinet Member:	Cllr Alan Bottwood

1. Purpose

- 1.1 To provide a verbal update on the audit of the 2010/11 Statement of Accounts and to present the Annual Governance Report (ISA 260) for 2010/11

2. Recommendations

- 2.1 That the Audit Committee accepts the Annual Governance Report (ISA 260) (Appendix 1) of the Audit Commission and notes the adjustments to the accounts detailed therein.

3. Issues and Choices

3.1 Report Background

- 3.1.1 The Council's external auditors, the Audit Commission, audit the Statement of Accounts and major grant claim and returns.
- 3.1.2 The Audit Commission have completed their audit and have produced their report to those charged with Governance; the Annual Governance Report, otherwise known as the ISA 260, which is attached at Appendix 1.

3.2 Issues

- 3.2.1 Changes, which have been made to the Statement of Accounts, are detailed in the Annual Governance Report on pages 16 to 17.

3.2.1 The Council's auditors have identified a number of improvements which the Council could make for next year and these are shown in the Annual Governance Report on page 23.

3.3 Choices (Options)

3.3.1 To comment on the report and to question the Council's external auditors on any matters arising.

4. Implications (including financial implications)

4.1 Policy

4.1.1 None.

4.2 Resources and Risk

4.2.1 There are no specific resources and risk implications arising from this report.

4.3 Legal

4.3.1 There are no specific legal implications arising from this report.

4.4 Equality

4.4.1 There are no specific equalities implications arising from this report.

4.5 Consultees (Internal and External)

4.5.1 None.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 Protecting and enhancing the reputation of Northampton Borough Council.

4.7 Other Implications

4.7.1 Not applicable

5. Background Papers

None

Bill Lewis
Head of Finance, ext 7167

Annual governance report

Northampton Borough Council

Audit 2010/11

The Audit Commission is a public corporation set up in 1983 to protect the public purse.

The Commission appoints auditors to councils, NHS bodies (excluding NHS Foundation trusts), police authorities and other local public services in England, and oversees their work. The auditors we appoint are either Audit Commission employees (our in-house Audit Practice) or one of the private audit firms. Our Audit Practice also audits NHS foundation trusts under separate arrangements.

We also help public bodies manage the financial challenges they face by providing authoritative, unbiased, evidence-based analysis and advice.

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Ladies and Gentlemen

2010/11 Annual Governance Report

I am pleased to present the results of my audit work for 2010/11.

I discussed and agreed a draft of my report with the Director of Finance and updated it as issues have been resolved.

My report sets out the key issues that you should consider before I complete the audit.

It asks you to:

- consider the matters raised in the report before approving the financial statements;
- note the adjustments to the financial statements set out in this report (appendix 2);
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (appendix 3); and
- agree your response to the proposed action plan (appendix 5).

Yours faithfully

Neil Bellamy
District Auditor

September 2011

Key messages

This report summarises the findings from the 2010/11 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

Table 1: **Key messages - financial statements**

Financial statements	Results	Page
Unqualified audit opinion	Yes	6
Weaknesses in internal control	Yes	8

Table 2: **Key messages - value for money**

Value for money		
Proper arrangements to secure value for money	Yes	11

Audit opinion

1 My audit is substantially complete. At this stage, subject to satisfactory completion of the outstanding work and agreeing the final amended version of the financial statements, I propose issuing an unqualified audit opinion.

Financial statements

2 The Accounts and Audit (England) Regulations 2011 require the Responsible Financial Officer of a local authority to certify the statement of accounts by 30 June. Members are no longer required to adopt these financial statements by this date but must still approve the audited financial statements by 30 September.

3 The 2010/11 statements had not been finalised at 30th June but were certified on the basis that they were substantially complete.

4 Some errors in the draft financial statements submitted for audit have been identified. To date, adjustments have been agreed to the Consolidated Income and Expenditure Account, Balance Sheet, Cash Flow Statement and notes to the accounts but have had no impact on either net expenditure or the net balance sheet position.

Value for money

5 I am required to conclude whether the Council has put in place adequate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is based on two criteria, specified by the Commission, related to your arrangements for:

- securing financial resilience; and
- challenging how the Council secures economy, efficiency and effectiveness.

6 I have concluded that the Council's arrangements are adequate and propose to issue an unqualified value for money conclusion.

Audit fees

7 At the Audit Committee on 27 June 2011 I presented my audit opinion plan for 2010/11. The plan reported on the audit fee and the assumptions used in setting the fee. It reported that where the assumptions are not met, I may be required to undertake additional work which is likely to result in an increased audit fee and also on the specific actions the Council could take to limit any potential increase in fee.

8 One of the assumptions was that the full financial statements and working papers would be available at the start of the audit. The statements presented for audit did not include a cash flow statement or related notes. However, we agreed to prioritise our work on those areas of the accounts that were complete. As a result, I expect to be able to finalise my audit within the agreed fee but will have to review the full impact at the conclusion of the audit.

Independence

9 I can confirm that I have complied with the Audit Practice Board's ethical standards for auditors, including ES 1 (revised) - Integrity, Objectivity and Independence. I can also confirm there were no relationships resulting in a threat to independence, objectivity and integrity.

10 As reported in my Audit Opinion Plan, I am aware of one potential conflict of interest for a member of the audit team. This has been reported to you and discussed with officers in previous years. Safeguards have been put in place to ensure that the individual does not undertake any audit work on the payroll system or operational areas subject to the potential conflict.

11 The Audit Practice has not undertaken any non-audit work for the Council during 2010/11.

Next steps

This report identifies the key messages that you should consider before I issue my financial statements opinion, value for money conclusion, and audit closure certificate. It includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.

12 I ask the Audit Committee to:

- consider the matters raised in the report before approving the financial statements;
- take note of the adjustments to the financial statements which are set out in this report (appendix 2);
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (appendix 3); and
- agree your response to the proposed action plan (appendix 5).

Financial statements

The Council's financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds. As Council members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

Opinion on the financial statements

13 My work on the audit is substantially complete, subject to review of the classification of discontinued operations, testing of assertions in respect of derecognised assets and agreement of the final amended version of the financial statements. Should any further matters arise in concluding the outstanding work that need to be reported, I will raise them with the Director of Finance and Chairman of this committee.

14 Subject to satisfactory completion of the outstanding work, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

15 The working papers to support the accounts remain of a good standard and officers were responsive and supportive throughout the audit.

16 It is also worth reminding members that the 2010/11 financial statements have been prepared for the first time on the basis of International Financial Reported Standards (IFRS). As a result, the financial statements have expanded considerably and the work involved both in re-stating previous year's balances and preparing the 2010/11 accounts should not be under-estimated.

Key areas of judgement and audit risk

17 In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit.

Table 3: **Key areas of judgement and audit risk**

Issue or risk	Finding
<p>Re-statement of the 2008/09 and 2009/10 audited accounts and preparation of the 2010/11 financial statements in IFRS format.</p>	<p>The restatement of previous year's balances was undertaken to a good standard and in a timely fashion in most cases, although preparation of the re-stated cash flow statement was delayed. Issues arising from our work on the 2010/11 financial statements are summarised in the rest of this report.</p>
<p>Implementation of Single Status pay and grading structure and settlement of equal pay claims.</p>	<p>All costs associated with single status and equal pay claims are properly recorded within the financial statements.</p>
<p>We reported a number of issues arising from our 2009/10 audit, including:</p> <ul style="list-style-type: none"> ■ scope to provide additional details in the Annual Governance Statement in respect of weaknesses in internal controls and management actions; ■ a need to review the basis for calculation of the bad provision in respect of housing rents; ■ scope to improve the explanatory foreword; ■ large amounts of unallocated cash at the year-end; ■ ensuring depreciation calculations take account of the residual value of assets; ■ non-retention of working papers to support the creditors control account reconciliation; and ■ material errors in the statement of movements on GF balance, cash-flow statement, and classification of assets. 	<p>Most of these issues were addressed in 2010/11 although there remains a significant sum of unallocated cash at the year-end requiring an adjustment in the balance sheet (see table 5 and appendix 2).</p>

Errors in the financial statements

18 We identified errors in the draft financial statements submitted for audit. They related to the Consolidated Income and Expenditure Account, Balance Sheet, Cash Flow Statement and notes to the accounts but have had no impact on either net expenditure or the net balance sheet position.

19 The errors of significance which have been amended by the Council are set out at appendix 2.

20 In addition, a number of minor errors and inconsistencies were identified in the financial statements, for example, casting errors and inconsistencies between notes. Due to their trivial impact I have not included them in this report.

Weaknesses in internal control

21 I identified the following weaknesses in internal controls.

Table 4: **Weaknesses in internal control**

Description of weakness	Potential effect	Management action
Internal audit identified weaknesses in journal control procedures. Re-performance of a sample of internal audit's work was not possible as officers were unable to locate the necessary documentation following the office move.	Failure to maintain an adequate audit trail could make it difficult to trace errors and take appropriate corrective action.	Ensure that evidence is retained to support all journal transfers.

22 These weaknesses are only those I identified during the audit that are relevant to preparing the financial statements. I am not expressing an opinion on the overall effectiveness of internal control.

Recommendation

R1 Ensure that all journal transfers have adequate narrative descriptions and that evidence is retained on file to support the transaction.

Quality of your financial statements

23 I consider aspects of your accounting practices, accounting policies, accounting estimates and financial statement disclosures.

24 Table 5 contains the issues I want to raise with you.

Table 5: **Accounting practices, policies and estimates and financial statement disclosures**

Issue	Finding
Unallocated cash	<p>We reported last year that there was £623k of unallocated cash at the year-end and recommended action be taken to review the arrangements for dealing with unallocated income. This year there was an unallocated cash balance of £426k at 31 March. The bulk of this was cleared to the correct accounts on 1 April but the balance was left in creditors rather than being allocated to the correct debtor categories. Consequently, debtors and creditors were over-stated (see appendix 2).</p> <p>Although arrangements for the identification and clearance of unallocated income have improved, year-end closedown procedures need to be reviewed to enable unallocated cash at 31st March to be posted to the correct debtor balances.</p>
De-recognition of replaced/restored parts of non-current assets.	<p>The Council has not derecognised parts of non-current assets replaced or restored in 2010/11. Officers disagree with our interpretation of the Code but have agreed to provide evidence to demonstrate that the potential error is unlikely to be material. We have recommended that officers seek clarification from CIPFA on the code requirements and consider whether a change in accounting practice is necessary for next year.</p>

Recommendation

- R2** Review year-end closedown procedure to allow unallocated cash at 31st March to be posted to the correct debtor categories if the income is subsequently identified prior to closedown.
- R3** Seek clarification of the Code requirements in respect of de-recognition of non-current assets and consider the need for a change in accounting practice next year if necessary.

Letter of representation

25 Before I issue my opinion, auditing standards require me to ask you and management for written representations about your financial statements and governance arrangements. Appendix 3 contains the draft letter of representation.

Value for money

I am required to conclude whether the Council put in place proper corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion.

26 I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against two criteria specified by the Audit Commission. My conclusion on each of the two areas is set out in table 6 below.

27 I intend to issue an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources. Appendix 1 contains the wording of my draft report.

Table 6: **Value for money conclusion criteria assessed as adequate**

Criterion	Finding
The Council has proper arrangements in place for securing financial resilience.	<p>Adequate</p> <p>The 2010/11 outturn was delivered within budget leading to a net increase in the general fund (GF) balance of £474k. The GF balance at 31 March 2011 increased to £2,480k in accordance with plans to achieve a minimum balance of £3 million over the next three to five years.</p> <p>The Council set a balanced budget for 2011/12. Effective preparations were made to deliver budget savings in advance of the anticipated government funding cuts.</p> <p>The Medium Financial Strategy (MTFS) is reviewed and updated on an annual basis together with an annual review and risk assessment of balances and reserves.</p> <p>Budgetary control arrangements remain robust.</p>

Criterion	Finding
The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness	<p>Adequate</p> <p>The Council has a good track record of reviewing its services and management arrangements to deliver economy, efficiency and effectiveness through, for example, its programme of strategic business reviews and development of partnership working.</p> <p>It has recently completed a joint procurement exercise with Daventry District Council to deliver environmental services. Leisure services have been transferred to a charitable trust and office space has been rationalised through the sale of Cliftonville House.</p>

Appendix 1 Draft independent auditor's report to Members of Northampton Borough Council

Opinion on the Authority accounting statements

I have audited the accounting statements of Northampton Borough Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Northampton Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of Responsibilities, the Director of Finance 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. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Northampton Borough Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

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

Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Northampton Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

I certify that I have completed the audit of the accounts of Northampton Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Neil Bellamy
Officer of the Audit Commission
Rivermead House
7 Lewis Court
Grove Park
Enderby
Leicestershire
LE19 1SU

September 2011

Appendix 2 Amendments to the draft financial statements

I identified the following misstatements during my audit and management have adjusted the financial statements. I bring them to your attention to help you in fulfilling your governance responsibilities.

Table 7: **Adjusted errors in the core statements**

Adjusted mis-statement	Comprehensive income and expenditure statement		Balance sheet	
	Dr £'000	Cr £'000	Dr £'000	Cr £'000
Description	Account entry and value			Account entry and value
Misclassification of NNDR debtor brought forward from 2009/10			ST Creditors 4,812	ST Debtors 4,812
Leisure income & expenditure misclassified	Cultural & Related Serv. (net) 3,483	Discontinued operations (net) 3,483		
Receipts in advance misclassified			ST Debtors 51	ST Creditors 51
Error in classification of s106 liabilities			St Creditors 65	ST Debtors 65
Unallocated cash at 31 March included in creditors			ST Creditors 426	ST Debtors 426

Table 8: **Adjustments affecting other statements or notes**

Description	Nature of misstatement
Cash flow statement	As discussed with officers prior to commencement of our work, the draft financial statements presented for audit did not include a cash flow statement or related notes.
Housing Revenue Income and Expenditure Account	Depreciation disclosed in the HRA was inconsistent with the figures disclosed in HRA note 7. The figure in the HRA is under-stated by £158k.
Note 5 Material items of income and expenditure	The disposal of Cliftonville house was disclosed but not quantified in the note.
Note 8 Earmarked reserves	A number of minor errors and inconsistencies were identified and corrected by the Council. The corrections also impacted on the Movement in Reserves Statement.
Note 12 Property, plant & Equipment	Revaluation increase in respect of community assets and surplus assets were incorrectly classified in the note. £4k in respect of community assets was incorrectly classified as surplus assets and £474k in respect of surplus assets was incorrectly classified as assets under construction.
Note 18 and 21 Creditors and Debtors	The analysis provided in the notes did not comply with the categories required by the Code.
Note 42 Termination benefits	The note was understated by £52k in respect of termination benefits charged to the HRA.
Cash flow statement Note E Cash and Cash Equivalents	<p>The net amount shown in the note was correct but the analysis was misstated:</p> <ul style="list-style-type: none"> ■ Cash and bank balances 2009/10 understated by £33k and 2010/11 understated by £24k ■ Cash investments 2009/10 understated by £1,591k and 2010/11 understated by £371k ■ Bank overdraft 2010/11 understated by £395k and 2009/10 understated by £1,624k

Appendix 3 Draft letter of representation

Mr Neil Bellamy
District Auditor
Audit Commission
Rivermead House
7 Lewis Court
Grove Park
Enderby
Leicestershire
LE19 1SU

Northampton Borough Council – Audit for the year ended 31 March 2011

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of Northampton Borough Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2011.

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom which give a true and fair view of the financial position and financial performance of the Council, for the completeness of the information provided to you, and for making accurate representations to you.

Supporting records

All relevant information and access to persons within the Council has been made available to you for the purpose of your audit, and all the transactions undertaken by the Council have been properly reflected and recorded in the financial statements.

Internal control

I have communicated to you all deficiencies in internal control of which I am aware

Irregularities

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control

or others where fraud could have a material effect on the financial statements;

- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other authority. The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

Related party transactions

I confirm that I have disclosed the identity of Northampton Borough Council related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirement of the framework.

Subsequent events

All events subsequent to the date of the financial statements, which would require additional adjustment or disclosure in the financial statements, have been adjusted or disclosed.

Other representations

- The Council provided accurate information to the actuary for the purpose of calculating the required pension disclosures in accordance with the Code of Practice for Local Authority Accounting and IAS19. All unfunded liabilities (e.g. discretionary added years awarded to staff) are included in the IAS 19 figures.
- There are no known bad debts other than those already provided for in the financial statements.

I confirm that the this letter has been discussed and agreed by the Audit Committee on 26 September 2011

Isabell Procter - Director of Finance & Support

Signed on behalf of Northampton Borough Council

[date]

Appendix 4 Glossary

Annual governance statement

A statement of internal control prepared by an audited body and published with the financial statements.

Audit closure certificate

A certificate that I have completed the audit following statutory requirements. This marks the point when I have completed my responsibilities for the audit of the period covered by the financial statements.

Audit opinion

On completion of the audit of the financial statements, I must give my opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
- whether they have been prepared properly, following the relevant accounting rules.

Opinion

If I agree that the financial statements give a true and fair view, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm that the statements give a true and fair view.

Materiality (and significance)

The APB defines this concept as ‘an expression of the relative significance or importance of a particular matter for the financial statements as a whole. A matter is material if its omission would reasonably influence users of the financial statements, such as the addressees of the auditor’s report; also a misstatement is material if it would have a similar influence. Materiality may also be considered for any individual primary statement within the financial statements or of individual items included in them. We cannot define materiality mathematically, as it has both numerical and non-numerical aspects’.

The term ‘materiality’ applies only to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

'Significance' applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit in relation to the financial statements. Significance has both qualitative and quantitative aspects.

Weaknesses in internal control

A weakness in internal control exists when:

- a control is designed, set up or used in such a way that it is unable to prevent, or detect and correct, misstatements in the financial statements quickly; or
- a control necessary to prevent, or detect and correct, misstatements in the financial statements quickly is missing.

An important weakness in internal control is a weakness, or a combination of weaknesses that, in my professional judgement, are important enough that I should report them to you.

Value for money conclusion

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources based on criteria specified by the Audit Commission.

The Code of Audit Practice defines proper arrangements as corporate performance management and financial management arrangements that form a key part of the system of internal control. These comprise the arrangements for:

- planning finances effectively to deliver strategic priorities and secure sound financial health;
- having a sound understanding of costs and performance and achieving efficiencies in activities;
- reliable and timely financial reporting that meets the needs of internal users, stakeholders and local people;
- commissioning and buying quality services and supplies that are tailored to local needs and deliver sustainable outcomes and value for money;
- producing relevant and reliable data and information to support decision making and manage performance;
- promoting and displaying the principles and values of good governance;
- managing risks and maintaining a sound system of internal control;
- making effective use of natural resources;
- managing assets effectively to help deliver strategic priorities and service needs; and
- planning, organising and developing the workforce effectively to support the achievement of strategic priorities.

If I find that the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified conclusion.

Appendix 5 Action plan

Recommendations

Recommendation 1

Ensure that all journal transfers have adequate narrative descriptions and that evidence is retained on file to support the transaction.

Responsibility	Wayne Leader
Priority	High
Date	Immediate
Comments	Agreed - the missing journal evidence was an exception due to the files being mislaid during the office move.

Recommendation 2

Review year-end closedown procedure to allow unallocated cash at 31 March to be posted to the correct debtor categories if the income is subsequently identified prior to closedown.

Responsibility	Phil Morrison
Priority	Medium
Date	2011/12
Comments	Agreed

Recommendation 3

Seek clarification of the Code requirements in respect of de-recognition of non-current assets and consider the need for a change in accounting practice next year if necessary.

Responsibility	Bill Lewis
Priority	High
Date	2011/12
Comments	Agreed - a query has already been lodged with the CIPFA Technical Enquiries service.

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- any director/member or officer in their individual capacity; or
- any third party.



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September 2011

Appendices: 2



NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Finance and Performance Report to July 2011
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	26 th September 2011
Policy Document:	No
Directorate:	Finance and Support
Accountable Cabinet Member:	Cllr Alan Bottwood

1. Purpose

- 1.1 To present Audit Committee with the Finance and Performance Report as sent to Cabinet on 14th September 2011.

2. Recommendations

- 2.1 To consider the contents of the Finance and Performance Report (Appendix 1);
- 2.2 To consider whether Audit Committee require additional information in order to perform their governance role.

3. Issues and Choices

3.1 Report Background

- 3.1.1 A Finance and Performance report is being taken to Cabinet on a quarterly basis (including the out-turn report). Previously these were taken on a monthly basis, with the exception of the beginning of the financial year and the final months of the financial year.
- 3.1.2 Audit Committee has asked to receive these reports. These will be brought to the first available Audit Committee following report production.

3.2 Issues

3.2.1 The significant financial and performance variance that are currently known are shown in the report at Appendix 1.

3.3 Choices (Options)

3.3.1 None

4. Implications (including financial implications)

4.1 Policy

4.1.1 There are no specific policy implications arising from this report.

4.2 Resources and Risk

4.2.1 The report at Appendix 1 details any resource issues facing the Council from its forecast financial position for 2011/12.

4.3 Legal

4.3.1 There are no specific legal implications arising from this report.

4.4 Equality

4.4.1 There are no specific equalities implications arising from this report.

4.5 Consultees (Internal and External)

4.5.1 None at this stage.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 Protecting and enhancing the reputation of Northampton Borough Council.

4.7 Other Implications

4.7.1 Not applicable

5. Background Papers

Appendix 1 –Finance and Performance Report to the End of July 2011

Bill Lewis
Head of Finance, ext 7167



CABINET REPORT

Report Title	FINANCE AND PERFORMANCE REPORT TO THE END OF JULY 2011
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	14 September 2011
Key Decision:	NO
Listed on Forward Plan:	YES
Within Policy:	YES
Policy Document:	NO
Directorate:	Management Board
Accountable Cabinet Member:	Cllr A Bottwood/Cllr D Palethorpe
Ward(s)	N/A

1. Purpose

- 1.1 This report presents the Council's key financial and performance exceptions for the year to date.

2. Recommendations

- 2.1 That Cabinet note the contents of the report and recommends actions to be taken, if any, to address the issues arising.

3. Issues and Choices

3.1 Report Background

- 3.1.1 The purpose of this report is to assist Cabinet in monitoring the progress against the delivery of the Corporate Plan priorities within the agreed capital and revenue budgets for general fund and HRA by highlighting the key exceptions and identifying any emerging issues as notified by service managers.
- 3.1.2 It is important that the savings built into the budget are achieved in order to minimise the impact on the Council's general reserves and the budget for future years. Should any of

the savings be unachievable Management Board and Heads of Service are responsible for identifying and undertaking appropriate management action to deliver alternative savings or income.

3.1.3 The report takes into consideration the progress of key projects being delivered across the Council, achievement against performance indicators and financial/resource information.

3.1.4 Portfolio holders receive detailed information on all the measures monitoring the Corporate Plan within their portfolios.

3.2 Issues

3.2.1 Performance Exceptions on Corporate Plan Priorities

This section of the report brings to the attention of Cabinet those measures that are under (▲) or over (●) performing by corporate priority against their profiled monthly targets. Appendix 1 provides further detail of the issues and actions being taken by service areas.

This report does not include performance data for the Leisure Trust and the Enterprise Managed Services (EMS) LTD contract delivering services including household waste and recycling, street cleaning, parks, cemeteries and grounds maintenance. Data for reporting by the Leisure Trust will be considered and approved by the Trust Board in September, therefore exception reporting will commence next quarter. Client monitoring and reporting processes are being finalised and exception reporting will commence next quarter for performance measures relating to services covered by the EMS contract.

Theme 1 - You

Measure	Performance status	Actual (YTD)	Target (YTD)	Portfolio	Page ref. for further detail
HI 36 Number of affordable homes delivered	▲	0	10	Housing	Appendix 1 page 2
Profiled target not achieved this quarter, although it is anticipated that the annual target will still be achieved.					
HI 07 Number of households living in temporary accommodation	●	33	45	Housing	Appendix 1 page 2
Increasing number of households in temporary accommodation, but below profiled targets.					
HI 09 Homeless households for whom casework advice resolved their situation	●	790	619	Housing	Appendix 1 page 2
Performance higher than the profiled target for the fourth consecutive month.					
RB 02 Speed of processing: Average time for processing new claims	●	20 days	22.25 days	Finance	Appendix 1 page 2
New benefit claim processing times being maintained below monthly profiled targets and improving month on month.					

Theme 2 – Your Town

Measure	Performance status	Actual (YTD)	Target (YTD)	Portfolio	Page ref. for further detail
CH 04 Visits to museums in person per 1,000 population	▲	221.62	255.14	Community engagement	Appendix 1 page 3
Profiled targets not achieved for the last three months.					
NI 157a Percentage of small scale major planning applications determined within 13 weeks	▲	66.67%	75%	Planning & environment	Appendix 1 page 3
Profiled target for the month not achieved.					
TCO 02 Number of events delivered in partnership: parks and open space	▲	1	2	Community engagement	Appendix 1 page 3
Profiled target for the month not achieved.					
TCO 05 Percentage increase in Market Square footfall compared to 2010-11	▲	-6.04%	2%	Community engagement	Appendix 1 page 3
Profiled target for the month not achieved.					
TCO 05 Market Square footfall	▲	1.22m	1.34m	Community engagement	Appendix 1 page 3
Profiled target for the month not achieved.					
TCO 01 Number of events delivered in partnership: Town Centre	●	3	2	Community engagement	Appendix 1 page 3
Profiled target achieved.					

Theme 3 – Your Council

Measure	Performance status	Actual (YTD)	Target (YTD)	Portfolio	Page ref. for further detail
BV 12 The number of working days / shifts lost to sickness absence	▲	3.54	3	Leader	Appendix 1 page 4
BV 12r The number of working days / shifts lost to sickness absence for rolling 12 month period	▲	12.14	9	Leader	Appendix 1 page 4
Monthly improvement, but profiled target not achieved.					
CS 05 Percentage of customers satisfied with their contact experience	▲	84.67%	90%	Community engagement	Appendix 1 page 4
Target not achieved for the last two months.					
CS 13 Percentage of all calls answered	▲	78.09%	95%	Community engagement	Appendix 1 page 4
Profiled target not achieved over the last four months.					
CS 14 One-stop-shop: Percentage of all customers waiting less than 15 minutes	▲	75.01%	90%	Community engagement	Appendix 1 page 4
Profiled target not achieved.					

Measure	Performance status	Actual (YTD)	Target (YTD)	Portfolio	Page ref. for further detail
PP 05 Percentage change in 12 months electric consumption compared to previous year	▲	-4.5%	-5%	Finance	Appendix 1 page 4
Improvement on previous year's performance, but profiled target not achieved.					
RB 06 Percentage of Council Tax collected	▲	38.88%	39.4%	Finance	Appendix 1 page 4
Profiled target not achieved.					
FIN27 NBC procurement savings for the year against costs of NBC procurement	●	£166,865	£123,333	Finance	Appendix 1 page 4
Performance better than profiled target.					
RB 04 Percentage of non-domestic rates due for the year, which have been received	●	41.4%	41.13%	Finance	Appendix 1 page 4
Profiled target achieved.					
RB 07 Total percentage of debt outstanding, not in recovery and overdue	●	6.53%	9.4%	Finance	Appendix 1 page 4
Profiled targets achieved for the fourth consecutive month.					

3.2.2 Key Financial Indicators Exceptions

Target of £0k means that the target is to deliver the budget

Ref	Dashboard Indicator Description	Latest Position		Target	RAG
2	Total GF Revenue Controllable Budget	Under Spend	£178k	£0	B
3.	Total HRA Revenue Controllable Budget	Under Spend	£159k	£0	B
5.	Debt Financing Budget	Under Spend	£347k	£0	B

3.2.3 General Fund and HRA Revenue Budget Issues

1. Number of Service Areas Materially Overspending

3.2.4 None of the 20 services with general fund budgets are reporting material variations.

2. Total General Fund Revenue Controllable Budget

3.2.5 The following table explains the main under and overspends on the General Fund.

Service Area	£,000
Neighbourhood Environmental Services	32
Pension Fund Strain	-147
Housing General Fund	-63
Debt Financing	-347
Total Forecast Under/Overspend	- 525

- 3.2.6 **Neighbourhood & Environmental Services (Green)** managers are reporting a forecast overspend of £32k after management action, due to income from NCC for weed spraying and grass cutting on verges etc reducing, the impact on the Council being £15k. £17k overspend is due to the production of bin collection timetables as the contract start date was delayed.
- 3.2.7 **Finance (Blue)** managers are reporting an under spend of £147k. This is mainly due to prior year pension strain costs being paid up front in previous years, instead of spreading over 3 years as previously expected.
- 3.2.8 **Housing General Fund (Green)** managers are reporting a forecast underspend of £63k mainly arising from employee savings through restructuring.
- 3.2.9 The **Debt Financing (Blue)** manager is forecasting an underspend of £347k. This is due to an over achievement of investment income as a result of higher balances during the year due mainly to capital slippage, so has no impact for 2012/13.

3. Total HRA Revenue Controllable Budget (Blue)

- 3.2.10 Managers are currently reporting an under spend of £159k on the HRA, which is mainly due to savings on vacant posts.

4. 2010/11 GF Savings and Efficiency Targets

- 3.2.11 Managers are currently forecasting these savings targets as being on target for 2011/12.

3.2.12 Capital Programme Budgets

General Fund

- 3.2.13 Managers are currently forecasting the General Fund capital programme as being on track with no slippage.

Housing Revenue Account (HRA)

- 3.2.14 Managers are currently forecasting the HRA capital programme as being on track with no slippage.

3.2.15 Data Quality

- 3.2.16 The Council has processes in place to ensure that the data and information it provides to support management decision making is as reliable as possible. The Council has a strategy to improve data quality and service areas are working to achieve the objectives within it. This is closely linked to the Council's risk assessment processes and is monitored each month as part of the Council's Performance Management Framework.

3.3 Choices (Options)

- 3.3.1 Cabinet is asked to note the reported position.

4. Implications (including financial implications)

4.1 Policy

- 4.1.1 The Council agreed a balanced budget for the Capital Programme and Revenue budgets for HRA and General Fund in February 2011. The monitoring of delivery of the budget is through the budget monitoring framework.

4.1.2 Corporate measures are monitored regularly to track progress towards delivering our priorities, as detailed in the Council's Corporate Plan. Service areas annually develop objectives, measures and targets to ensure the delivery of the Corporate Plan through the service planning process. The monitoring of progress is through the Performance Management Framework.

4.2 Resources and Risk

4.2.1 This report informs the Cabinet of the forecast outturn positions for capital and revenue, HRA and General Fund as at the end the period. It also highlights the key risks identified to date in delivering those budgets and where performance measures are significantly over or under performing.

4.2.2 There will be an ongoing impact in future years of not achieving the savings within the 2011/12 budget, particularly where services move outside the direct control of NBC.

4.2.3 All objectives, measures and actions within the Service Plans are risked assessed and challenged before final approval. The challenge process includes the agreement of performance targets and the capacity / ability to deliver the plans with appropriate resource set aside to do so.

4.3 Legal

4.3.1 There are no specific legal implications arising from this report.

4.4 Equality

4.4.1 There are no specific equalities implications arising from this report.

4.5 Consultees (Internal and External)

4.5.1 Heads of Service and Budget Managers and Management Board are consulted as part of the budget and performance monitoring process on a monthly basis.

4.5.2 Performance data (financial and non financial) is published on the NBC website.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 Performance monitoring (financial and non financial) by exception and using it to improve performance is good practice in terms of efficient and effective management. It focuses on the key areas and therefore contributes directly to the priorities of sustaining "effective and prudent financial management" and being "an agile transparent organisation with good governance".

4.7 Other Implications

4.7.1 There are no other implications arising from this report.

5. Background Papers

5.1 Cabinet and Council Budget and Capital Programme Reports February 2011.

5.2 Finance Monitoring Dashboard to the end of May 2011 report to Cabinet

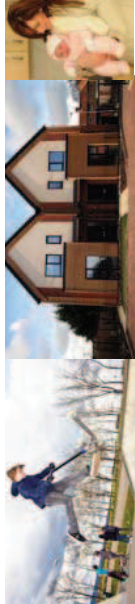
Dale Robertson, Head of Performance and Change, 01604 837110
Isabell Procter, Director of Finance and Support, 01604 838757
Management Board, C/o David Kennedy, Chief Executive, 01604 837726



Corporate Performance Report

- Page 2 You
- Page 3 Your Town
- Page 4 Your Council





Supporting you when you need it
 Ensuring homes are available for local people
 Encouraging healthy, active, green living

Key

- Exceptional or over performance
- ★ On or exceeding target
- Within agreed tolerances
- ▲ Outside agreed target tolerance
- ✓ Good to be low: Better
- ✗ Good to be low: Worse
- ✓ Good to be High: Better
- ✗ Good to be High: Worse
- ↔ No change
- ? No data or target available
- ? No data available
- ! No target available

YOU: RED measures									
Measure ID & Name	Jul 11	Oct 11	Dec 11	Mar 12	Latest YTD Aug 2011	Current YTD Profiled Target	Annual Target	DOT v/s same time last yr	
HI 36 Number of affordable homes delivered (NI 155)(Q) a) Performance update and actions In March 2011 the three year comprehensive spending review period ended along with the three year National Affordable Housing Program. All social housing grant allocated in that period had to be spent and housing completions completed by 31 March 2011. This has had a knock on effect on new builds starting since April. As a result the delivery of new affordable housing will not be achieved until later in the financial year. Although 10 affordable units were scheduled to be delivered in the first quarter of 2011, this has now been delayed due to affordable housing building being intrinsically linked with the wider scheme build period, which are moving very slowly due to the depressed housing market. Only in quarters 3 and 4 will we see any significant delivery of affordable units. It is still anticipated that the annual target will be achieved.	0	-	-	-	▲	10	100	✗	
YOU: BLUE measures									
Measure ID & Name	Jul 11	Oct 11	Dec 11	Mar 12	Latest YTD Aug 2011	Current YTD Profiled Target	Annual Target	DOT v/s same time last yr	
HI 07 Number of households living in temporary accommodation (NI156) (M) a) Performance update and actions There were 33 households living in temporary accommodation in July due to a high number of homelessness applications being received. However, performance is better than the anticipated target of 45 at this point in time. The numbers will reduce with the introduction of the use of council housing stock as temporary accommodation from August 2011 and continued close working with the Voids Team to make homes available to let again as quickly as possible.	33	-	-	-	●	45	75	✓	
HI 09 Homeless households for whom casework advice resolved their situation (M) a) Performance update and actions 224 households were helped in July, totalling 790 for the year to date. We continue to see an increase in the number of preventions made. Northampton Borough Council is in the top 10 authorities for prevention figures per 1,000 households.	790	-	-	-	●	619	2,000	✓	
RB02 Speed of processing: Ave.time for processing new claims (M) a) Performance update and actions Monthly performance improvement has continued and this is reflected in the improvement overall. The in month processing time for July was 14.77 days and 20 days for the year to date.	20.00	-	-	-	●	22.25	19.00	?	

YOUR TOWN



Helping create a clean, green and safe Northampton

Delivering inviting and enjoyable open spaces

Driving the development of a confident ambitious, successful Northampton

APPENDIX 1

Key

- Exceptional or over performance
- ★ On or exceeding target
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- ✘ Good to be low: Worse
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- ➡ No change
- ? No data or target available
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YOUR TOWN: RED measures									
Measure ID & Name	Jul 11	Oct 11	Dec 11	Mar 12	Latest YTD Aug 2011	Current YTD Profiled Target	Annual Target	DOT v/s same time last yr	
Bigger is Better CH04 Visits to museums in person per 1,000 population (M)	221.62	-	-	-	▲	255.14	514.02	✘	
a) Performance update and actions July: Visits in person to Abington Museum are higher than 2009 & 2010. Northampton Museum & Art Gallery continues to be affected by the reduced footfall to the town centre since 2010. We are proposing to create some targeted activities and events to make up this shortfall over the autumn and new year.									
Bigger is Better N1157a SM Percentage of 'small scale' major planning apps determined within 13 weeks (M)	66.67	-	-	-	▲	75.00	75.00	✘	
a) Performance update and actions We determined three small scale major planning applications in July, two of which were determined within 13 weeks.									
Bigger is Better TC002 Number of events delivered in partnership: parks and open spaces (Q)	1.00	-	-	-	▲	2.00	6.00	?	
a) Performance update and actions One event was supported this quarter, which was the carnival at Delapre Abbey in June 2011.									
Bigger is Better TC005 Percentage increase in Market Sq footfall compared to 2010-11 (Q)	-7.05	-	-	-	▲	2.00	2.00	?	
a) Performance update and actions There were a total of 18 days of activity in the Market Square in April, May and June 2011, compared to 39 days of activity in 2010. The decrease in footfall may be due to a reduction in the number of events being organised due to reduced budget and staff since April 2011. The staff continue to also be responsible for events in parks as well as the Market Square, and due to the limited resource the number of events planned has been significantly reduced. There were 116 days of activity co-ordinated by NBC in the parks during this period, including Party in the Park, Race For Life, Elton John Concert and Northampton Carnival. The Events Team have had to play more of a facilitating role than an organising role compared to the previous two years.									
The footfall for some events such as the Music Festival were also down due to bad weather. In addition, in June 2010 the 'Pride of Northampton' was launched, which increased the footfall to the town when comparing this year to last.									
Bigger is Better TC005n Market Square footfall (Q)	1,224,858...	-	-	-	▲	1,344,156.00	4,914,820.96	?	
a) Performance update and actions Comment as above.									
YOUR TOWN: BLUE measures									
Measure ID & Name	Jul 11	Oct 11	Dec 11	Mar 12	Latest YTD Aug 2011	Current YTD Profiled Target	Annual Target	DOT v/s same time last yr	
Bigger is Better TC001 Number of events delivered in partnership: Town Centre (Q)	3.00	-	-	-	●	2.00	6.00	?	
a) Performance update and actions In the first quarter we have delivered three events with partners including the Scouts, Music City and the Armed Forces.									



Being a responsive Council
 Providing quality Services
 Satisfying our Customers

Key

- Exceptional or over performance
- ★ On or exceeding target
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- ✗ Good to be low: Worse
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- ✗ Good to be High: Worse
- ➡ No change
- ? No data or target available
- ? No data available
- ! No target available

YOUR COUNCIL: RED measures

Measure ID & Name	Jul 11	Oct 11	Dec 11	Mar 12	Latest YTD Aug 2011	Current YTD Profiled Target	Annual Target	DOT v/s same time last yr
Smaller is Better BV012 The number of working days / shifts lost to sickness absence (M)	3.54	-	-	-	▲	3.00	9.00	✗
a) Performance update and actions See comments for BV12 rolling 12 month figure.								
Smaller is Better BV012_12r Ave. no. of days/shifts lost to sickness for rolling 12 month period (M)	12.14	-	-	-	▲	9.00	9.00	✗
a) Performance update and actions The absence figure of 0.81 FTE days in June and July is an improvement of 0.16 FTE days compared to May at 0.97 FTE days. In July 2011, the top five reasons for absence were Mental Health (anxiety/stress); Musculoskeletal (back); Surgery (orthopaedic); followed by Flu-like symptoms; and Coughs and cold. Mental health (anxiety and stress) has remained the highest reason for absence during May, June and July and accounted for 404 days lost (inclusive of long and short term absences).								
Bigger is Better CS05 Percentage of customers satisfied with their contact experience (M)	84.67	-	-	-	▲	90.00	90.00	✗
a) Performance update and actions Customer satisfaction for July was recorded at 71%, which is below target. The year to date figure is 84.67%, which is also below the target of 90%. Figures have been impacted upon by the high levels of customer contact during the transition of some of the Council's environmental services to a new service provider, Enterprise Managed Services Ltd (EMS). The new partnership for environmental services between Northampton Borough Council, Daventry District Council and EMS began on Monday 6 June.								
Bigger is Better CS13 Percentage of all calls answered (M)	78.09	-	-	-	▲	95.00	95.00	✗
a) Performance update and actions The percentage of calls answered in July was recorded at 74.8%, which is below target. The year to date figure is 78.09%, which is also below the target of 95%. This is due to an increase in call volumes, particularly during the transition period of some of the Council's environmental services to a new provider, Enterprise Managed Services Ltd from June 2011. Increased volumes were anticipated. However, demand still exceeded available resources.								
Bigger is Better CS14 One-Stop shop: Percentage of all cust. waiting less than 15 mins (M)	75.01	-	-	-	▲	90.00	90.00	?
a) Performance update and actions Volumes of enquiries, particularly complex enquiries and drop-ins, have increased in the OSS impacting on this indicator. Measures including additional floor walkers utilising hand held tablets are being introduced to try to move the enquiries to the telephone and website.								
Smaller is Better PP05 Percentage change in 12 month ELEC consumption compared to previous year (M)	-4.5	-	-	-	▲	-5.0	-5.0	✓
a) Performance update and actions Electricity consumption has decreased when compared to the previous year but is 0.5% points from achieving the target.								
Bigger is Better RB06 Percentage of Council Tax collected (M)	38.88	-	-	-	▲	39.40	97.50	✓
a) Performance update and actions The cash collection rate remains higher than at the same point last year.								

YOUR COUNCIL: BLUE measures

Measure ID & Name	Jul 11	Oct 11	Dec 11	Mar 12	Latest YTD Aug 2011	Current YTD Profiled Target	Annual Target	DOT v/s same time last yr
Bigger is Better FIN27 NBC procurement savings for the year against costs of NBC procurement (M)	£166,865	-	-	-	●	£123,333	£370,000	✓
a) Performance update and actions The HR savings have not been received for July so they will be added to August figures								
Bigger is Better RB04 (prev BV010) Percentage of non-domestic rates due for the year, which have been received (M)	41.40	-	-	-	●	41.13	99.65	✓
a) Performance update and actions The collection rate for Business Rates is slightly ahead of the newly agreed target for the end of July. The Business Rate team have been contacting customers to make arrangements and this coupled with the commencement of legal action to recover sums due for the 2011/12 financial year in the Magistrates' Court has seen an influx in payments.								
Smaller is Better RB07 Total % of debt outstanding, not in recovery and overdue (M)	6.53	-	-	-	●	9.40	8.00	✓
a) Performance update and actions The percentage of debt outstanding remains lower than the target of 9.4% at 6.53%. We continue to monitor the individual levels of each area of debt to maintain performance.								