NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Your attendance is requested at a meeting to be held at The Guildhall, St. Giles Square, Northampton, NN1 1DE. on Monday, 5 September 2016 at 6:00 pm**.**

D. Kennedy
Chief Executive

AGENDA

1. APOLOGIES

   Please contact Democratic Services on 01604 837722 or democratic services@northampton.gov.uk when submitting apologies for absence.

2. MINUTES

3. DEPUTATIONS / PUBLIC ADDRESSES

4. DECLARATIONS OF INTEREST

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

6. FINAL STATEMENT OF ACCOUNTS

   (Copy herewith)

7. KPMG EXTERNAL AUDIT - ISA260 REPORT — N Bellamy, External Auditor (Audit Commission)

   (Copy herewith)

8. AGENCY STAFF / VACANT POSTS REPORT

   (Copy herewith)

9. INTERNAL AUDIT UPDATE - PWC

10. EXCLUSION OF PUBLIC AND PRESS

THE CHAIR TO MOVE:
"THAT THE PUBLIC AND PRESS BE EXCLUDED FROM THE REMAINDER OF THE MEETING ON THE GROUNDS THAT THERE IS LIKELY TO BE DISCLOSURE TO THEM OF SUCH CATEGORIES OF EXEMPT INFORMATION AS DEFINED BY SECTION 100(1) OF THE LOCAL GOVERNMENT ACT 1972 AS LISTED AGAINST SUCH ITEMS OF BUSINESS BY REFERENCE TO THE APPROPRIATE PARAGRAPH OF SCHEDULE 12A TO SUCH ACT."

SUPPLEMENTARY AGENDA

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

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Monday, 25 July 2016

PRESENT: Councillor Flavell (Chair); Councillor Hill (Deputy Chair); Councillors Golby, Marriott and Stone
APOLOGIES: Councillor Clement Chunga

2. MINUTES

The Minutes of the meeting held on 27th June 2016 were agreed and signed by the Chair.

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. DRAFT STATEMENT OF ACCOUNTS 2015/16

The Interim Strategic Finance Manager elaborated on a report, presenting the draft Statement of Account (SoA0 2015/16 and draft Annual Governance Statement (AGS) which he noted were available on the Council's website. He reported that they were currently being Audited by the External Auditors (KPMG) and would be finalised and bought to the Audit Committee for approval in September 2016. He referred to the Housing Revenue Account (HRA) for 2015/16 and stated that it had been divided into 2 areas: Income and Expenditure. On 'Incomes' it was explained that the largest portion of this came from rents from Council dwellings, non-dwelling rates he clarified as being from rental of garages and such like. The 'Expenditure' was largely from the repairs and general management of properties which was done through Northampton Partnership Homes (NPH). It was noted that there was an accounting surplus of £22,978.

In response to questions asked by the Committee, it was explained that debt management costs were being well managed and that borrowing was at 3.75%. It was noted that General Management included in Expenditure was an accounting cost and not a management costs.

RESOLVED:

That the Audit Committee noted the draft Statement of Accounts (SoA) 2015/16 and the draft Annual Governance Statement (AGS)

7. FINANCIAL OUTTURN 2015/16

The Chief Finance Officer submitted a report and noted that the report had been approved by Cabinet on the 13th July 2016. It was noted that there was an underspend of £1,221k against Controllable Budgets and that an amount of £0.612m had been set aside for future pressure reserves. It was noted that the Council General Fund held an earmarked reserve of almost £23 million to mitigate against specific risks to which the Council may, in future, be exposed and investing in service improvement. It was further explained that the total General Fund capital expenditure included a £46 million loan to the University of

Northampton.

In response to questions asked, the Chief Finance Officer explained that the with regards to the loan to the University, the Council had facilitated the loan as Local Authorities were the only organisation that can access Public Works Loan Board (PWLB). It was noted that the Council would not be able to add a margin to the amount loaned as set out by Government. It was noted that there were 2 types of loans that had been used, one of which was a 25 year loan which would show as a debt for that time but was guaranteed by the Treasury.

With regards to parking in the Town Centre, it was noted that the ticket income was ahead of the budget position and that there had been an increase year on year in the number of daily tickets purchased. It was also noted that an Efficiency Plan would be submitted to the Government after approval from Cabinet in September 2016 which would explore ways in which the Council could generate more income through efficient working, ensuring for example that assets and ground rent are valued accurately. It was further explained that the Council would need to look at encouraging more business into the Town and unlock housing developments to get Council Tax to offset the decrease in funding received from central Government.

RESOLVED:

1. That consideration be given to the contents of the finance report:

- Finance and Monitoring Outturn report 2015/16

2. That the Committee noted the position on car parking income and usage as at 31st March 2016

8. INTERNAL AUDIT PLAN 2016/17 UPDATE

The Internal Auditor submitted a report and elaborated thereon. He explained that a number of risk management workshops had been held with Officers and that they had met with Management Board to offer support to Directors in identifying current risks that could affect the Council. He explained that risks were being managed on a daily basis but expressed some concern that there was a lack of comprehensive documentation. With regards to the Northampton Town Football Club he stated that they were continuing to validate findings-

In response to questions asked, the Internal Auditor explained that the financial pressures being faced by Councils were increasing but that many councils were looking at more innovative ways to increase and manage their finances including commercialisation and joint partnership working. He stated that Councils were getting a reduction in funding from the Government and therefore there was a need to work out how to make more money and further noted that the biggest risk would be to do nothing; the Council would need to not only consider risks but also opportunities.

RESOLVED:

That the report be noted.

9. EXTERNAL AUDIT UPDATE

The Chair notified the Committee that a representative from KPMG would not be in attendance but that she had spoken to them earlier and they confirmed that they had nothing further to add to their report.

The Chief Finance Officer reported that the ISO 260 report would be submitted to the Audit Committee in September 2016.

RESOLVED:

That the report be noted.

The meeting concluded at 6.44pm

Appendices 3:
1. **Summary Statement**
2. **Final Statement of Accounts (SoA)**
3. **Annual Governance Statement (AGS)**

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	**Statement of Accounts 2015/16 and Annual Governance Statement**

AGENDA STATUS: **PUBLIC**

Audit Committee Meeting Date:	05 September 2016
Policy Document:	No
Directorate:	Management Board
Accountable Cabinet Member:	Cllr B Eldred

1. Purpose

1.1 To seek approval of the Statement of Accounts (SoA) 2015/16 (Appendix 2) and Annual Governance Statement (AGS) (Appendix 3).

2. Recommendations

2.1 That the Audit Committee approves the SoA 2015/16.

2.2 That the Audit Committee acknowledges the AGS signed by the Leader and Chief Executive.

2.3 That if there are minor amendments to the SoA required before the 30th September following finalisation of the external audit work that the Audit Committee delegates to the Chair of Audit Committee to sign them in consultation with the statutory S151 Chief Finance Officer (CFO).

3. Issues and Choices

3.1 Report Background

3.1.1 The Council has produced its SoA in line with the statutory timescales and it has now been subject to external audit by KPMG. The CFO is satisfied that following audit recommendations for agreed changes the SoA present fairly the financial position of the Council at 31 March 2016.

3.2 Financial Summary

3.2.1 Audit Committee at its meeting on 25th July 2016 requested that officers produce a summary document to assist members in interpreting the technical SoA document. This summary is contained in Appendix 1.

3.3 Changes from the draft financial statements

3.3.1 As part of the external audit a small number of immaterial items and classifications were identified which have been amended in the final statements

3.3.2 Following the EU referendum decision on 23rd June the ‘post balance sheet event’ note 6 on page 46 of the statements has been amended to reflect this event.

3.3.3 In consultation with the external auditors the Debtors note 20 on page 74 of the statements has been expanded to include a table on third party loans to increase the transparency of the statements, which is over and above the requirements of the CIPFA code.

3.4 External Audit Update

3.4.1 External audit have substantially completed their audit work on the financial statements and their ISA260 report to those charged with management is subject to another report on this agenda.

3.4.2 The external auditors anticipate being able to issue their audit opinion and sign-off the accounts to meet the statutory deadline of 30th September.

3.5 2014/15 ISA260 Recommendations

3.5.1 The three recommendations arising from the 2014/15 audit have been either been fully implemented or are in the process of being implemented during 2016/17 as indicated below.

3.5.2 The Authority has been working to reduce the amount of retrospective orders raised. The numbers and value of retrospective orders raised are reported to the senior management board on a monthly basis to raise awareness and ensure that Directors can challenge budget managers in their area where this is an issue

3.5.3 The issue raised relating to the disclosure of Northampton Partnership Homes capital expenditure has been resolved with both organisations improving processes and communications to ensure that the issue does not occur again.

3.5.4 The Authority is working with both internal audit providers to improve communications and co-ordination of work plans. Evidence of this was during the external audit when an issue was raised relating to payroll processing where the authority ensured that both providers and the external auditors were involved in resolving the issue satisfactorily. There is a joint meeting planned during September to further co-ordinate the work plans of both providers to ensure comprehensive internal audit coverage across all appropriate risk areas.

3.6 Annual Governance Statement (AGS)

3.6.1 Under the Accounts and Audit Regulations 2011 the Annual Governance Statement must accompany the Statement of Accounts, and this is presented as an appendix to this report.

3.6.2 On the first page of the AGS is the Statement of Compliance, which explains how the council complies with the CIPFA Statement on the Role of the CFO. Due to the partnership with LGSS there are a few small functions that are not directly overseen by the CFO. These variations from the CIPFA Statement and how they are addressed instead are explained in the Statement of Compliance section of the draft AGS.

3.6.3 There were no audit amendments arising from the external audit of the AGS.

3.7 Choices (Options)

3.7.1 The Committee may choose not to approve the Accounts; this would result in the Council not meeting its statutory responsibilities.

4. Implications (including financial implications)

4.1 Policy

4.1.1 There are no policy implications arising from this report.

4.2 Resources and Risk

4.2.1 There are no direct financial implications arising from this report. The SoA reports on the financial position for 2015/16.

4.3 Legal

4.3.1 There are no legal implications arising from this report.

4.4 Equality

4.4.1 There are no equality implications arising from this report.

4.5 Consultees (Internal and External)

4.5.1 Management Board has been consulted on the Statement of Accounts and AGS.

4.5.2 The Statement of Accounts, accompanied by the AGS, has undergone public inspection and external audit.

4.6 Other Implications

4.6.1 There are no other implications arising from this report.

5. Background Papers

5.1 The Accounts were prepared in line with IFRS requirements and relevant legislation, predominantly:

- Accounts and Audit Regulation 2011
- The Code of Practice on Local Authority Accounting 2015/16
- The CIPFA Statement on the Role of the Chief Finance Officer

John Milburn, Interim Group Accountant, LGSS, 01604 363318
Chris Randall, Strategic Finance Manager, LGSS, 0776 936 5372

Northampton Borough Council

1.0 Introduction

This short guide through the main numbers in the Statement of Accounts has been prepared as an aid to members. The Annual Accounts is a large technical document and they are very difficult to interpret. It includes only the main features of the accounts.

1.1 Revenue Expenditure

The Council measures financial performance against planned activity in the form of the Council's management accounts. In 2015/16 the Council reported a balanced position against planned activity of £26.2m, after achieving planned savings £4.3m and using £4.5m of Earmarked Reserves. The following table shows the actual outturn:

Actual Outturn 2015/16
£'000

General Fund Account	Net Budget £000s	Net Actual £000s	Variance £000s
Director of Regeneration, Enterprise and Planning	1,006	264	-742
Housing and Wellbeing	1,137	1,394	257
Borough Secretary	2,442	2,364	-78
Director of Customers & Communities	11,129	10,736	-393
Corporate and LGSS	10,520	10,880	360
Total within Budget Managers Control	**26,234**	**25,638**	**-596**
Planning Appeals and Delapre Abbey	0	635	635
Capital Expenditure charged to Revenue Account	0	2,172	2,172
Net Support Service Recharges	-2,555	-2,125	430
Interest and Financing	3,011	2,389	-622
Parish Precepts & Grants	1,001	1,001	0
Government Funding	-7,087	-7,087	0
Council Tax	-13,997	-13,997	0
Council tax Freeze Grant	-152	0	152
Non specific grants (mainly New Homes Bonus)	-3,836	-4,161	-325
Technical Accounting Adjustments	**-23,615**	**-21,174**	**2,442**
General Fund (under) / over spend	**2,619**	**4,464**	**1,845**
Net Contribution to/(from) Reserves	-2,619	-4,464	-1,845
General Fund Deficit (Surplus)	**0**	**0**	**0**
Balance b/fwd		-5,470	
Balance carried forward		**-5,470**	

The General Fund Reserves have been maintained at £5.5m in line with the current policy of the level to be maintained.

The presentation reflects how costs and incomes are categorised, monitored and managed within the Council. The Annual Accounts reports expenditure and income in a different format to comply with the statute governing their preparation. This incorporates additional costs such as changes in the value of property which, under regulation, is not chargeable to the General fund (a useable reserve) in the year but to unusable reserves.

1.2 Housing Revenue Account

Included within the overall income and expenditure above are specific amounts relating to the provision, maintenance and sale of Council houses and flats. These specific items of income and expenditure are also shown separately in the Housing Revenue Account (HRA), because this account has to be self-financing.

After taking account of contributions to reserves and balances, the Council's Housing Revenue Account working balance has remained at £5m. This is after making a net contribution to HRA earmarked reserves of £1.6m to support revenue expenditure during the year. This position was reported at the Cabinet meeting on 13th July 2016.

1.3 Capital Expenditure and Financing

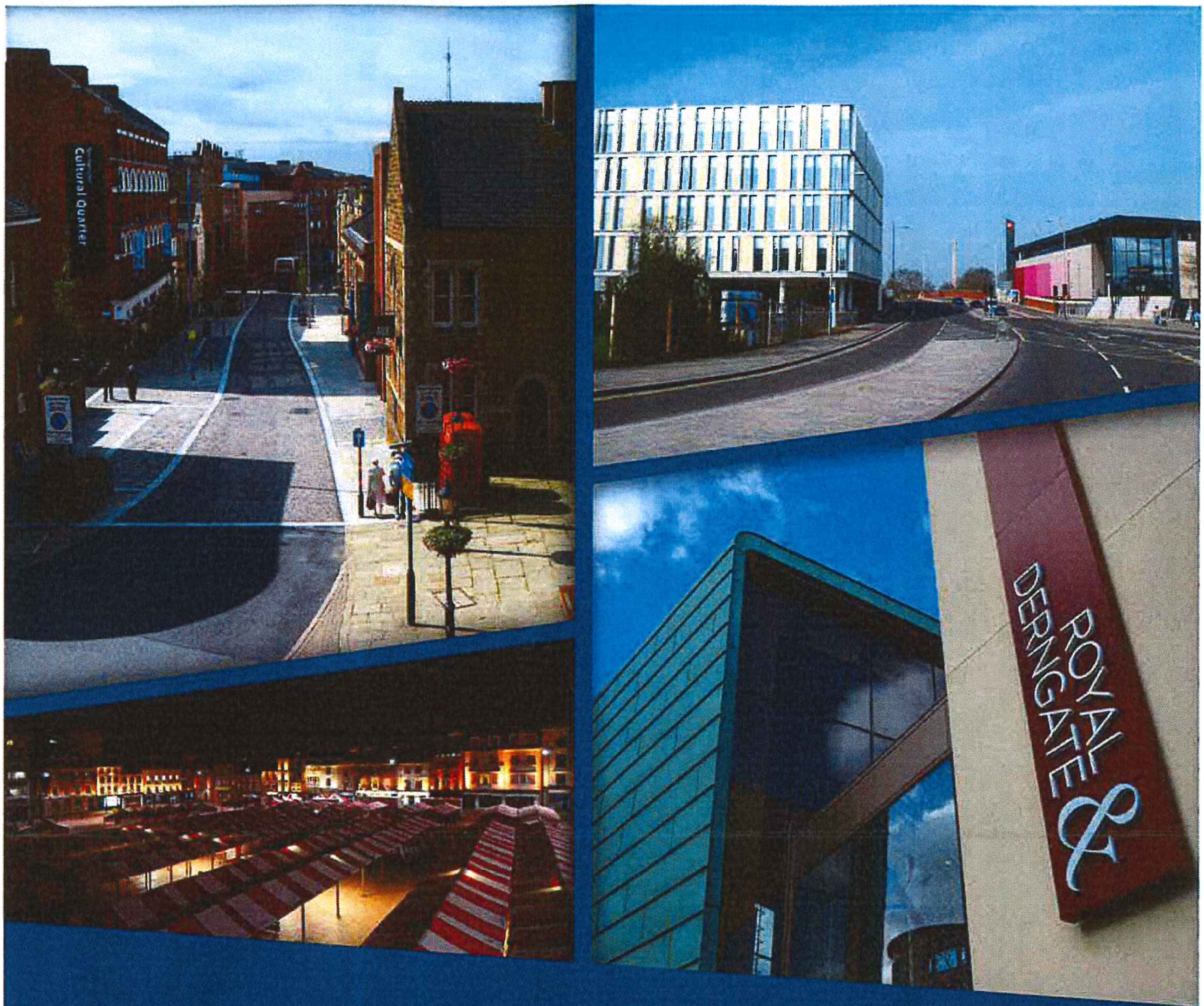
The capital programme supports the Council's wider objective to deliver services and to support economic growth. Capital expenditure represents major investment in new and improved assets such as land, buildings, equipment and information technology assets. The table below summarises the capital outturn for 2015/16.

Capital Expenditure and Financing	Budget £000s	Actual £000s	Variance £000s
Expenditure			
Housing Revenue Account Schemes	36,148	33,693	-2,455
General Fund Housing Schemes	2,125	1,557	-568
Other General Fund Schemes	64,409	57,398	-7,011
Total Capital Expenditure	102,682	92,648	-10,033
Sources of Financing			
Major Repairs Allowance		21,897	
Revenue Contributions to Capital Expenditure		11,255	
Grants & Contributions		2,878	
Capital Receipts		5,468	
Borrowing		51,150	
		92,648	

The Other General Fund Schemes of £57m includes a third party loan agreement of £46m with the University of Northampton to support the relocation of the University's campus to a new Waterside location in the Northampton Enterprise Zone.

1.4 Useable Reserves – reduced by £16.8m to £66.9m

General Fund Reserves of £4.5m and Earmarked HRA Reserves of £1.6m have been used to support service specific projects.
£9.3m Major Repairs Reserve has been used to part-finance HRA Capital spend.
£1.02m of the Capital Receipts Reserve and £0.5k of the Capital Grants Unapplied Reserve were also used to part-fund Capital Expenditure.



Statement of Accounts 2015 – 16 DRAFT

NORTHAMPTON
BOROUGH COUNCIL

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1. INTRODUCTION

The Statement of Accounts for Northampton Borough Council provides a picture of the Council's financial position at 31st March 2016 and a summary of its income and expenditure in the year to 31st March 2016. The Council has a statutory duty to approve and publish this Statement of Accounts document. It is, in parts, a complex document which sets out to ensure that the accounts of all Government funded bodies provide comparable and consistent information and comply with International Financial reporting Standards. As a result, its format is largely prescribed.

The accounts will be approved by Northampton Borough Council's Audit Committee at the meeting on the 5th September 2016.

2. THE STATEMENTS

The main statements which make up these accounts are as follows:

Core Financial Statements

- Movements in Reserves Statement
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Cash Flow Statement
- Notes to the Core Financial Statements

Supplementary Financial Statements

- Housing Revenue Account (HRA) Income and Expenditure Account
- Movement in Housing Revenue Account Reserve
- Notes to the HRA Accounts
- The Collection Fund Income and Expenditure Account
- Notes to the Collection Fund

Group Accounts

- In order to provide a full picture of the Council's economic activities and financial position the accounting statements of the Council and Northampton Partnership Homes have been consolidated. Northampton Partnership Homes is a wholly owned subsidiary of the Council. Full details can be found in the Group Accounts section.

An explanation of each of these statements accompanies each statement.

3. REVIEW OF THE FINANCIAL YEAR 2015/16

3a. Financial climate in 2015/16

In 2015 the annual growth in the UK's Gross Domestic Product (GDP) was 2.2%. The growth in 2015 was the lowest rate recorded in the last three years, but it still means that the UK economy is growing at one of the fastest rates in the developed world. The UK economy is still operating with an annual deficit.

Since 2010 government funding for local government has reduced by approximately 40% in real terms. A new Government was elected in May 2015 and have subsequently made a number of announcements, including the Summer Budget (July 2015), Spending Review (November 2015) and the Provisional Local Government Finance Settlement (December 2015). The key headlines from these announcements were:

- Local Government funding will reduce from £21.9bn to £17.8bn by 2019/20;
- Switch of funding towards councils with social care responsibilities;
- Switch of funding from rural to urban areas;
- Proposals to review New Homes Bonus, including an £800m reduction in funding;
- The introduction of the "Core Spending Power" which includes assumptions from Government about increases in council tax levels and rises in the taxbase;
- An offer of a four year deal from Government to provide more certainty for councils to assist in planning service provision over the medium term;
- Social housing changes, including a 15 per annum reduction in rents and changes to Rights to Buy;
- A proposal to move to a 100% business rates retention scheme by 2020.

3b. Local position

The national economic position has had, and continues to have, specific impacts locally. There is significant risk in relation to key income streams, such as investment income, planning income, and building control income, as well as future prices in cost areas where markets and inflation rates are unstable. Additional funding risks falling on local authorities as an inherent part of the changes around retention of business rates in particular will need to be monitored.

Challenging Finance Settlements from central government are materially reducing funding. Through medium term planning processes the Council must examine its net expenditure to meet the limitations of its funding.

The issues referred to above are discussed in more detail in the Council's Medium Term Financial Plan. This document also includes more about the Councils plans in future years, from 2015/16 to 2019/20. The Council's Medium Term Financial Plan can be found here:
http://www.northamptonboroughcouncil.com/councillors/documents/s49036/Cabinet%20February%202016%2002%2024%20-%20v3.pdf

3c. Performance Indicators

The Council monitors progress against performance indicators on a monthly, quarterly and annual basis. A number of agreed corporate priority indicators are reported to Cabinet and Overview and Scrutiny Committee, who review performance every quarter. At the end of each year a report is produced that summarises how well the Council performed against the targets. A summary of the overall indicator performance against targets is shown below:

Status	Overall percentage (%) 2014/15	Overall percentage (%) 2015/16
Blue (exceptional or over-performance); or Green (on or exceeding target)	55.3	54.76
Amber (within agreed tolerances)	14.3	11.9
Red (outside agreed target tolerance)	30.3	33.33

The full performance outturn report will be published on the Council's website here:
http://www.northampton.gov.uk/info/200009/council_performance/1554/all_measure_report

3d. Significant events in 2015/16

Northampton Town Football Club (NTFC) – Impairment of Loan £10.25m
As has been well documented, during 2013/14 NBC advanced £10.25m to Northampton Town Football Club (NTFC) to carry out works to improve stadium facilities at Sixfields (£9m) and to develop a hotel at Sixfields (£1.25m). The stadium improvement, hotel and loan were part of a planned wider development agreement for land around Sixfields for retail and housing purposes.

However, following failure by NTFC to pay due payments on the loan interest between May and September 2015, NBC made the decision to protect the public purse and exercised its rights under the loan agreement requiring immediate repayment of the remaining £10.22m of loans in totality (consisting of the original loan of £10.25m less repayments that had been made). When this did not materialise, the Council took action to formally cancel the loan agreements.

In November 2015, new owners purchased NTFC. In order for NBC to recover the full £10.22m from the previous owners, the Council agreed to assign the £10.22m loan debt from NTFC back to NBC. This loan has been fully impaired in NBC's accounts for 2015/16.

Reviews and investigations with regards to the loan and the land development at Sixfields are ongoing, and encompass:

- An Internal Audit review by NBC's Internal Auditors PwC into the Council's processes and procedures, to be reported to NBC's Audit Committee;
- An External Audit review by NBC's External Auditors KMPG;
- A Police Investigation into any potential criminal activity behind the previous owners of NTFC and associated companies.

Full details of reports and decisions made by Full Council and the Cabinet can be found on the NBC website
http://www.northampton.gov.uk/

Loan to University of Northampton - £46m
In 2015-16 the Council entered into a third party loan agreement to the value of £46m with the University of Northampton (UoN), to support the relocation of the university's campus to a new Waterside location in the Northampton Enterprise Zone. This investment into the town centre will support the regeneration of the town and the local economy. The Local Enterprise Partnership SEMLEP supported the UoN project and successfully applied for access to a concessionary rate of borrowing from the Public Works Loans Board. Under the loan agreement two loans were drawn down by the UoN through NBC in March 2016, comprising a 5 year £28.5m maturity loan and a 40 year £17.5m annuity loan. Both loans have been funded by PWLB concessionary rate (the "project rate") and have been guaranteed by HM Treasury.

4. SUMMARY OF MAJOR TRANSACTIONS AND BALANCES IN NORTHAMPTON BOROUGH COUNCIL'S ACCOUNTS

The following provides a summary of the major transactions and balances for Northampton Borough.

Service Expenditure	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
General Fund			
Service costs (excl. benefits)	55,043	-29,664	25,379
Benefits	71,345	-70,451	894
Housing Revenue Account			
Service costs	28,046	-56,801	-28,755

Capital Expenditure	Capital Investment £000s	Sources of Finance £000s
General Fund Capital	33,693	-33,693
Housing Revenue Account Capital	58,955	-58,955

Total Service/ Capital	£000s	£000s
Total Service and Capital	**247,082**	**-249,564**

Assets and Liabilities	Liabilities £000s	Assets £000s	Net Assets £000s
Assets and Liabilities	-431,850	725,111	293,261

Gross Income collected by NBC	£000s
Council Tax	-96,787
National Non-Domestic Rates	-102,497

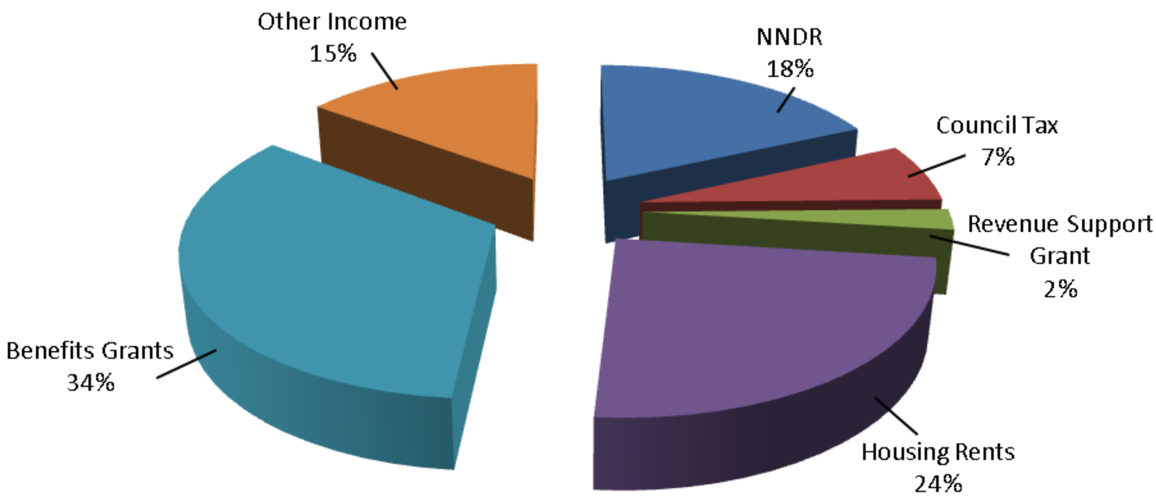
Further information about some of these transactions and balances can be found in the following sections 5 and 6 of the Narrative Report and also in the Statement of Accounts.

5. INCOME AND EXPENDITURE: WHERE THE COUNCIL'S MONEY COMES FROM AND WHAT IT SPENDS IT ON

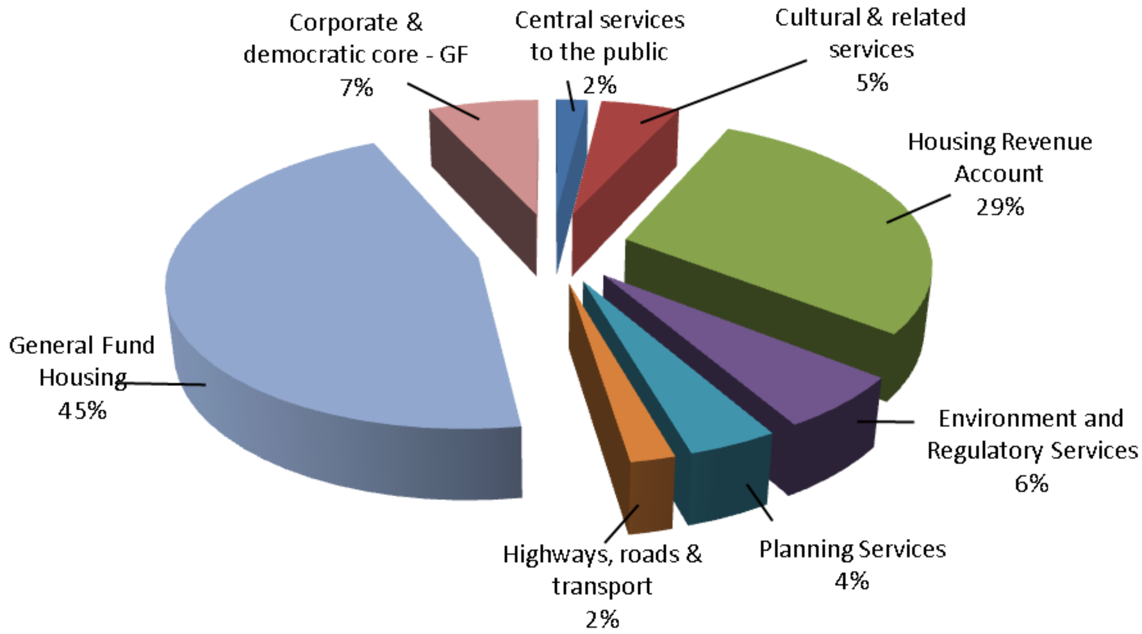
5a. Income and Expenditure

The Comprehensive Income and Expenditure Statement is one of the core financial statements. This statement shows the Council's income and expenditure, including both General Fund and the Housing Revenue Account. This includes income collected through the Collection Fund. The following pie charts show the various sources of income that the Council received, and then how this money was spent.

Council Income (total £216m)



Council Expenditure (£183m)



Further details of the Council's income and expenditure can be found in the related notes to the accounts.

5b. General Fund Final Outturn Position

Northampton Borough Council managed a net budget of £26.234m in 2015/16 to deliver key services to the community it serves (including gross expenditure of £126.388m). The following table summarises the net position for the General Fund for 2015/16:

General Fund Account	Net Budget £000s	Net Actual £000s	Variance £000s
Director of Regeneration, Enterprise and Planning	1,006	264	-742
Housing and Wellbeing	1,137	1,394	257
Borough Secretary	2,442	2,364	-78
Director of Customers & Communities	11,129	10,736	-393
Corporate and LGSS	10,520	10,880	360
Total within Budget Managers Control	**26,234**	**25,638**	**-596**
Planning Appeals and Delapre Abbey	0	635	635
Capital Expenditure charged to Revenue Account	0	2,172	2,172
Net Support Service Recharges	-2,555	-2,125	430
Interest and Financing	3,011	2,389	-622
Parish Precepts & Grants	1,001	1,001	0
Government Funding	-7,087	-7,087	0
Council Tax	-13,997	-13,997	0
Council tax Freeze Grant	-152	0	152
Non specific grants (mainly New Homes Bonus)	-3,836	-4,161	-325
Technical Accounting Adjustments	**-23,615**	**-21,173**	**2,441**
General Fund (under) / over spend	**2,619**	**4,465**	**1,846**
Net Contribution to/(from) Reserves	-2,619	-4,465	-1,846
General Fund Deficit (Surplus)	**0**	**0**	**0**
Balance b/fwd		-5,470	
Balance carried forward		**-5,470**	

This position was reported at the Cabinet meeting on 13th July 2016.

5c. Housing Revenue Account

Included within the overall income and expenditure above are specific amounts relating to the provision, maintenance and sale of Council houses and flats. These specific items of income and expenditure are also shown separately in an account called the Housing Revenue Account (HRA), because this account has to be self-financing. The figures below show the net position. The gross expenditure was £26.139m. A summary of the net position of the Housing Revenue Account is shown below:

Housing Revenue Account	Net Budget £000s	Net Actual £000s	Variance £000s
Expenditure			
Net Service Expenditure	-6,250	-6,029	221
Interest & Capital Financing Adjustments	6,250	6,029	-221
(Surplus)/Deficit for the year	**-0**	**0**	**0**
Balance brought forward		**5,000**	
Balance carried forward		**5,000**	

After taking account of contributions to reserves and balances, the Council's Housing Revenue Account working balance has remained at £5m. This is after making a net contribution to HRA earmarked reserves of £1.622m to support revenue expenditure during the year.

This position was reported at the Cabinet meeting on 13th July 2016.

Further details of the Housing Revenue Account can be found in the Housing Revenue Account section of the Statement of Accounts.

5d. Collection Fund

NBC is a Billing Authority for Council Tax and National Non-Domestic Rating Income (NNDR/Business Rates), and is therefore required under statue to maintain a separate Collection Fund. The Collection Fund shows all of the transactions completed by NBC on an agency basis for both NBC and on behalf of its precepting bodies. NBC collects Council Tax precepts on behalf of Northamptonshire County Council and the Northamptonshire Police and Crime Commissioner, and collects NNDR on behalf of Central Government and Northamptonshire County Council.

For 2015/16, the gross income collected within the Collection Fund by NBC was as follows:

Gross Income collected by NBC	£000s
Council Tax	-96,787
National Non-Domestic Rates	-102,497

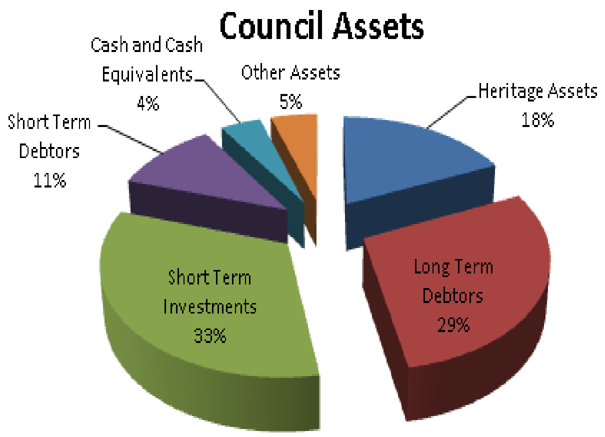
For further details please see The Collection Fund statement and accompanying notes at Section H of the accounts.

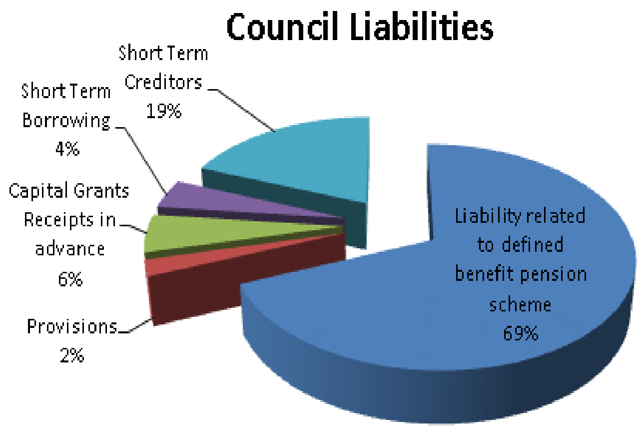
6. ASSETS AND LIABILITIES: WHAT THE COUNCIL OWNS AND WHAT THE COUNCIL OWES

6a. Assets and Liabilities

The Balance Sheet is another core financial statement. The Balance Sheet shows everything the Council owns (the Council's assets) and everything that the Council owes (the Council's liabilities).

The following pie charts represent the relative sizes of the council's assets and liabilities.





6b. Capital expenditure

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 or enhancement of existing assets. The table below provides a summary of the 2015/16 capital expenditure.

Capital Expenditure and Financing	Budget £000s	Actual £000s	Variance £000s
Expenditure			
Housing Revenue Account Schemes	36,148	33,693	-2,455
General Fund Housing Schemes	2,125	1,557	-568
Other General Fund Schemes	64,409	57,398	-7,011
Total Capital Expenditure	102,682	92,647	-10,034
Sources of Financing			
Major Repairs Allowance		21,897	
Revenue Contributions to Capital Expenditure		11,255	
Grants & Contributions		2,878	
Capital Receipts		5,468	
Borrowing		51,150	
		92,647	

Capital Programme spending in 2015/16 was some £10.0 m (10%) below budget. A large proportion (£7.3m) of this variance relates to schemes that are currently underway or still planned to take place and these budgets will be carried forward into the next financial year (2016/17). The majority of this carry forward is due to the timing of approvals and the timescales for letting contracts and funding agreements.

Capital Expenditure	£000s
Housing Revenue Account	
Council Housing	33,114
Other Capital Works	22
Repurchase of Former Council Housing	557
HRA Total	**33,693**
General Fund	
Information Technology	153
Corporate Buildings	2,925
Greyfriars Bus Demolition	1,277
Parks & Open Spaces	364
Delapre Abbey Restoration	2,928
Vulcan Works	360
Bus Interchange	11
Capital Loans	46,300
Enterprise Zone	65
Other Capital Works	1,070
Revenue Expenditure Funded from Capital under Statute	3,502
General Fund Total	**58,955**
Total	**92,648**

6c. Capital Receipts

During 2015/16 the Council generated General Fund capital receipts from the sale of land and buildings of £1.6m.

HRA capital receipts of £5.0m were generated mainly from the sale of council dwellings under the Right-to-Buy Scheme. Of this total almost £1.091m was paid over to central government under pooling arrangements. The remainder was either set aside to fund replacement dwellings or invested in improvements to existing council dwellings.

6d. Current Borrowing Facilities

A significant element of the Council's liabilities are borrowing. Current borrowing facilities are detailed below:

Description	HRA £000s	General Fund £000s	Third Party £000s	Total £000s
Long Term Borrowing - PWLB	184,065	14,300	51,152	**249,517**
Long Term Borrowing - LOBOs	9,069	0	0	**9,069**
Homes & Communities Agency	0	1,124	0	**1,124**
Growing Places Fund	0	6,754	0	**6,754**
Local Infrastructure Fund	0	1,072	0	**1,072**
Long Term Finance Leases	0	192	0	**192**
Other Short Term Borrowing	0	245	0	**245**
Total	**193,134**	**23,687**	**51,152**	**267,973**

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 indicators for external borrowing for 2015-16, the operational boundary and the authorised limit, were set at £310m and £320m respectively. External borrowing as at 31 March 2016 was within these limits at £267.973m as per the above table.

The capital financing requirement as at 31 March 2016 was £299.903m, as per note 40 to the core statements.

The prudential indicator for gross debt and the capital financing requirement (CFR) is the key indicator of prudence, measuring whether 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 council's external borrowing figure at 31 March 2016 is below the latest forward looking CFR forecast of £328m as at the end of March 2019, agreed by Council in February 2016.

New capital programme expenditure of £51m was financed by borrowing during 2015-16. This included £46m of external borrowing at the PWLB 'project rate' for loans to the University of Northampton, and £5m of internal borrowing (i.e. from cash balances).

Existing long term external borrowing was reduced by £2m as a result of the maturity of a PWLB loan. Principal repayments on annual annuity and EIP loans totalled £240k.

The current net book value (fair value) of the Council's property plant and equipment (non-current assets) is £549m, of which £422m relates to council dwellings.

6e. Liability related to defined benefit pension scheme

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 pension assets and liabilities can be found in note 45 to the financial statements.

There has been a significant decrease in year on the overall pension liability of £28.9m. This is largely as a result of an increase in the net discount rate over this period, the positive impact of which has outweighed the likely lower than expected asset returns.

7. Further Information

Further information about these accounts is available from:

Glenn Hammons **Chief Finance Officer** Northampton Borough Council LGSS Northamptonshire County Council John Dryden House 8-10 The Lakes Northampton NN4 7YD	**Chris Randall** **Interim Strategic Finance Manager** Northampton Borough Council LGSS Northamptonshire County Council John Dryden House 8-10 The Lakes Northampton NN4 7YD

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 on the Council's website in order to facilitate this.

This Statement of Accounts has been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.

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 Finance Officer
- 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 2016.

G Hammons
Glenn Hammons – Chief Finance Officer (S151)
Date: 30th June 2016

Approval by Audit Committee

I confirm that these audited accounts were approved by the Audit Committee at the meeting held on 5th September 2016.

Councillor Penelope Flavell – Chair of Audit Committee
Date:

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 2015/16 financial year.

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.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and certain categories of financial instrument.

A **Glossary of Terms** can be found in section I.

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 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 Service Reporting Code of Practice 2015/16 (SERCOP). 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 and 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.

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-minimis Policy)

In accordance with International Accounting Standard 16 (IAS 16), the Council recognises non-current assets when all four 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.

The Authority has a general de-minimis 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 and Building, Community Assets, Vehicles Plant and 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).
- **Heritage Assets** are assets with historical, artistic, scientific, technological, geophysical or environmental qualities that make it important to ensure that they are preserved for future generations. They may be any kind of asset including buildings, works of art, furniture, exhibits, artefacts, etc. or intangible assets such as recordings of significant historical events.

  As such, assets in this category are held principally for their contribution to knowledge and/or culture.
- **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.

  Therefore, 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.

l 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 Council's assets are revalued each year. Valuations are carried out in accordance with IFRS Fair Value Measurement.

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. Exceptionally, gains might be credited to the Surplus/Deficit on Provision of Services where they arise from the reversal of a loss previously charged to a service.

Valuations are completed as follows:

- **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 IFRS 13. As a matter of last resort, where no other valuation method can be used, depreciated replacement cost is used.
    - **Council Dwellings –** Land and building structure are valued at EUV for Social Housing, being 34% of market value. Individual components are valued at Depreciated Historic Cost.
    - **Vehicles and Assets under construction** within PPE are held at fair value.
    - **Community Assets -** the Authority recognises Community Assets at depreciated historic cost (not revalued).
    - **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.
- **Assets Held for Sale -** Assets held for sale are held at fair value.
- **Heritage Assets –** Heritage Assets are held at valuation where practicable (and at depreciated historic cost where it is not practicable to obtain a valuation).

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

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 Council's 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-minimis and are credited straight to the Comprehensive Income and Expenditure Statement.

o Depreciation / Amortisation Methodology

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

Depreciation is calculated using the Straight-Line method over the determined life of the asset. The Council depreciates assets in the year of acquisition and disposal. This is in accordance with regulations. Where an asset has major components with different estimated useful lives, these are depreciated separately.

Residual values

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

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*
Heritage Assets	Not depreciated*
Infrastructure Assets	25 years
Intangible Assets	3-10 years*
Vehicles, Plant and 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.

Individual components within Council Dwellings are depreciated separately from the building structure, using the following lives:

Asset Group	Useful Economic Lives (UELs)
Kitchens	20 years
Bathrooms	30 years
Windows and Doors	30 years
Heating Systems	20 years
Lights and Electric	25 years

p Component Accounting

For **Council Dwellings** the following components are valued, enhanced and depreciated separately – Kitchen, Bathroom, Windows and Doors, Heating Systems and Lights and Electrics. No other components are material and are therefore treated as part of the building structure. The separately identified components will be depreciated over their useful lives. They will be derecognised when replaced by new components.

For **all other assets**, components will only be shown separately in the asset register if they are significant i.e. if they cost more than £250,000 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.

Non-dwelling assets will be considered for componentisation if they are material, i.e. have a total building valuation in excess of £1m. Components will only be separately valued if they are significant, i.e. above the de-minimis level of 25% detailed above.

Components will only be separately valued if they are significant, i.e. above the de-minimis level detailed above.

Components will be derecognised if their replacement is deemed to be significant under this policy, i.e. if the cost of it is more than £250,000 and amounts to more than 25% of the total cost of the asset.

Where significant components, as defined above, have been separately recorded on the Asset Register they will be depreciated over their useful lives.

q 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.

r 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.
  - 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.

s Defining an Operating Lease

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

t 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.

u 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.

v 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.

w 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.

x Service Concession Agreements (PFI and other similar contracts)

PFI and similar arrangements are usually agreements with the private sector for the construction or enhancement of fixed assets needed to provide services to a public sector body. PFI and similar contracts are assessed against criteria within IFRIC 12 (Service Concession Arrangements) to determine whether the risks and rewards incidental to ownership lie with the Authority or the contractor.

Where these lie with the contractor, all payments made during the life of the contract are chargeable to revenue as incurred.

Where these lie with the Authority, the Authority shall assess them against two tests:

a) The local authority controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price;

   and where

b) The local authority controls – through ownership, beneficial entitlement or otherwise – any significant residual interest in the infrastructure at the end of the term of the arrangement.

Where test a) is met but not test b) the arrangement is reviewed to see if it contains an embedded lease, in which case this will be accounted for in accordance with the Authority's leasing policies.

Where test b) is met but not test a) the Authority will recognise the difference between the expected value of the fixed assets at the end of the arrangement and the amount (if any) it will have to pay the contractor then.

Where both tests are met the Authority will recognise a Property, Plant or Equipment asset in the Balance Sheet for value of the construction costs. Once recognised this asset is treated in line with the Authority's other PPE assets. A corresponding long-term liability of equal value is also recognised.

Payments made during the life of the contract are split into finance costs, capital costs and service costs. 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.

y 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.

z 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.

aa Minimum Revenue Provision (MRP)

The Council has implemented the 2012 CLG Minimum Revenue Provision (MRP) guidance, and assessed their MRP in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.

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”.

The debt liability relating to capital expenditure incurred from 2008-09 onwards is subject to MRP under option 3, the “asset life method”, and is charged over a period that is reasonably commensurate with the estimated useful life applicable to the nature of expenditure, using the equal annual instalment method. For example, capital expenditure on a new building, or on the refurbishment or enhancement of a building, is related to the estimated life of that building.

Estimated life periods are determined in line with accounting guidance and regulations. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, the Council generally adopts these periods. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives are assessed on a basis that most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it is grouped together in a manner that reflects the nature of the main component of expenditure and is only be divided up in cases where there are two or more major components with substantially different useful economic lives.

The Council seeks to spread MRP charges prudently in relation to asset lives, and with regard to the revenue impact of MRP charges. Where prudent to do so, capital receipts are used to repay borrowing previously taken out in relation to assets with a short life. MRP on residual debt is based on the lives of the remaining asset for which borrowing was undertaken.

MRP is charged from the financial year after the asset comes into use. In cases where the Council has approved the use of capital receipts to fund the asset, this funding is assumed when the receipt is contractually certain, even if not actually received. In such cases no MRP charge is made.

Where finance leases are held on the balance sheet, the MRP is set at a charge equivalent to the element of the annual lease charge that goes to write down the balance sheet liability, thereby applying Option 3 in a modified form.

The Council has taken advantage of any transitional arrangements introduced to minimise or negate the impact of retrospective accounting adjustments as a result of the transfer to the balance sheet of finance leases previously treated as operating leases under the introduction of IFRS.

ab 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

ac Recognition of Revenue Expenditure.

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

ad 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.

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 pension 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.
- 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.

ae 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 (receipts 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.

af 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.

ag 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 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 shown within the Movement in Reserves Statement. 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. The usable Earmarked Reserves are set out in the notes to the Statement of Accounts.

ah 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 year's 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.

ai 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.

aj 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

ak Definition of Treasury Management Activities

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

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.

al 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.

am 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 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.

an Interests in Companies and Other Entities

The Council owns one subsidiary, Northampton Partnership Homes, and has prepared Group Accounts, see policy ar. The Council has one Joint Arrangements that is Not an Entity (JANEs), the Joint Planning Unit (JPU): this is not material to the accounts.

ao Business Improvement Districts

The Council collects Business Rates in respect of two Business Improvement Districts (BIDs), the first based on the Brackmills Industrial Estate geographic area, and the second 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.

ap 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.

aq General Government Grants

General government grants and contributions in the form of Revenue Support Grant, Retained Business Rates, New Homes Bonus, etc. are disclosed on the face of the Comprehensive Income and Expenditure Statement in the line Taxation and Non-Specific Grant Income.

ar Group Accounts

The Council is required to produce Group Accounts alongside its own financial statements where it has material interests in subsidiaries, associates and/or joint ventures. The Council has involvement with a company, and has concluded that the requirement to produce Group Accounts applies in relation to its interest in Northampton Partnership Homes. In the Council's single-entity accounts, the interest in the company is recorded as financial assets at cost less any provisions for losses.

E1 MOVEMENT IN RESERVES STATEMENT

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 page.

NORTHAMPTON BOROUGH COUNCIL

Movement in Reserves Statement	Single Entity Accounts									
	General Fund Balance £000s	Earmarked GF Reserves £000s	Housing Revenue Account £000s	Earmarked HRA Reserves £000s	Major Repairs Reserve £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s	Total Unusable Reserves £000s	Total Authority Reserves £000s
Balance at 31 March 2014 Brought forward	**-3,643**	**-25,381**	**-5,000**	**-16,295**	**-9,405**	**-2,357**	**-3,812**	**-65,894**	**-172,039**	**-237,933**
<u>Movement in reserves during 2014/15</u>										
(Surplus) or deficit on provision of services **(Note 31c)**	10,395	0	-37,637	0	0	0	0	-27,242	0	-27,242
Other Comprehensive Expenditure and Income **(Note 9)**	0	0	0	0	0	0	0	0	15,529	15,529
Total Comprehensive Expenditure and Income	**10,395**	**0**	**-37,637**	**0**	**0**	**0**	**0**	**-27,242**	**15,529**	**-11,713**
Net (Increase)/Decrease before transfers	**10,395**	**0**	**-37,637**	**0**	**0**	**0**	**0**	**-27,242**	**15,529**	**-11,713**
Adjustments between accounting basis and funding basis under regulations **(Note 7)**	-13,968	0	34,102	0	117	-9,615	-1,252	9,384	-9,384	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**-3,573**	**0**	**-3,535**	**0**	**117**	**-9,615**	**-1,252**	**-17,858**	**6,145**	**-11,713**
Transfers (to)/from Earmarked Reserves **(Note 8)**	1,746	-1,746	3,535	-3,535	0	0	0	0	0	0
(Increase) / Decrease in Year	**-1,827**	**-1,746**	**0**	**-3,535**	**117**	**-9,615**	**-1,252**	**-17,858**	**6,145**	**-11,713**
Balance at 31 March 2015 Carried forward	**-5,470**	**-27,127**	**-5,000**	**-19,830**	**-9,288**	**-11,972**	**-5,064**	**-83,753**	**-165,894**	**-249,646**
<u>Movement in reserves during 2015/16</u>										
(Surplus) or deficit on provision of services **(Note 31c)**	10,350	0	-19,989	0	0	0	0	-9,639	0	-9,639
Other Comprehensive Expenditure and Income **(Note 9)**	0	0	0	0	0	0	0	0	-33,977	-33,977
Total Comprehensive Expenditure and Income	**10,350**	**0**	**-19,989**	**0**	**0**	**0**	**0**	**-9,639**	**-33,977**	**-43,616**
Net (Increase)/Decrease before transfers	**10,350**	**0**	**-19,989**	**0**	**0**	**0**	**0**	**-9,639**	**-33,977**	**-43,616**
Adjustments between accounting basis and funding basis under regulations **(Note 7)**	-5,886	0	21,608	0	9,288	1,020	471	26,501	-26,501	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**4,464**	**0**	**1,619**	**0**	**9,288**	**1,020**	**471**	16,862	**-60,478**	**-43,616**
Transfers (to)/from Earmarked Reserves **(Note 8)**	-4,464	4,464	-1,619	1,619	0	0	0	0	0	0
(Increase) / Decrease in Year	**0**	**4,464**	**0**	**1,619**	**9,288**	**1,020**	**471**	16,862	**-60,478**	**-43,616**
Balance at 31 March 2016 Carried forward	**-5,470**	**-22,663**	**-5,000**	**-18,211**	**0**	**-10,952**	**-4,593**	**-66,889**	**-226,372**	**-293,262**

E2 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.

The statement is shown on the next page.

2014/15 Gross Expenditure £000s	2014/15 Gross Income £000s	2014/15 Net Expenditure £000s	COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	2015/16 Gross Expenditure £000s	2015/16 Gross Income £000s	2015/16 Net Expenditure £000s
			INCOME AND EXPENDITURE ON SERVICES			
3,579	-1,494	2,085	Central services to the public	3,227	-1,545	1,682
			Cultural, Environmental & Planning			
10,059	-2,655	7,404	Cultural & related services	9,506	-2,749	6,757
10,113	-3,598	6,515	Environment and Regulatory Services	10,772	-4,552	6,220
20,740	-5,030	15,710	Planning Services	7,121	-2,392	4,729
14,303	-3,116	11,187	Highways, Roads & Transport	3,648	-3,337	311
			Housing			
55,458	-87,075	-31,617	Housing Revenue Account	52,265	-80,855	-28,590
85,152	-79,936	5,216	General Fund Housing	83,573	-77,799	5,774
557	0	557	Corporate & Democratic Core - HRA	520	0	520
1,842	-64	1,778	Corporate & Democratic Core - GF	11,913	-47	11,865
3	-8,760	-8,757	Non Distributed Costs	64	-12	52
201,806	**-191,728**	**10,078**	**COST OF SERVICES**	**182,609**	**-173,290**	**9,320**
20,368	-15,238	5,130	Other Operating Expenditure **(Note 10)**	11,919	-8,394	3,525
20,994	-8,767	12,227	Financing and Investment Income and Expenditure **(Note 11)**	17,528	-7,089	10,439
37,823	-92,500	-54,676	Taxation and Non-Specific Grant Income **(Note 12)**	33,024	-65,945	-32,921
		-27,241	**(Surplus) or Deficit on Provision of Services**			**-9,637**
		-1,335	Surplus or deficit on revaluation of Property, Plant and Equipment assets			-8,735
		16,864	Actuarial gains / losses on pension assets/liabilities			-25,242
		15,529	**Other Comprehensive Income and Expenditure (Note 9)**			**-33,977**
		-11,712	**TOTAL COMPREHENSIVE INCOME AND EXPENDITURE**			**-43,614**

E3 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'.

31st March 2015 £000s	Balance Sheet	31st March 2016 £000s	Notes
509,188	Property, Plant & Equipment	548,865	**13**
29,484	Heritage Assets	32,364	**14**
7,295	Investment Property	6,752	**15**
1,035	Intangible Assets	721	**16**
2,507	Long Term Investments	0	**17g**
15,090	Long Term Debtors	51,193	**20**
564,599	**Long Term Assets**	**639,895**	
33,111	Short Term Investments	38,122	**17g**
10,031	Short Term Available for Sale Financial Instruments	19,626	**17g**
1,474	Assets Held for Sale	1,162	**22**
72	Inventories	47	**18**
24,322	Short Term Debtors	18,656	**20**
19,326	Cash and Cash Equivalents	7,603	**21**
88,336	**Current Assets**	**85,216**	
-2,628	Short Term Borrowing	-7,444	**17e**
-26,944	Short Term Creditors	-31,698	**23**
-1,993	Provisions	-4,058	**24**
-31,565	**Current Liabilities**	**-43,201**	
-7,377	Long Term Creditors	-10,148	**38**
-29	Provisions	-53	**24**
-221,289	Long Term Borrowing	-260,337	**17f**
-143,028	Other Long Term Liabilities	-118,111	**41b/45**
-371,723	**Long Term Liabilities**	**-388,649**	
249,648	**Net Assets**	**293,261**	
83,752	Usable Reserves	66,888	**MiRS**
165,895	Unusable Reserves	226,373	**26**
249,647	**Total Reserves**	**293,261**	

E4 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.

2014/15 £000s	Cashflow Statement	2015/16 £000s
27,241	Net Surplus or (deficit) on the provision of services	9,637
19,377	Adjustment to surplus or deficit on the provision of services for noncash movements	26,324
-40,165	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	-8,870
6,453	**Net Cashflows from Operating Activities**	**27,091**
-25,513	Net Cashflows from Investing Activities	-86,476
-3,674	Net Cashflows from Financing Activities	47,662
-22,734	**Net increase or decrease in cash and cash equivalents**	**-11,723**
42,060	Cash and Cash Equivalents at the Beginning of the Reporting Period	19,326
19,326	**Cash and Cash Equivalents at the End of the Reporting Period**	**7,603**

1. PRIOR YEAR ADJUSTMENTS

There have been no material prior periods adjustments identified that require disclosure within Note 1 of the accounts for 2015/16.

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

The Code of practice on Local Authority Accounting in the United Kingdom (The Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2016/17 Code:

IAS 1 Presentation of Financial Statements; this standard provides guidance on the form of the financial statements. The "Telling the Story" review of the presentation of the Local Authority financial statements as well as the December 2014 changes to IAS 1 under the International Accounting Standards Board (IASB) Disclosure Initiative will result in changes to the format of the accounts in 2016/17. The format of the Comprehensive Income and Expenditure Statement and the Movement in Reserves will change and introduce a new Expenditure and Funding Analysis.

Other minor changes due to Annual Improvement to IFRS cycles, IFRS11 Joint arrangements, IAS 16 Property Plant and Equipment, IAS 38 Intangible Assets and IAS 19 Employee Benefits are minor and are not expected to have a material effect on the Council's Statement of Accounts.

The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 Statement of Accounts.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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.

A judgement on the ability of Northampton Town Football Club to repay its loan from the council has been made, with the full remaining balance of £10.22m being impaired (loan amount of £10.25m less repayments), see Narrative Report – Significant Events in 2015/16 and note 42, Impairment for details.

Valuations of Council Dwellings have been based on the latest Government guidance.

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.

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 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment (excluding land) - Depreciation & Useful Lives	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 £0.324m for every year that useful lives had to be reduced.
Property, Plant and Equipment (excluding land) - Valuations	Assets are valued each year by professional valuers using appropriate valuation methods, judgements, and assumptions. Council dwellings are valued as at 1 April annually, non investment properties with a closing value of over £300k the previous year are revalued mid-year, and other non-investment property is valued on a 5-year rolling programme part way through the year. The assumptions used and timings of these valuations introduce a degree of estimation risk if property values differ from the valuations used.	The net book value of an asset at 31 March is the value of that asset as it appears on the Balance sheet. - A 1% variation in value on Dwellings is equivalent to £4.279m - A 1% variation in value on other operational property is equivalent to £1.311m

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Benefit Overpayments Provision	The Authority has made a provision of £5.500m 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 89.27% 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 £0.187m for actual insurance claims outstanding and a reserve of £1.215m 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 additional claims.
Pensions Liability	The Council has a liability for retirement benefits promised under the terms of the pension scheme of £117.919m. 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 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.	If the principal assumptions used to measure the liability were to differ, then the increase in liability would be: - 0.5% decrease in discount rate = £24.302m - 1 year increase in life expectancy = £8.434m - 0.5% salary increase = £4.351m - 0.5% increase in Pensions rate = £19.789m
Arrears	The General Fund has provided for a bad debt provision of £1.453m. 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 £2.805m. Therefore any changes in the recovery of our debts will have a maximum impact of £1.350m.
Business Rates Appeals	The council has made a provision for the effects of business rates appeals (including backdated appeals) of which the NBC element is £3.861.m. This is based on appeals that had been lodged and were outstanding at 31 March 2016. Contingent liabilities have been disclosed in relation to the risk of new appeals that may come forward in the future and other appeals/risks that have been currently assessed as not meeting the IAS 37 criteria for requiring a provision as at 31st March 2016.	If appeals on the list are rejected or settled at a lower value from the amount taken into account in the appeal provision, the provision for the excess would be released. If appeals on the list are settled at a higher value than the appeal provision or appeals are settled that are not included on the list at 31 March, there would be an impact on the business rates income to the authority under the Rates Retention Scheme.
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/liabilities that are carried at fair value based on recently observed market prices. For items relating to the Housing Revenue Account, please see section G of the Accounts.

5. MATERIAL ITEMS OF INCOME AND EXPENSE

For the financial year 2015/16, NBC had four material items of income and expense.

1) The first item relates to a contract to carry out the councils Environmental Services (Waste Collection, Street Cleaning, Parks etc.) The contract cost in relation to this item in 2015/16 was £6.6m.
2) The second item relates to the contract with LGSS to cover the majority of the councils back office functions (H.R., Finance, ICT and HR etc.) The contract cost in relation to this item in 2015/16 was £7.59m.
3) The Third item relates to the loan of funds to Northampton Town Football Club. In 2015/16 the loan to NTFC was Impaired to the value of £10.22m (loan amount of £10.25m less repayments), see narrative report, significant events in 2015/16 and note 42.
4) The following expenditure on Housing Benefits has also made:

Rent Allowances of £40.35m

Rent Rebates of £30.99m

The grant income from DWP in respect of this expenditure is disclosed within Note 38.

6. EVENTS AFTER THE BALANCE SHEET DATE

On 23 June, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. It will be for the Government, under the new Prime Minister, to begin negotiations to exit the EU. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation and funding in future, once the UK has left the EU. This is therefore a non-adjusting event for which no estimate of its financial effect on the reporting entity can be made.

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.

2015/16	General Fund Balance £000s	Housing Revenue Account £000s	Earmarked Reserves £000s	Major Repairs Reserve £000s	Capital receipts Reserve £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s	Movement in Unusable Reserves £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	-2,565	0	0	-8,680	0	0	-11,245	11,245
Impairment of Long Term debtors	-10,219	0	0	0	0	0	-10,219	10,219
Revaluation gains on PPE	2,149	24,055	0	0	0	0	26,204	-26,204
Revaluation losses on PPE	-3,059	-13,806	0	0	0	0	-16,865	16,865
Movements in the market value of Investment properties	-134	5	0	0	0	0	-129	129
Amortisation of Intangible assets	-326	0	0	0	0	0	-326	326
Capital Grants & contributions applied (if any)	2,676	0	0	0	0	0	2,676	-2,676
Income in relation to donated assets if any	0	0	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	-3,502	0	0	0	0	0	-3,502	3,502
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	-731	-6,917	0	0	0	0	-7,648	7,648
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement								
Statutory provision for the financing of capital investment	1,262	0	0	0	0	0	1,262	-1,262
Capital expenditure charged against the General Fund and HRA balances	1,830	9,424	0	0	0	0	11,255	-11,255
Balance of MRA							0	0
Total Adjustments primarily involving the Capital Adjustment Account	**-12,619**	**12,761**	**0**	**-8,680**	**0**	**0**	**-8,539**	**8,539**

2015/16	General Fund Balance £000s	Housing Revenue Account £000s	Earmarked Reserves £000s	Major Repairs Reserve £000s	Capital receipts Reserve £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s	Movement in Unusable Reserves £000s
Adjustments primarily involving the Capital Grants Unapplied Account:								
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-269	0	0	0	0	269	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	203	203	-203
Total Adjustments primarily involving the Capital Grants Unapplied Account	**-269**	**0**	**0**	**0**	**0**	**472**	**203**	**-203**
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	1,609	4,994	0	0	-6,602	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	6,416	0	6,416	-6,416
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	-131	0	0	131	0	0	0
Contribution from the Capital Receipts Reserve tofinance payments to Government Capital Receipts pool	-1,091	0	0	0	1,091	0	0	0
Transfer from Deferred Capital receipts Reserve upon receipt of cash	0	0	0	0	-15	0	-15	15
Total Adjustments primarily involving the Capital Receipts Reserve	**517**	**4,863**	**0**	**0**	**1,021**	**0**	**6,401**	**-6,401**
Adjustment primarily involving the Major Repairs Reserve:								
Reversal of major Repairs Allowance credited to the HRA	0	3,930	0	-3,930	0	0	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	21,898	0	0	21,898	-21,898
Total Adjustment primarily involving the Major Repairs Reserve	**0**	**3,930**	**0**	**17,968**	**0**	**0**	**21,898**	**-21,898**

2015/16	General Fund Balance £000s	Housing Revenue Account £000s	Earmarked Reserves £000s	Major Repairs Reserve £000s	Capital receipts Reserve £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s	Movement in Unusable Reserves £000s
Adjustments primarily involving the Financial Instruments Adjustment Account: 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	925	0	0	0	0	0	925	-925
Adjustments primarily involving the Pensions Reserve:								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and expenditure Statement	-6,574	-7	0	0	0	0	-6,581	6,581
Employer's pensions contributions and direct payments to pensioners payable in the year	6,038	62	0	0	0	0	6,100	-6,100
Total Adjustments primarily involving the Pensions Reserve	**-536**	**55**	**0**	**0**	**0**	**0**	**-481**	**481**
Adjustments primarily involving the Collection Fund Adjustment Account:								
Amount by which council tax income and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax income and non-domestic rating income calculated for the year in accordance with statutory requirements	6,093	0	0	0	0	0	6,093	-6,093
Adjustment primarily involving the Accumulated Absences Account:								
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	0	0	0	0	0	0	0	0
Total Adjustments	**-5,888**	**21,609**	**0**	**9,288**	**1,020**	**472**	**26,500**	**-26,500**

2014/15	General Fund Balance £000s	Housing Revenue Account £000s	Earmarked Reserves £000s	Major Repairs Reserve £000s	Capital receipts Reserve £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s	Movement in Unusable Reserves £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	-4,226	0	0	-8,939	0	0	-13,165	13,165
Impairment of Long Term debtors	0	0	0	0	0	0	0	0
Revaluation gains on PPE	946	33,261	0	0	0	0	34,207	-34,207
Revaluation losses on PPE	-16,140	-18,124	0	0	0	0	-34,263	34,263
Movements in the market value of Investment properties	-182	51	0	0	0	0	-132	132
Amortisation of Intangible assets	-320	0	0	0	0	0	-320	320
Capital Grants & contributions applied (if any)	8,315	15,522	0	0	0	0	23,837	-23,837
Income in relation to donated assets if any	57	0	0	0	0	0	57	-57
Revenue expenditure funded from capital under statute	-12,876	0	0	0	0	0	-12,876	12,876
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	-9,532	-6,145	0	0	0	0	-15,678	15,678
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement								
Statutory provision for the financing of capital investment	1,253	0	0	0	0	0	1,253	-1,253
Capital expenditure charged against the General Fund and HRA balances	2,714	0	0	0	0	0	2,714	-2,714
Balance of MRA	0	0	0	0	0	0	0	0
Total Adjustments primarily involving the Capital Adjustment Account	**-29,993**	**24,565**	**0**	**-8,939**	**0**	**0**	**-14,366**	**14,366**

2014/15	General Fund Balance £000s	Housing Revenue Account £000s	Earmarked Reserves £000s	Major Repairs Reserve £000s	Capital receipts Reserve £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s	Movement in Unusable Reserves £000s
Adjustments primarily involving the Capital Grants Unapplied Account:								
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	2,382	0	0	0	0	-2,382	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	1,130	1,130	-1,130
Total Adjustments primarily involving the Capital Grants Unapplied Account	**2,382**	**0**		**0**	**0**	**-1,252**	**1,130**	**-1,130**
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	9,605	4,454	0	0	-14,059	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	3,383	0	3,383	-3,383
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	-114	0	0	114	0	0	0
Contribution from the Capital Receipts Reserve tofinance payments to Government Capital Receipts pool	-955	0	0	0	955	0	0	0
Transfer from Deferred Capital receipts Reserve upon receipt of cash	0		0	0	-8	0	-8	8
Total Adjustments primarily involving the Capital Receipts Reserve	**8,650**	**4,339**	**0**	**0**	**-9,615**	**0**	**3,375**	**-3,375**
Adjustment primarily involving the Major Repairs Reserve:								
Reversal of major Repairs Allowance credited to the HRA	0	3,273	0	-3,273	0	0	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	12,328	0	0	12,328	-12,328
Total Adjustment primarily involving the Major Repairs Reserve	0	3,273	0	9,055	0	0	12,328	-12,328

2014/15	General Fund Balance £000s	Housing Revenue Account £000s	Earmarked Reserves £000s	Major Repairs Reserve £000s	Capital receipts Reserve £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s	Movement in Unusable Reserves £000s
Adjustments primarily involving the Financial Instruments Adjustment Account: 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	-419		0	0	0	0	-419	419
Adjustments primarily involving the Pensions Reserve: Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and expenditure Statement	1,960	526	0	0	0	0	2,486	-2,486
Employer's pensions contributions and direct payments to pensioners payable in the year	6,143	1,372	0	0	0	0	7,515	-7,515
Total Adjustments primarily involving the Pensions Reserve	**8,104**	**1,898**	**0**	**0**	**0**	**0**	**10,001**	**-10,001**
Adjustments primarily involving the Collection Fund Adjustment Account: Amount by which council tax income and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax income and non-domestic rating income calculated for the year in accordance with statutory requirements	-2,711	0	0	0	0	0	-2,711	2,711
Adjustment primarily involving the Accumulated Absences Account: 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	19	26	0	0	0	0	44	-44
Total Adjustments	**-13,968**	**34,101**	**0**	**117**	**-9,615**	**-1,252**	**9,382**	**-9,382**

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 2015/16.

Earmarked Reserve	Balance at 31 March 2014 £000s	Additions to Reserve 2014/15 £000s	Use Of Reserve 2014/15 £000s	Balance at 31 March 2015 £000s	Additions to Reserve 2015/16 £000s	Use Of Reserve 2015/16 £000s	Balance at 31 March 2016 £000s
General Fund							
General Revenue Grants (Ringfenced)	2,712	949	-557	3,105	2	-538	2,569
S106 Contributions	2,425	148	-95	2,479	53	-285	2,247
Total Ringfenced Grants & Contributions	**5,137**	**1,098**	**-652**	**5,583**	**55**	**-823**	**4,815**
Borough Secretary Reserves	165	72	0	237	0	-137	100
Customers and Communities Reserves	1,720	1,347	-714	2,353	-170	-130	2,053
Regeneration, Enterprise and Planning Res.	2,803	638	-822	2,619	-1,075	-287	1,257
Housing Reserves	307	0	-135	172	158	0	330
Total Service Related Reserves	**4,995**	**2,057**	**-1,671**	**5,381**	**-1,087**	**-554**	**3,740**
Future Pressures Reserve	3,032	1,812	-1,883	2,961	1,785	-23	4,723
Service Improvements & One-off Investment	0	1,977	0	1,977	1,228	-1,273	1,932
Strategic Investment Reserve	0	1,429	-67	1,362	2,915	-559	3,718
Other Corporate Reserves	1,658	936	-626	1,968	-359	-515	1,094
Total Corporate Reserves	**4,690**	**6,154**	**-2,576**	**8,268**	**5,569**	**-2,370**	**11,467**
Insurance Reserve	2,484	750	-1,471	1,763	0	-547	1,216
Rates Retention Deficit Funding	3,281	1,683	-114	4,850	882	-5,214	518
Other Technical Reserves	1,136	370	-222	1,284	-230	-145	909
Total Technical Reserves	**6,901**	**2,803**	**-1,807**	**7,897**	**652**	**-5,906**	**2,643**
Total General Fund	**21,723**	**12,112**	**-6,706**	**27,129**	**5,189**	**-9,653**	**22,665**
HRA							
HRA Reserves	12,999	4,068	0	17,067	0	-1,621	15,446
HRA Supporting People Reserve	558	0	0	558	0	0	558
HRA Reform Reserve	873	0	-865	8	0	0	8
HRA Leaseholder Reserve	168	332	0	500	0	0	500
HRA Service Improvement Reserve	1,395	0	0	1,395	0	0	1,395
HRA Insurance Reserve	300	0	0	300	0	0	300
Total HRA	**16,294**	**4,400**	**-865**	**19,829**	**0**	**-1,621**	**18,208**
Total Earmarked Reserves	**38,017**	**16,512**	**-7,571**	**46,958**	**5,189**	**-11,274**	**40,873**

General Revenue Grants (Ring-fenced)
The reserve contains grants which have been received but not spent but which are ring-fenced for a specific purpose in future years.

S106 Contributions
These are developer contributions towards future maintenance and infrastructure costs relating to future growth development across Northampton.

Service Related Reserves
These allow the Council to commit funding to individual projects which may be spread across more than one year.

Strategic Investment Reserve
The Council has set aside funding to support future Invest to Save initiatives and meet strategic priorities. This reserve has strict criteria before monies can be drawn down. The criteria are set out in the Medium Term Financial Plan 2016-21.

Service Improvements and one-off Investments
Used to fund one-off investments leading to improved efficiency and service delivery.

Financial Pressures Reserve
The Council has set aside monies to assist with mitigation of specific risks facing the Council. These risks are set out in more detail in the Medium Term Financial Plan 2016-21.

Insurance Reserve
This reserve assists the Council in managing its liabilities surrounding future Insurance Claims.

Other Technical Reserves
These reserves are set aside to assist the Council with managing cash flow accounting and new policy, legislative and technical changes across local government. Rates retention deficit funding is set aside to manage the current NNDR Collection Fund deficit.

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.

9. OTHER COMPREHENSIVE EXPENDITURE AND INCOME

2014/15 £000s	Other Comprehensive Income & Expenditure	2015/16 £000s
	Revaluation Reserve	
-2,943	General Fund Revaluation Gains	-6,507
2,411	General Fund Revaluation Losses	763
-831	HRA Revaluation Gains	-3,052
28	HRA Revaluation Losses	61
-1,335	**Total**	**-8,735**
16,864	**Actuarial Gains & Losses to the Pensions Reserve**	**-25,242**
15,529	**Other Comprehensive Expenditure and Income**	**-33,977**

10. OTHER OPERATING EXPENDITURE

2014/15 £000s	Other Operating Expenditure	2015/16 £000s
1,046	Parish council precepts	1,022
-21	Levies	-21
955	Payments to the Government Housing Capital Receipts Pool	1,091
1,418	Trading	257
1,732	Gains/Losses on the disposal of non-current assets	1,176
5,130	**Total**	**3,525**

11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2014/15 £000s	Financing And Investment Income And Expenditure	2015/16 £000s
8,121	Interest payable and similar charges	7,385
5,555	Pensions interest cost and expected return on pensions assets	4,501
-1,327	Interest receivable and similar charges	-1,155
-122	Income and expenditure in relation to investment properties and changes in their fair value	-292
12,227	**Total**	**10,439**

12. TAXATION AND NON SPECIFIC GRANT INCOME

2014/15 £000s	Taxation And Non Specific Grant Income	2015/16 £000s
-13,796	Council tax income	-14,508
-22,310	Capital grants and contributions	-1,674
-6,958	Revenue Support Grant	-4,944
-3,662	Non-ring fenced government grants	-4,023
-57	Donated Assets	0
	Non domestic rates, comprising:	
-41,288	Retained Rates	-39,267
32,113	Tarriff Payment	32,727
519	Levy Payment	297
-1,207	Section 31 grants	-1,528
1,968	Other NNDR related transactions	-1
-54,676	**Total**	**-32,921**

2014/15 numbers have been reclassified to match this year's internal reporting.

NORTHAMPTON BOROUGH COUNCIL

13. PROPERTY, PLANT AND EQUIPMENT

a) Movement

Movements in 2015/16	Council Dwellings £000s	Housing Land and Buildings £000s	Other Land and Buildings £000s	Vehicles, Plant, Furniture & Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Surplus Assets £000s	Assets Under Construction £000s	Total Property, Plant and Equipment £000s
Cost or Valuation									
At 1st April 2015	**397,631**	**18,826**	**80,672**	**728**	**2,530**	**13,883**	**580**	**4,531**	**519,381**
Additions	33,521	120	1,401	359	0	266	66	4,056	**39,789**
Donations	0	0	0	0	0	0	0	0	**0**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	765	1,717	5,173	157	0	0	1	0	**7,813**
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	2,615	155	-3,315	0	0	0	-202	0	**-747**
Derecognition – disposals	-3,482	-38	-226	-8	0	0	0	0	**-3,754**
Derecognition – other	-3,150	0	0	0	0	0	0	0	**-3,150**
Assets reclassified (to) / from Held for sale	0	0	-184	0	0	-1	-115	0	**-300**
Other movements in cost or valuation	0	0	0	0	0	0	0	0	**0**
At 31 March 2016	**427,900**	**20,780**	**83,521**	**1,236**	**2,530**	**14,148**	**330**	**8,587**	**559,032**
Accumulated Depreciation and Impairment									
At 1 April 2015	**-5,053**	**-879**	**-3,577**	**-166**	**-419**	**-90**	**-9**	**0**	**-10,193**
Depreciation Charge	-8,307	-371	-1,800	-436	-74	-162	-2	0	**-11,152**
Depreciation written out to the revaluation reserve	0	0	0	0	0	0	0	0	**0**
Depreciation written out to the Surplus/Deficit on the Provision of Services	7,046	940	2,691	225	0	0	7	0	**10,909**
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	**0**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	**0**
Derecognition – Disposals	90	0	4	5	0	0	0	0	**99**
Derecognition – other	171	0	0	0	0	0	0	0	**171**
Other Movements	0	0	0	0	0	0	0	0	**0**
At 31 March 2016	**-6,053**	**-310**	**-2,682**	**-372**	**-493**	**-252**	**-4**	**0**	**-10,166**
Net Book Value									
At 31 March 2015	**392,578**	**17,947**	**77,095**	**562**	**2,111**	**13,793**	**571**	**4,531**	**509,188**
At 31 March 2016	**421,847**	**20,470**	**80,839**	**864**	**2,037**	**13,896**	**326**	**8,587**	**548,866**

Movements in 2014/15	Council Dwellings £000s	Housing Land and Buildings £000s	Other Land and Buildings £000s	Vehicles, Plant, Furniture & Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Surplus Assets £000s	Assets Under Construction £000s	Total Property, Plant and Equipment £000s
Cost or Valuation									
At 1st April 2014	**371,882**	**18,382**	**89,480**	**3,156**	**2,203**	**13,174**	**365**	**192**	**498,834**
Additions	29,718	33	4,974	362	327	412	215	4,362	**40,403**
Donations	0	0	1,878	0	0	571	0	0	**2,449**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	73	553	720	-254	0	-289	0	0	**803**
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	2,791	11	-14,958	-2,518	0	0	0	0	**-14,674**
Derecognition – disposals	-2,946	-88	-694	-19	0	0	0	0	**-3,747**
Derecognition – other	-3,887	-65	-65	0	0	0	0	0	**-4,017**
Assets reclassified (to) / from Held for sale	0	0	-666	0	0	0	-14	0	**-680**
Other movements in cost or valuation	0	0	3	1	0	15	14	-23	**10**
At 31 March 2015	**397,631**	**18,826**	**80,672**	**728**	**2,530**	**13,883**	**580**	**4,531**	**519,381**
Accumulated Depreciation and Impairment									
At 1 April 2014	**-9,617**	**-732**	**-1,853**	**-480**	**-360**	**-81**	**-7**	**0**	**-13,130**
Depreciation Charge	-8,604	-332	-2,291	-577	-59	-160	-2	0	**-12,025**
Depreciation written out to the revaluation reserve	0	177	34	170	0	151	0	0	**532**
Depreciation written out to the Surplus/Deficit on the Provision of Services	12,336	0	1,568	713	0	0	0	0	**14,617**
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	**0**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	-1,050	0	0	0	0	0	**-1,050**
Derecognition – Disposals	70	1	0	8	0	0	0	0	**79**
Derecognition – other	762	7	15	0	0	0	0	0	**784**
Other Movements	0	0	0	0	0	0	0	0	**0**
At 31 March 2015	**-5,053**	**-879**	**-3,577**	**-166**	**-419**	**-90**	**-9**	**0**	**-10,193**
Net Book Value									
At 31 March 2014	**362,265**	**17,650**	**87,627**	**2,676**	**1,843**	**13,093**	**358**	**192**	**485,704**
At 31 March 2015	**392,578**	**17,947**	**77,095**	**562**	**2,111**	**13,793**	**571**	**4,531**	**509,188**

b) Depreciation

The useful lives and depreciation rates used in the calculation of depreciation are detailed in accounting policy 'o'.

c) 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 main Housing stock was initially valued by the Beacon Method at April 2000. A rolling programme of revaluation exists whereby approximately 20% of the Housing Stock is revalued each year and the average percentage change established on the revalued properties is then applied to the remaining stock.

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 £000s	Housing Land & Build. £000s	Other Land & Build. £000s	Vehicles, Plant, Furniture & Equip. £000s	Surplus Assets £000s	Total £000s
Valued at fair value in:						
2015/16	406,914	19,958	70,335	157	42	**497,406**
2014/15	1,043	584	8,293	1,041	215	**11,176**
2013/14	755	61	3,253	0	0	**4,069**
2012/13	19,187	57	1,314	38	72	**20,668**
2011/12	0	120	323	0	0	**443**
Previous Years	0	0	0	0	0	**0**
Total	**427,899**	**20,780**	**83,518**	**1,236**	**329**	**533,762**

d) Information on Assets Held

31 March 2015 Number	Information on Assets Held	31 March 2016 Number
	Operational Assets	
11,883	**Council Dwellings**	11,786
	Other Land and Buildings	
26	Council Houses not used as dwellings - Community Rooms	26
79	Shared Ownership Properties	79
3,127	Council Garages	3,112
21	Other Housing Properties	21
66	Operational Shops	66
62.88ha	Allotments	62.88ha
7	Sports & Leisure Centres	7
24	Community Centres	25
1	Museums, Art Galleries	1
1	Open Markets	1
8	Public Conveniences	8
5	Multi-Storey Pay & Display Car Parks	5
1	Local Area Offices	1
3	Central Administrative Offices	3
1	Gypsy Site	1
1	Bus Station	1
17	Surface Pay & Display Car Parks	17
7	Pavilions	7
1	Depots	1
14	Sub-Depots	14
84	**Infrastructure**	83
174	**Vehicles, Plant, Furniture and Equipment**	151
	Community Assets	
925.53ha	Parks and Open Spaces	925.53ha
1	Guildhall	1
1	Historical Buildings	1
2	Monuments/Memorials/Exhibitions	2
8	Cemeteries	8
	Heritage Assets	
37	Buildings & Statuary	38
164	Museum Exhibits	164
123	Guildhall Contents	123
15	Mayoral Regalia	15
	Non-operational Assets	
287	Commercial Property (Units)	278
65.97ha	Agricultural Land	65.97ha
1	Golf Course	1
1	Cinepod	1
1	Theatres	1
53	**Intangible Assets**	50

e) Donated Assets

No donated assets were received during 2015/16.

During the financial year 2014/15, the Council received land and building assets valued at £1.759m at 31/3/2016 and a community asset with a value of £0.571m from Homes and Communities Agency. The Museum received one painting and a set of 12 drawings to the value of £57k.

f) Commitments under Capital Contracts

At 31 March 2016, the Authority has two committed contract for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years budgeted to cost £2,224k.

Scheme	Contractor	2016/17 £000s	2017/18 £000s	2018/19 £000s	Basis of Commitment
Delapre Abbey Restoration	Robert Woodhead Ltd	2,169	0	0	Restoration works
Greyfriars Demolition	DSM Demolition	55	0	0	Demolition works

14. HERITAGE ASSETS

Reconciliation of the heritage assets held by the Authority:

Movements in 2015/16	Historic Buildings& Statuary £000s	Museum Exhibits £000s	Mayoral Regalia £000s	Guildhall Artefacts £000s	Total Heritage Assets £000s
Cost or Valuation 1 April 2015	**6,080**	**21,718**	**48**	**1,932**	**29,778**
Additions	2,971	0	0	0	**2,971**
31 March 2016	**9,051**	**21,718**	**48**	**1,932**	**32,749**
Accumulated Depreciation and Impairment 1 April 2015	**-294**	**0**	**0**	**0**	**-294**
Depreciation Charge	-91	0	0	0	**-91**
31 March 2016	**-385**	**0**	**0**	**0**	**-385**
Net Book Value					
at 31 March 2015	**5,786**	**21,718**	**48**	**1,932**	**29,484**
at 31 March 2016	**8,666**	**21,718**	**48**	**1,932**	**32,364**

Heritage Assets	Historic Buildings& Statuary £000s	Museum Exhibits £000s	Mayoral Regalia £000s	Guildhall Artefacts £000s	Total Heritage Assets £000s
Cost or Valuation					
1 April 2014	**5,161**	**29,655**	**48**	**1,932**	**36,796**
Additions	919	3	0	0	**922**
Donations	0	57	0	0	**57**
Derecognition - Disposals	0	-8,000	0	0	**-8,000**
Other movements in cost or valuation	0	3	0	0	**3**
31 March 2015	**6,080**	**21,718**	**48**	**1,932**	**29,778**
Depreciation and Impairment					
1 April 2014	**-204**	**0**	**0**	**0**	**-204**
Depreciation	-90	0	0	0	**-90**
31 March 2015	**-294**	**0**	**0**	**0**	**-294**
Net Book Value					
at 31 March 2014	**4,957**	**29,655**	**48**	**1,932**	**36,592**
at 31 March 2015	**5,786**	**21,718**	**48**	**1,932**	**29,484**

Buildings and Statuary

Historic Buildings that were previously included in Community Assets were valued as part of the five-year rolling programme of valuations undertaken by the Council's internal valuers. Statuary has been valued at market valuations by Art and Antiques Ltd in March 2012.

Museum Exhibits

Museum Exhibits were valued in March 2010 by Arts and Antiques Ltd for insurance purposes: these valuations are based on market values. Of particular interest is the shoe collection, which is the largest collection of shoe heritage in the world and is designated as being of national importance.

Mayoral Regalia

These comprise of the chains and pendants of office and were valued in March 2010 by Arts and Antiques Ltd for insurance purposes. These valuations are based on market values.

Guildhall Artefacts

These are items within the Guildhall such as paintings, clocks, lighting and furniture. Again, they were valued in March 2010 based on market values by Arts and Antiques Ltd for insurance purposes, which is based on market values.

Enhancements of Heritage Assets

Enhancements on Heritage Assets reflect improvement works undertaken at Delapre Abbey and restorations to various artworks.

Disposals of Heritage Assets

The disposal in 2014/15 relates to the sale of an Egyptian statue at auction.

15. 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:

2014/15 £000s	Investment Properties	2015/16 £000s
522	Rental income from investment property	473
-108	Direct operating expenses arising from investment property	-44
414	**Net (gain) / loss**	**429**

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:

2014/15 £000s	Investment Property Valuations	2015/16 £000s
7,479	**Balance at start of the year**	**7,295**
	Additions:	
223	Construction	1
-262	Subsequent expenditure	-415
-132	**Disposals**	-129
	Transfers:	
-13	to/from Property, Plant and Equipment	0
7,295	**Balance at end of year**	**6,752**

16. 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 generated software.

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:

	Purchased Assets £000s
3 Years	592
5 Years	58
10 Years	71
Total	**721**

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £542k charged to revenue in 2014/15 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

2014/15		Intangible Assets	2015/16	
Other Assets £000s	Total £000s		Other Assets £000s	Total £000s
		Balance at start of year		
5,090	5,090	Gross carrying amounts	5,136	5,136
-3,559	-3,559	Accumulated amortisation	-4,101	-4,101
1,531	**1,531**	**Net carrying amount at start of year**	**1,035**	**1,035**
46	46	Purchases	100	100
0	0	Disposals - Gross value	-566	-566
0	0	Disposals - Amortisation	566	566
0	0	Revaluation increases or decreases	95	95
-542	-542	Amortisation for the Period	-509	-509
1,035	**1,035**	**Net carrying amount at end of year**	**721**	**721**
		Comprising:		
5,136	5,136	Gross carrying amounts	4,753	4,753
1,035	**1,035**	**Net carrying amount at end of year**	**721**	**721**

c) Material Items

No item of capitalised software is individually material to the financial statements.

17. FINANCIAL INSTRUMENTS

a) Categories of Financial Instruments

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

Categories of Financial Instruments	Long-Term		Current	
	31 March 2015 £000s	31 March 2016 £000s	31 March 2015 £000s	31 March 2016 £000s
Investments				
Loans and receivables	2,507	0	52,457	45,726
Available for sale financial assets	0	0	10,031	19,626
Debtors				
Loans and receivables	15,090	51,193	13,435	10,450
Borrowings				
Financial Liabilities at amortised cost	-221,289	-260,337	-2,628	-7,444
Other Long Term Liabilities				
PFI and finance leases	-348	-192	0	0
Creditors				
Financial Liabilities at amortised cost	-7,377	-10,148	-15,325	-15,125

b) Reclassifications

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

c) Income, Expense, Gains, and Losses

2014/15				Income, Expense, Gains and Losses	2015/16			
Financial Liabilities measured at amortised cost £000s	Financial Assets: Loans and Receiva-bles £000s	Financial Assets: Available for Sale £000s	Total £000s		Financial Liabilities measured at amortised cost £000s	Financial Assets: Loans and Receiva-bles £000s	Financial Assets: Available for Sale £000s	Total £000s
8,121	0	0	**8,121**	Interest expenditure	7,384	0	0	**7,384**
				Losses on derecognition	0	0	6	**6**
0	1,025	0	**1,025**	Impairment losses	0	1,479	0	**1,479**
0	0	0	**0**	Impairment losses -NTFC	0	10,219	0	**10,219**
8,121	**1,025**	**0**	**9,146**	**Total Expense in Surplus or Deficit on the Provision of Services**	**7,384**	**11,698**	**6**	**19,088**
0	-1,324	0	**-1,324**	Interest income	0	-1,156	0	**-1,156**
0	0	-6	**-6**	Increases in fair value	0	0	-21	**-21**
0	**-1,324**	**-6**	**-1,330**	**Total Income in Surplus or Deficit on the Provision of Services**	**0**	**-1,156**	**-21**	**-1,177**
8,121	**-299**	**-6**	**7,816**	**Net gain/(loss) for the year**	**7,384**	**10,542**	**-15**	**17,911**

The Authority did not have any Assets and Liabilities at Fair Value through Profit and Loss for either 2014-15 or 2015-16.

d) Fair Values of Assets and Liabilities

- Items are split according to the following hierarchy.
- Level 1 Inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 Inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 Inputs – unobservable inputs for the asset or liability.

There were no transfer between input levels during the financial year.

There has been no change in the valuation technique used during the year for the financial instruments.

Items Available for Sale or Fair Value through the Profit and Loss

Some of the authority's financial assets are measured in the balance sheet at fair value on a recurring basis. These are described in the following table, including the valuation techniques to measure them.

Financial Assets measured at fair value				
Recurring fair value measurements	**Input level in fair value hierarchy**	**Input level in fair value hierarchy**	**2014/15 £000s**	**2015/16 £000s**
Available for sale - Certificate of deposits	Level 1	Unadjusted quoted prices in active market for identical shares	10,031	19,626
Total			**10,031**	**19,626**

The Council held £19.6m in Certificates of Deposit at 31 March 2016. The fair value has been calculated by using published price quotations.
The Council holds no other available for sale investments.

Items Disclosed on the Balance Sheet at their Carrying Amount

Except for the financial assets carried at fair value (described in the table above), all other financial assets and financial liabilities are carried on the balance sheet at amortised cost.

For investments and borrowings not quoted on an active market a Level 1 valuation is not available. To provide a fair value which provides a comparison to the carrying amount, a financial model valuation has been used. This valuation applies the Net Present Value approach, which provides an estimate of the value of payments in the future in today's terms as at the balance sheet date. Our accounting policy uses new borrowing rates to discount the future cash flows.

Fair value has been assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2), using the following assumptions:

Financial Instruments - Liabilities

Loans are held with the PWLB, government and market lenders.

- For loans from the PWLB payable, new borrowing rates from the PWLB have been applied to provide the fair value.
- For non-PWLB market loans payable, prevailing market rates have been applied to provide the fair value.
- For non-PWLB government loans payable (HCA, GPF and LIF) made for a specified purpose, the fair value is taken to be the carrying amount as there is no market for such loans.
- For trade creditors, receipts in advance, finance leases and loans of under 12 months the fair value is taken to be the carrying amount.
- No early repayment or impairment is recognised.

Financial Instruments – Assets

All the financial assets are classed as Loans and Receivables. Investments are held as short term investments, and in Money Market Funds and call and notice accounts.

- For fixed term deposits the fair value has been assessed with reference to a comparable investment with the same/similar lender for the remaining period of the deposit.
- For cash equivalent investments, trade debtors, long term debtors and finance leases the fair value is taken to be the carrying amount.
- No early repayment or impairment is recognised

The fair values are as follows:

Financial Instruments - Liabilities	31 March 2015		31 March 2016	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Short Term				
Borrowing	-2,628	2,726	-7,444	-7,522
Creditors & Receipts in Advance	-15,325	-15,325	-15,125	-15,125
Long Term				
Borrowing	-221,289	-241,626	-260,337	-285,950
Creditors & Receipts in Advance	-7,377	-7,377	-10,148	-10,148
Finance Leases	-348	-348	-192	-192
Financial Liabilities	**-246,967**	**-261,950**	**-293,246**	**-318,937**

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional loss (based on economic conditions at 31st March 2016) arising from a commitment to pay interest to lenders above current market rates.

PWLB loans included above have a carrying value of £249.5m and a fair value of £270.8m. This measures the economic effects of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, as the Debt Management Office provides a transparent approach allowing exit cost to be calculated without undertaking a repayment or transfer it is also appropriate to disclose this exit price. The exit price reflects the fair value of PWLB loans calculated using early redemptions rates instead of new loan rates. If a value is calculated on this basis the carrying amount of £249.5m would be valued at £318.7m.

Financial Instruments - Assets	31 March 2014 Carrying amount £000s	31 March 2014 Fair value £000s	31 March 2015 Carrying amount £000s	31 March 2015 Fair value £000s
Loans & Receivables				
Short Term				
Fixed Term Investments	35,617	35,645	38,122	38,178
Cash and Cash Equivalents	19,347	19,354	7,603	7,612
Debtors	13,435	13,435	10,450	10,450
Long Term				
Long Term Debtors	14,981	14,981	51,093	51,093
Finance Leases	108	108	100	100
Loans & Receivables	83,488	83,523	107,368	107,433

The fair value of the assets at 31 March 2016 is marginally higher than the carrying amount at the same date because the Authority's portfolio of investments includes a number of fixed rate investments where the interest receivable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2016) attributable to the commitment to receive interest above current market rates.

e) Short Term Borrowing

31 March 2015 £000s	Short Term Borrowing	31 March 2016 £000s
100	Billing Parish Council 7 day notice account	120
189	Northampton Volunteer Bureau 7 day notice account	125
24	HCA principal due within 1 year	27
2315	PWLB Loans principal due within 1 year	6,582
0	Growing Places Fund principle due within 1 year	591
2,628	**Total**	**7,445**

f) Long Term Borrowing

31 March 2015 £000s	Long Term Borrowing	31 March 2016 £000s
	Analysis of loans by type	
203,416	Public Works Loan Board	242,935
9,068	Money Market LOBOs	9,069
1,124	Homes & Communities Agency	1,097
6,640	Growing Places Fund	6,163
1,041	Local Infrastructure Fund	1,072
221,289	**Total**	**260,336**
	Analysis of loans by maturity	
6,296	Maturing in 1-2 years	2,863
16,932	Maturing in 2-5 years	50,137
28,522	Maturing in 5-10 years	56,705
169,539	Maturing in over 10 years	150,631
221,289	**Total**	**260,336**

g) Investments

31 March 2015 £000s	Investment Type	31 March 2016 £000s
	Included in Cash and Cash Equivalents	
370	Deposit and Call Accounts	5,250
18,473	Money Market Funds	3,145
18,843	**Total - Cash and Cash Equivalents**	**8,395**
	Investments:	
	Current Investments - Under 1 Year	
33,111	Fixed Term Investments	28,113
	Notice Accounts	10,009
	Long Term Investments - Over 1 Year	
2,507	Fixed Term Investments	0
35,618	**Total - Investments**	**38,122**
	Available for Sale Financial Instruments:	
	Current Investments - Under 1 Year	
10,031	Fixed Term Investments	19,626
10,031	**Total - Available for Sale Financial Instruments**	**19,626**
64,492	**Total**	**66,143**

h) Soft Loans

The Council has made loans to Northampton Rugby Football Club (NRFC) to redevelop the Franklins Garden Stadium at the same interest rate as that available to the Council from the Public Works Loans Board (PWLB). These have been assessed as a material soft loan.

The Council made loans to Northampton Town Football Club (NTFC) to redevelop the Sixfields Stadium at the same interest rate as that available to the Council from the Public Works Loans Board (PWLB). These were assessed as material soft loans. During 2015-16 NTFC became unable to continue the interest and principal repayments on the loans. The loan agreement was terminated and as a consequence the outstanding loan balance was impaired. See Narrative Report -Significant Events and note 42 – Impairments for details.

2014/15 £000s	Material Soft Loans	2015/16 £000s
9,057	**Balance at 1 April 2015**	14,153
5,750	Nominal value of new loans granted in year	0
-609	Fair value adjustment on initial recognition	0
190	Write down of fair value adjustments in year	925
-235	Loans repaid	-235
0	Impairment losses	-10,219
14,153	**Balance at 31 March 2016**	**4,624**

The interest rate used to calculate the fair value of the soft loans has been arrived at by taking the EU reference rate at the start date of the loan and adding a margin of 400 basis points (4%) to reflect the Council's risk in the loans.

18. INVENTORIES

2014/15	Westbridge Depot Main Stores £000s	Other Stores £000s	Total £000s
Balance outstanding at start of year	**69**	**95**	**164**
Purchases	100	106	**206**
Recognised as an expense in the year	-147	-125	**-272**
Written off balances	-22	-4	**-26**
Balance outstanding at year end	**0**	**72**	**72**
2015/16			
Balance outstanding at start of year	**0**	**72**	**72**
Purchases	0	50	**50**
Recognised as an expense in the year	0	-65	**-65**
Written off balances	0	-11	**-11**
Balance outstanding at year end	**0**	**47**	**47**

19. CONSTRUCTION CONTRACTS

In 2015/16, the Council did not have any external construction contracts in progress.

In 2014/15, the Council did not have any external construction contracts in progress.

20. DEBTORS

Debtors	Long-term 31 March 2015 £000s	Long-term 31 March 2016 £000s	Short-term 31 March 2015 £000s	Short-term 31 March 2016 £000s
Central Government Bodies	0	0	14,102	8,203
Less Impairment Allowance	0	0	0	-3
Central Government Bodies	**0**	**0**	**14,102**	**8,200**
Other Local Authorities	0	0	3,071	3,508
Less Impairment Allowance	0	0	-126	-57
Other Local Authorities	**0**	**0**	**2,946**	**3,451**
NHS Bodies	0	0	3	-2
Less Impairment Allowance	0	0	0	0
NHS Bodies	**0**	**0**	**3**	**-2**
Other Entities & Individuals	15,090	51,193	15,994	16,863
Less Impairment Allowance	0	0	-8,722	-9,856
Other Entities & Individuals	**15,090**	**51,193**	**7,272**	**7,007**
TOTAL	**15,090**	**51,193**	**24,323**	**18,656**

The Council has made a number of loans to third parties to support local businesses and regeneration. Details are set out in the table below;

Counterparty	Purpose of loan	Start date	End Date	Initial Loan Value £000s	Amount Outstanding at 31 March 2016 £000s
Cosworth	To fund the acquisition of specialist machinery at their new factory in the Enterprise Zone	01-Jan-14	01-Jan-19	1,400	1,050
Saints Rugby Club (NTRFC)	To support stadium expansion and associated development	22-Jan-14	22-Jan-39	5,500	5,060
Unity Leisure	To facilitate the purchase a soft play facility in Northampton.	10-Jul-15	10-Jul-20	300	270
University of Northampton	To support the creation of a waterside campus in Northampton.	10-Mar-16	10-Mar-21	28,500	28,500
		10-Mar-16	10-Mar-56	17,500	17,500

21. CASH AND CASH EQUIVALENTS

31 March 2015 £000s	Cash and Cash Equivalents	31 March 2016 £000s
10	Cash held by the authority	7
10	**Total Cash & Giro Accounts**	**7**
474	**Operating Account used as part of cash management/ overdraft**	**-799**
370	Deposit Account Facilities with banks	5,250
18,473	Deposits with money market funds	3,145
18,842	**Total Cash Equivalents**	**8,395**
19,326	**Total Cash and Cash Equivalents**	**7,603**

22. CURRENT ASSETS HELD FOR SALE

Current 2014/15 £000s	Assets Held for Sale	Current 2015/16 £000s
1,310	**Balance outstanding at start of year**	**1,474**
	Assets newly classified as held for sale:	
679	Property Plant and Equipment	300
-515	Assets sold	-611
0	Other Movements	-1
1,474	**Balance outstanding at year end**	**1,162**

Note: All assets transferred to Held for Sale in 2015/16 are classified as current assets as disposal within 12 months is anticipated.

23. CREDITORS

31 March 2015 £000s	Creditors	31 March 2016 £000s
-7,078	Central Government Bodies	-10,454
-14,024	Other Local Authorities	-10,359
0	Public Corporations and Trading Funds	0
-5,841	Other entities and Individuals	-10,885
-26,944	**Total**	**-31,698**

24. PROVISIONS

Long Term Provisions

Long Term Provisions	Insurance Provision £000s	Other Provisions £000s	Total £000s
Balance at 1 April 2015	**-24**	**-5**	**-29**
Additional Provisions Made	-27	0	-27
Amounts Used	3	0	3
Balance at 31 March 2016	**-48**	**-5**	**-53**

Short Term Provisions

Short Term Provisions	Insurance Provision £000s	Business Rates Appeals £000s	Accumulated Absences £000s	Total £000s
Balance at 1 April 2015	**-312**	**-1,621**	**-59**	**-1,991**
Additional provisions made	-121	-2,929	0	**-3,050**
Amounts used	195	689	0	**884**
Unused amounts reversed	100	0	0	**100**
Balance at 31 March 2016	**-138**	**-3,861**	**-59**	**-4,057**

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 2016; an actuarial forecast of future valid claims made against 2015/16 and before is held in the Insurance Reserve.

b) Business Rates Appeals Provision

Following the localisation of the Business Rates Retention Scheme, NBC is now liable for the impact of its share of the effects of any appeals against business rates ratings assessments decided by the Valuation Office Agency (VOA), including the effects of any backdating. The provision at 31st March 2016 is therefore based on the number of appeals that have been made to the VOA at the balance sheet date, spilt between long-term and short-term, depending on when the appeals are expected to be settled. Disclosure has been made in the Contingent Liabilities note (note 46) for other risks associated with appeals.

This note excludes the Collection Fund provisions for appeals, which are shown in the Collection Fund notes in section H to these Accounts.

25. USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and note 7 and further detail about earmarked reserves is shown in Note 8.

26. UNUSABLE RESERVES

a) Balances

31 March 2015 £000s	Unusable Reserves	31 March 2016 £000s
-51,634	Revaluation Reserve	-58,760
1,362	Financial Instruments Adjustment Account	436
-6	Available for Sale Financial Instruments Reserve	-15
-264,109	Capital Adjustment Account	-285,695
-146	Deferred Capital Receipts Reserve	-123
142,680	Pensions Reserve	117,919
5,899	Collection Fund Adjustment Account	-194
59	Short Term Compensated Absences Account	59
-165,896	**Total**	**-226,373**

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.

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.

2014/15			Revaluation Reserve	2015/16		
General Fund £000s	Housing Revenue Account £000s	TOTAL £000s		General Fund £000s	Housing Revenue Account £000s	TOTAL £000s
-53,914	**-6,142**	**-60,056**	**Balance at 1 April**	**-45,146**	**-6,487**	**-51,633**
-2,943	-831	-3,774	Upward Revaluation of assets	-6,507	-3,052	-9,559
2,411	28	2,439	Downward Revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	763	61	824
-532	**-803**	**-1,335**	**Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**-5,743**	**-2,991**	**-8,734**
835	164	999	Difference between fair value depreciation and historical cost depreciation	743	196	939
8,465	294	8,759	Accumulated gains on assets sold or scrapped	125	544	669
9,300	**458**	**9,758**	**Amounts written off to the Capital Adjustment Account**	**868**	**740**	**1,608**
-45,146	**-6,487**	**-51,633**	**Balance at 31 March**	**-50,021**	**-8,738**	**-58,759**

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.

2014/15 £000s	Financial Instruments Adjustments Account	2015/16 £000s
943	**Balance as at 1 April**	**1,362**
0	Transitional Arrangements - Unattached Premia	0
419	Soft Loans - Statutory Fair Value Adjustments	-925
1,362	**Balance as at 31 March**	**437**

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:

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

2014/15 £000s	Available for Sale Financial Instruments Reserve	2015/16 £000s
0	Balance as at 1 April	-6
-6	Upward Revaluation of Investments	-15
-6	**Surplus or Deficit on revaluation of Investments not posted to the Surplus or Deficit on the Provision of Services**	**-21**
0	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure as part of Other Investment Income	6
-6	**Balance as at 31 March**	**-15**

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.

2014/15 General Fund £000s	2014/15 HRA £000s	2014/15 Total £000s	Capital Adjustment Account	2015/16 General Fund £000s	2015/16 HRA £000s	2015/16 Total £000s
-62,569	**-189,308**	**-251,877**	**Balance at 1 April**	**-44,276**	**-219,833**	**-264,109**
			Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
4,226	8,939	13,165	Charges for depreciation and impairment of non current assets	2,565	8,680	11,245
0	0	0	Impairment of Long Term Debtors	10,219	0	10,219
16,140	18,124	34,264	Revaluation losses on Property, Plant and Equipment	3,059	13,806	16,865
-945	-33,261	-34,206	Revaluation gains on Property, Plant and Equipment	-2,149	-24,055	-26,204
320	0	320	Amortisation of intangible assets	326	0	326
12,876	0	12,876	Revenue expenditure funded from capital under statute	3,502	0	3,502
9,532	6,145	15,677	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	731	6,917	7,648
42,149	**-53**	**42,096**	**Total**	**18,252**	**5,349**	**23,601**
-9,300	-457	-9,757	Adjusting amounts written out of the Revaluation Reserve	-868	-740	-1,608
32,849	**-510**	**32,339**	**Net written out amount of the cost of the Revaluation Reserve**	**17,384**	**4,609**	**21,993**
			Capital financing applied in the year:			
-1,268	-2,115	-3,383	Use of the Capital Receipts Reserve to Finance new capital expenditure	-4,045	-2,371	-6,416
0	-12,328	-12,328	Use of the Major Repairs Reserve to finance new capital expenditure	0	-21,898	-21,898
-8,315	-15,522	-23,837	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital expenditure	-2,676	0	-2,676
-1,130	0	-1,130	- Application of grants to capital financing from the Capital Grants Unapplied Account	-203	0	-203
-1,253	0	-1,253	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	-1,262	0	-1,262
-2,714	0	-2,714	Capital expenditure charged against the General Fund and HRA balances	-1,830	-9,424	-11,254
-14,680	**-29,965**	**-44,645**	**Total**	**-10,016**	**-33,693**	**-43,709**
182	-51	131	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	134	-5	129
-57	0	-57	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	0	0	0
-44,276	**-219,833**	**-264,109**	**Balance at 31 March**	**-36,773**	**-248,923**	**-285,695**

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.

2014/15 £000s	Deferred Capital Receipts Reserve	2015/16 £000s
-155	**Balance as at 1 April**	**-146**
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
8	Transfer to the Capital Receipts Reserve upon receipt of cash	23
-146	**Balance as at 31 March**	**-123**

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 a benefit 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.

2014/15 £000s	Pensions Reserve	2015/16 £000s
135,817	**Balance as at 1 April**	**142,680**
16,864	Actuarial gains or losses on pension assets and liabilities	-25,242
-2,486	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	6,581
-7,451	Employer's pensions contributions and direct payments to pensioners payable in the year	-6,096
-64	Pension contribution adjustment	-4
142,680	**Balance as at 31 March**	**117,919**

h) Collection Fund Adjustment Account

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

2014/15 £000s	Collection Fund Adjustment Account	2015/16 £000s
3,188	**Balance as at 1 April**	**5,899**
44	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	-466
2,667	Amounts by which NNDR income credited to the Comprehensive Income and Expenditure Statement is different from NNDR income calculated for the year in accordance with statutory requirements	-5,627
5,899	**Balance as at 31 March**	**-194**

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.

2014/15 £000s	Short Term Compensated Absences Account	2015/16 £000s
104	**Balance as at 1 April**	**59**
-44	Movements in year	0
59	**Balance as at 31 March**	**59**

27. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2014/15 £000s	Operating Activities	2015/16 £000s
13,165	Depreciation	11,245
58	Impairment and downward valuations	(9,339)
0	Impairment of long term debtors	10,219
320	Amortisation	326
(764)	Increase/(decrease) in creditors	-2,052
(876)	Increase/(decrease) in debtors	5,567
92	Increase/(decrease) in inventories	25
-10,001	Movement in pension liability	481
15,677	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	7,648
1,706	Other non-cash items charged to the net surplus or deficit on the provision of services	2,204
19,377	**Total**	**26,324**

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2014/15 £000s	Items removed from net cost of service that are investing/financing activities	2015/16 £000s
-13,945	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-6,463
-26,220	Any other items for which the cash effects are investing or financing cash flows	-2,407
-40,165	**Total**	**-8,870**

28. CASH FLOW STATEMENT - OPERATING ACTIVITIES (INTEREST)

2014/15 £000s	Operating Activities (Interest)	2015/16 £000s
1,097	Interest Received	1,077
-8,030	Interest Paid	-7,201
-6,933	**Total**	**-6,124**

29. CASH FLOW STATEMENT - INVESTING ACTIVITIES

2014/15 £000s	Cash Flows from Investing Activities	2015/16 £000s
-38,625	Purchase of Property, Plant and Equipment, investment property and intangible assets	-40,058
-45,500	Purchase of short and long term investments	-57,500
-7,150	Other payments for investing activities	-46,300
13,954	Proceeds from the sale of property plant and equipment, investment property and intangible assets	6,486
28,500	Proceeds from short-term and long-term investments	45,500
23,308	Other Receipts from Investing Activities	5,396
-25,513	**Total Cash Flows from Investing Activities**	**-86,476**

30. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2014/15 £000s	Cash Flows from Financing Activities	2015/16 £000s
13,465	Cash receipts of short and long term borrowing	57,823
90	Billing Authorities - Council Tax and NNDR adjustments	-3
-16,048	Repayment of Short-Term and Long-Term Borrowing	-14,142
-140	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	-155
-1,041	Other items in relation to financing activities	4,139
-3,674	**Total Cash Flows from Financing Activities**	**47,662**

31. 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 *CIPFA Service Reporting Code of Practice (SERCOP)*. 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.

The income and expenditure of the Authority's directorates recorded in the budget reports for the year is as follows:

a) Income and expenditure of the Authority's Directorates Recorded in the Budget Reports for the Year 2015/16:

2015/16	Customers & Communities £000s	Regeneration, Enterprise, and Planning £000s	Borough Secretary £000s	Housing General Fund £000s	General Fund Total £000s	HRA £000s	Total £000s
Fees, Charges, & Other Service Income	-13,793	-5,336	-5,670	-2,005	**-26,804**	-56,801	**-83,605**
Government Grants	-15	-43	-73,253	0	**-73,311**	0	**-73,311**
Total Income	**-13,808**	**-5,379**	**-78,923**	**-2,005**	**-100,115**	**-56,801**	**-156,916**
Employee Expenses	5,343	3,048	6,539	1,556	**16,487**	201	**16,688**
Other Service Expenses	19,201	3,230	85,628	1,843	**109,902**	27,845	**137,747**
Total Expenditure	**24,544**	**6,278**	**92,167**	**3,399**	**126,388**	**28,046**	**154,435**
Total	**10,736**	**899**	**13,244**	**1,394**	**26,273**	**-28,755**	**-2,481**

Income and expenditure of the Authority's Directorates Recorded in the Budget Reports for the Year 2014/15:

2014/15	Customers & Communities £000s	Regeneration, Enterprise, and Planning £000s	Borough Secretary £000s	Housing General Fund £000s	General Fund Total £000s	HRA £000s	Total £000s
Fees, Charges, & Other Service Income	-12,731	-3,942	-3,842	-1,508	**-22,022**	-67,225	**-89,247**
Government Grants	0	0	-75,328	0	**-75,328**	0	**-75,328**
Total Income	**-12,731**	**-3,942**	**-79,170**	**-1,508**	**-97,350**	**-67,225**	**-164,575**
Employee Expenses	6,219	3,423	6,409	1,856	**17,907**	9,131	**27,038**
Other Service Expenses	19,234	3,777	86,279	1,106	**110,396**	31,125	**141,521**
Total Expenditure	**25,453**	**7,200**	**92,688**	**2,962**	**128,303**	**40,256**	**168,559**
Total	**12,722**	**3,258**	**13,518**	**1,454**	**30,953**	**-26,969**	**3,984**

b) Reconciliation of Income and Expenditure Reported in Budget Reports to Cost of Services in the Comprehensive Income and Expenditure Statement:

	2014/15 £000s	2015/16 £000s
Net expenditure in the Directorate Analysis	**3,982**	**-2,482**
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	7,391	11,767
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	-1,296	34
Cost of Services in Comprehensive Income and Expenditure Statement	**10,077**	**9,320**

c) Reconciliation to Subjective Analysis 2015/16:

Reconciliation to Subjective Analysis	2015/16 Customers & Communities £000s	Regeneration, Enterprise, and Planning £000s	Borough Secretary £000s	Housing General Fund £000s	HRA £000s	Debt Financing £000s	Other (Below the line) £000s	Total £000s
Fees, charges and other service income	-13,793	-5,560	-5,670	-2,530	-56,801	0	-510	**-84,864**
Interest and investment income	0	0	0	0	-323	-881	0	**-1,204**
Income from council tax	0	0	0	0	0	0	-14,463	**-14,463**
Government grants and contributions	-15	-43	-73,253	0	0	0	-10,176	**-83,487**
Business Rates Retention Re-distribution	0	0	0	0	0	0	-7,772	**-7,772**
Employee expenses	5,956	3,344	1,542	1,683	142	0	0	**12,667**
Other service expenses	19,201	3,230	85,628	1,843	27,845	0	0	**137,747**
Support service recharges	1,358	1,137	-3,576	2,457	2,129	0	0	**3,505**
Depreciation, amortisation and impairment	1,969	1,983	248	3	-1,390	0	0	**2,813**
Impairment - Long Term Debtors	0	0	10,219	0	0	0	0	**10,219**
Interest payments	0	0	0	0	6,352	1,080	0	**7,432**
Pensions interest cost and expected return on pensions assets	0	0	0	0	5	0	4,497	**4,502**
Precepts and levies	0	0	0	0	0	0	1,001	**1,001**
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	1,091	**1,091**
Gain or loss on disposal of non-current assets	-23	-855	0	0	2,054	0	0	**1,176**
Surplus or deficit on the provision of services	**14,653**	**3,236**	**15,138**	**3,456**	**-19,987**	**199**	**-26,332**	**-9,637**

Reconciliation to Subjective Analysis 2014/15:

Reconciliation to Subjective Analysis	2014/15							
	Customers & Communities £000s	Regeneration, Enterprise, and Planning £000s	Borough Secretary £000s	Housing General Fund £000s	HRA £000s	Debt Financing £000s	Other (Below the line) £000s	Total £000s
Fees, charges and other service income	-12,780	-6,616	-3,842	-2,605	-67,225	0	-6,105	**-99,174**
Interest and investment income	0	0	0	0	-340	-1,027	0	**-1,367**
Income from council tax	0	0	0	0	0	0	-13,796	**-13,796**
Government grants and contributions	0	0	-75,328	0	-15,522	0	-11,360	**-102,210**
Business Rates Retention Re-distribution	0	0	0	0	0		-7,894	**-7,894**
Employee expenses	6,841	3,752	-7,157	1,988	6,058	0	0	**11,482**
Other service expenses	19,234	3,777	86,279	1,106	31,125	0	0	**141,521**
Support service recharges	-2,191	11,439	-4,417	2,344	4,965	0	0	**12,140**
Depreciation, amortisation and impairment	16,170	3,577	174	3	-6,028	0	0	**13,896**
Interest payments	0	0	0	0	6,351	1,811	0	**8,162**
Pensions interest cost and expected return on pensions assets	0	0	0	0	1,175	0	4,380	**5,555**
Precepts and levies	0	0	0	0	0	0	1,026	**1,026**
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	955	**955**
Gain or loss on disposal of non-current assets	520	-592	0	0	1,806	0	0	**1,734**
Surplus or deficit on the provision of services	**27,794**	**15,337**	**-4,291**	**2,836**	**-37,635**	**784**	**-32,794**	**-27,972**

32. TRADING ACCOUNTS

The Authority has established a trading unit 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 the unit are as follows:

2014/15 Net £000s	Trading Accounts	2015/16 Income £000s	2015/16 Exp. £000s	2015/16 Net £000s
1,342	Property Management	-2,572	2,546	-26
1,342	**Total Surplus\Deficit**	**-2,572**	**2,546**	**-26**

Property Management - Relates to the property costs of Industrial Units, Investment Property and Other Properties that the Council rents out.

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:

2014/15 Net £000s	Trading Undertakings	2015/16 Income £000s	2015/16 Exp. £000s	2015/16 Net £000s
622	Markets	-477	753	276
622	**Total Surplus\Deficit**	**-477**	**753**	**276**

Markets - This service maintains and manages the Northampton market square.

33. 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.

2014/15 £000s	Agency Income and Expenditure	2015/16 £000s
268	Administration costs and ancillary services	282
-187	Income including transfer fees from NCC	-187
82	**Net surplus / deficit arising on the agency agreement**	**95**

34. POOLED BUDGETS

The Council has entered into a pooled budget arrangement with its partners, led by Northamptonshire County Council, to work together to increase the joint working they undertake to improve the wellbeing of children and young people in their area and to deliver the "Every Child Matters" agenda. Partnership contributions was suspended in 2015/16. In 2014/15, 2013/14 and 2012/13, the Borough's contribution to the pooled budget was £10,680.

The contributions are subject to change as per the agreement.

2014/15 £000s	Pooled Budgets	2015/16 £000s
-425	**Balance B/fwd**	**-651**
	Funding Provided to the Pool	
-11	Northampton BC	0
-538	Other Partners	0
-549	**Total**	**0**
323	Expenditure met from the Pool	308
-651	**Balance c/fwd**	**-343**

35. MEMBERS' ALLOWANCES

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

2014/15 £000s	Members' Allowances	2015/16 £000s
	Expenditure	
14	Mayor/Deputy Mayor Allowance	23
401	Members' Allowances	404
415	**Total**	**427**

36. OFFICERS' REMUNERATION

a) Senior Officers

Position	Position Group	Year	Note	Salary (inc Fees & Allowances) £000s	Compensation for loss of Office £000s	Total Remuneration excl Pension Contributions £000s	Pension Contributions £000s	Total Remuneration inc Pension Contributions £000s
Chief Executive	Head of Paid Service	**2015/16**		**138**	**0**	**138**	**20**	**158**
		2014/15		138	0	**138**	19	**158**
Borough Secretary	Monitoring Officer	**2015/16**		**82**	**0**	**82**	**11**	**93**
		2014/15		81	0	**81**	11	**92**
Director of Customers & Communities	Director	**2015/16**		**111**	**0**	**111**	**15**	**126**
		2014/15		111	0	**111**	15	**126**
Director of Regeneration, Enterprise & Planning	Director	**2015/16**		**105**	**0**	**105**	**14**	**119**
		2014/15		105	0	**105**	14	**119**
Head of Customer & Cultural Services	Head of Service	**2015/16**		**71**	**0**	**71**	**9**	**80**
		2014/15		70	0	**70**	9	**79**
Head of Housing & Wellbeing	Head of Service	**2015/16**		**71**	**0**	**71**	**9**	**80**
		2014/15		3	0	**3**	0	**3**
Head of Planning	Head of Service	**2015/16**	**1**	**5**	**0**	**5**	**1**	**6**
		2014/15		38	0	**38**	5	**43**
Head of Economic Development and Regeneration	Head of Service	**2015/16**	**2**	**65**	**0**	**65**	**9**	**74**
		2014/15	**0**	0	0	**0**	0	**0**
Totals for the year:		**2015/16**	**4**	**648**	**0**	**648**	**88**	**735**
		2014/15	**3&4**	**546**	**0**	**546**	**74**	**619**

Notes:

1 - Head of Planning Left 14 September 2014 - Annualised Salary £87k. This post was covered by an Interim with a new appointment until permanent appointment from March 2016.

2 - Head of Economic Development and Regeneration post was covered by interim arrangement with a permanent appointment starting employment on 22nd June 2015. The annualised salary is £70k

3 - There are 2 posts that are not included in the 2014-15 figures above as these have been deleted as part of organisation restructures (The Head of Joint Planning Unit and Head of Communities and Environment).

4 - A further exclusion relates to the Council's Chief Finance Officer that is contracted out to Northamptonshire County Council (NCC) and fully remunerated by NCC this post will therefore be included in NCC's Statement of Accounts.

b) Officers paid over £50,000

The Council is required, under the Accounts and Audit Regulations 2003 (regulation 7(2)) to disclose the number of employees whose remuneration was £50,000 or more (excluding employer's pension contributions). This is shown in bands of £5,000 in the table below:

Note: Senior Officers earning in excess of £50k have been excluded from this note as they are disclosed within Note 36a (Senior Officers).

2014/15 No. of Employees	Remuneration Band	2015/16 No. of Employees
3	£50,000 - £54,999	3
3	£55,000 - £59,999	0
1	£60,000 - £64,999	0

c) Exit Packages

Exit Package cost band (including special payments)	Number of compulsory redundancies		Number of other agreed departures		Total Number of exit packages by cost band		Total cost of exit packages in each band (£000s)	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
£0 - £20,000	8	9	6	10	14	19	104	179
£20,001 - £40,000	0	3	0		0	3	0	75
£40,001 - £60,000	1	0	0		1	0	45	0
Total	9	12	6	10	15	22	149	254

The total cost of £404k in the table above includes £254k for exit packages that have been agreed, accrued for and charged to the authority's Comprehensive Income and Expenditure Statement in the current year.

37. 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:

2014/15 £000s	External Audit Costs	2015/16 £000s
108	Fees payable with regard to external audit services carried out by the appointed auditor (Section 5 Audit Commission Act 1998)	82
15	Fees payable for the certification of Grant Claims and Returns (Section 28 Audit Commission Act 1998)	14
0	Fees payable in respect of other services provided by the appointed auditor	25
123	**Total**	**120**

The Council's appointed auditor for the 2015/16 and 2014/15 Statement of Accounts audits was KPMG LLP.

38. GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16:

2014/15 £000s	Grant Income	2015/16 £000s
	Credited to Taxation and Non-Specific Grant Income	
-6,958	Revenue Support Grant	-4,944
-152	Council tax freeze grant	-141
-2,815	New Homes Bonus	-3,836
-600	WNDC - Closure	0
-15,522	Decent Homes Grant	0
-1,400	DCLG Grant re Cosworth	0
-377	Cherry Orchard S106	0
-1,132	Upton Country Park	0
-72	British Timken S106	0
-716	South Meadow Road	0
-174	Pig & Whistle Refurbishment	0
-114	Delapre Abbey Restoration	-1,769
-2,449	Assets Transferred from HCA	0
0	Princess Marina S106 - transfer to Receipts in Advance	335
-449	Other Grants Individually Less Than £100,001	-287
-32,930	**Total**	**-10,642**
	Credited to Services	
-243	Additional Housing Admin. Grant	-183
-1,402	Housing Benefit Admin. Grant	-1,277
-31,521	HRA Rent Rebates Grant	-30,637
-440	Non HRA Rent Rebates	-773
-41,303	Rent Allowance Grant	-39,814
	Property Searches New Burdens Payment	-219
	Discretionary Housing Payments	-316
-132	Section 106 Contributions	-264
-2,237	Northamptonshire County Council Recycling Credits	-2,389
-187	Northampton County Council Contribution for Grounds Maintenance	-166
-105	Home choice funding	0
-434	Joint Planning Unit Contribution	-98
-157	HPDG Planning	0
-1,396	Total of Other Grants not included in the above	-93
-79,557	**Total**	**-76,229**

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:

Current Liabilities

2014/15 £000s	Grant Income Unapplied - Current Liabilities	2015/16 £000s
	Capital Grants Receipts in Advance	
0	English Heritage Grant	0
21	Other Grants/Contributions Individually Less Than £100,000	10
21	**Total - Capital Receipts in Advance**	**10**
	Revenue Grants Receipts in Advance:	
15	Grants/Contributions Individually Less Than £100,000	1
36	**Total - all Receipts in Advance**	**11**

Long-Term Liabilities

2014/15 £000s	Grant Income Unapplied - Long-Term Liabilities	2015/16 £000s
	Capital Grants Receipts in Advance:	
873	S106 - SW Country Park - Swan Valley	873
442	S106 - Land at Upton SWD Ph1 re Country Park	442
125	S106 - Southern Development Link road	125
0	S106 - Princess Marina	1,612
346	S106 - Sainsburys Sixfields	346
103	S106 - Newport Pagnell Rd Off-Site Open Space	103
850	S106 - Land at Booth Rise	850
122	S106 - Former Millway School Site	70
1,493	S106 - Banbury Lane	2,109
437	S106 - Wellingborough Rd	437
218	S106 - Goldings School	311
0	S106 - Former Abington Vale School Site	262
0	S106 - Old Towcester Road	335
1,083	West Northamptonshire Development Corporation	1,021
150	Albion Place Public Realm Contribution	150
643	Other Grants/Contributions Individually Less Than £100,000	561
6,885	**Total - Capital Receipts in Advance**	**9,607**
	Revenue Grants Receipts in Advance:	
155	S106 - Pineham	155
0	Upton Site F&G - Disocounted Standard Charge	154
337	Other Grants/Contributions Individually Less Than £100,000	232
492	**Total - Revenue Receipts in Advance**	**541**
7,377	**Total - all Receipts in Advance**	**10,148**

39. 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 been 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

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 and 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). Grants received from government departments are set in Note 31 Amounts Reported for Resource Allocation Decisions. Any amounts outstanding are reported in Note 38 Grant Income.

Northampton Partnership Homes

Northampton Partnership Homes is a fully owned subsidiary of The Council, and is incorporated on the group accounts which are shown alongside the core financial statements. Northampton Partnership Homes was incorporated on the 30th April 2014 and commenced trading on the 5th January 2015. Northampton Partnership Homes is an Arm's Length Management Organisation that is wholly owned by the Council, but which has its own board of Directors. It is a company Limited by Guarantee (CLG) and is a not for profit organisation. Further information on Northampton Partnership Homes and details of transactions can be found in the Group Accounts section.

Members of the Council

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2015/16 is shown in Note 35.

During 2015/16 expenditure to the value of £1.8m (2014/15 £2.2m) was paid or granted to parties where members had an interest or where they serve as a nominated representative on the outside body. Income to the value of £0.4m (restated 2014/15 £0.9m) was receivable from these parties. Parties with transactions over £200k are shown below:

2014/15 £000s	Related Parties - Expenditure	2015/16 £000s
630	Northampton Leisure Trust	214
427	Northampton Theatres Trust	427
369	Brackmills Bid	382
327	Northampton Town Centre Bid	253

2014/15 £000s	Related Parties - Income	2015/16 £000s
-244	Northampton Leisure Trust	-66
-240	Northampton Theatres Trust	-109
-286	Northampton General Hospital NHS Trust	-91

At 31st March 2016, the outstanding balances with these parties were debtors of £148k (2014/15 £72k); creditors of £215k (2014/15 £159k).

Contracts were entered into in full compliance with the Council's standing orders and all grants were made with proper consideration of declarations of interests. The relevant members did not take part in any discussions or decisions that involved their disclosed interests. The Register of Members' Interest is open to public inspection at The Guildhall, Northampton during office hours and is available on the Council's website.

A number of the Members of Northampton Borough Council are also members of Northamptonshire County Council. Material transactions with Northamptonshire County Council have been disclosed elsewhere in the accounts, see Notes 34, 38, and 45.

Additionally, a number of Members are also Parish Councillors within the district of Northampton Borough Council. As above, these members did not take part in discussions related to these bodies.

One Member is also on the South East Midlands Local Enterprise Partnership (SEMLEP) Board. SEMLEP is the economic development partnership for the South East Midlands, a company operated jointly by the public and private sectors. SEMLEP is the lead body for the Enterprise Zone, administered by NBC. Additionally, SEMLEP are the accountable body (through Luton Borough Council, the administering body) for payments from DCLG's Growing Places Fund. NBC took out a £6.6m Growing Places Fund loan in 2014/15.

NBC is working in partnership with the Delapre Abbey Preservation Trust (DAPT) in regards to the Delapre Abbey Restoration Project, and has a member of the DAPT Board of Trustees. In 2015/16, NBC paid across to DAPT £198k in relation to forward funding of HLF grant monies for activity and other project costs (2014/15 re-stated £12k), and £12k as the first instalment of a £150k NBC start up grant, awarded by Cabinet in Oct 2015 (2014/15 £0).

Senior Officers of the Council

During 2015/16 the only disclosures made by Senior Officers were in relation to roles at other Local Authority bodies, namely:

1) Northamptonshire County Council (see above within Members disclosures for reference of material transactions disclosed with NCC elsewhere in the accounts)

2) East Northamptonshire District Council (see 'Other Public Bodies' below)

Other Public Bodies

In 2013/14 the Council transferred the majority of its support services to LGSS, a Partnership established by the County Councils of Northamptonshire and Cambridgeshire, where NBC is an Added Value Partner. Following this transfer, an NBC member is now a representative on the LGSS Panel.

The Chief Financial Officer (Section 151 Officer) for NBC is also contracted from LGSS, who is shared on a part-time basis with East Northamptonshire District Council.

The Council is also involved in a number of joint working initiatives across the county with various other Local Authorities, for instance the Joint Planning Unit and Waste Management Partnership. In this capacity, a number of NBC Members have representations on their running boards. None of these relationships are considered material to either party involved both in terms of the value of transactions or the potential for the authority to control or influence NBC's actions to materially affect transactions or balances.

40. 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 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.

2014/15 £000s	Capital Expenditure and Financing	2015/16 £000s
232,042	**Opening Capital Financing Requirement**	**251,229**
	Capital Investment	
40,403	Property, Plant & Equipment	39,773
921	Heritage Assets	2,971
223	Investment Properties	1
46	Intangible Assets	100
12,876	Revenue Expenditure Funded from Capital under Statute	3,502
7,150	Loans to third parties	46,300
61,619	**Total**	**92,647**
	Sources of Finance	
-3,383	Capital Receipts	-5,468
0	Sums set aside from Capital Receipts	-948
-22,519	Government Grants and Other Contributions	-2,878
-1,253	Sums Set aside from Revenue	-1,262
-235	Write Down of Third Party Loans	-265
-15,042	Direct Revenue contributions	-33,152
-42,432	**Total**	**-43,973**
251,229	**Closing Capital Financing Requirement**	**299,903**

2014/15 £000s	Capital Financing Requirement	2015/16 £000s
232,042	**Opening Capital Financing Requirement**	**251,229**
19,187	Increase in underlying need to borrow (unsupported by government financial assistance)	48,674
0	Assets acquired under finance lease	0
19,187	**Increase/(decrease) in Capital Financing Requirement**	**48,674**
251,229	**Closing Capital Financing Requirement**	**299,903**

41. LEASES

Authority as Lessee

Finance Leases

a) The Council has a number of assets that are required to be treated as finance leases under IFRS accounting rules. These include recycling equipment, IT software and a specialist vehicle. The assets acquired under these leases are carried in the Balance Sheet at the following net amounts:

31 March 2015 £000s	Local Authority as Lessee - Finance Leases	31 March 2016 £000s
225	Vehicles, Plant, Furniture and Equipment	157
272	Intangible Fixed Assets	191
497	**Total**	**348**

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 present value of the leases and the future minimum lease payments at the balance sheet date are as follows:

31 March 2015 £000s	Local Authority as Lessee - Finance Leases	31 March 2016 £000s
	Future minimum lease payments	
243	Vehicles, Plant, Furniture and Equipment	166
297	Intangible Fixed Assets	203
540	**Future minimum lease payments**	**369**
	Net present value of minimum lease payments	
148	Current	156
348	Non-current	192
496	**Present value of minimum lease payments**	**348**
44	**Finance costs payable in future years**	**21**

c) The present value of the leases and the minimum lease payments at the balance sheet date split over the over future periods are as follows:

31-Mar-15		Local Authority as Lessee - Finance Leases	31-Mar-16	
Present Value of Leases £000s	Minimum Lease Payments £000s		Present Value of Leases £000s	Minimum Lease Payments £000s
148	170	Not later than one year	156	170
348	369	Later than one year and not later than five years	192	199
496	**539**	**Total**	**348**	**369**

d) The Council has no sub leases required to be treated as finance leases

Operating Leases

e) The Council leases 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:

The authority sub leases housing contract hire vehicles to the Northampton Partnership Homes (NPH) for the provision of housing services.

31 March 2015 £000s	Local Authority as Lessee - Operating Leases	31 March 2016 £000s
574	Not later than one year	509
655	Later than one year and not later than five years	218
0	Later than 5 years	0
1,229	**Minimum lease payments**	**727**
-1,087	**Future minimum sub-lease payments receivable**	**-632**

f) Charges to revenue

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

2014/15 £000s	Local Authority as Lessee - Operating Leases	2015/16 £000s
	Minimum lease payments	
580	Contract Hire	510
123	Other	23
-92	Sublease payments receivable	-375
611	**Total**	**158**

Authority as Lessor

Finance Leases

g) The authority has two lessor property leases that have been assessed as finance leases.

The gross investment in the leases and the minimum lease payments receivable at the balance sheet date are as follows:

31 March 2015 £000s	Leases - Authority as Lessor - Finance Leases	31 March 2016 £000s
	Gross investment in leases	
176	Other Land and Buildings	158
	Net present value of minimum lease payments	
8	Current	8
108	Non-current	100
116	**Present value of minimum lease payments receivable**	**108**
60	**Unearned finance income**	**50**

h) The gross investment in the leases and the minimum lease payments receivable at the balance sheet date split over the future periods is as follows:

31 March 2015		Leases - Authority as Lessor - Finance Leases	31 March 2016	
Gross investment in leases £000	NPV of minimum Lease payments receivable £000		Gross investment in leases £000	NPV of minimum Lease payments receivable £000
17	8	Not later than one year	17	8
69	38	Later than one year and not later than five years	69	41
89	70	Later than five years	72	59
175	**116**	**Minimum lease payments receivable**	**158**	**108**

In respect of pre-existing leases as at 31 March 2010 the Authority has adopted the mitigation contained in The Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2010.

Operating Leases

i) Periods

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

- The provision of other land and buildings including shops and industrial units to meet local demand for commercial premises.
- The provision of community assets to meet residents' community needs.
- To provide infrastructure enabling current and future construction to service local demand for housing and commercial property.

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

31 March 2015 £000s	Local Authority as Lessor - Operating Leases - Minimum Lease Payments	31 March 2016 £000s
2,282	Not later than one year	2,353
6,293	Later than one year and not later than five years	6,631
47,354	Later than 5 years	47,422
55,929	**Total**	**56,406**

The minimum lease payments receivable do not include rents that are contingent on future events, such as adjustments following rent reviews. In 2015-16 £5k contingent rents were receivable by the Authority (compared with £1k in 2014-15).

Note: Assets provided under operating leases, where the Council is lessor, have been included in the Council's disclosures on owned assets.

42. IMPAIRMENT LOSSES

The only asset impaired during 2015/16 was in relation to the Northampton Town Football Club (NTFC), as detailed within the Narrative Report - Significant Events in 2015/16.

The outstanding value of the loan of £10.22m has been impaired within the 2015/16 Statement of Accounts and is shown within Corporate and Democratic Core on the face of the CIES statement.

However there is no impact on the General Fund balance as the original loan was capital in nature, and therefore has been reversed through the Movement in Reserves Statement to the Capital Adjustment Account.

43. 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.

44. TERMINATION BENEFITS

The Authority terminated the contracts of a number of employees in 2015/16, incurring liabilities of £254k (£149k in 2014/15 RESTATED). Of this, £24k relates to pension strain, and £230k relates to lump sum payments. The majority of these benefits were incurred as a result of restructures that occurred during the year.

45. 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.

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:

Local Government Pension Scheme 2014/15 £000s	Comprehensive Income and Expenditure Statement	Local Government Pension Scheme 2015/16 £000s
	COST OF SERVICE:	
	Service cost comprising:	
2,880	Current service cost	2,069
25	Past service cost (including curtailments)	10
-10,946	Gain from settlements	0
-64	Pension contribution adjustment	-4
	Financing and Investment Income and Expenditure	
5,555	Net interest expense	4,502
-2,550	**Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services**	**6,577**
	OTHER POST-EMPLOYMENT BENEFITS CHARGED TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT:	
	Remeasurement of the net defined benefit liability comprising:	
-12,573	Return on plan assets (excluding the amount included in the net interest expense)	3,995
33,727	Actuarial gains and losses arising on changes in financial assumptions	-23,514
-4,290	Other expenditure	-5,723
14,314	**Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement:**	**-18,665**
	MOVEMENT IN RESERVE STATEMENT:	
-14,378	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	18,661
	Actual amount charged against the General Fund Balance for pensions in the year:	
7,451	Employers' contributions payable to scheme	6,096

Pension Assets and Liabilities Recognised in the Balance Sheet:

The amounts included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans are as follows:

	Local Government Pension Scheme		Discretionary Benefits Arrangements*		Total	
	2014/15 £000s	2015/16 £000s	2014/15 £000s	2015/16 £000s	2014/15 £000s	2015/16 £000s
Present value of the defined benefit obligation	295,164	**267,684**	14,856	**13,465**	310,020	**281,149**
Fair value of plan assets	-167,340	**-163,230**	0	**0**	-167,340	**-163,230**
Net liability arising from defined benefit obligation	**127,824**	**104,454**	**14,856**	**13,465**	**142,680**	**117,919**

Reconciliation of the Movements in Fair Value of Scheme (Plan) Assets:

	Local Government Pension Scheme		Discretionary Benefits Arrangements*		Total	
	2014/15 £000s	2015/16 £000s	2014/15 £000s	2015/16 £000s	2014/15 £000s	2015/16 £000s
Opening fair value of scheme assets	158,840	**167,340**	0	**0**	158,840	**167,340**
Interest income	6,735	**5,269**	0	**0**	6,735	**5,269**
Remeasurement gain/(loss):						
The return on plan assets, excluding the amount included in the net interest expense	12,573	**- 3,995**	0	**0**	12,573	**-3,995**
Contributions from employer	6,639	**5,223**	-	**877**	6,639	**6,100**
Contribution from employees into the Scheme	791	**478**	0	**0**	791	**478**
Benefits Paid:	-11,703	**-11,085**	0	**-877**	-11,703	**-11,962**
Assets Distributed in Settlements	-6535	**0**	0		-6,535	**0**
Closing fair value of scheme assets	**167,340**	**163,230**	**0**	**0**	**167,340**	**163,230**

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation):

	Local Government Pension Scheme		Discretionary Benefits Arrangements*		Total	
	2014/15 £000s	2015/16 £000s	2014/15 £000s	2015/16 £000s	2014/15 £000s	2015/16 £000s
Opening balance at 1 April	294,657	**310,896**	0	**-876**	294,657	**310,020**
Current service cost	2,880	**2,069**	0	**0**	2,880	**2,069**
Interest cost	12,290	**9,771**	0	**0**	12,290	**9,771**
Contribution from scheme participants	791	**478**	0	**0**	791	**478**
Remeasurement gain/(loss):					0	**0**
Actuarial gain/losses arising from changes in financial assumptions	33,727	**-23,514**	0	**0**	33,727	**-23,514**
Other expenditure	-4,290	**-5,723**	0	**0**	-4,290	**-5,723**
Past service cost	25	**10**	0	**0**	25	**10**
Losses/(gains) on curtailment:			0	**0**	0	**0**
Benefits Paid	-11,703	**-11,085**	-876	**-877**	-12,579	**-11,962**
Liabilities extinguished on settlements	-17,481	**0**	0	**0**	-17,481	**0**
Closing present value of scheme liabilities	**310,896**	**282,902**	**-876**	**-1,753**	**310,020**	**281,149**

*Where provided by The Actuary, the split between LGPS and Discretionary Benefits Arrangements has been disclosed.

Local Government Pension Scheme assets comprised:

Fair value of scheme assets[1] 2014/15 £000s	Assets comprised of:	Fair value of scheme assets[1] 2015/16 £000s
3,821	Cash and cash equivalents	3,062
	Equity instruments:	
	By industry type[2]	
13,440	Consumer	12,931
8,403	Energy and utilities	6,451
12,560	Financial institutions	12,168
8,232	Health and care	7,480
11,786	Information technology	11,252
9,318	Other	9,794
63,739	**Total Equity**	**60,076**
	Bonds:	
	By sector	
4,910	Government	13,817
4,910	**Total Bonds**	**13,817**
	Private Equity:	
142	Overseas	97
142	**Total Private Equity**	**97**
	Property:	
12,850	Retail	14,655
12,850	**Total Property**	**14,655**
	Investment Funds and Unit Trusts:	
56,391	Equities	55,818
25,487	Bonds	15,705
81,878	**Total Investment Funds and Unit Trusts**	**71,523**
167,340	**Total assets**	**163,230**

[1] All scheme assets have quoted prices in active markets

[2] The risks relating to assets in the scheme are also analysed by company size below:

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.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson, 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 2013.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits Arrangements*	
	2014/15 £000s	2015/16 £000s	2014/15 £000s	2015/16 £000s
Mortality Assumptions				
Longevity at 65 for Current Pensioners:				
Men	22.3	22.3		
Women	24.3	24.3		
Longevity at 65 for Future Pensioners:				
Men	24	24	-	-
Women	26.6	26.6	-	-
Other:				
Rate of Increase in Pensions	2%	2%	3%	-
Rate of Increase in Salaries **	4%	4%	-	-
Rate for Discounting Scheme Liabilities	3%	4%	5%	-

*Where provided by The Actuary, the split between LGPS and Discretionary Benefits Arrangements has been disclosed.
** Salary Increases are assumed to be 1% p.a until 31 March 2016 reverting to the long term assumption shown.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Change in assumptions at 31 March 2016:	Approximate increase to Employer Liability %	Approximate Monetary Amount £000s
0.5% decrease in Real Discount Rate	9%	24,302
1 year increase in member life expectancy	3%	8,434
0.5% increase in the salary increase rate	2%	4,351
0.5% increase in the Pension Increase Rate	7%	19,789

Asset and Liability Matching (ALM) Strategy

The pensions committee of Northamptonshire County Council has agreed to an asset and liability matching strategy (ALM) that matches, to the extent possible, the types of asset invested to the liabilities in the defined benefit obligation. The fund has matched assets to the pensions' obligations by investing in long-term fixed interest securities and index linked gilt edged investment with maturities that match the benefits payments as they fall due. This is balanced with a need to maintain the liquidity of the fund to ensure that it is able to make current payments. As is required by the pensions and (where relevant) investment regulations the suitability of various types of investment have been considered, as has the need to diversify investments to reduce the risk of being invested in too narrow a range. A large proportion of the assets relate to equities (71% of scheme assets) and bonds (18%). These percentages are materially the same as the comparative year. The scheme also invests in properties as a part of the diversification of the scheme's investments.

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales).

The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The authority is anticipated to pay £7m expected contributions to the scheme in 2016/17.

46. CONTINGENT LIABILITIES

The Council is potentially liable for the following:

Northampton Partnership Homes

- As set out in the explanatory forward and Note 56 Group Accounts, NBC set up an Arm's Length Management Organisation on 5th January 2015, Northampton Partnership Homes (NPH). NPH is a company limited by guarantee, and as such, NBC is liable for all losses experienced by NPH, and is also the guarantor for NPH's pension liabilities. See Note 56 for disclosure of the financial performance of NPH in 2015/16.

Business Rates

- Following new Local Authority funding arrangements for Business Rates in April 2013, NBC now assumes a proportion of the liability for refunding businesses who appeal to the Valuation Office (VO) against the rateable value of their properties.

- The VO published a list of appeals outstanding up to 31st March 2016 in April 16. Estimates of these appeals that had been lodged and their success judged to be probable under IAS 37 have been provided for, see note 24.

- The estimated value of appeals within NBC's billing authority borders that had been lodged but their success deemed only possible as per IAS 37 totalled £2.2m. These therefore constitute a contingent liability, with NBC's share (40%) of these appeals being £0.9m.

- Additionally, it is possible that other appeals will be lodged by businesses in the future against rateable values. As the value and timing of these appeals by their nature cannot be known, it is necessary to recognise this as a contingent liability.

- The VOA have advised that Virgin Media has put forward a proposal to merge the Virgin Media network that appears in councils rating lists countrywide into a single national assessment, appearing from 1 April 2010. The rateable value (RV) in relation to Virgin Media within NBC's billing authority borders is £0.9m. If this proposal is approved, this could see the removal of the full £0.9m RV from NBC's rating list, which equates to approximately £0.4m in net rates per annum. If backdated, this would have a negative impact of £2.5m, with NBC's share (40%) of this being £1m.

- A tribunal case in 2015/16 saw a number of GP Surgeries successfully awarded appeals backdated to 2010 at 50% of their net rates payable. At present, there are a number of GP Surgeries within NBC's billing authority borders that are under appeal. At present a provision at 5% of net rates payable has been accounted for, however the appeal awarded could as high as 50%. This difference of 45% is therefore recognised as a contingent liability, totalling £1.8m, with NBC's share (40%) of this being £0.7m.

Other

- A capital grant received from the East Midland Development Agency (EMDA) for site clearance of the Blueberry Diner (now novated to the Homes and Communities Agency following the closure of EMDA). 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. However, although no formal agreement is currently in place, the Council has been in positive discussions with the HCA over this, and the HCA have been agreeable to extension of time for development to be completed. The HCA are also supportive in principle to the use of the funding in other areas of the town. Therefore it is viewed as unlikely this funding will need to be returned, and is disclosed as a contingency only.
- 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 2016 is estimated to be £0.6m.
- Financial guarantee for Home Group - a Housing Association. Under the 1987 (Bond issue)
  "Under the 1987 [bond issue] Home Group 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 rating, the bond issue is underpinned by income from the properties constructed using the finance provided." The NBC proportion is 1.35% of £82.5m representing a value of £1.1m
- There are a number of outstanding insurance claims that have been received of £1.4m as assessed by our Insurance Actuary. These have been assessed and an estimated provision has been charged to the accounts of £0.2m, therefore the estimated value of the insurance claims outstanding is £1.2m.
- A capital grant agreed by the Heritage Lottery Fund for redevelopment of Delapre Abbey and for which procurement of a specialist construction company has already taken place and works commenced. As well as this, £1.34m of NBC resources have also been committed, along with S106 contributions.
- Non-compliance with the grant funding conditions could trigger clawback of funds to the HLF and also lead to potential legal action from the construction company concerned. Now that construction is underway, we may be faced with the usual issues of extension to time, dealing with unforeseen circumstances, inclement weather conditions, all of which could have a negative impact on time and cost.
- Northern Gasholder site, St Peters (NBC owned property). NBC has an obligation to pay on sale excess of receipt (if any) (or if not sold by 2024 any excess in value) over £1m, to National Grid.
- There is a planning appeal outstanding relating to Collingtree that is currently going to enquiry. At this stage, the financial impact cannot be determined.
- Letter from an interested party has been received regarding entitlement of proceeds from the sale of artefact.
- The council's environmental services contractor has a number of disputes with NBC that it has indicated it will pursue in court.

- There are a number of other contingent liabilities totalling £388k covering small claims, property search claims and employment tribunal claims that are considered insignificant.

47. CONTINGENT ASSETS

The Council is currently monitoring the following contingent assets:

- Northampton Waterside Enterprise Zone is funded from Business Rates uplift within its boundaries. Expenditure relating to administration and infrastructure loan costs has exceeded income receipts from business rates uplift, these sums will be reimbursed when the income from the projects exceeds expenditure. To date, the value to be reimbursed from Business rates uplift totals £1.7m.

- NBC have lodged a court claim for money lent to Northampton Town Football club, and is expected to issue further claims in the future.

- 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. The expectation is in the region of £0.1m.

- There is an obligation upon National Grid (NG) (owners of property) to pay to NBC part of monies advanced by WNDC to NG for remediation of land. Payment due to NBC by 2019 or on sale of the land affected estimated at £1.5m.

- Upon completion of works by NBC, obligation on Reef Estates Limited to pay "Highways Contribution" to NBC of approximately £0.1m.

48. 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. The Local Government Act 2003 places a statutory duty on the Council to have regard to guidance issued or specified by the Secretary of State. This guidance includes the CIPFA Treasury Management Code of Practice. Treasury risk management is undertaken by the LGSS 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 dependent on, external credit ratings, including sovereign ratings.

The Annual Investment Strategy also imposes value and investment period limits for each category of approved counterparty. In 2015-16 the maximum limits for placements with individual or group counterparties in 2015-16 were £20m and 3 years for the UK government and UK nationalised or part nationalised banking institutions, £15m and 3 years for other UK counterparties and overseas counterparties with AAA sovereign ratings, £15m for AAA CNAV Money Market Funds and £10m and 3 years for UK local authorities and overseas counterparties with AA+ sovereign rating. Within this ceiling, lower limits 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.

To support local economic regeneration the Council has made third party loans to local organisations. Assessment of the credit risk to the authority from the loans is undertaken as part of the due diligence work.

During 2015-16 the Council experienced default on a loan to a third party - see Narrative Report - Significant Events and note 42 – Impairments. Due to the individual circumstances of this default this does not in itself increase the likelihood of default on other third party loans.

The Council's maximum exposure to credit risk in relation to its investments totalling £66.1m 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 2016 that this was likely to crystallise.

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

Estimated Maximum Exposure to Default and Uncollect-ability at 31 March 2015 £000s	Credit Risk	Amount at 31 March 2016 £000s	Historical Experience of Default at 31 March 2016 %	Historical Experience Adjusted for Market Conditions at 31 March 2016 %	Estimated Maximum Exposure to Default and Uncollect-ability at 31 March 2016 £000s
0	Third Party Loans	51,079	0.00%	0.00	0
0	Mortgages	14	0.00%	0.00	0
0	Finance Leases	108	0.00%	0.00	0
55	Customers: Tenants	1,963	2.75%	2.75	54
2,134	Customers: Sundry Debtors	5,186	24.91%	24.91	1,292
0	Deposits with Banks and Financial Institutions	66,144	0.00%	0.00	0
2,189	**Total**	**124,494**			**1,346**

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits. The Council held no investments in the form of bonds during 2015-16.

With the exception of third party loans and mortgagees, the Council does not generally allow credit for its customers.

As shown in Table 1, at 31st March there were outstanding loans to third parties of £51.1m. Such loans, by their nature, do carry a degree of risk. However all are secured according to the terms of the individual loan agreement.

Of the £124.5m total exposure to credit risk £7.9m 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 2015 £000s	Aged Debt Analysis	Amount at 31 March 2016 £000s
5,917	Less than three months	4,640
2,091	Three to six months	1,433
364	Six months to one year	239
1,400	More than one year	838
9,772	**Total**	**7,150**

Impairment on the debtors financial asset has been identified, standing at a total of £8.23m at the end of 2015-16

Collateral

The authority holds collateral against a number of mortgages. The balance sheet value of the principal amount outstanding is currently £15k (£30k in 2014-15). The terms and conditions relating to the pledge are standard in all the mortgages held and set out the rights and responsibilities of the Council and the mortgage holder

All loans made by the Council to third parties are secured according to the terms of each individual loan agreement.

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:

31 March 2015 £000s	Maturity Profiles of Financial Liabilities	31 March 2016 £000s
-17,953	Less than one year	-22,570
-13,828	One to two years	-13,175
-17,125	Two to five years	-50,166
-198,061	More than five years	-207,336
-246,967	**Total**	**-293,247**

Amounts maturing within one year include short term creditors, short term grants and Section 106 funding commitments, short term borrowing, principal due within 12 months on annuity and EIP (Equal Interest Instalment) loans, and long term loans maturing within the next 12 months. PWLB loans totalling £6m are due for maturity in the final quarter of 2016-17. Repayment of these will be funded from internal borrowing, new loans, or a combination of both. Longer term maturities consist of long term debt (including finance leases), and long term grants and Section 106 funding.

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 example 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;
- Investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings 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 borrowings and investments 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 authority 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 2016, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

31 March 2015 £000s	Market Risk	31 March 2016 £000s
228	Increase in interest payable on variable rate borrowing	93
-259	Increase in interest receivable on variable rate investments	-242
-31	**Impact on Surplus or Deficit on the Provision of Services**	**-149**
65	Share of overall impact credited to the HRA	31
34	**Impact remaining on General Fund**	**-118**
169	Increase in fair value of fixed rate investment assets	256
169	**Impact on Other Comprehensive Income and Expenditure**	**256**
91	**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**	**156**

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

Price Risk

The authority 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.

49. 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 have, for the three-year period to 31st March 2016, made an operating surplus of £35k on a turnover of £689k. In the previous three-year period to 31st March 2015, there was an operating surplus of £38k against a turnover of £727k.

Building Control Trading Account	2015/16		
	Chargeable £000s	Non-Chargeable £000s	Total £000s
Expenditure			
Employees	105	93	197
Transport	2	2	4
Supplies and services	5	6	11
Support service charges	100	89	189
Total Expenditure	**211**	**189**	**401**
Income			
Building Regulation fees	-207	0	-207
Total Income	**-207**	**0**	**-207**
Surplus (-) / Deficit for Year	**5**	**189**	**194**

	2014/15		
Comparatives for 2014/15	Chargeable £000s	Non-Chargeable £000s	Total £000s
Expenditure	202	159	360
Income	-238	0	-238
Surplus (-) / Deficit for Year	**-37**	**159**	**122**

50. 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:

2014/15 £000s	Publicity Expenditure	2015/16 £000s
32	Recruitment Advertising	26
467	Publicity Unit	311
156	Other Publicity	262
655	**Total**	**599**

51. 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: -

2014/15		Local Authority (Goods & Services) Act 1970	2015/16	
Exp £000s	Income £000s		Exp £000s	Income £000s
301	-45	Call Care	312	-48
258	-258	Print Services Unit	17	-17
559	**-303**	**Total**	**329**	**-65**

52. TRUST FUNDS

The Council acts as sole trustee in respect of two trust funds:
- The Northamptonshire Regimental Museum (balances of £97K as at 31 March 2016)
- The Northamptonshire Yeomanry Regimental Museum Trust (balances of £1k as at 31 March 2016)

The trust funds are used to finance expenditure on the museum exhibits donated by the Regiments at their disbandment. The collections are housed at the Abington Museum. Surplus funds are invested and accounted for separately to the Council's funds.

53. 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, 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 2015/16, which is required by the guidance issued by CLG, on 23rd February 2015. The MRP charged to the 2015/16 accounts relates to the general fund historic debt liability incurred for the year.

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 2015/16 was £1.262m. This compares to £1.253m in 2014/15.

54. HERITAGE ASSETS – 5 YEAR SUMMARY OF TRANSACTIONS

Paragraph 4.10.4.5 of the Code of Practice on Local Authority Accounting requires the disclosure of Heritage Assets acquired through purchase and donation, and disposed of, over the last five years. It also allows for this information not to be given for any period prior to 1 April 2010 where it is not practicable. This is the case for Northampton Borough Council.

There was a large collecting programme of trainers to enhance the shoe collection between April 2009 and April 2012. This amounted to £75k for which the museum was given a purchase grant by the Heritage Lottery Fund. Since 1 April 2012 a number of shoes, social and military history artefacts, archaeology and art works have been donated to the museum the aggregate value of which is less than £3k. There were two significant donations of artworks in 2014. Local artist Peter Newcombe donated twelve framed and glazed pictures depicting John Clare 'Shepherd's Calendar' in medium of pen, wash and other media, with a valuation of £50k. The second major donation was of an oil painting 'And Then the Comet Came and Changed All Things' by Roberta Booth (1947-2014), with a valuation of £7k.

There have been two disposals from the collections which have realised a financial return. In March 2011, a collection of mounted natural history specimens sold at auction for £52k, which has been taken to be its carrying value at the time. In July 2014 an Egyptian statue was sold at auction for £14m, with NBC receiving £8.239m payment from the sale.

55. HERITAGE ASSETS – COLLECTIONS AND POLICIES

Collections

1. Designated Shoe Collection

The collection of shoes and related objects from the industry is recognised by Arts Council England as a Designated Collection of national and international importance. The Shoe Collection is the largest collection of shoe heritage and related shoe industry objects in the world. The Shoe Collection began purely as a collection of footwear, however, over the years this has developed into a collection including over 12,000 shoes and covering the whole of the footwear industry worldwide. In total the collection contains over 60,000 objects and can be analysed into the following subdivisions: Footwear, Machinery, Tools, Lasts, Patterns and Material associated with the selling of shoes, Polish, Shoe Trees and other items used in the care of shoes, including shoe repairing, Factory Furniture and Fittings, Overshoes, Spats, Gaiters, Ice Skates and other items worn with shoes (excluding hosiery), Objects shaped like shoes and depicting shoes, Archival material including catalogues, photographs and trade magazines and Prints and paintings of shoes and shoemakers.

2. Archaeology Collection

For over a century, Northampton Museums has collected archaeological material. The majority of archaeological material now coming to light in the county is the product of contract excavations in advance of development. Significant collections include Bronze Age pottery, Iron Age finds from Hunsbury, Roman finds from Duston and Irchester, pottery, weapons and jewellery from Anglo-Saxon cemeteries and many other objects were first collected in the 19th century. This set the scene for collecting and through excavations and fieldwork this has carried on ever since. There is a Numismatic Collection of about 12,000 items, principally locally found Roman, English Medieval and later coins and tokens. Particular strengths are the coins from Northampton Mint, and a large number of Northamptonshire tokens and checks. There is also a collection of approximately 800 medals relating to local people, clubs or societies. There is a small Ancient Egyptian collection of approximately 250 items.

3. Art Collection

The greater part of the fine art collection consists of British easel paintings and works on paper, from the 19th and 20th centuries. The collection's greatest strength lies in landscapes and portraits, topographical works and graphic art from 1960-2000. The collection has strong representation from local, professional artists, some of whom have been recognised nationally and are often linked to the 100 year old Town & County Art Society The non-British pictures include an important group of 15th to 18th century Italian paintings - works of high quality by secondary masters, particularly from the Venetian School, most of which were consciously collected between 1967 and 1987 as a result of a former policy which sought to concentrate purchases in this one area of the collection. At present there are approximately 2,700 items in the Art Collection which fall into the following categories: Watercolours, Drawings, Prints (contemporary), Mixed Media (excluding drawings), and Sculpture.

4. Decorative Art

The current collection encompasses ceramics, glassware, and metal ware. The great areas of strength are the fine collections of British and Oriental ceramics given early in the 20th century by five private collectors. There are approximately 4,100 items in the decorative art collection (excluding furniture): Ceramics – British (and some Continental and North African), Glass – British (and some Irish), Metalwork, Enamels, and Oriental Collections (ceramics, bronzes and miscellaneous).

5. Ethnography

The ethnographic collection consists of about 300 historic (not contemporary) objects from India, China and Japan, Africa, North America and. Many objects were purchased in the early to mid-20th century to enhance the displays at Abington Museum or acquired as the result of local collecting as well as some casual donations.

6. Geology

A substantial number of Geological items were given to the Museum in the forty years following its founding in 1866, principally by the Third and Fourth Marquesses of Northampton and Beeby Thompson. The collection consists of about 40,000 items of which 75% are Northamptonshire Jurassic finds. The remaining 25% consists of fossils from outside the county, and a worldwide mineral collection.

7. Natural History

The small Natural History Collection consists of a few mounted specimens and small collections of birds' eggs.

8. Social History

In general, the Social History collection covers historical material post 1600 to the present that does not fall within another collection and includes fashion and costume. – The collection covers community life including civic affairs, working life, and the full range of personal and domestic life material.

9. Northamptonshire Regiment and Yeomanry

Northampton Borough Council is the sole trustee for the Northamptonshire Regimental Museum and Northamptonshire Yeomanry Regimental Museum Trust. The collecting for these collections will follow the inherent themes for regimental collections – reflecting both the military and civilian aspects of the Regiments impact.

Policies

The Council maintains a record of its heritage assets within its asset register supplemented by the detailed records held by the relevant departments.

Some museum heritage assets are on display at the Authority's two museums; while others are held at secure locations in storage e.g. while awaiting conservation work. Access to the civic regalia is limited to appropriate occasions, such as the use of the mace and mayor's chain at Council meetings. The statues, buildings, and similar heritage assets are largely accessible to the public to view in the parks and public places of Northampton.

G1. 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.

2014/15 £000s	Housing Revenue Account	2015/16 £000s	£000s	Notes
	Income			
-50,481	Dwelling Rents	-51,414		**HRA2-4**
-1,140	Non Dwelling Rents	-1,165		
-2,467	Charges for services & facilities	-2,143		
-33	Contributions Towards Expenditure	-7		
-54,121	**Total Income**		**-54,729**	
	Expenditure			
16,206	Repairs & Maintenance	13,329		**HRA5**
	Supervision & Management			
7,645	General Management	9,594		
4,074	Special Services	4,080		
276	Rent, Rates, Taxes & other charges	271		
-5,978	Depreciation, Impairment & Revaluation of Fixed Assets	-1,386		**HRA6**
65	Debt Management Costs	46		
216	Increased in provision for bad/doubtful debts	204		
22,504	**Total Expenditure**		**26,139**	
-31,617	**Net Cost of Services**		**-28,590**	
557	HRA Services share of Corporate and Democratic Core		520	
-31,060	**Net Cost of HRA Services**		**-28,070**	
1,806	Gain (-) or Loss on sale of HRA Fixed Assets		2,054	
5,966	Interest and Investment Income		6,024	
1,175	Pensions interest cost and expected return on pensions assets		5	
-15,522	Non Specific Grant Income		0	
-803	Surplus or deficit on revaluation of non current assets		-2,991	**HRA6**
-38,439	**Surplus (-) or Deficit for the year on HRA services**		**-22,978**	

G2. 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.

2014/15 £000s	Statement of Movements on the Housing Revenue Account Balance	2015/16 £000s
-38,439	Surplus (-) / Deficit for the year on the HRA Income and Expenditure Account	-22,978
38,439	Net additional amount required by statute to be debited or credited to the HRA Balance for the year	22,978
0	**Increase (-) / Decrease in the HRA Balance for the Year**	**0**
-5,000	HRA Balance brought forward	-5,000
-5,000	**HRA Balance carried forward**	**-5,000**

DETAILED TRANSACTIONS

2014/15 £000s	Reconciling Items for the Statement of Movement on the Housing Revenue Account Balance	2015/16 £000s	Note
	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		
0	Capital Expenditure	9,424	
-18,128	Revaluation Losses	-13,806	
33,316	Revaluation Gains	24,060	
15,522	Capital Grants and Contributions Transferred to the Capital Adjusment Account	0	
-1,806	Gain or Loss on sale of HRA non-current assets	-2,054	
526	HRA share of contributions to or from the pensions reserve	-7	
29,430	**Total**	**17,617**	
	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		
3,273	Transfer to / from (-) Major Repairs Reserve	3,930	**HRA7**
803	Transfers to / from (-) Revaluation Reserve	2,991	**HRA6**
1,372	Employer's contributions payable to the Northamptonshire County Council Pension Fund and retirement benefits payable direct to pensioners	62	
26	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	0	
3,535	Net transfers to / from (-) earmarked reserves	-1,622	
9,008	**Total**	**5,362**	
38,439	**Net additional amount required to be credited or debited to the HRA balance for the year**	**22,978**	

G3. NOTES TO THE HRA

1. PRIOR YEAR ADJUSTMENTS

There are no prior year adjustments in relation to the Housing Revenue Account in 2015/16.

2. HRA ASSETS AND CAPITAL TRANSACTIONS

a) At 31st March 2016 the Council was responsible for managing 11786 units of accommodation (excluding shared ownership properties):

Type of Property	Number of Bedrooms				Total
	One	Two	Three	Four+	
Flats-Low Rise	1,439	388	2	1	**1,830**
Flats-Medium Rise	1,739	830	117	4	**2,690**
Flats-High Rise	396	82	21	0	**499**
Houses & Bungalows	882	2,490	3,067	328	**6,767**
Total	**4,456**	**3,790**	**3,207**	**333**	**11,786**

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

Type of Property	Stock at 01 April 2015	Stock Movements			Stock at 31 March 2016
		Sold	Additions	Re-classified	
Flats	5,053	-34	4	-1	5,022
Houses & Bungalows	6,830	-66	0	0	6,764
Dwellings (excl. Shared)	**11,883**	**-100**	**4**	**-1**	**11,786**
Shared Ownership	80	-1	0	0	79
Total	**11,963**	**-101**	**4**	**-1**	**11,865**

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

Restated 31 March 2015 £000s	Net Balance Sheet Value	31 March 2016 £000s
	Operational Assets	
122,060	Land	126,375
270,518	Dwellings	295,470
17,976	Other Capital Assets	20,758
410,554	**Total Operational Assets**	**442,603**
869	Non Operational Assets	355
411,423	**Total**	**442,957**
1,029,228	**Vacant Possession Value as at 1st April**	**1,069,605**

d) Capital Receipts

2014/15 £000s	Housing Capital Receipts	2015/16 £000s
-26	Land Sales	0
-4,430	Dwelling Sales	-5,009
-4,456	**Total**	**-5,009**
955	Payable to the Secretary of State	1,091
955	**Net cost of Payments to CLG**	**1,091**
-3,501	**Useable Capital Receipts**	**-3,918**

e) Capital Expenditure and Financing

2014/15 £000s	HRA Capital Expenditure and Financing	2015/16 £000s
	Expenditure	
0	Land Purchase	0
29,207	Dwellings	33,114
324	Re-Purchase of Former Council Housing	557
434	Other Property	22
0	Self Financing	0
29,965	**Total Expenditure**	**33,693**
	Financing	
	Dwellings	
0	Borrowing	0
2,115	Useable Capital Receipts	2,371
0	Revenue Contributions	9,424
12,328	Major Repairs Reserve	21,898
15,522	Grants	0
0	Third Party Contributions	0
29,965	**Total Financing**	**33,693**
	Other Property	
0	Useable Capital Receipts	0
0	Major Repairs Reserve	0
0	**Total Other Property**	**0**
29,965	**Total Financing**	**33,693**

3 ARREARS

During 2015/16, arrears as a proportion of gross income were 3.6%. This represents a decrease of 0.2% since 2014/15 when the proportion was 3.8%. The figures for rent arrears are detailed below:

2014/15 £000s	Rent Arrears	2015/16 £000s
1,913	Gross Arrears at 31 March	1,863
-680	Prepayments	-739
1,233	**Net Arrears at 31 March**	**1,124**
835	Provision for bad debts at 31 March	813

4. VACANT POSSESSION VALUE

2014/15 £000s	HRA Vacant Possession Value	2015/16 £000s
1,029,228	Vacant Possession Value as at 31st March	1,069,605

2014/15 £000s	HRA Existing Use	2015/16 £000s
350,230	Existing Use Value as at 31st March	363,972

The vacant possession value of dwellings within the HRA as at 31st March 2016 was £1,069m (£1,029m in 2014/15). For the balance sheet, the figure has been reduced to 34% of this value for all except a small number of specific properties - i.e. £363m (£350m in 2014/15). This reflects the economic cost of providing Council housing at less than open market rents.

5. DEPRECIATION, AMORTISATION, IMPAIRMENT, AND REVALUATION OF NON CURRENT ASSETS

a) Depreciation and Amortisation

2014/15 £000s	Depreciation and Amortisation	2015/16 £000s
	Operational Assets	
8,604	Dwellings	8,308
333	Other Property	371
1	Vehicles, Plant & Equipment	1
8,939	**Total Depreciation**	**8,680**
222	Intangible Assets -amortisation	184
222	**Total Amortisation**	**184**
9,160	**Total**	**8,864**

b) Revaluation Gains and Losses

2014/15 I&E £000s	2014/15 RRA £000s	Revaluation Gains & Losses	2015/16 I&E £000s	2015/16 RRA £000s
18,118	19	Dwellings	13,536	20
6	9	Other Property	271	41
0	0	Vehicles, Plant & Equipment	0	0
18,124	**28**	**Revaluation Losses**	**13,806**	**61**
-33,245	-728	Dwellings	-23,830	-786
-17	-103	Other Property	-225	-2,266
0	0	Vehicles, Plant & Equipment	0	0
-33,262	**-831**	**Revaluation Gains**	**-24,055**	**-3,052**
-15,138	**-803**	**Total**	**-10,249**	**-2,991**

6. 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 the notional Major Repairs Allowance (MRA), which can be used in future years. The notional MRA is as used in the self-financing valuation and represents the estimated annual cost of maintaining an Authority's stock at its existing level.

Council dwellings depreciation is not the same as the MRA; therefore an adjustment is required to ensure there is no bottom line impact on the HRA. This is known as the Capital asset charges accounting adjustment. The transactions on the MRR are detailed below:

Major Repairs Reserve	£000s
Balance at 1 April 2015	**-9,288**
Council Dwellings Depreciation	-8,681
Depreciation adjustment to agree to MRA	-3,930
Total	**-21,898**
Amount used to finance Capital Expenditure	
Dwellings	21,898
Total	**21,898**
Balance at 31 March 2016	**0**

H1. COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

The Council has a statutory requirement to operate a Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund is to isolate the income and expenditure relating to Council Tax and National Non-Domestic Business Rates. The administrative costs associated with the collection process are charged to the General Fund.

Collection Fund surpluses/deficits declared by the Billing Authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. For NBC, the Council Tax precepting bodies are Northamptonshire County Council and Northamptonshire Police and Crime Commissioner.

In 2013/14, the Local Government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give Councils a greater incentive to grow businesses in the Borough. It does, however, also increase the financial risk to the authority due to non-collection and the volatility of the NNDR tax base.

The scheme allows the Council to retain a proportion of the total NNDR received. The initial Northampton Borough Council share is 40% with the remainder paid to precepting bodies. For NBC, the NNDR precepting bodies are Central Government (50% share) and Northamptonshire County Council (10% share). The NBC share is then subject to a tariff payment to Government, which was £32.7m in 2015/16 (£32.1m in 2014/15). The residual amount is then compared to the assessment in the Local Government Finance Settlement and any growth above the Settlement level is subject to a levy payment to Government.

Northampton Borough Council participated in a pool for 2014/15 with other local authorities in the county to minimise the levy payment due and thereby maximise the local retention of locally generated business rates. However, in 2015/16 the Council exited the pool to the wider benefit of the Northamptonshire pool. NBC now received a pooling equalisation payment to ensure it is not financially worse off outside of the pool.

NNDR surpluses/deficits declared by the Billing Authority in relation to the Collection Fund are apportioned to the relevant precepting bodies and Government in the subsequent financial in their respective proportions.

The Code of Practice followed by Local Authorities in England stipulates that a Collection Fund Income and Expenditure account is included in the Council's accounts. The Collection Fund balance sheet meanwhile is incorporated into the Council's consolidated balance sheet.

The following statement on the next page shows the statutory transactions relating to this fund.

2014/15 Council Tax £000s	2014/15 NNDR £000s	2014/15 Total £000s	Collection Fund	2015/16 Council Tax £000s	2015/16 NNDR £000s	2015/16 Total £000s	Note
			INCOME				
-92,263	0	**-92,263**	Council Tax (net of benefits, discounts & transitional relief)	-96,787	0	**-96,787**	
			Transfers from General Fund				
0	0	**0**	Council Tax benefits	0	0	**0**	
0	-99,013	**-99,013**	Income collectable from business ratepayers	0	-102,497	**-102,497**	
-92,263	**-99,013**	**-191,276**	**Total Income**	**-96,787**	**-102,497**	**-199,284**	
			EXPENDITURE				
			Precepts & demands:-				
64,431	0	**64,431**	Northamptonshire County Council	66,201	0	**66,201**	
12,108	0	**12,108**	Northamptonshire Police and Crime Commissioner	12,445	0	**12,445**	
13,841	0	**13,841**	Northampton Borough Council	13,897	0	**13,897**	
			National Non-Domestic Rates				CF1
0	51,610	**51,610**	Payments to Central Government	0	49,084	**49,084**	
0	10,322	**10,322**	Payments to Northamptonshire County Council	0	9,817	**9,817**	
0	41,288	**41,288**	Amount retained by Northampton Borough Council	0	39,267	**39,267**	
0	299	**299**	Cost of collection	0	298	**298**	
0	519	**519**	Other - Enterprise Zone	0	551	**551**	
0	885	**885**	Transitional Protection Payments	0	149	**149**	
			Bad & Doubtful Debts / Appeals				
2,129	1,511	**3,639**	Provisions	440	5,503	**5,943**	CF4
			Contributions				
0	-2,225	**-2,225**	Towards previous years' Collection Fund surplus/(deficit)	653	-14,938	**-14,285**	CF3
0	-198	**-198**	Prior Year Adjustments (deferrals)	0	0	**0**	
92,509	**104,011**	**196,519**	**Total Expenditure**	**93,636**	**89,731**	**183,367**	
245	**4,998**	**5,243**	**Net (Surplus)/deficit for the year**	**-3,151**	**-12,766**	**-15,917**	
			COLLECTION FUND BALANCE				
-1,770	9,489	**7,719**	Balance brought forward at 1st April	-1,524	14,486	**12,962**	
245	4,998	**5,243**	Net Deficit/(surplus) for the year (as above)	-3,151	-12,766	**-15,917**	
-1,524	**14,486**	**12,962**	**Balance carried forward at 31 March**	**-4,675**	**1,720**	**-2,955**	
			Allocated to:-				
0	7,243	**7,243**	Central Government	0	860	**860**	
-1,089	1,449	**360**	Northamptonshire County Council	-3,351	172	**-3,179**	
-205	0	**-205**	Northamptonshire Police and Crime Commissioner	-627	0	**-627**	
-231	5,795	**5,564**	Northampton Borough Council	-697	688	**-9**	
-1,524	**14,486**	**12,962**	**Fund Balance c/fwd**	**-4,675**	**1,720**	**-2,955**	

H2. NOTES TO THE COLLECTION FUND

1. NATIONAL NON DOMESTIC RATES (NNDR)

The total non-domestic rateable value as at 31 March 2016 was £244.8m and the equivalent figure for 2014/15 was £244.3m. The National Non-Domestic Rate multiplier for 2015/16 was 49.3.p and the equivalent figure for 2014/15 was 48.2p. The small business non-domestic rating multiplier for 2015/16 was 48.0p and the equivalent figure for 2015/16 was 47.1p.

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 2012/13, was calculated as follows: -

2014/15 Band D Equivalents	Band	Estimated number of taxable properties 2014/15 after discounts	Ratio	2015/16 Band D Equivalents
14.08	A(-)	35.70	5/9	19.80
12,438.60	A	19,277.80	6/9	12,851.90
12,382.65	B	16,286.70	7/9	12,667.40
16,881.07	C	19,373.80	8/9	17,221.20
9,230.77	D	9,362.50	9/9	9,362.50
6,148.82	E	5,110.70	11/9	6,246.40
3,186.11	F	2,258.30	13/9	3,262.00
1,950.06	G	1,186.20	15/9	1,977.00
102.00	H	51.30	18/9	102.50
62,334.16	Gross Council Tax Base			63,710.70
1,683.00	Non-collection provision			1,783.90
60,651	**Council Tax Base Used for setting the Precept**			**61,927**

The provision for non-collection was set at 2.8% for 2015/16 (2.7% for 2014/15).

3. ANALYSIS OF IN-YEAR CONTRIBUTIONS TO FUND DEFICITS

2014/15 £000s	Allocation Of Collection Fund Surplus Council Tax	2015/16 £000s
834	Northamptonshire County Council	466
157	Northamptonshire Police & Crime Commissi	88
184	Northampton Borough Council	100
1,176	**Total Surplus paid out**	**653**

2014/15 £000s	In Year Contribution to Deficit NNDR	2015/16 £000s
-1,112	Central Government	-7,469
-222	Northamptonshire County Council	-1,494
-890	Northampton Borough Council	-5,975
-2,225	**Total Deficit Recovered**	**-14,938**

4. PROVISION FOR BAD AND DOUBTFUL DEBTS

2014/15 £000s	Provision for Bad and Doubtful Debts Council Tax	2015/16 £000s
9,514	Bad Debt Provision B/f	10,441
-1,125	Write Offs	-840
-77	Council tax benefit transferred to reserve	-54
2,129	Provision Made in Year	440
10,441	**Bad Debt Provision c/f**	**9,987**

The Collection Fund now also provides for Bad debts on NNDR arrears:

2014/145 £000s	Bad and Doubtful Debts NNDR	2015/16 £000s
679	Bad Debt Provision B/fwd	675
-430	Write offs of uncollectible debt	-312
426	Allowance for non collection	216
675	**Bad Debt Provision c/f**	**580**
0	Amounts written off in year not charged to provision	0

The Collection Fund account also provides for provisions for appeals against the rateable valuation set by the Valuation Office Agency (VOA) not settled as at 31st March 2016:

2014/15 £000s	Provision for Appeals	2015/16 £000s
2,969	Appeals Provision B/fwd	4,053
-1,601	Provision for 13/14 appeals	-1,723
2,685	Provision for backdated appeals	7,322
4,053	**Appeals Provision c/f**	**9,652**

I. GROUP ACCOUNTS

In order to provide a full picture of the Council's economic activities and financial position, the accounting statements of the Council and Northampton Partnership Homes have been consolidated. The Group Accounts are presented in addition to the Council's "single entity" financial statements, and comprise:

- Group Comprehensive Income and Expenditure Statement
- Group Balance Sheet
- Group Movement in Reserves Statement
- Group Cash Flow Statement

These statements are set out on the following pages, together with accompanying disclosure notes. Disclosure notes have only been restated in the group accounts section where they are materially different from those of the Council's single entity accounts.

Northampton Partnership Homes was incorporated on the 30th April 2014 and commenced trading on the 5th January 2015. Northampton Partnership Homes is an Arm's Length Management Organisation that is wholly owned by the Council, but which has its own board of Directors. It is a company Limited by Guarantee (CLG) and is a not for profit organisation.

Northampton Partnership Homes is a subsidiary of Northampton Borough Council for accounting purposes, and have been consolidated into the Council's group accounts.

I1. GROUP ACCOUNTS CORE STATEMENTS

Group Movement in Reserves Statement

The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Group's services, more details of which are shown in the Group 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 Statement is shown on the next page:

Group Movement in Reserves Statement	Single Entity Usable Reserves £000s	Single Entity Unusable Reserves £000s	Total Single Entity Reserves £000s	Authority share of reserves of subsidiary £000s	Total Group Reserves £000s
Balance at 31 March 2014 Brought forward	**-65,894**	**-172,039**	**-237,933**	**0**	**-237,933**
Movement in reserves during 2014/15					
Surplus or (deficit) on provision of services (Note 31c)	-27,242	0	-27,242	-140	-27,382
Other Comprehensive Expenditure and Income (Note 9)	0	15,529	15,529	1,765	17,294
Total Comprehensive Expenditure and Income	**-27,242**	**15,529**	**-11,713**	**1,625**	**-10,088**
Adjustments between group accounts and authority accounts	0	0	0	13,685	13,685
Net increase/decrease before transfers	**-27,242**	**15,529**	**-11,713**	**15,310**	**3,597**
Adjustments between accounting basis and funding basis under regulations (Note 7)	9,384	-9,384	0	0	0
Net Increase/Decrease before Transfers to Earmarked Reserves	**-17,858**	**6,145**	**-11,713**	**15,310**	**3,597**
Transfers to/from Earmarked Reserves (Note 8)	0	0	0	0	0
Increase / (Decrease) in Year	**-17,858**	**6,145**	**-11,713**	**15,310**	**3,597**
Balance at 31 March 2015 carried forward	**-83,752**	**-165,894**	**-249,646**	**15,310**	**-234,336**
Movement in reserves during 2015/16					
Surplus or (deficit) on provision of services (Note 31c)	-9,639	0	-9,639	7	-9,632
Other Comprehensive Expenditure and Income (Note 9)	0	-33,977	-33,977	-3,098	-37,075
Total Comprehensive Expenditure and Income	**-9,639**	**-33,977**	**-43,616**	**-3,091**	**-46,707**
Adjustments between accounting basis and funding basis under regulations (Note 7)	26,501	-26,501	0	0	0
Net Increase/Decrease before Transfers to Earmarked Reserves	**16,862**	**-60,478**	**-43,616**	**-3,091**	**-46,707**
Transfers to/from Earmarked Reserves (Note 8)	0	0	0	0	0
Increase / (Decrease) in Year	**16,862**	**-60,478**	**-43,616**	**-3,091**	**-46,707**
Balance at 31 March 2016 carried forward	**-66,890**	**-226,372**	**-293,262**	**12,219**	**-281,043**

Group Comprehensive Income and Expenditure Account

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.

2014/15			GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	2015/16		
Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s		Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
			INCOME AND EXPENDITURE ON SERVICES			
3,579	-1,494	2,085	Central services to the public	3,227	-1,545	1,682
			Cultural, Environmental & Planning			
10,059	-2,655	7,404	Cultural & related services	9,506	-2,749	6,757
10,113	-3,598	6,515	Environment and Regulatory Services	10,772	-4,552	6,220
20,740	-5,030	15,710	Planning Services	7,121	-2,392	4,729
14,303	-3,116	11,187	Highways, Roads & Transport	3,648	-3,337	311
			Housing			
53,896	-85,652	-31,756	Housing Revenue Account	45,126	-73,959	-28,834
85,037	-79,936	5,101	General Fund Housing	83,334	-77,799	5,535
557	0	557	Corporate & Democratic Core - HRA	520	0	520
1,842	-64	1,778	Corporate & Democratic Core - GF	11,913	-47	11,865
3	-8,760	-8,757	Non Distributed Costs	64	-12	52
200,129	**-190,305**	**9,824**	**COST OF SERVICES**	**175,231**	**-166,394**	**8,837**
20,368	-15,238	5,130	Other Operating Expenditure **(Note 10)**	11,919	-8,394	3,525
21,166	-8,825	12,341	Financing and Investment Income and Expenditure **(Note 11)**	18,030	-7,101	10,929
37,823	-92,500	-54,676	Taxation and Non-Specific Grant Income **(Note 12)**	33,024	-65,945	-32,921
		-27,381	**(Surplus) or Deficit on Provision of Services**			**-9,630**
		-1,335	Surplus or deficit on revaluation of Property, Plant and Equipment assets			-8,735
		18,629	Actuarial gains / losses on pension assets/liabilities			-28,340
		17,294	**Other Comprehensive Income and Expenditure (Note 9)**			**-37,075**
		-10,087	**TOTAL COMPREHENSIVE INCOME AND EXPENDITURE**			**-46,705**

Group Balance Sheet

The Group Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group. The net assets of the Group (assets less liabilities) are matched by the reserves held by the Group. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Group 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 Group 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'.

31st March 2015 £000s	Group Balance Sheet	31st March 2016 £000s	Notes
509,188	Property, Plant & Equipment	548,865	**13**
29,484	Heritage Assets	32,364	**14**
7,295	Investment Property	6,752	**15**
1,035	Intangible Assets	721	**16**
2,507	Long Term Investments	0	**17g**
15,090	Long Term Debtors	51,193	**20**
564,599	**Long Term Assets**	**639,897**	
33,111	Short Term Investments	38,122	**17g**
10,031	Short Term Available for Sale Financial Instruments	0	**17g**
1,474	Assets Held for Sale	1,162	**22**
152	Inventories	131	**18**
20,385	Short Term Debtors	17,825	**20**
26,539	Cash and Cash Equivalents	8,683	**21**
91,692	**Current Assets**	**65,923**	
-2,628	Short Term Borrowing	-7,444	**17e**
-30,217	Short Term Creditors	-31,931	**23**
-1,993	Provisions	-4,058	**24**
-34,838	**Current Liabilities**	**-43,433**	
-7,377	Long Term Creditors	-10,148	**38**
-29	Provisions	-53	**24**
-221,289	Long Term Borrowing	-260,337	**17f**
-158,421	Other Long Term Liabilities	-130,432	**41b/45**
-387,116	**Long Term Liabilities**	**-400,970**	
234,338	**Net Assets**	**261,417**	
83,835	Usable Reserves	66,990	**MiRS**
150,502	Unusable Reserves	214,052	**26**
234,337	**Total Reserves**	**281,042**	

Group Cash Flow Statement

The Group Cash Flow Statement shows the changes in cash and cash equivalents of the Group during the reporting period. The statement shows how the Group 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 Group are funded by way of taxation and grant income or from the recipients of services provided by the Group. Investing activities represent the extent to which cash outflows have been made for resources, which are intended to contribute to the Group'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 Group.

2014/15 £000s	Group Cash Flow Statement	2015/16 £000s
27,381	Net Surplus or (deficit) on the provision of services	9,630
26,450	Adjustment to surplus or deficit on the provision of services for noncash movements	20,199
-40,165	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	-8,870
13,666	**Net Cash flows from operating activities**	**20,959**
-25,513	Net Cash flows from Investing Activities	-86,478
-3,674	Net Cash flows from Financing Activities	47,662
-15,521	**Net increase or decrease in cash and cash equivalents**	**-17,856**
42,060	Cash and cash equivalents at the beginning of the reporting period	26,539
26,539	**Cash and cash equivalents at the end of the reporting period**	**8,683**

I2. NOTES TO THE GROUP ACCOUNTS

1. Group Boundary

Northampton Partnership Homes was incorporated on the 30th April 2014 and commenced trading on the 5th January 2015. Northampton Partnership Homes is an Arm's Length Management Organisation that is wholly owned by the Council, but which has its own board of Directors. It is a company Limited by Guarantee (CLG) and is a not for profit organisation.

Northampton Partnership Homes is a subsidiary of Northampton Borough Council for accounting purposes, and have been consolidated into the Council's group accounts.

2. Intra Group Transactions

During 2015/16 the Council made payments of £57.601m to Northampton Partnership Homes (£13.893m in 2014/15). During 2015/16 the Council received payments of £6.472m from Northampton Partnership Homes (£1.873m in 2014/15). At 31st March 2015 there was a debtor balance of £3.220m (£4.551m in 2014/15), and a creditor balance of £7.011m (£1.695m in 2014/15) with Northampton Partnership Homes.

3. Basis of consolidation

The financial statements of Northampton Partnership Homes have been consolidated with those of the Council on a line by line basis; which has eliminated in full balances, transactions, income and expenses between the Council and Northampton Partnership Homes.

4. Business activities of Northampton Partnership Homes

Northampton Partnership Homes is responsible for the following services:

- Lettings
- Repairs and maintenance
- Housing management including dealing with anti-social behaviour
- Tenancy support
- Tenant involvement

5. Accounting Policies

In preparing the Group Accounts the Council has aligned the accounting policies of Northampton Partnership Homes with those of the Council.

6. Corporation Tax

Northampton Partnership Homes have receive confirmation from HMRC that their commercial service provision activities with Northampton Borough Council are deemed to be non-trading in nature and hence do not attract Corporation Tax.

The tax currently payable is based on taxable profit for the year from activities with parties other than the Council and relate principally to the generation of interest income from balances.

7. Group Cash Flow Statement – Operating Activities

2014/15 £000s		2015/16 £000s
13,165	Depreciation	11,245
58	Impairment and downward valuations	-9,339
0	Impairment of long term debtors	10,219
320	Amortisation	326
0	Increase/(decrease) in impairment for bad debts	0
2,509	Increase/(decrease) in creditors	-6,503
3,061	Increase/(decrease) in debtors	3,872
12	Increase/(decrease) in inventories	20
-10,058	Movement in pension liability	507
0	Contributions to/(from) provisions	0
15,677	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	7,648
1,706	Other non-cash items charged to the net surplus or deficit on the provision of services	2,204
26,450		**20,199**

2014/15 £000s		2015/16 £000s
0	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	0
-13,945	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-6,463
-26,220	Any other items for which the cash effects are investing or financing cash flows	-2,407
-40,165		**-8,870**

8. Group Cash Flow Statement – Operating Activities (Interest)

2014/15 £000s		2015/16 £000s
1,097	Interest received	1,077
-8,030	Interest paid	-7,201
0	Dividends received	0
-6,933		**-6,124**

9. Group Cash Flow Statement – Investing Activities

2014/15 £000s		2015/16 £000s
-38,625	Purchase of property, plant and equipment, investment property and intangible assets	-40,060
-45,500	Purchase of short-term and long-term investments	-57,500
-7,150	Other payments for investing activities	-46,300
13,954	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	6,486
28,500	Proceeds from short-term and long-term investments	45,500
23,308	Other receipts from investing activities	5,396
-25,513	**Net cash flows from investing activities**	**-86,478**

10. Group Cash Flow Statement – Financing Activities

2014/15 £000s		2015/16 £000s
13,465	Cash receipts of short- and long-term borrowing	57,823
90	Billing Authorities - Council Tax and NNDR adjustments	-3
-140	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	-155
-16,048	Repayments of short- and long-term borrowing	-14,142
-1,041	Other payments for financing activities	4,139
-3,674	**Net cash flows from financing activities**	**47,662**

11. Group Defined Benefit Pension Scheme

Northampton Partnership Homes is a fully owned subsidiary of Northampton Borough Council. Therefore details of the Northampton Partnership Homes pension scheme need to be combined with the Northampton Borough Pension scheme to give an understanding of the group pension scheme. Full details of the Northampton Borough Council pension scheme are in note 45 to the core financial statements.

Northampton Partnership Homes is a member of the Local Government Pension Scheme administered by Northamptonshire County Council. This is a funded defined benefit scheme which provides index linked retirement benefits to employees who choose to join.

The scheme was opened on 5th January 2015 when employees of Northampton Partnership Homes Ltd transferred from Northampton Borough Council under Transfer of Undertakings (Protection of Employment) (TUPE). At the time of admission the Company scheme was fully funded under the actuarial valuation assumptions made. However the figures presented in these financial statements are reported under the requirements of IAS19, which are prepared on a different basis to the actuarial valuation.

Employees and the Company pay contributions to the fund. During 2015/16 the employer's rate was 13.3% (13.3% in 2014/15) and employees contribute variable rates which increase on banded salary ranges. At 31st March 2016 the scheme had 238 active members (187 in 2014/15).

A comprehensive actuarial valuation is undertaken every three years and the latest review was undertaken on 31 March 2013 by the actuary Hymans Robertson LLP.

The following tables give details of the pension assets and liabilities for the Group, including Northampton Borough Council and Northampton Partnership Homes.

The following transactions have been made in the group comprehensive income and expenditure statement and the general fund balance via the group movement in reserves statement during the year:

Cost of Service	2014/15 £000s	2015/16 £000s
Current service cost	3,197	3,834
Past service cost (including curtailments)	25	10
Gain from settlements	-10,946	0
Pension contribution adjustment	-64	-4
net interest expense	5,670	5,003
Total post employment benefits charged to the surplus or deficit on the provision of services	**-2,118**	**8,843**
Other post employment benefits charged to the comprehensive income and expenditure statement		
Return on plan assets (excluding the amount included in the net interest expense)	-12,954	4,218
Actuarial gains and losses arising on changes in demographic assumptions	0	0
Actuarial gains and losses arising on changes in financial assumptions	35,873	-26,834
Other expenditure	-4,290	-5,724
Total post-employment benefits charged to the comprehensive income and expenditure statement	**16,511**	**-19,497**
Movement in reserves statement		
Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the code	-14,738	18,661
Employers contributions payable to the scheme	7,451	6,096

Reconciliation of the movements in fair value of scheme assets:

	2014/15 £000s	2015/16 £000s
Opening fair value of scheme assets	158,840	174,877
Interest income	6,793	5,560
Return on plan assets excluding the amount includedin the net interest expense	12,954	-4,218
Contributions from employer	7,128	8,340
Contributions from employees into the scheme	865	847
Benefits paid	-11,703	-11,962
Assets distributed in settlements	0	0
Closing fair value of scheme assets	**174,877**	**173,444**

Reconciliation of the movements in the present value of the defined benefit obligation:

	2014/15 £000s	2015/16 £000s
Opening present value of scheme liabilities	294,657	332,950
Current service cost	3,197	3,834
Interest cost	12,463	10,563
Contribution from scheme participants	865	847
Actuarial gains/losses arising from changes in financial assumptions	35,873	-26,835
Actuarial gains/losses arising from other experience	-4,290	-5,723
Past service cost	25	10
Benefits paid	-12,579	-11,962
Liabilities extinguished on settlements	2,739	0
Closing present value of scheme liabilities	**332,950**	**303,684**

Fair value of plan assets:

	2014/15 £000s	2015/16 £000s
Equity securities		
Consumer	14,045	13,855
Energy & utilities	8,782	6,913
Financial institutions	13,125	13,037
Health and care	8,603	8,014
Information technology	12,317	12,057
Other	9,738	9,994
Debt securities		
UK Government	5,131	14,805
Private equity		
All	148	104
Real Estate		
UK property	13,429	15,702
Investment funds and unit trusts		
Equities	58,931	59,807
Bonds	26,635	16,827
Cash and cash equivalents		
All	3,993	3,281
Total	**174,877**	**174,396**

12. Group External Audit Costs

Fees payable for external audit services across the Group are detailed below:

Group Auditor Fees	2014/15 £000s	2015/16 £000s
Northampton Borough Council Auditor Fees	123	120
Northampton Partnership Homes Auditor Fees	21	19
Total Group Auditor Fees	**144**	**139**

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.

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.

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 and Democratic Core

Costs associated with the democratic management of the Authority such as the Chief Executive’s salary and Members’ Allowances.

Council

The Council comprises all of the democratically elected Councillors who represent the various electoral divisions.

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 ether 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.

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).

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.

Inventory

Fair value of current assets purchased which have not yet been consumed.

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).

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.

Provision for Bad and 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 ether 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 Reporting Code of Practice (SERCOP)

Produced by CIPFA, this 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.

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 cannot be spent on anything else.

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 shareholder.

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.

Appendix 3

Annual Governance Statement 2015/16

NORTHAMPTON BOROUGH COUNCIL
ANNUAL GOVERNANCE STATEMENT 2015/16

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 2015/16. This document relies on several assurance mechanisms including the internal audit annual review, internal audit reports throughout the year, returns by Senior Officers, the Statement of Accounts, Audit Committee, the overview and scrutiny process, and external audit.

External audit has been undertaken since November 2012 by KPMG. This 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 2014/15 accounts, the latest ones published.

No significant issues were raised in last year's statement.

2 Statement of Compliance

The authority's financial management arrangements conform to the governance requirements of CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (2010) as set out in the Application Note to Delivering Good Governance in Local Government Framework in the majority of areas.

There is one area which has slightly different arrangements from those outlined in the CIPFA Statement and this will continue into future years:

Partnerships – The creation of Northampton Partnership Homes (NPH) on 5 January 2015, to manage the Housing Stock on behalf of the Council. The Governance of this wholly owned subsidiary is through the NPH Board. The Board is responsible for the business of the Company subject to compliance with the provisions of the Companies Act 2006 and the articles of association for Northampton Partnership Homes Limited.

The Board comprises of 16 members including representatives from tenants, Northampton Borough Council elected Members, independent members and two employees of the Company. The structure of the Board is such that no single group holds a majority position. The Board meet approximately every six weeks. The Board is supported by five Committees; Finance, Audit & Risk, Operations and HR and the Remuneration Committee. Each Committee comprises of 5/6 Members of the Board and currently meet approximately every six weeks. Committees have no delegated powers relevant to their specific terms of reference but they consider the detail of matters under their remit and report to the Board where formal approval to any reports and proposals is given.

3 Scope of responsibility

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and is 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(3) and 4(4) of the Accounts and Audit Regulations 2011.

4 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 2016 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.

5 The Governance Framework

The Constitution is the relevant governance document and the Code of Governance forms part of it. The Borough Secretary (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. The Constitution is kept under regular review to ensure it is accurate and reflects current best practice and legal requirements.

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.

5.1 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 2015 Update, which was adopted by the Council at its meeting on 23 February 2015. These objectives are based around the two headings:

- Your Town
- You

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 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. 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 Council's Constitution, the Council's 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 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.

A Management Board Data Set of performance statistics is reported on a monthly basis to Management Board and performance data is included in regular combined performance and financial 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 economic, 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. Revised procurement rules were adopted in March 2008. All budgets 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, was further improved in 2011 and is subject to a full review that commenced in March 16 and is due to be concluded in 16/17. 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 regularly 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.

All significant projects have their own risk register, which is maintained and monitored by project managers and Programme and Project Boards as appropriate.

The Council has approved a list of critical functions and business continuity plans for these functions are well developed across the authority. A high proportion of these plans have been tested.

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

5.2.1 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 was published in February 2013. A review of the Constitution is planned for 2016/17.

5.2.2 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. Accountable Cabinet Members 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 an executive decision notice, which contains details of key decisions to be made by the Cabinet. Each Cabinet member has a specific range of responsibilities requiring him or her to work closely with senior and other employees in order to achieve the Council's ambitions.

5.2.3 Management Board

The Council's Management Board, which consists of the Chief Executive, Directors, the Chief Finance (s.151) Officer, and the Monitoring Officer met on a regular basis during 2015/16. 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.

5.2.4 Corporate Briefing

This group consists of Management Board members and all Heads of Service. This group met on a regular basis during 2015/16. 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

5.2.5 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.

5.2.6 Managers' Sessions

The managers' sessions started in 2007/08 and meets monthly throughout the year covering a range of corporate subjects. The sessions cover all managers and team leaders across the council.

5.2.7 Programme and Project Management Governance

During 2015/16 key Programme Boards reported into Management Board on the key project streams for the year of Northampton Alive, LGSS, Prevention, Improvement, and Capital Programme Board. Each Programme Board is chaired by the Chief Executive, Borough Secretary, or a Director, and they report into Management Board by exception. The Programme Boards will not encompass every single project that NBC is actively delivering, but rather those identified by Management Board as requiring corporate governance controls.

The Programme and project governance framework will signpost to other areas of governance that are required within the organisation. This saves the need for separate governance boards being set up and ensures integration across all of the specialist areas.

During 2015/16 the Monitoring Officer chaired the Improvement Programme Board, which oversees the core improvement projects of the council.

The NBC Project Management Best Practice Guide provides direction on the approach and the tools and templates available to support the programmes and projects. This ensures that those projects that are not deemed as requiring corporate governance controls will still maintain the NBC project management approach.

5.2.8 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

5.3 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 Secretary 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 Chief Finance Officer (section 151 Officer), 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 implemented a new governance structure for its key projects in 2012/13 that addresses the issues raised in the Governance Survey Report. (See section 5.2.7 above).

The financial management of the Authority is conducted in accordance with the financial rules set out at Article 13 and in the Financial Regulations section within the Constitution. The Council has appointed and has a designated Chief Finance Officer in accordance with Section 151 (S151) of the Local Government Act 1972. The Strategic Finance Managers are Deputy S151 officers. The Section 151 and Deputy 151 Officers are LGSS employees and their function is provided to the Council through the LGSS Partnership Agreement. This arrangement has been reviewed against CIPFA's Statement on the Role of the Chief Finance Officer 2010, and successfully complies with all of the criteria. As stated above, the Chief Finance Officer is a member of Management Board and reports directly to the Chief Executive.

The Council has in place a five-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 Corporate 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. During 2014/15 the internal audit plan placed a focus on ensuring compliance across the organisation.

The Council's external audit services have been provided by KPMG since November 2012. They audit the Statement of Accounts; grant returns, whole of government accounts and national fraud initiative.

5.4 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:

5.4.1 Cabinet

Cabinet makes executive decisions which can be called in by Scrutiny using formal call-in powers in the constitution.

5.4.2 Planning Committee

Planning Committee determines planning applications and related matters.

5.4.3 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.

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.

5.4.4 Audit Committee

Audit Committee provides assurance about the adequacy of internal controls, financial accounting and performance 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. It also reviews areas of concern to the committee, particularly around risk, fraud and failure of systems of control.

The Audit Committee has continued to be effective during 2015/16. Audit Committee has the opportunity to question and challenge on any reports brought before it. This supports a good internal control framework.

The Committee also approved the 2014/15 Annual Governance Statement (AGS) and Statement of Accounts, and will approve these for 2015/16. The committee receives annual training from internal and external audit.

5.4.5 Licensing Committee

Licensing Committee monitors and reviews the effectiveness of the Council's licensing policy and procedures and make individual licensing decisions as required.

5.4.6 General Purposes Committee

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

5.4.7 Appointments and Appeals Committee

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

5.4.8 The Overview and Scrutiny Committee

Since May 2010 the Council has had one Overview and Scrutiny Committee 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.

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 Council’s Overview and Scrutiny (O&S) Committee is a very effective model, both for pre-decision investigations, and for a call-in process to scrutinize decisions of the executive. Overview and Scrutiny was nominated for an award as part of the Centre for Public Scrutiny’s (CfPS) Good Scrutiny Awards 2013 under the category transforming services for its review - Managing Community Centres.

5.5 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 Management Board who determine priorities and agree programmes of development for the year. The outcomes from the development sessions are evaluated and monitored.

The Council also has an extensive Councillor Induction programme, due to the elections in May 2015, all Councillors received training from the induction programme during 2015/16.

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

The Council recognises the diversity of our communities, the importance of community empowerment 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 Council’s community engagement activities are brought together into one overarching strategy. The key principles of the strategy are that:

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

The Council’s Corporate Plan embraces, among other priorities, the ambition to have a vibrant town, to provide value for money to protect local services, to create empowered communities and to respond to people’s needs when providing and delivering services. A robust performance framework is in place to monitor progress and success.

6 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 2015/16 for a review is below.

- Contributions and comments from Heads of Service and Management Board
- Internal Audit review for comment
- Audit Committee 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 contributions from senior managers included suggestions for work to be undertaken to enhance skills, systems and processes to ensure standards are adhered to, improved financial management in the organisation, improvements to the transparency of decision making, capacity concerns and other risks arising from the pace of change. In addition it was recommended that work is undertaken to enhance the member/officer interface and understanding of the decision making process. It has also been highlighted that there are some challenges in developing and supporting the new Standards Regime following massive changes brought about by the legislation.

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. For 2015/16 the audit plan was agreed by Audit Committee in September 2015.

As part of the changes with the implementation of the LGSS project, certain internal audits were transferred to LGSS to provide assurance where the relevant services had been transferred to LGSS. The Internal Audit Draft Outturn is therefore reported in 2 parts below – PWC findings and LGSS.

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.

PWC Draft internal Audit Outturn

The below table sets out the Internal Audit opinions that can be given:

Type of opinion	*Indication of when this type of opinion may be given*
Satisfactory	• A limited number of medium risk rated weaknesses may have been identified, but generally only low risk rated weaknesses have been found in individual assignments; and • None of the individual assignment reports have an overall report classification of either high or critical risk.
Generally satisfactory with some improvements required	• Medium risk rated weaknesses identified in individual assignments that are *not significant in aggregate* to the system of internal control; and/or • High risk rated weaknesses identified in individual assignments that are *isolated* to specific systems or processes; and • None of the individual assignment reports have an overall classification of critical risk.
Major improvement required	• Medium risk rated weaknesses identified in individual assignments that are *significant in aggregate but discrete parts* of the system of internal control remain unaffected; and/or • High risk rated weaknesses identified in individual assignments that are *significant in aggregate but discrete parts* of the system of internal control remain unaffected; and/or • Critical risk rated weaknesses identified in individual assignments that are *not pervasive* to the system of internal control; and • A *minority* of the individual assignment reports may have an overall report classification of either high or critical risk.
Unsatisfactory	• High risk rated weaknesses identified in individual assignments that *in aggregate are pervasive* to the system of internal control; and/or • Critical risk rated weaknesses identified in individual assignments that are *pervasive* to the system of internal control; and/or • *More than a minority* of the individual assignment reports have an overall report classification of either high or critical risk.

Disclaimer opinion	• An opinion cannot be issued because insufficient internal audit work has been completed. This may be due to either:
	    ○ Restrictions in the audit programme agreed with the Audit Committee, which meant that our planned work would not allow us to gather sufficient evidence to conclude on the adequacy and effectiveness of governance, risk management and control; or
	    ○ We were unable to complete enough reviews and gather sufficient information to conclude on the adequacy and effectiveness of arrangements for governance, risk management and control.

Each of these rating levels attracts a set number of points as shown in the table below.

Based on the work completed, internal audit have issued a '***generally satisfactory with some improvements required***' opinion.

There were changes made in year to the Internal Audit Plan which have limited the amount of internal audit work undertaken to a certain extent. These changes were initiated by the Council in order to respond to key risks and amended priorities. However, PwC were satisfied that sufficient internal audit work had been undertaken to allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and control, but have noted this opinion is based solely on the audit reviews completed in the year and interactions with management and the Audit Committee.

The changes in the audit plan can be summarised as follows:

- Resource was diverted to undertake a specific into the circumstances surrounding the loan granted to Northampton Town Football Club and in particular to consider the relevant policies and procedures that are applicable to a transaction of this nature.

- The original internal audit plan included work to support the Council in undertaking a risk and assurance mapping exercise and refresh of the risk management framework and strategic risk register. It was intended that following this exercise, additional assurance and compliance reviews would be undertaken to address specific areas of risk identified and that these would enable us to provide an assurance opinion over the Council's overall governance, internal control and risk management.

  The start of the review was delayed whilst the Council undertook internal reorganisation, and in the absence of an officer to take forward the ongoing responsibility for the risk management process. An Officer has now been appointed, and this work will be completed in 16/17.

- The directorate governance reviews were planned to examine the controls in place to ensure the Council's established processes for governance and financial accountability are operating consistently across the organisation. In 15/16 a review of the Borough Secretary Directorate was planned, however this review has been deferred to 2016/17 due to a change in the directorate's structure and a need for new roles to be embedded.

During the year PwC completed the following work:
Risk Management Workshops – in February 16 PwC facilitated the first of a series of workshops with Directors to identify risks and existing sources of assurance. Further workshops are planned in 2016.
LGSS Contract Review – this advisory piece of work followed on from 2014/15 review of contract management around the LGSS agreement. Focus was primarily on HR, Payroll and Legal services. The recommendations made were:

- Monitoring of financial performance of the contract by the Council
- Tracking of staff costs within LGSS
- Monitoring of savings
- Monitoring of activity levels within LGSS and NBC
- Contract variations

Review of the scope and effectiveness of the Section 151 Officer arrangement – As detailed within section 5.3, the Section 151 Officer is provided by LGSS. The review considered whether the service delivered was in line with the Local Government Act 1972 and CIPFA guidance, whether procedures are in place to monitor and measure performance and whether key stakeholders believe the service provision is adequate and effective. The recommendations arising from this review were concerning the contract management of the provision, which have been agreed by the Council to be implemented going forward.
Northampton Town Football Club Loan and Development of Land at Sixfields – The Audit Committee issued an additional piece of work on the internal arrangements within the Council for processing the Northampton Town Football Club loan. This work is ongoing and the results will be communicated to the Audit Committee separately once concluded.

Although a number of areas for improvement were identified, particularly in relation to evidencing the risk management process and implementing improved contract management arrangements in relation to LGSS, these did not constitute significant control weaknesses. Management Board are currently reviewing the recommendations and taking actions to address these risks as appropriate.

LGSS Internal Audit

It was agreed by the S151 Officer and the council's internal auditors (PwC) that where LGSS have the responsibility to undertake the primary functions, LGSS Internal Audit would complete the assurance work relating to these LGSS functions, and PwC would continue to audit those aspects which remain in the direct control of the council. LGSS has worked with PwC to plan and undertake their work to ensure the full coverage required to provide the assurance opinions, whilst minimising duplication of work.

Individual Findings and the overall level of control are rated by LGSS Internal Audit using the guidelines shown in the following table.

Assurance	Definition
Substantial	There are minimal control weaknesses that present very low risk to the control environmental.
Good	There are minor control weaknesses that present low risk to the control environment. .
Moderate	There are some control weaknesses that present a medium risk to the control environment.
Limited	There are significant control weaknesses that present a high risk to the control environment.
No Assurance	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.

The areas reviewed by LGSS in 2015/16 were Accounts Receivable (Debtors), Accounts Payable (Creditors), Payroll and Bank Reconciliation (Cash).

LGSS is pleased to report that they were able to give "***substantial***" or "***good***" assurance on all the systems that have been reviewed.

Auditable Area	Assurance Opinion
Accounts Receivable	Substantial
Accounts Payable	Substantial
Payroll	Good
Bank Reconciliation	Substantial

For each process area where the assurance is less than "Substantial", an action plan of improvements for implementation by LGSS has been agreed between the relevant LGSS Service Manager and LGSS Internal Audit. These actions will be monitored and followed up.

7 Northampton Partnership Homes (NPH)

On 5 January 2015 NPH began trading. NPH is an Arm's Length Management Organisation, wholly owned by the Council. NPH is a subsidiary of the Council for accounting purposes and their accounts have been consolidated into the Council's Group Accounts. The governance structure of NPH is detailed at section 2 above.

7.1 Statement on Internal Controls

As part of their Annual Report, NPH are required to make a formal statement on Internal Controls, covering:

- Corporate Governance
- Business Planning
- Executive Management Team
- Risk Assessment and Management
- Audit
- Performance Management
- Financial Control and Budget Management
- Budgetary Control and Reporting
- Service Level Agreements
- Policies and Procedures

7.2 NPH - Review of Effectiveness

Internal Audit, under the terms of engagement, is required to provide the Board 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 NPH's Audit Committee. For 2015/16 the audit plan was agreed by their Audit Committee in February 2015.

RSM 2015/16 Annual Internal Audit Opinion

For the 12 months ended 31 March 2016, the Head of Internal Audit opinion for Northampton Partnership Homes is as follows:

Head of Internal Audit opinion 2015/16

The organisation has an adequate and effective framework for risk management, governance and internal control.

However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.

RSM also provided the following to be included within the Annual Governance Statement for 2015/16:

The follow up of key financial controls audit from 2014/15 reported ‘little progress’ due to the timing of the review. NPH were going through several structural changes and recruiting for new posts which would help fulfil a number of the recommendations raised in April 2015, some of this had been delayed or taken longer than anticipated, which meant that implementing some recommendations had not progressed as expected and the dates for implementation had been pushed back. However, review of Key Financial Controls in 2015/16 was given reasonable assurance, evidencing improvements in internal controls.

“The audits of Planned Maintenance including Decent Homes and Human Resources, as stated above, resulted in partial assurance, however, this was predominantly down to these areas still being work in progress. We were assured that the organisation had identified the work to be undertaken to address the risks in these areas, however, this work should be completed at pace to ensure these risks are mitigated.

Our advisory audit of the risk management function resulted in an advisory Position Statement, to take into account the work that was on-going. The organisation has revised its approach to risk management from the original risk management processes put in place at inception. NPH has decided that formal local risk registers, feeding into the corporate risk register, will not be held. It is the responsibility of Heads of Service to manage local risks, and ensure these are escalated to the corporate risk register in line with risk appetite as required.

To support the monitoring of the corporate risk register, early warning indicators were being established and aligned to the register to support risk monitoring and identification. Whilst this work was on-going, we did communicate our concerns over the potential issues with the new processes, particularly the potential for local risks to not be appropriately managed, and potential lack of evidence of risk management at a local level being maintained. As the risk management work progresses, Internal Audit will continue to review the processes as these are embedded.”

LGSS Internal Audit

NPH also receive the same back office support functions as The Council from LGSS. Therefore, please see section 6 for the review of effectiveness by LGSS Internal Audit.

8 Significant Governance Issues

8.1 Review of the previous year’s Significant Governance Issues

One High Risk control weakness was identified by PWC for 2014/15 in relation to financial delegations set up in the financial system. This could potentially leave the Council open to the risk of inappropriate transactions. LGSS Internal Audit has tested user access within the financial system on both Accounts Receivable and Payables for 2015/16 and gave an opinion of substantial assurance.

8.2 This year’s Significant Governance Issues

Northampton Town Football Club Loan and Development of Land at Sixfields

As disclosed within the 2015/16 Statement of Accounts Narrative Report, in 2015/16 The Council fully impaired the £10.25m loan previously granted to Northampton Town Football Club. Reviews by both Internal Audit (PwC) and External Audit (KPMG) are currently ongoing. The findings of these reviews and any associated recommendations will be fully reflected in the 2016/17 Annual Governance Statement, once the reports are available.

9 Conclusion

The Council and its wholly-owned subsidiary NPH, proposes to address the matters arising 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.

10 Approval of the Annual Governance Statement

To be signed post-audit, before Audit Committee on 5th September 2016

In accordance with the appropriate regulations, the Annual Governance Statement was approved by the Audit Committee on 5th September 2016 at the same time as the Statement of Accounts for 2015/16 was approved.

Councillor Mary Markham	**David Kennedy**
Leader of the Council	Chief Executive
Date:	Date:

Appendices

A : KPMG External Audit ISA260 Report – to follow

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	**External Audit ISA260 Management Report**

AGENDA STATUS: **PUBLIC**

Audit Committee Meeting Date:	5^{th} September 2016
Policy Document:	No
Directorate:	LGSS Finance
Accountable Cabinet Member:	Cllr Brandon Eldred

1. Purpose

1.1 To inform the Audit Committee on the findings and recommendations following external audit work carried out by KPMG on the draft statement of accounts.

2. Recommendations

2.1 It is recommended that the Audit Committee note this report and use it to inform their approval of the final statement of accounts.

3. Issues and Choices

3.1 Report Background

3.1.1 As part of their engagement as external auditors KPMG provide an annual report known as the ISA260 to the Audit Committee on their findings and recommendations following their review of the Council's statement of accounts, and supporting working papers.

3.1.2 The report is issued initially to management who have the option to comment, and these management comments are included within the ISA260.

3.1.3 At the time of sending out this covering report the ISA260 had been issued in draft form to management who are undertaking a quality review exercise to enable the final ISA260 to be sent out following the main agenda, but in advance of the Audit Committee meeting.

3.2 Choices (Options)

3.2.1 The report is just for noting, however Audit Committee have the opportunity to ask questions directly to the auditors on anything contained in their report, and issues around the external audit process. They also have the opportunity to question management on any of the issues raised and the management response contained in the report.

4. Implications (including financial implications)

4.1 Policy

4.1.1 None to report.

4.2 Resources and Risk

4.2.1 None to report at present.

4.3 Legal

4.3.1 None to report at present.

4.4 Equality

4.4.1 Not applicable.

4.5 Consultees (Internal and External)

4.5.1 None.

4.6 Other Implications

4.6.1 None.

5. Background Papers

5.1 None to date.

Glenn Hammons
Chief Finance Officer, Telephone 01604 366521

KPMG

External Audit Report 2015/16

Northampton Borough Council

—

September 2016

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

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

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Andrew Cardoza, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (on 0207 6948981, or by email to **andrew.sayers@kpmg.co.uk**). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing **generalenquiries@psaa.co.uk**, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

Section one: Introduction

Introduction

This document summarises:

- **The key issues identified during our audit of the financial statements for the year ended 31 March 2016 for the Authority; and**
- **Our assessment of the Authority's arrangements to secure value for money.**

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Scope of this report

This report summarises the key findings arising from:

- Our audit work at Northampton Borough Council ('the Authority') in relation to the Authority's 2015/16 financial statements; and
- The work to support our 2015/16 conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

Financial statements

Our *External Audit Plan 2015/16*, presented to you in March 2016, set out the four stages of our financial statements audit process.

We previously reported on our work on the first two stages in our *Interim Audit Letter 2015/16* issued in May 2016.

This report focuses on the third stage of the process: substantive procedures. Our on site work for this took place during July 2016.

It also includes any additional findings in respect of our control evaluation which we have identified since we issued our *Interim Audit Letter 2015/16*.

We are now in the final phase of the audit, the completion stage. Some aspects of this stage are also discharged through this report.

Work on key areas of the accounts are still being finalised, particularly in respect to fixed assets and loans.

VFM Conclusion

Our *External Audit Plan 2015/16* explained our risk-based approach to VFM work. Work to support our 2015/16 VFM conclusion is substantially complete, however, our review of the Northampton Town Football Club (NTFC) loan is still ongoing. Our work has also included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion;
- considering the results of any relevant work by the Authority and other inspectorates and review agencies in relation to these risk areas; and
- carrying out additional risk-based work.

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out our key findings from our audit work in relation to the 2015/16 financial statements of the Authority and the fund.
- Section 4 outlines our key findings from our work on the VFM conclusion.

Our recommendations are included in [Appendix 1]. We have also reviewed your progress in implementing prior recommendations.

Acknowledgements

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

Section two: Headlines

Headlines

This table summarises the headline messages for the Authority. Sections three and four of this report provide further details on each area.

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This table summarises the headline messages. Sections three and four of this report provide further details on each area.

Proposed audit opinion	We anticipate issuing an unqualified audit opinion on the Authority's financial statements by 30 September 2016. We will also report that your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.
Audit adjustments	Our audit has not identified material adjustments to date. A final list of adjustments will be presented to the Audit Committee upon the completion of our audit. We have raised a number of recommendations in relation to the matters highlighted above, which are summarised in Appendix one.
Key financial statements audit risks	We identified the following key financial statements audit risks in our *2015/16 External Audit Plan* issued in March 2016. — **Change in NNDR system** The Authority made a decision transfer the service back from the Borough Council of Wellingborough from April 2016, maintain use of the same system. For 2015/16 we have carried out our review of the IT systems and have found no issues in relation to Northgate, which is the IT system used to administer NNDR — **Loans system** We have substantially completed work on two of the four other loans which the Authority has issued due to delays in the information requested. Whilst we are satisfied that the risk of material misstatement with regards to the values disclosed within the financial statements is low, our initial findings indicate that there is an insufficiently systematic, robust, and objective due diligence process, and a framework within which decisions can be made or documented We have worked with Officers throughout the year to discuss these key risks and our detail findings are reported in section 3 of this report, with our related recommendations in Appendix one.

Headlines (cont.)

This table summarises the headline messages for the Authority. Sections three and four of this report provide further details on each area.

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This table summarises the headline messages. The remainder of this report provides further details on each area.

Accounts production and audit process	We received complete draft accounts by 30 June 2016 in accordance with the DCLG deadline. During the audit, we found issues in relation to the working papers, both in relation to the delay in provision of some key working papers previously requested, and also the quality of evidence provided to support the financial statements, specifically in relation to fixed assets. There is an opportunity for improvements to be made in providing clear and concise audit trail of underlying transactions. This has caused significant delays and planed additional pressures on the audit. In particular: — Working papers provided were incomplete or were not intended for external audit. For example, there are working papers which do not tie to figures disclosed in the draft financial statements; — Working papers provided were not in line with the requirements of our Prepared by Client (PBC) listing which was shared with the Authority in January 2016. No checks were carried out to ensure that our requests were fulfilled. Whilst onsite in July 2016, we requested that Officers carry out a reconciliation between our PBC listing and the documents provided, however we note that there are still gaps in the documentation provided; and — A number of queries were not dealt with on time, in particular, information on loans which was requested in February 2016, and information to support the valuation of council dwellings. Our related recommendations can be found in Appendix one. We also report that the Authority has not yet fully implemented two prior year recommendations from our *ISA 260 Report 2014/15*. As in previous years, we will debrief with the Finance team to share views on the final accounts audit. In particular we would like to thank Officers who were available throughout the audit visit to answer our queries.

Headlines (cont.)

This table summarises the headline messages for the Authority. Sections three and four of this report provide further details on each area.

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This table summarises the headline messages. The remainder of this report provides further details on each area.

VFM conclusion and risk areas	We identified the following VFM risks in our *External Audit Plan 2015/16.* — **Northampton Town Football Club loan** Whilst our review into the circumstances surrounding the loan as well as subsequent actions undertaken is not yet complete, we have considered the information and findings so far as part of our VFM conclusion. We are unable to comment further on the findings of this specific review until complete. This work will also address the issues contained within the objection received on the financial statements in relation to the NTFC loan. Based on the work undertaken to date in respect of our value for money opinion, due to the circumstances surrounding the loan and the ultimate loss of £10.25 million of taxpayers' money by the Authority (impaired in the 2015/16 financial statements), we are currently not satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to loans is adequate. — **Financial resilience** The Authority reported an overall breakeven position on its net expenditure budget for 2015/16 after the net contribution of £1.845 million from reserves. This enabled the general fund balance to remain at £5.47 million as of 31 March 2016. The Authority's Medium Term Financial Plan details a balanced budget for 2016/17 including savings of £665k in year, all of which have been identified. The MTFP details the increasingly difficult financial challenges faced each year, resulting in the need for ever rising savings, up to £7.3 million by 2020/21. We have worked with Officers throughout the year to discuss these VFM risks and our detailed findings are reported in section 4 of this report. We have concluded that the Authority has not made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We therefore anticipate issuing a qualified VFM conclusion by 30 September 2016.
Completion	At the date of this report our audit of the financial statements is substantially complete subject to completion of our work in respect of fixed assets, the business rates appeals provision, and loans issued to external organisations. You are required to provide us with representations on specific matters such as your going concern assertion and whether the transactions in the accounts are legal and unaffected by fraud. We will provide a draft of this representation letter to the Section 151 Officer. We draw your attention to the requirement in our representation letter for you to confirm to us that you have disclosed all relevant related parties to us. We will ask management to provide specific representations in relation to the valuation of fixed assets and loans issued to external organisations. We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Section three: Financial Statements

Proposed opinion and audit differences

We have so far not identified any issues in the course of the audit that are considered to be material.

The wording of your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.

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Proposed audit opinion

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Authority's financial statements before the deadline of 30 September 2016.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

The final materiality (see Appendix two for more information on materiality) level for this year's audit was set at £2.7 million. Audit differences below £135,000 are not considered significant.

Pending completion of our work on fixed assets, loans and provisions for the Authority's business rates (NNDR), our audit has not identified any significant audit adjustments to date. We have however identified a number of non-significant adjustments. It is our understanding that these will be adjusted in the final version of the financial statements.

In addition, we identified a number of presentational adjustments required to ensure that the accounts are compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 ('the Code'). We understand that the Authority will be addressing these where significant.

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

- It complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE, with the exception of the Authority's conclusion as a result of its review of the effectiveness of the governance framework. The Authority has agreed to amend this to reflect the Framework; and
- It is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

Narrative report

We have reviewed the Authority's narrative report and have noted a number of inconsistencies with the financial information contained in the audited financial statements.

- Figures disclosed in the narrative report do not reflect those in the financial statements; and
- The narrative report does not comply with the forward-looking aspect of the reporting guidelines; and

We have reported these to the Authority, and have recommended that further revision is made to ensure that the narrative report is in line with the Code and best practice as set out by the Accounting Standards Board.

We understand that the key performance indicators were not available for inclusion in the draft and will be updated in the final version of the report.

Significant audit risks

We have worked with the Authority throughout the year to discuss significant risks and key areas of audit focus.

This section sets out our detailed findings on those risks.

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In our *External Audit Plan 2015/16*, we identified the significant risks affecting the Authority's 2015/16 financial statements. We have substantially completed our testing of these areas and set out our evaluation following our substantive work.

We have set out below our detailed findings for each of the risks that are specific to the Authority.

Change in NNDR system

— The Authority proposed to return the business operation of the NNDR system to Northampton Borough Council from the previous consortium arrangement with the Borough Council of Wellingborough. This was planned to involve the migration of the NNDR database to the Authority and include the re-design of system processes and protocols to ensure that the controls within the system are fit for purpose. The new arrangement was envisaged to be operational from March 2016.

— The Authority made a decision transfer the service back from the Borough Council of Wellingborough from April 2016, maintain use of the same system. For 2015/16 we have carried out our review of the IT systems and have found no issues in relation to Northgate, which is the IT system used to administer NNDR.

— Additionally, we carried out testing of controls performed in relation to the NNDR system. Our work on controls has identified control deficiencies. See recommendations in Appendix one.

Loans system

— The Authority has a number of material loans with organisations. The recent issue identified in respect of the Northampton Town Football Club (NTFC) has highlighted the loans system as a risk area which therefore requires audit focus in 2015/16.

— Work on the NTFC loan review is still on-going and will be reported once our review is complete.

— We have asked the Authority to disclose further detail regarding these loans within the body of the financial statements. No issues have been raised relating to the accounting treatment for the outstanding balances, payments in year and interest received.

— The Authority has made four loans (excluding the NTFC loan) to public organisations and private companies. The Authority has only deemed the loan to Northampton Rugby Club to be a soft loan due to being below market rates: We are awaiting further information from the Authority to finalise our work in this area.

- Unity Leisure Limited (also known as Northampton Leisure Trust), £0.3 million
- Cosworth Limited (a subsidiary of Cosworth Group Holdings Limited), £1.4 million
- Northampton Rugby Football Club Limited (a subsidiary of Northampton Saints plc), £5.5 million
- University of Northampton, £46 million

— We have substantially completed work on two of the four other loans which the Authority has issued due to delays in the information requested. Whilst we are satisfied that the risk of material misstatement with regards to the values disclosed within the financial statements is low, our initial findings indicate that there is an insufficiently systematic, robust, and objective due diligence process, and a framework within which decisions can be made or documented. We have raised a recommendation in relation to this, see recommendation 1.

Significant audit risks

We have worked with the Authority throughout the year to discuss significant risks and key areas of audit focus.

This section sets out our detailed findings on those risks.

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In our *External Audit Plan 2015/16* we reported that we would consider two risk areas that are specifically required by professional standards and report our findings to you. These risk areas were Management override of controls and the Fraud risk of revenue recognition.

The table below sets out the outcome of our audit procedures and assessment on these risk areas.

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Fraud risk of revenue recognition

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.

In our External Audit Plan 2015/16 we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.

This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.

Management override of controls

Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to this audit.

In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.

There are no matters arising from this work that we need to bring to your attention.

Our procedures, including testing of journal entries, accounting estimates and significant transactions outside the normal course of business, no instances of fraud were identified.

Other areas of focus

In our External Audit Plan 2015/16, we identified two areas of audit focus. These are not considered as significant risks but areas of importance where we would carry out some substantive audit procedures to ensure there is no risk of material misstatement.

We have now completed our testing for Payroll and finalising our results for Fixed Assets. This page sets out our detailed findings for each of such areas of audit focus.

Payroll

— The Authority have been made aware of some discrepancies reported within the payroll system in 2015/16. Management had indicated that the Authority's Internal Audit function was reviewing the issue identified as part of its testing on the payroll system. As payroll is a material balance in the financial statements and a sensitive area, we considered this to be an audit risk.

— As reported in our Progress Report in July 2016, we were subsequently informed that a review by Internal Audit had not taken place. Instead, an internal management review of payroll had been undertaken. Following discussions with Management, further work by Internal Audit was subsequently undertaken to provide us with the assurance we needed in relation to payroll issues identified by Management.

— There was an increase in complaints from the Authority's employees in relation to payroll. Internal audit had identified that the majority are not 'valid' complaints and arose as a result of the implementation of the new contact centre for payroll. The only substantial issue identified by Internal Audit relate to the erroneous cut off date for travel claims which drove 53% of complaints received. This was resolved by the use of emergency payments and has not re-occurred.

— Our own work on the payroll reconciliation had identified that the payroll reconciliation was not operating effectively in year due to unidentified balances which are immaterial being brought forward from prior accounting periods. We recognise that the Council is making progress on improving the reconciliation and clearing these unidentified balances.

— Further substantive work was carried out by KPMG to gain assurance over payroll in light of issues identified. We used data & analytical procedures and were able to test 100% of your employees in year. Our findings showed that overall, there are no major concerns over payroll. However, the analysis has revealed data quality issues on a number of employees. Detailed findings have been shared with Officers, who are investigating issues raised.

IFRS 13 Valuation of surplus assets

— The Authority holds approximately £326,000 of assets classed as being surplus to the Authority's requirements. In 2015/16, the Code requires authorities to value these in accordance with IFRS 13 *Fair Value Measurement*. This is a departure from the previous requirement, in which surplus assets are valued at existing use value (EUV). The adoption of IFRS 13 requires the Authority's valuers to consider the Fair Value Hierarchy.

— We do not consider there to be any material issues arising from this area of focus.

We have raised a recommendation relating to payroll in Appendix one.

Accounts production and audit process

We found issues in relation to the working papers, both in relation to the delay in provision of some key working papers previously requested, and also the quality of evidence provided to support the financial statements, specifically in relation to fixed assets.

Generally, Officers dealt efficiently with audit queries. However, there were instances where queries were not dealt with in a sufficiently prompt manner, resulting in delays.

Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority's accounting practices and financial reporting. We also assessed the Authority's process for preparing the accounts and its support for an efficient audit.

Element	Commentary
Accounting practices and financial reporting	The Authority has changed the way it accounts for components of council dwellings, which introduces an element of estimation. The impact is immaterial in the current financial year, but will be a material balance going forwards. This change was not been disclosed within the financial statements. We had originally planned to complete our work on loans prior to our onsite visit, but delays in the provision of information has meant this is still on-going. We consider that accounting practices are appropriate.
Complete-ness of draft accounts	We received a complete set of draft accounts on 30 June 2016. The Authority continues to work towards bringing deadlines and deliverables forward in light of plans to move the local government audit statutory deadline to 31 July in future years.
Quality of supporting working papers	Our *Accounts Audit Protocol*, which we issued in January 2016 and discussed with the Strategic Finance Manager, sets out our working paper requirements for the audit. (continued)
Quality of supporting working papers *(continued)*	*(continued)* We offered to discuss the working paper requirements with key individuals should the need arises; our offer was not taken up by Officers. We found issues in relation to the working papers, both in relation to the delay in provision of some key working papers previously requested, and also the quality of evidence provided to support the financial statements, specifically in relation to fixed assets. There is an opportunity for improvements to be made in providing clear and concise audit trail of underlying transactions. This has caused significant delays and planed additional pressures on the audit.
Group audit	To gain assurance over the Authority's group accounts, we placed reliance on work completed by Grant Thornton UK LLP on the financial statements of Northampton Partnership Homes. There are no specific matters to report pertaining to the group audit.

Additional findings in respect of the control environment for key financial systems

We reported in our Interim Audit Letter 2015/16 that we were yet to complete our testing of controls operated during the closedown process. We have raised recommendations where appropriate in Appendix two. We also report that the Authority has not yet fully implemented two prior year recommendations from our *ISA 260 Report 2014/15*.

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Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our Annual Audit Letter and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Northampton Borough Council for the year ending 31 March 2016, we confirm that there were no relationships between KPMG LLP and Northampton Borough Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix three in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. In due course, we will provide a template to the S151 Officer for presentation to the Audit Committee. We require a signed copy of your management representation letter before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- Significant difficulties encountered during the audit;
- Significant matters arising from the audit that were discussed, or subject to correspondence with management;
- We have also received an objection to the Authority's accounts in relation to the Northampton Town Football Club. As a result, we cannot formally conclude the audit and issue an audit certificate until we have completed our consideration of matters brought to our attention.

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report.

Audit Fees

Our scale fee for the audit is £80,775 plus VAT (£80,775 in 2014/15). This fee is in line with that highlighted within our audit plan agreed by the Audit Committee in March 2016. Our scale fee for certification for the HBCOUNT is £10,579 plus VAT (total fee of £21,225 in 2014/15). Our basic fee for other grants and claims (Pooling of Housing Capital Receipts Return) is £3,000 plus VAT (£3,000 in 2014/15).

Section four: Value for Money

VFM Conclusion

Our VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We follow a risk based approach to target audit effort on the areas of greatest audit risk.

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We have concluded that the Authority has not made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Background

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

The VFM approach is fundamentally unchanged from that adopted in 2014-2015 and the process is shown in the diagram below. However, the previous two specified reporting criteria (financial resilience and economy, efficiency and effectiveness) have been replaced with a single criteria supported by three sub-criteria.

These sub-criteria provide a focus to our VFM work at the Authority.

Conclusion

We have concluded that the Authority has not made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Overall criterion: In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

✘ NOT MET

Informed decision-making	Sustainable resource deployment	Working with partners and third parties
✘ NOT MET	✔ MET	✘ NOT MET

Specific VFM Risks

We have identified a number of specific VFM risks.

We are not satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to these risk areas are adequate.

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Work completed

In line with the risk-based approach set out on the previous page, and in our *External Audit Plan* we have:

- Assessed the Authority's key business risks which are relevant to our VFM conclusion;
- Identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit;
- Considered the results of relevant work by the Authority, inspectorates and review agencies in relation to these risk areas; and
- Completed specific local risk based work.

Key findings

We set out the findings overleaf in respect of those areas where we have identified a residual audit risk for our VFM conclusion.

We concluded that we needed to carry out additional work for some of these risks. This work is now complete and we also report on this below.

Specific VFM Risks (cont.)

We have identified a number of specific VFM risks.

We are unable to state that Northampton Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

As a result we will issue an adverse value for money opinion.

Northampton Town Football Club Loan

The Authority advanced a loan of £10.25 million to Northampton Town Football Club (NTFC) to carry out works to improve stadium facilities and develop a hotel. The loans were due to be repaid through the provision of a first return to the Authority on the development of land adjacent to the stadium combined with some land previously leased to NTFC, and then through enhanced revenue streams available to NTFC through the hotel and stadium development. Arrangements were made between NTFC and 1st Land Limited, a company established specifically for this purpose, which have resulted in a position whereby the work for which the Authority advanced the funds is only partially complete. The funds which were advanced to NTFC by the Authority as provided for by the Facility agreements. NTFC unilaterally passed these funds to 1st Land Limited. This latter company was placed in Administration after failing to pay its contractor, Buckingham Group Contracting Limited. The loan made to NTFC and the financial management concerns around it have been widely publicised.

We have been meeting with key Officers including the Chief Executive, Section 151 Officer, and Monitoring Officer, as well as internal audit and Committee members to discuss this issue, and reviewed Authority reports, minutes and other supporting documents regarding the loan as part of our on-going review.

Whilst our review into the circumstances surrounding the loan as well as subsequent actions undertaken is not yet complete, we have considered the information and findings so far as part of our VFM conclusion. We are unable to comment further on the findings of this specific review until complete. This work will also address the issues contained within the objection received on the financial statements in relation to the NTFC loan. Based on the work undertaken to date in respect of our value for money opinion, due to the circumstances surrounding the loan and the ultimate loss of £10.25 million of taxpayers' money by the Authority (impaired in the 2015/16 financial statements), we are currently not satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to loans is adequate.

We have also consider the general value for money risks of any other community loans made by the Authority. We have discussed the terms of these agreements with Officers and considered the processes and controls in place, as well as due diligence performed, in order to assess whether the Authority had proper arrangements in place to secure value for money prior to issuing these loans. As detailed in our financial statements findings, the Authority has another four material loans with other organisations including Unity Leisure Limited (*"Northampton Leisure Trust"*) (£0.3 million), Cosworth Limited (£1.4 million), Northampton Rugby Football Club Limited (£5.5 million), and the University of Northampton (£46 million). Due to delays in the provision of information relating to this additional work (requested in February 2016) our work in this area is on-going and we will provide an update at the Audit Committee. Our initial findings indicate that there is an insufficiently systematic, robust, and objective due diligence process, and framework within which decisions can be made or documented.

We are therefore unable to state that Northampton Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. As a result we will issue an adverse value for money opinion.

Specific VFM Risks (cont.)

We have identified a number of specific VFM risks.

We are unable to state that Northampton Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

As a result we will issue an adverse value for money opinion.

Financial Resilience

The Government's Autumn Statement and Spending Review confirmed their intention to move to a different funding system over the next few years – with less reliance on Revenue Support Grant and an increasing dependence on business rate income as a major source of income. That, together with likely significant reductions in New Homes Bonus funding from 2017/18 means that the Authority, like most of local government, faces a challenging future.

The Authority has been modelling for significant reductions in Government funding in its budget forecasts, nevertheless it will need to ensure that it continues to deliver efficiencies and moves forward its policy for generating income through investments and commercial activities. It is against this backdrop that we will asses the arrangements the Authority has in place to maintain its strong record of meeting efficiency savings against a worsening national picture.

The Authority reported an overall breakeven position on its net expenditure budget for 2015/16 after the net contribution of £1.845 million from reserves. This enabled the general fund balance to remain at £5.47 million as of 31 March 2016.

There were overspends in year of £360k in the Corporate and LGSS directorate, and £257k in Housing and Wellbeing, offset by underspends including £742k in Regeneration, Enterprise and Planning, as well as £393k in Customers and Communities. The Authority also incurred £635k of non-budgeted expenditure in relation to planning appeals and Delapre Abbey, whilst capital expenditure charged to revenue accounted for £2,172 of overspend. A reduction in financing costs resulted in £622k of underspend.

The Authority utilised £4.464 million of earmarked reserves in the year to support expenditure, the most significant movements of which came from the General Revenue Grants reserve (£536k), and the Rates, Retention and Deficit Funding reserve (£4.332 million).

The Authority's Medium Term Financial Plan details a balanced budget for 2016/17 including savings of £665k in year, all of which have been identified. This includes contributions to reserves of £2.872 million. However, whilst in year savings have been identified, the MTFP details the increasingly difficult financial challenges faced each year, resulting in the need for ever rising savings, up to £7.3 million by 2020/21.

The final local government finance settlement issued in February 2016 resulted in a decrease of £211k in central government funding through a reduction in Revenue Support Grant (£275k), Business Rates Baseline (£125k), and an increase in the New Homes Bonus (£165k) alongside a £24k transition grant. The Authority has reported that given that the central government methodology includes an assumption that Council Tax is increased as part of an authorities core funding, the medium term forecasts have been updated to include an assumed increase in the Band D Council Tax of £5 per year from 2017/18 onwards. This is the new limit announced in the final settlement above which a referendum would be triggered. No increase was enacted for 2016/17.

We are currently finalising our work with respect to the Authority's financial resilience and will provide an update to the Audit Committee.

Appendices

Appendix 1: Key issues and recommendations
Appendix 2: Materiality and reporting of audit differences
Appendix 3: Independence and objectivity

Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

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

No.	Risk	Issue and recommendation	Management response/responsible officer/due date
1	❷	**General IT controls – leavers** We tested the Authority's general IT control environment this year. We carried out specific testing of key applications which are relied upon by the audit, including Agresso. For two applications, we found that staff who have left the organisation are still active on these applications: — IBS Housing: 14 former staff had active accounts; and — ICON: 12 former staff were on user list, of which five were disabled and seven still active users. **Recommendation** Timely leaver forms need to be completed and cascaded to the relevant departments, including to IT. User access to applications needs to be reviewed on a periodic basis. In addition, the departing employee's access rights should be revoked as part of the standard leaving procedures. This process should be co-ordinated between HR and IT.	**Accepted.** Management notes this recommendation and has taken the following action: IBS Housing System. The recommendation for timely leaver forms needing to be completed and cascaded to the relevant departments has now been implemented. *Responsible Officer: LGSS Business Systems Manager* *Timescale: Implemented* ICON System. The staff responsible for maintaining user access to the ICON system have incorporated a review and disablement of users who have left into their routine monthly processes linking with the HR and Payroll teams *Responsible Officer: LGSS Exchequer Team Leader* *Timescale: Implemented*

Key issues and recommendations

No.	Risk	Issue and recommendation	Management response/responsible officer/due date
2	❶	**Controls and processes for issuing loans** There is no systematic formalised system of recording or documenting the due diligence process or results arising from the loan approval process. This includes the assessment of business cases, evidence to support key decisions made, any challenge put forward by the Authority to the loan applicant, and the Authority's internal review and approval process. The Authority had significant difficulty in obtaining the evidence required to substantiate this decision-making process. Our assessment of two loans is still ongoing due to the delayed provision of key documentation first requested in February 2016. There is evidence that the due diligence process is not sufficiently formal nor are there a consistent set of requirements. This includes the lack of assessments regarding historic trading performance, cash flow, working capital requirements, sensitivity analysis etc. The Authority's Treasury Management Strategy, states that *"The Council will use specialist advisors to complete financial checks to ascertain the creditworthiness of the third party."* We note that the use of specialist advisors by the Authority varies across loans in relation to the scope and detail of work requested and undertaken. The accountability and decision-making process is not sufficiently robust. We note that whilst Cabinet delegates authority to the Chief Executive or other appropriate Officers, this has been done prior to finalising the due diligence process. **Recommendation** The Authority should put in place a systematic, robust, and objective process of assessing and documenting the due diligence procedures carried out on loan applicants. This process should be transparent and the due diligence process undertaken by qualified individuals. Any decision will need to be fully documented, including the reasoning and consideration of risks. The process should include a review by a senior officer and this should be evidenced. Decision papers to Cabinet need to be robust and objective in order to allow informed and balanced decision-making. Decisions need to be made by Cabinet upon completion of required due diligence process. Officers will need to seek subsequent approval if terms of the loan are substantially revised.	**Accepted.** Management accept that improvements should be made to the process for approving loans. It should be noted that NBC have implemented a number of improvements in more recent loans issued, in particular the £46m loan to the University of Northampton which was subject to an intense and closely scrutinised process by the Council and external bodies, including HM Treasury. NBC will conduct a thorough governance review, in relation to project governance, risk management and due diligence. This review will consider Cabinet decision-making and clearance processes . The review will draw on external and internal experts and will work closely with KPMG and PWC as appropriate, and the output from the review will include documented and robust processes and checklists for the approval of loans and decision-making processes. NBC using advice from KPMG have already introduced a summary checklist to ensure that all aspects of third party loans are appropriately considered and recorded prior to approval *Responsible Officers: Chief Finance Officer, and Monitoring Officer* *Timeline: 31 March 2017*

Key issues and recommendations

No.	Risk	Issue and recommendation	Management response/responsible officer/due date
3	2	**Preparation and review of audit working papers** Our *Accounts Audit Protocol*, issued in January 2016 and discussed with the Strategic Finance Manager, sets out our working paper requirements for the audit. During our final accounts visit, a number of issues arose in relation to the quality of the working papers, including: — Many working papers were not checked against the requirements listed in the *Accounts Audit Protocol*, many had significant gaps in the information provided. In particular working papers relating to fixed assets and payroll caused delays to our audit process. Sign-off and review of these working papers were also performed by staff who were not aware of the requirements in the *Accounts Audit Protocol*. — The working papers for fixed assets do not show a clear audit trail, from the financial statements to an individual asset on the fixed asset register. The Authority faced difficulty in providing us with support for the year-end valuation increase (see recommendation four below). These issues have arisen despite the review and 'quality assurance' sign-offs on the front of each working paper. **Recommendation** The Authority should ensure that all key closedown staff receive and review the *Accounts Audit Protocol* prior to producing working papers for the audit. The overarching principle is working papers should provide a clear and concise audit trail from the financial statements through to sufficient and appropriate evidence within supporting working papers. Working papers need to: — Be clear, with explanations if needed. The working papers need to be written from the view point of someone external to the organisation; and — Be supported by strong evidence, for example, third party documentation.	**Accepted.** There were a number of changes to key staff involved in the delivery of the year end accounts, and in the onsite management of the external audit that unfortunately resulted in this situation. Management are fully supportive of a joint review between the authority and the external auditors to ensure a return to a high quality set of working papers ensuring a smoother audit in coming years. This will be particularly important moving forwards as further improvements are required to the process in order to meet increasingly reduced statutory deadlines for the closure of accounts. *Responsible Officer: Strategic Finance Manager* *Timescale: 30 November 2016*

Key issues and recommendations

No.	Risk	Issue and recommendation	Management response/responsible officer/due date
4	2	**Revaluation of council dwellings** The Authority revalues approximately 20% of its council dwellings annually, using the beacon methodology. This is where similar council dwellings are grouped with one dwelling chosen to represent each group (the 'beacon'). The remaining 80% of beacons are uplifted using the average movement of the 20%. The *Stock Valuation for Resource Accounting* guidance suggests that where a rolling valuation is performed, the Authority should undertake a desk top review of the remainder, informed by the results of the revaluation, market research and comparing prices of similar transactions in year. The Authority was unable to provide evidence of the year-end valuation methodology until after our onsite visit had completed (22 days working days after request), causing significant delays to the completion of our work. Handwritten notes were then provided to us, but these did not provide a clear and concise audit trail detailing the methodology used, the assumptions made, nor how calculations had been applied. There was no evidence this working paper had been reviewed. Furthermore, whilst the Authority did take into account similar transactions in the year, it did not challenge the methodology used nor undertake any additional review such as looking at wider trends, indices and other information to inform the year end movement. The Authority did not perform its own assessment of the final valuation including challenge and confirmation of this in order to understand key movements for properties. For both the initial and year end valuations, the valuer did not provide all the documents required by Code guidance including a separate overarching valuation report covering matters such as the process used to arrive at the estimate of the remaining useful life of individual properties, the valuer's proposed strategy,, arrangements for implementing the rolling programme; and proposals for carrying out additional and ad hoc valuations. **Recommendation** The information requested, and provided by the valuer, should meet all the criteria within the Code and provide a clear and concise audit trail relating to the metholdogy and assumptions used in the valuation process. All evidence should be maintained and made available prior to the start of the audit. The Authority should ensure that it fully fulfils its responsibility to review, challenge and understand the information provided by the valuers as required by guidance.	**Accepted.** There was a change in key staff within the Asset Management Team prior to the start of the audit. This combined with changes to finance staff meant that the process was not as smooth as in previous years. Management recognise there is a need for a better documented internal review process within Asset Management, and between Asset Management and Finance. Officers will be working jointly to thoroughly document processes for future years. *Responsible Officers: Head of Asset Management, and Strategic Finance Manager* *Timescale: 31 December 2016*

Key issues and recommendations

No.	Risk	Issue and recommendation	Management response/responsible officer/due date
5	2	**Reconciliations** During the course of our audit we reviewed a number of reconciliations performed by the Authority between key systems. These are important controls which provide assurance that due process is being followed and that values reflected in the financial statements are calculated on an appropriate basis. We noted a number of issues including: — Our testing of the March 2016 payroll reconciliation showed a total of 99 unreconciled items with a net value of £46,000 (gross £95,000). We also noted historical brought-forward balances which have yet to be identified by payroll. — The Authority reconciles weekly Valuation Office (VO) reports to Northgate. The Authority does not reconcile the number of hereditaments (properties which are subject to business rates) to the NNDR system. There remains a small unreconciled difference in property numbers each week. — The Authority reconciles the annual housing benefits expenditure to Agresso at the end of the year. We identified that the Authority had used the 2014/15 figure instead of 2015/16 figure for the reconciliation, resulting in an unreconciled difference of £15,300, instead of the original £997. This was not identified despite having been reviewed and signed off as "quality assured" by Officers. **Recommendation** The Authority needs to ensure that quality checks are undertaken on all key controls. This should be embedded within the reconciliation process. The Authority should ensure all the issues above are dealt with and that full reconciliations are carried out across all appropriate systems and balances. All unreconciled balances should be identified and cleared, or written-off in a timely manner.	**Accepted.** Payroll reconciliation – Management accept there is a need to strengthen the reconciliation process. Reconciliation items must be identified and cleared within a timely period. *Responsible Officer: Payroll Manager* *Timescale: 31 October 2016* NDR property reconciliations - The Authority does reconcile the properties between the NDR and VO reports, and there are currently two cases where properties don't reconcile but officers are aware of the reasons why the systems don't reconcile and will be correcting them. The reconciliation amendment will not impact on the customers' liability or debit raised. *Responsible Officer: Revenues Manager* *Timescale: 31 October 2016* Housing Benefit Agresso reconciliation - Management recognise that the reconciliation process needs to be improved, and officers will be revising the process to exclude prior balances from the reconciliation data to ensure it is not included in error. *Responsible Officer: Strategic Finance Manager* *Timescale: 31 December 2016*

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Key issues and recommendations

No.	Risk	Issue and recommendation	Management response/responsible officer/due date
6	2	**Cut-off and accruals accounting** We performed cut-off procedures over the Authority's non-pay expenditure controls. The Authority needs to recognise expenditure incurred within the correct financial year. Our cut-off procedures are designed to test the effectiveness of the Authority's process for identifying and allocating expenditure to the correct financial year. We tested 10 transactions around the year-end closedown date and identified that one invoice which should have been accrued had not been. The value of this invoice was for £2,240, which is above the Authority's *de minimis* threshold and therefore should have been accounted for within 2015/16. Whilst further investigation deemed the issue to be immaterial to the audit, and therefore no adjustments are proposed, this is a key control operated by the Authority and should be operated consistently during the year. **Recommendation** The Authority should ensure it strengthens its year end cut-off procedures and that controls are sufficiently-robust to ensure correct procedure is followed. The Authority may wish to consider the impact on raising its de minimis level to reduce the manual input required in this process. A review of cut-off is particularly important given the move to a shorter timetable for the accounts process from 2017/18, and the reduced time to produce the financial statements.	**Accepted.** Management accept this advice and they intend to review the de minimus level for accruals from £1,000 to £5,000 in order to make the process more efficient in the future to enable the reduced statutory deadline for the closure of accounts to be achieved. This will allow more time for increased controls over the manual accruals process which arguably present a greater risk. *Responsible Officer: Chief Finance Officer* *Timescale: 31 March 2017*

Key issues and recommendations

No.	Risk	Issue and recommendation	Management response/responsible officer/due date
7	3	**Data provided to the pensions authority** Our testing of April to December 2015 pensions return to the pensions authority identified minor variances between the data provided and source data held by the Authority. The Authority had since alerted the pensions authority of these discrepancies; however due to the small values, there was no impact on the actuarial calculations. Nonetheless, our findings identified that checks over the pensions return were not made prior to submission. **Recommendation** The Authority should review all information provided to the pensions authority on a monthly basis. This should be evidenced via sign-off by a senior individual.	**Accepted.** Management accept this recommendation and work is being done between the Pensions and Financial Systems teams to ensure more a complete reconciliation is done which is then signed off by an appropriate manager *Responsible Officer: LGSS Financial Systems Manager* *Timescale: 30 November 2016*
8	3	**Payroll data quality** As part of our audit approach, we undertook data analytics over the Authority's payroll transactions for the year. We did not find any material issues; nonetheless, we noted some minor data quality issues, such as incorrect addresses and duplicate National Insurance numbers. We have provided the full results to the Authority separate from this report. We noted salary payments made to employees after their effective end date. All of these have been investigated by the Authority and confirmed as appropriate. **Recommendation** The Authority should investigate instances of data quality issues. In addition, the Authority should investigate all incidences of salary payments to staff after the end dates.	**Accepted.** Management have reviewed the findings and whilst there are no significant issues, processes have already been updated during 2015/16 to address issues around national insurance numbers. A further review of data held around historic / incomplete postcodes will be undertaken *Responsible Officer: Payroll Manager* *Timescale: 31 December 2016*

Follow up of prior year recommendations

The Authority has not implemented all of the recommendations in our *ISA 260 Report 2014/15*.

We re-iterate the importance of the two outstanding recommendations and recommend that these are implemented as a matter of urgency.

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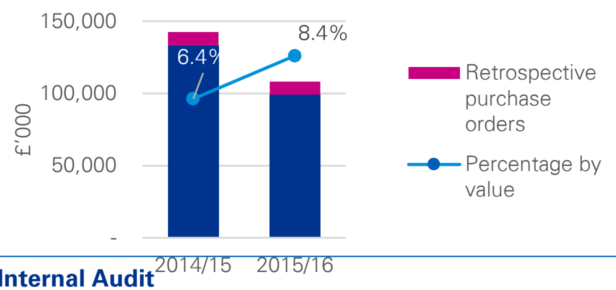
This Appendix summarises the progress made to implement the recommendations identified in our *ISA 260 Report 2014/15* and re-iterates any recommendations still outstanding.

Number of recommendations that were:	
Included in original report	3
Implemented in year or superseded	1
Remain outstanding (re-iterated below)	2

P/Y No.	Risk	Original 2014/15 issue and recommendation	Agreed 2014/15 action, Officer responsible and due date	Status as at September 2016
1	❶	**Retrospective raising of purchase orders** Testing identified that purchase orders need to be raised prior to the Authority committing itself to purchasing goods/services. All purchases need to be authorised, and this authorisation is only carried out at purchasing order stage for those items that require a purchase order. We noted that £7.7 million worth of expenditure in year was not appropriately authorised prior to placing an order with a supplier. In these cases purchase orders were raised retrospectively which potentially opens the Authority to potential fraud or impropriety and is contrary to the Authority's policy. **Recommendation** The Authority should ensure that purchase orders should be raised for the purchasing of goods and services through the purchase order process (where appropriate), prior to the Authority committing itself to the purchase. *(continued)*	**Agreed.** This amount of expenditure (£7.7 million) represents approximately 3% of the value of all invoices raised in 2014/15. This indicates a good level of financial management with 97% of purchases requiring a purchase order being processed appropriately. All purchases made were from approved budgets and were subject to appropriate segregation of duties for final authorisation of payment. *(continued)*	**Partially implemented. Reiterated.** In the Authority's response to our 2014/15 recommendations, the Authority stated that of the £7.7 million retrospective purchase orders identified from April 2015 to January 2016, the majority (£5.3 million) relate to contract expenditure and appropriate procurement procedures had taken place. This leaves £2.2 million (2.5%) which appear to have bypassed procurement procedures during that period, and the issue of retrospective purchase orders still remains. *(continued)*

Follow up of prior year recommendations

P/Y No.	Risk	Original 2014/15 issue and recommendation	Agreed 2014/15 action, Officer responsible and due date	Status as at September 2016
		(continued) Reports should be run on a regular basis to identify all non compliance and take appropriate follow up action. 	*(continued)* The Authority will review this level of efficiency and continue to provide financial management training to further improve procurement compliance. **Responsible Officer: Glenn Hammons** **Due Date: Quarterly review**	Scheduled payments under contracts can be anticipated, thus there is no need for the purchase orders to be initiated retrospectively. Our review at year end indicated that there were 885 retrospective orders raised, totalling £9.1 million. This is an increase from the prior year (£7.7 million). A formal report was taken to the management board in autumn last year, and the Authority has stated that from January 2016 monitoring of non-compliance has been integrated into the Management Board dashboard report. However, the report does not currently indicate any actions taken on non-compliance.
216	3	**Internal Audit** Responsibility for internal audit services is split between PwC and LGSS. It appears that the process for splitting areas of responsibility has been inconsistent and in some cases the areas of internal audit work which we had intended to rely upon had not been delivered. This resulted in KPMG having to undertake and complete additional controls testing as part of our year end audit programme. **Recommendation** The Authority should ensure that it undertakes a thorough assessment of both internal audit providers annual audit plans for 2015/16 to ensure that appropriate assurance and systems coverage is provided during 2015/16.	**Agreed.** The Authority has set up regular meetings with LGSS and PWC Internal Audit team to ensure that the work coverage supports the requirements of KPMG. The Monitoring Officer is currently undertaking this review and Audit Committee are engaged to ensure requirements are met. **Responsible Officer: Francis Fernandez** **Due Date: 31 March 2016**	**Partially implemented. Reiterated.** We note that there has not been a thorough assessment of both internal audit providers' annual audit plans for 2015/16. Going forwards, we note that the Authority's internal audit provider (PwC) has issued its internal audit plan for 2016/17. There is no indication that this has been coordinated with LGSS. We re-iterate our recommendation that there should be a thorough assessment of both providers to ensure appropriate coverage, particularly where the providers rely on a rolling audit plan. There is a planned meeting in September between the two providers to ensure a more coordinated approach.

Materiality and reporting of audit differences

For 2015/16 our materiality is £2.7 million for the Authority's accounts.

We have not identified material adjustments to the financial statements to date. A final list of adjustments will be presented to the Audit Committee upon the completion of our audit.

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Materiality

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

- Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.
- Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.
- Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our External Audit Plan 2015/16, presented to you in March 2016.

Materiality for the Authority's accounts was set at £2.7 million which equates to around one percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £135,000 for the Authority.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

Declaration of independence and objectivity

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the Code of Audit Practice.

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Requirements

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the Code of Audit Practice (the 'Code') which states that:

"The auditor should carry out their work with integrity, objectivity and independence, and in accordance with the ethical framework applicable to auditors, including the ethical standards for auditors set by the Financial Reporting Council, and any additional requirements set out by the auditor's recognised supervisory body, or any other body charged with oversight of the auditor's independence. The auditor should be, and should be seen to be, impartial and independent. Accordingly, the auditor should not carry out any other work for an audited body if that work would impair their independence in carrying out any of their statutory duties, or might reasonably be perceived as doing so."

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Public Sector Audit Appointments Ltd *Terms of Appointment* ('Public Sector Audit Appointments Ltd Guidance') and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Public Sector Audit Appointments Ltd guidance requires appointed auditors to follow the provisions of ISA (UK&I) 260 Communication of *Audit Matters with Those Charged with Governance'* that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.
- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our *Annual Audit Letter*.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Audit Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

Declaration of independence and objectivity (cont.)

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

General procedures to safeguard independence and objectivity

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the *Ethics and Independence Manual* ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual ethics and independence confirmation. Failure to follow these policies can result in disciplinary action.

Auditor declaration

In relation to the audit of the financial statements of Northampton Borough Council for the financial year ending 31 March 2016, we confirm that there were no relationships between KPMG LLP and Northampton Borough Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

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Appendices: Nil

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Position Statement on Vacant Posts and Interim Staff

AGENDA STATUS: **PUBLIC**

Audit Committee Meeting Date:	5th September 2016
Policy Document:	No
Directorate:	Finance Directorate LGSS
Accountable Cabinet Member:	Cllr Brandon Eldred

1. Purpose

1.1 To present Committee with additional information and answers to a query raised at the Audit Committee on the 14th March 2016.

2. Recommendations

2.1 To consider the contents of this finance report.

2.2 To consider whether Committee requires any additional information in order to fulfil its governance role.

3. Issues and Choices

3.1 Report Background

3.1.1 A Finance and Performance report is presented to Cabinet quarterly (including the outturn report) which are then brought to the first available Audit Committee meeting following their production.

3.1.2 At it's meeting on the 14 March Audit Committee raised a query requesting further information on:

- The number of interim/agency staff and vacant positions currently held at the Council

3.2 Interim/Agency Staff and Vacant Positions

3.2.1 The number of interim and agency staff engaged is summarised in the table below.

Directorate	Mar	August
Borough Secretary	**9**	**9**
Director of Customers & Communities	***13**	**8**
Director of Regeneration, Enterprise & Planning	****11**	**11**
Housing and Well Being	**4**	**10**
Total	**38**	**38**

***12 Posts removed from Customers and Communities relating to Enterprise Contract as costs are being recovered through the contract.**

****2 Posts removed from Regeneration, Enterprise & Planning as they are being recharged to projects.**

3.2.2 The number of staff vacancies is summarised in the table below.

Directorate	Total Posts	Vacancies (March)	Vacancies (August)	Vacancies (August) as a % of total posts	Recruiting to	Covered by Interims/ Agency
Borough Secretary	28	11	12	42.8	6	9
Director of Customers & Communities	169	23	25	14.8	21	8
Director of Regeneration, Enterprise & Planning	65	13	13	20.0	6	11
Housing and Well Being	37	5	8	21.6	5	5
Total	299	52	58	19.4	38	33

3.2.3 Borough Secretary. The department has had to recruit a number of additional staff to support changes arising from Individual Registration, brought about by changes in the law. The department is actively considering what departmental structures it needs to adequately and proportionally resource this important statutory function. Of the 12 vacancies, through the department, 1 has been filled, 5 have been offered a permanent role, 1 will be re-advertised as we were not successful at interview stage in finding a suitable candidate, 1 is under review and the remainder are being held pending restructures.

3.2.4 Of the 25 vacancies in the Directorate of Customers & Communities, 16 have been filled and are just waiting on start dates, 5 are currently out to advert and the remainder are being held pending restructures to find further savings.

3.2.5 Of the thirteen vacancies within the Directorate of Regeneration, Enterprise and Planning, offers have been made and accepted in relation to two posts. Four posts are also in the process of recruitment and one post has been held for review.

3.2.6 The use of interim staff to temporarily cover vacant posts within the Directorate has enabled the planning service to remain efficient in determining planning applications and in progressing Development Plan Documents, which are important services for householders, developers and investors. The use of interims has also enabled the asset management and regeneration services to progress a number of key projects, which include; proposals for the Vulcan Works, the redevelopment of Greyfriars and the refurbishment of Delapre Abbey.

3.2.7 Of the 8 vacant positions in the Housing and Wellbeing Service, 5 are being recruited to. Of the 10 Interims in the Housing and Wellbeing Service, 5 are covering vacant posts until successful appointments are made, 1 has previously been covering a vacant post and is in the process of handing over her work to a newly-appointed Permanent Officer, 2 are providing the Housing Standards Team with extra capacity to identify, license and regulate HMOs pending a mini restructure of the Housing Standards Team, and 2 have been recruited in August to oversee the conversion and refurbishment of the new Nightshelter and set up the Council's Social Lettings Agency.

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 Ongoing monitoring of the Council’s budget and capital programme enables early intervention and appropriate remedial action, thus mitigating risks to the Council’s financial viability and to its reputation.

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 Regular reporting of the Council's financial position helps to ensure the proper stewardship of the Council's resources. Active financial management contributes to the delivery of value for money services, enabling public money to be used to maximum benefit.

4.7 Other Implications

4.7.1 Not applicable

5. Background Papers

None

Glenn Hammons
Chief Finance Officer, Telephone 01604 366521

Appendices
A: PwC Auditor Report

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Internal Audit (PwC) Progress Update

AGENDA STATUS: **PUBLIC**

Audit Committee Meeting Date:	5th September 2016
Policy Document:	No
Directorate:	LGSS Finance
Accountable Cabinet Member:	Cllr Brandon Eldred

1. Purpose

1.1 To inform the Audit Committee on the current progress of internal audit work being carried out by PwC against the workplan.

2. Recommendations

2.1 It is recommended that the Audit Committee note this report.

3. Issues and Choices

3.1 Report Background

3.1.1 As part of their engagement as internal auditors PwC provide regular updates to the Audit Committee of progress against planned work and any issues during the year.

3.2 Choices (Options)

3.2.1 The report is just for noting, however audit committee have the opportunity to ask questions direct to the auditors.

4. Implications (including financial implications)

4.1 Policy

4.1.1 None to report.

4.2 Resources and Risk

4.2.1 None to report at present.

4.3 Legal

4.3.1 None to report at present.

4.4 Equality

4.4.1 Not applicable.

4.5 Consultees (Internal and External)

4.5.1 None.

4.6 Other Implications

4.6.1 None.

5. Background Papers

5.1 None to date.

Glenn Hammons
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Internal Audit Progress report

Northampton Borough Council

September 2016

pwc

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For information	Audit Committee

Introduction

Purpose of this report

We are committed to keeping the Audit Committee up to date with Internal Audit progress and activity throughout the year. This summary has been prepared to update you on our activity since the last meeting of the Audit Committee and to bring to your attention matters that are relevant to your responsibilities as members of the Authority's Audit Committee.

2016/17 Internal Audit Plan Progress

The draft 2016/17 Internal Audit Plan was presented and approved by the Audit Committee at its meeting on the 27 July 2016. The Internal Audit Plan sets out the risks that were identified as part of the planning process, together with the targeted work to be performed in order to address the identified risks. We will report back to you on any changes to the assessment of audit risks and on the work undertaken in response to the risks identified.

We have continued our Internal Audit fieldwork and are pleased to report work is ongoing in the following areas:

- Risk Management;
- Northampton Town Football Club;
- Disabled Facilities Grant;
- Economic Development & Regeneration;
- Planning;
- Environmental Health & Licencing;
- Environmental Services; and
- Customers & Cultural Services.

We have also arranged review scoping meetings for the following areas:

- Housing Options;
- Private Sector Housing; and
- Partnerships and Communities.

A detailed assessment of our performance against the Internal Audit Plan, tracking assignments undertaken and planned activity is shown in Appendix One. At the time of writing this report we have completed 42 days of the planned audit days.

Changes to the 2016/17 Internal Audit Plan

The 2016/17 Internal Audit Plan included a contingency of 20 days. We have used some of this contingency, 6 days to date, to deliver a report into the 2015/16 Disabled Facilities Grant. The review will support the Section 151 Officer, on behalf of the Council, in signing the DFG Grant Declaration to Northamptonshire County Council.

Activity and progress

Ongoing fieldwork

Work is progressing in the following areas:

Risk Management

We started a series of risk management and assurance mapping workshops in February 2016 with the Directors and we have continued to provide support to embed the risk management framework.

A workshop was held in May 2016 with the risk and performance management officer and section 151 officer to review the proposed risk register and consider the effects of the Council's revised approach to risk management. We facilitated a workshop at the Management Board meeting in June 2016 and supported Directors in identifying current risks which affect the Council.

Going forward, another workshop is planned at the Management Board meeting in September 2016 where we will support in reviewing the updated risk register, populated with the identified risks. Once finalised, the risk register will be shared on a regular basis with the Audit Committee.

Northampton Town Football Club

The fieldwork is complete and we have drafted the report. We have met with the Chief Executive, Leader, Deputy Leader, Monitoring Officer and Section 151 Officer on the 12 August to review the factual accuracy of our findings. We are in the process of updating the report before it is shared with the Audit Committee. Northamptonshire Police have requested a meeting to discuss our findings and we will seek to finalise the report as soon as possible. Once the report is finalised, we understand that a specially convened Audit Committee is likely to be held to share the findings of the report.

Disabled Facilities Grant

The fieldwork is substantially complete and we are in the process of following up with officers to identify whether additional evidence is available for some outstanding areas. Once this information is received we will be undertaking internal review procedures before the report is shared with management and the Audit Committee.

Planned fieldwork

Work is planned in the following areas:

- **Economic Development & Regeneration, Planning and Environmental Health & Licencing:** scoping meetings were held on the 1 August and terms of reference developed. We are in the process of finalising the terms of reference with management and expect to commence fieldwork during October;
- **Environmental Services:** a scoping meeting was held on the 1 August and a subsequent follow up meeting was held on 15 August. We have identified an opportunity for PwC to support officers with the options assessment currently being prepared to determine the future delivery model for the Environmental Services contract. We are in the process of drafting a scope of work and agreeing this with management.
- **Customer & Cultural Services:** a scoping meeting was held on the 1 August and a subsequent follow up meeting was held on 15 August. We have identified an opportunity for PwC to support officers with project management of the museum redevelopment and establishment of the museum trust. We are in the process of drafting a scope of work and agreeing this with management.

Appendix 1: Detailed progress tracker

Ref	*Auditable Unit*	*Indicative number of audit days**	*Actual audit days to date*	*Proposed fieldwork dates*	*Scoping meeting date*	*Proposed draft report date*	*Proposed management response date*	*Proposed final report date*	*Audit Committee reporting date*
A1	Contract management: LGSS review	20	-	Q1-2	TBC	TBC	TBC	TBC	TBC
A2	Risk management	10	7	Q1-2	Work ongoing from 15/16				
A3	Business Continuity	10	-	Q3	TBC	TBC	TBC	TBC	TBC
A4	Governance: Corporate Policy	10	-	Q3	TBC	TBC	TBC	TBC	TBC
A5	Performance Management	10	-	Q3	TBC	TBC	TBC	TBC	TBC
A6	NTFC	10	15	Q1	Work ongoing from 15/16	August 2016	September 2016	October 2016	October 2016
B1	Economic development and regeneration	10	1	Q4	1st August 2016	October 2016	October 2016	November 2016	November 2016
B2	Planning	10	1	Q3	1st August 2016	October 2016	October 2016	November 2016	November 2016
C1	Directorate governance: Borough Secretary	10	-	Q2	TBC	TBC	TBC	TBC	TBC
D1	Environmental Health and Licencing	10	1	Q3	1st August 2016	October 2016	October 2016	November 2016	November 2016
D2	Environmental services	10	1	Q3	1st August 2016	TBC	TBC	TBC	TBC

D3	Customers and cultural services	10	1	Q3	1st August 2016	TBC	TBC	TBC	TBC
E1	Housing options	10	0.5	Q2	28th September 2016	TBC	TBC	TBC	TBC
E2	Private Sector Housing	10	0.5	Q2	28th September 2016	TBC	TBC	TBC	TBC
E3	Partnerships and Communities	10	-	Q3	28th September 2016	TBC	TBC	TBC	TBC
F1	Internal audit management	20	8	Q1-4	TBC	TBC	TBC	TBC	TBC
F2	Contingency	20	6	Q1-4	August 2016	September 2016	September 2016	September 2016	November 2016
	Total audit days	200	42						

** Where appropriate and in agreement with client management, we are able to flex our audit service to include more senior or specialist staff to respond to the risks generated by audit reviews. Where we do this we effectively agree a fixed fee for the audit work which is derived from the combined fees of the planned audit days allocated to this audit review during the annual planning process.*

Appendix 2. Recent Publications

1. PwC Public sector contracts: are you getting what you've paid for?

The UK public sector spends over £100bn per annum on contracts with third-party suppliers. Billing errors alone can run to millions of pounds, undetected. This article outlines three ways to ensure you are getting value for money: http://pwc.blogs.com/publicsectormatters/2016/03/public-sector-contracts-are-you-getting-what-youve-paid-for.html

2. The impact of Brexit on Government and Public Sector

With the outcome of the EU referendum being to leave the EU, you will no doubt be thinking about issues ranging from changes to regulations and the impact on your future funding to migration and the impact on public services. And, while the outcome of the vote is known, a long period of adjustment will now follow a decision to leave which bring with it a period of uncertainty. The outcome will impact all of us, personally and professionally. In this short paper, we set out some of the implications for the public sector to help you make informed decisions about your strategic choices as we prepare to exit the EU.

You can read the paper at http://www.pwc.co.uk/the-eu-referendum/the-impact-of-brexit-on-government-and-public-sector.html

3. HMRC Consultations

Salary Sacrifice

It is currently proposed that the tax effectiveness of many salary sacrifice arrangements will be removed from 6 April 2017. The proposal is that only pension contributions, cycles, childcare and employer provided pension advice will still attract a tax and employer's NIC saving through salary sacrifice.

The proposal is that the greater of the salary sacrificed or the cash equivalent of the benefit will be subject to both tax and Class 1A NIC for all but the above excluded benefits. There is however currently no proposal to charge employee's NIC on the BIK or sacrificed sum.

Employers with salary sacrifice arrangements and flexible benefit packages will need to urgently assess their benefit offering to determine the appropriate next steps. Arrangements likely to be affected by the current proposals include car parking, living accommodation, cars, technology including computers/iPads/mobiles and training.

Termination payments

Following an earlier consultation, HMRC have released draft legislation confirming their intention to:

- Charge employer's NIC on termination payments above £30,000
- Remove the foreign service exemption and limited foreign service exemption
- Subject all Payments In Lieu of Notice (PILONs) to tax as if they were 'contractual PILONs'

These changes are scheduled to come into effect from April 2018. Prior to this date it will be necessary to review termination policies and procedures as well as budget for the potential increase in costs associated with the additional employer's NIC charge.

Other relevant consultations

Finally, HMRC have also released two additional consultations regarding simplifying the PAYE Settlement ("PSA") process and giving clarity on when 'making good' employer's costs will reduce or eliminate a benefit-in-kind. Both of these appear at first reading to be welcome proposals for simplification, including the possibility of online PSA reporting in future alongside streamlining the PSA agreement process.

The combination of the above proposed changes (especially around salary sacrifice) represent what could be viewed as some of the most significant changes to the employment tax environment in many years. If you would like more information on how any of these upcoming changes could affect your organisation or want to discuss the responses we are seeing in the market more generally then please do not hesitate to raise this and one of our local employment tax experts will be in touch.

4. National Insurance on Termination Payments

Announced in the 2016 Budget, employers will now need to pay national insurance on any pay-offs (e.g. termination payments) above £30,000 where income tax is also due. The change will take effect from April 2018. Full payments will remain out of the scope of employee national insurance contributions. The scope of payments which are eligible for the £30,000 exemption has also been tightened.

Further details can be found at: https://www.gov.uk/government/publications/budget-2016-documents/budget-2016#executive-summary