NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Your attendance is requested at a meeting to be held in the

This meeting will be held remotely at https://www.youtube.com/user/northamptonbcTV

on Thursday, 25 March 2021

at 6:00 pm**.**

George Candler
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

(Copy herewith)

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. INTERNAL AUDIT UPDATE - BDO

(Copy herewith)

7. INTERNAL AUDIT ANNUAL OPINION - BDO

(Copy herewith)

8. INTERNAL AUDIT UPDATE - LGSS

(Copy herewith)

9. EXTERNAL AUDIT - UPDATE CLOSEDOWN TEAM/EY

(Copy herewith)

10. STATEMENT OF ACCOUNTS 2018-19

(Copy herewith)

11. GOVERNANCE REPORT

(Copy herewith)

12. PUBLIC INTEREST REPORT (LOAN)

(Copy herewith)

13. CHIEF FINANCE OFFICER REPORT

(Copy herewith)

14. EXCLUSION OF PUBLIC AND PRESS

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

SUPPLEMENTARY AGENDA

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

Public Participation

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

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Monday, 14 December 2020

PRESENT: Ian Orrell (Chair); Councillor Oldham (Deputy Chair); Councillors Marriott, Stone, T Eales and Bottwood

2. MINUTES

The Minutes of the meeting held on 26 October 2020 were confirmed and signed by the Chair as a true record.

3. DEPUTATIONS / PUBLIC ADDRESSES

There were none.

4. DECLARATIONS OF INTEREST

There were none.

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

There were none.

6. INTERNAL AUDIT UPDATE - BDO

At the Chair’s invitation, Gurpreet Dulay presented the report from BDO and informed the Audit Committee that the safeguarding review which was delayed due to Covid-19 had now been completed which concluded the 2019/20 internal audit. The summary table on page 8 of the report outlined the work undertaken for the 2019/20 review and the internal audit opinion, and the following page outlined the progress of the 2020/21 internal audit plan. He explained that the HMO licensing and enforcement audit had been removed from the plan and the audits around climate emergency were to be finalised, and that the licensing audit was ongoing.

In terms of the safeguarding review, the effectiveness was rated limited as training was inadequate for officers with less than 55% completion rates. He explained that the Council were required to produce a section 11 position statement, which showed that actions identified in both the 2017 and 2019/20 surveys were not met and showed as outstanding.

The Chief Finance Officer provided assurance that a comprehensive response would be provided by 8 January from the director. There would also be mandatory safeguarding training for staff and the Council was in the process of changing its e-learning provider. An update would be brought to the next Audit Committee meeting.

Members expressed their concerns regarding the Safeguarding review as the Council has a duty of care, and to ensure that vulnerable individuals are protected. Members asked if the inadequate training had caused an adverse effect on individuals. Gurpreet reiterated that the responsible director would be able to answer those concerns, and that in Northamptonshire the County Council had responsibility for safeguarding. However, effective safeguarding relied on individuals being trained, in order to know what to look out for and assisting the County by raising intelligence through safeguarding protocols.

Gurpreet continued to present the next section of the report, 2021-21 self-isolation grant scheme which was set up to support those who had to self-isolate due to Covid-19. He explained the scheme started on 28 September 2020 and would run until 31 January 2021, and Councils were to distribute the funds as instructed by government. BDO had been asked to oversee and check the process as to mitigate the risk of fraud or error. Recommendations were put forward from BDO to LGSS which were actioned to improve the portal and overall process. Arrangements are also in place to retest the system and follow up checks will be undertaken on a sample basis. The next section of the report from page 16 showed a sector update, and this concluded the progress report.

The next report, the internal audit follow up of recommendations, summarised the audits undertaken in 2018/19 and the progress of the 2019/20 audits, with a narrative summary on the following pages. The table on page 26 outlined the recommendations with 12 high and 4 medium rated actions. The due dates on some actions have been revised, as covid-19 has impacted progress, or moved to a new West Northants category.

Members discussed the report. BDO will provide a final position statement at the Audit Committee in March along with an update on the safeguarding response. The Chair thanked Gurpreet and his team at BDO for all of their hard work and for the comprehensive reports.

RESOLVED: That the Audit Committee noted the report.

7. INTERNAL AUDIT UPDATE - LGSS

At the Chair's invitation, Jacinta presented the LGSS internal audit update and explained that in terms of the 2019/20 audits, some progress had been made. The agresso audit was currently in the draft stage and assurance was showing as satisfactory. It was hoped that LGSS would be able to finalise the agresso review within the next week As part of the agresso review, it was found that the infrastructure for agresso was held at the Guildhall, and at the time of the review, there was no evidence that the backups held at Bridge Depot were being regularly tested. It was also found that there was no evidence of patching across the agresso server.

The Chief Finance Officer explained that Northampton Borough Council's IT is outsourced entirely to LGSS, and the servers are physically stored at the Guildhall and Bridge Street Depot, but Northampton County Council holds the responsibility for monitoring these. He assured the Audit Committee he would be taking this up with the Director of IT who was responsible for delivering this service.

Jacinta continued to present her report and explained that in regards to the treasury management and general ledger audits, as a result of the impact of Covid-19, it was agreed that the work would be undertaken during 2020-21 to allow for appropriate coverage of activity, with a revised start date of December 2020. Jacinta explained that it had been decided for the work to be restarted, given the time lapse with covid-19 and the transfer of the finance department from LGSS back to the County Council.

In terms of the 2020/21 audits, the Council tax audit had been completed with an emerging opinion of good assurance and minor impact. The balance sheet reviews for Q1-2 had been completed and Q3 was underway. Jacinta concluded her report and shared that she was confident LGSS would be on track to complete the rest of the audits as planned for 2020/21.

The Chair thanked Jacinta for her report and requested that a report could be brought to the next Audit Committee meeting in March detailing the progress of the audits and a position statement, in line with the move to West Northants Unitary.

Members asked questions surrounding staff handovers and the retention of specialist knowledge in light of the reorganisation of service areas and staff. The Chief Finance Officer assured that in terms of a system handover, the Unitary would be using a new system, ERP

Gold which was being built informed by staff expertise and collaborative working. He explained the controls were currently being developed, and the finance workstream which included the Finance Directors, Section 151 officers and Councillors for West Northants. The Chief Finance Officer summarised that he would be providing a detailed handover for the Section 151 Officer of West Northants, Martin Henry and Steve Clark from EY was on hand to ensure that each of the sovereign councils provided an efficient handover.

RESOLVED: That the Audit Committee noted the progress with delivery of the 2020-21 audit plan.

8. EXTERNAL AUDIT - UPDATE CLOSEDOWN TEAM / EY

At the Chair’s invitation, the Corporate Accountant introduced the report and explained that since the publication of the 19/20 draft accounts and the recommencement of the audits at the start of November, the team have been working closely with EY. A large volume of information has been collated and handed over to the external auditors, and the online portal created by EY had been effective in helping the team to raise and manage requests. In total, there has been in excess of 400 requests for information raised by EY during the course of the audit since December 2019, of which approximately 70 have been actively worked on by the Integrated Closedown Team, the Finance Business Partnering Team and other specialist teams within the Council. Requests are being actively worked on and returned to EY for review in a timely manner.

The team was currently working hard to complete the fieldwork, and a draft Statement of Accounts for 2018/19 would be updated to encompass the agreed changes. In addition to this, the 19/20 accounts would be updated to reflect the changes made to the 18/19 accounts. The Corporate Account reiterated the close working relationship with EY, and shared that regular meetings were taking place and she maintained that the team were on track with the Statement of Accounts for approval of the Audit Committee in early 2021.

Following on from the Corporate Accountant’s presentation, Steve Clark from EY thanked the Corporate Account and her colleagues for their hard work. He reiterated that the teams were actively working through issues and understood the time pressures with the move to Unitary. He shared that there was a shared plan of action between all those involved with the Statement of Accounts. The Chair thanked Steve Clark for his update and reiterated his thanks for all of those involved for their hard work and efforts.

The Corporate Account continued presenting the report and summarised the progress of the 19/20 accounts, she explained that the period of public inspection of 6 weeks had finished and they had received no contact from members of the public. She explained that they were waiting to conclude the 18/19 accounts, so that the 19/20 accounts could be updated to reflect these changes before the continuation of the audits. Steve Clark added that familiarisation work would not need to be repeated, and they were aware of the timescales with the closedown of the sovereign Council. They believed that they would not achieve this by March, with the demands of setting up the West Northants Unitary Council. Steve Clark explained that the biggest risk was staff moving into new roles and looking to the future, and this would be a challenge in completing the accounts which would migrate to the Unitary Council.

The Chief Finance Officer assured that EY had been in conversation with the Section 151 Officer of the West Northants Unitary and the current Section 151 Officer of Northamptonshire County Council and it was to his knowledge that a team would be ringfenced to work on finalising the accounts, and keep the momentum and consistency going. He assured that it was common practice for Unitary Council’s to spend their first year closing down from the previous year after the dissolution of the Council.

Members asked if EY had changed their opinion regarding the completion of audits by 31st March 2021. Steve Clark responded that the volume of queries was too high, and the work was challenging for both sides given the tight timescale, meaning it would be too high risk for them to complete by this date and it would be migrated to West Northants to complete.

Members queried the reason for the high volume of queries and asked if there was evidence of mismanagement or fraud, as well as how the reorganisation would work with external auditors. Steve Clark responded that there was no evidence of mismanagement or fraud and there was currently a process being undertaken to appoint the external auditors. The Chief Finance Officer explained that the volume of queries related to the complexity of the Northampton Borough Council accounts, as they held a number of assets and made various transactions. These queries related to areas such as; the pension fund; legislative changes; the Council's property portfolio; and revenue and benefits.

RESOLVED:
- That the Committee noted the progress made with the audit of the draft Statement of Accounts for 2018-19.
- That the committee noted the current position with the draft Statement of Accounts for 2019-20.

9. GOVERNANCE REPORT & RISK REGISTER

At the Chair's invitation, the Governance and Risk manager presented the report and explained that the report provided an update following on from the previous Audit Committee meeting. She explained the report contained three appendices, the governance report, Q2 20/21 corporate risk register and temporary workers register.

The Governance and Risk manager presented the governance report and explained that under LGSS contract management, LGSS had been disbanded and the Council was being supported to deliver the services through to the move to Unitary. There were three separate risk registers contained in the report: Brexit, Covid-19 and Corporate risk registers which were regularly updated. She explained that emergency planning was on-going due to Covid-19, and Northampton Borough Council worked closely with Northamptonshire County Council and the Local resilience forum in response to the pandemic.

Next, the temporary workers register which showed the number of workers from April to November 2020 had dropped from 21 to 12. The Chief Finance Officer explained that temporary workers were being recruited for specific work in the move to the Unitary, and those who were required for a longer period would be offered a permanent position in the Unitary. Finally, there were tables relating to health and safety statistics for 2019/20 and 2020/21, and then statistics relating to GDPR breaches and explanations for these.

Members discussed the report.

RESOLVED: That the Audit Committee noted the update and agreed that the Governance report continue to be presented quarterly with appendices where relevant.

10. TREASURY MANAGEMENT REPORTS

At the Chair's Invitation, the Corporate Accountant presented the report and explained that the report had been developed in consultation with the Council's external investment manager and treasury adviser, Link Asset Services (LAS) and provided an update for the year ending 31st March 2020. The Corporate Accountant summarised the Outturn report for 2019/20 and explained that it reflected the economic impact of the Covid-19 pandemic. However, despite this the treasury management investments reported a return of 1.28% for the year which was 0.65% better than the 3 month London Interbank Bid Rate (LIBID) benchmark. It was also noted that Northampton Borough Council's returns were boosted significantly from its investment of £8m into the CCLA Property Fund which achieved a stable return during the year.

In terms of the mid-year update for 2020/21, the update demonstrated the impact of the Covid-19 pandemic to date, with a detailed briefing note at appendix 2 which summarised the following key issues:
• The Bank rates unchanged at 0.10% since March 2020.
• The level of quantitative easing unchanged at £745bn.
• A revision of the forecast falls in GDP in the first half of 2020 from 28% to 23% (subsequently revised to -21.8%).
• A revised down forecast peak in the unemployment rate from 9% in Q2 to 7½% by Q4 2020.
• A forecast that there would be excess demand in the economy by Q3 2022 causing CPI inflation to rise above the 2% target in Q3 2022, (based on market interest rate expectations for a further loosening in policy).

The Chief Finance Officer added that the Council had a treasury management team, external advisors and a finance business partner team which worked exceptionally hard. The Covid-19 pandemic had severely impacted income stream, yet the Council managed its cash flow. Northampton Borough Council, like other local authorities, had been instructed by the government to distribute business (BEIS) grants to provide economic support as part of the coronavirus pandemic, which meant that large sums of monies were being handled. The Chief Finance Officer concluded that it had been a challenging and difficult year and thanked the teams for their hard work.

The Chair thanked the Corporate Accountant, and everyone involved on behalf of the Audit Committee for their hard work and excellent treasury management.

Members asked if the 2020/21 management strategy and outturn reports would be carried over to the Unitary. The Corporate Accountant confirmed that to her knowledge this would be the case.

Members also asked for the return on the Council's CCLA investments and if the Council was considering loan restructuring. The Chief Finance Officer responded the return was at 4.5% and that the Council was actively looking at rates, particularly those relating to HRA.

Members noted the third party loans detailed in table 3 of the report and questioned if these loan repayments had been affected by the Covid-19 pandemic. The Chief Finance Officer explained that the Council was understanding and offered support to the University of Northampton and the Northampton Town Rugby Football Club. The Council had deferred the capital payments to support the Northampton Town Rugby Football Club, so currently only the interest payments were being paid and a report would be brought to the next Cabinet meeting detailing a loan extension of £8.8m.

RESOLVED: That the Audit Committee reviewed and noted the attached Treasury Management Performance Reports.

11. CHIEF FINANCE OFFICER REPORT

At the Chair's invitation, the Chief Finance Officer introduced the report and thanked the Governance and Risk Manager and the Corporate Accountant for their hard work, as well as all the finance teams involved with producing the reports. He explained that most of the updates contained in his report had already been discussed in the meeting. The Chief Finance Officer confirmed that there had been no accounting policy changes and asked the Audit Committee to note section 3.8. of his report which stated that KPMG had asked it be reported that the latest bill approved for 1 April 2020 to 30 October 2020 was £17.5K, which brought the total cost of processing the objection to the 2015-16 accounts to £160K (KPMG costs and associated disbursements), with further costs anticipated until its completion/outcome. These costs and the objection related to the Sixfields Loan and ongoing review by KPMG.

RESOLVED: That the Audit Committee noted:

- That there have been no changes to Accounting Policies.
- That there have been no reportable incidents in respect of Treasury Management, or requirements to change Treasury Management Polices.
- The costs as reported in respect of KPMG as per section 3.8.

The meeting concluded at 7:45 pm

INTERNAL AUDIT FOLLOW UP OF RECOMMENDATIONS REPORT

Northampton Borough Council

March 2021

IDEAS | PEOPLE | TRUST

BDO

Summary of Recommendations Followed Up in March 2021

2018/19

	Total Recs	H	M	L	To follow up	Complete		In Progress		Overdue		No Response		To Unitary		% Complete
						H	M	H	M	H	M	H	M	H	M	
Procurement	1		1		1						1					0
Member Officer Protocols	2		2		2						2					0
	3		3		3						3					0

2019/20

	Total Recs	H	M	L	To follow up	Complete		In progress		Overdue		No Response		To Unitary		% Complete
						H	M	H	M	H	M	H	M	H	M	
GDPR	1	1			1					1						0
Contract Mgmt	1		1		1						1					0
Cyber	3		3		3				1		2					0
Asset Mgmt	5	2	3		5	1	1	1	2							40
Safeguarding	13	5	8		11							3	8	2		0
Disabled Facilities Grant	1	1			1							1				0
	24	8	16		22	1	1	1	3	1	3	4	8	2		9

2020/21

	Total Recs	H	M	L	To follow up	Complete		In progress		Overdue		No Response		To Unitary		% Complete
						H	M	H	M	H	M	H	M	H	M	
Capital Projects	6	6			3	3								3		100
Social Lettings Agency	5	1	4		5		1	1	3							20
Climate Emergency	6	4	2		0									4	2	N/A
NPH Mgmt Agreement	8	4	4		8	4	4									100
Licensing	5		5		0										5	N/A
	30	15	15		16	7	5	1	3					14	9	75

Summary

FOLLOW UP GOING FORWARD - BDO RECOMMENDATIONS

Following the issue of reports, all due High and Medium recommendations will be followed up within this report.

RECOMMENDATIONS

- 41 recommendations are due for follow-up with recommendations due prior to the end of **March 2021**
- Previous recommendations may simply have a revised date that is post this Committee and therefore, will be picked up by the Unitary authority.

Of the 41 recommendations we followed up on:

- Eight High and six Medium recommendations were fully implemented by the Council and we received sufficient evidence to support implementation of these recommendations
- 15 recommendations were incomplete (three High, 12 Medium) and the due date has now been revised more than twice on these recommendations, therefore they are overdue
- There were a large number of recommendations which we did not receive a response for (12). In one of these the recommendation was issued the responsible manager an email 4 weeks prior to the follow up review and a further chaser email at the end of the 4 week period. In the other 11 recommendations we did not receive a response for related to the Safeguarding review. We chased officers for these recommendations throughout March 2021.

FOLLOW UP PROCESS

As part of the follow-up process we issued all recommendations due for implementation on or before 28 February on 2 February 2021. Recommendations due were sent to all responsible officers and the corresponding heads of service. We gave responsible officers 4 weeks to respond. We subsequently chased officers throughout March 2021.

We are required to escalate non responses and/or recommendations with several revised due dates to the Corporate Management Board (CMB). All responsible officers responded to our follow up within the allotted time-frame so we were noted required to escalate non responses to CMB in this follow up.

For all incomplete recommendations, we will:

1. Continue to emphasise to staff to be realistic about the implementation dates when completing their management responses at the completion stage of each internal audit review
2. Issue the recommendations tracker to all the relevant Heads of services on a monthly basis from the December audit committee onwards
3. Issue reminder emails 4 weeks prior to the follow up review to ensure timely completion of each recommendation.

POSITION STATEMENT

As Northampton Borough Council's transition into the West Northamptonshire Unitary Council is impending on 1 April 2021 we have provided a summary of all recommendations that will be taken into the new Unitary at the end of this report. In addition, those recommendations that are incomplete have been given a revised due date so that legacy recommendations can be followed up by the internal auditors of the new Unitary Council.

Recommendations: Complete

Audit	Recommendation made	Priority Level	Manager Responsible	Due Date	Current Progress
2019/20. Asset Management	Complete outstanding/overdue valuations identified in our review as soon as possible	M	Economic Growth & Regeneration Manager	~~30/06/20~~ 31/12/20	**Council Comments:** These valuations have been completed. **IA Comments:** We were satisfied that this recommendation had been implemented.
2019/20. Asset Management	The Property Management's team work with the LGSS Procurement Manager on procurement practices is finalised and rolled out as soon as possible	M	Economic Growth & Regeneration Manager	31/12/20	**Council Comments:** The Property Maintenance team have engaged with procurement to undertake procurement of services where required. **IA Comments:** We were satisfied that this recommendation had been implemented.
2020/21. Capital Projects	Review, with immediate effect, the current contract management, information and data retention policy and procedures and ensure they detail the roles and responsibilities for project managers across all major Council projects	H	Economic Growth & Regeneration Manager	28/02/20	**Council Comments:** A review has been undertaken of the contract management, information and data retention policy and procedures as was apparent in the 18/19 Major Capital Projects audit where all required information was provided. **IA Comments:** We were satisfied that this recommendation had been implemented.
2020/21. Capital Projects	Review, with immediate effect, the policy and procedures pertaining to the handover of projects across the Council and ensure they are sufficient and appropriate to guide project managers on the expected process. A handover process should as a minimum cover:	H	Economic Growth & Regeneration Manager	28/02/20	**Council Comments:** All projects are required to keep information relating to their delivery in shared files, this includes contracts, reports, risk registers and risk assessments. **IA Comments:**

	• Procurement and contract documents being handed over • All previous contract management minutes, indicators and performance reports • Any risk registers or risk assessment documents				We were satisfied that this recommendation had been implemented.
2020/21. Capital Projects	Review, with immediate effect, the governance arrangements in place for project management appointments across all major Council projects. Ensure there are appropriate procedures in place to align project requirements with the most suitably qualified project manager and ensure this is documented for audit trail purposes	H	Economic Growth & Regeneration Manager	28/02/20	**Council Comments:** This was looked at in the 18/19 Capital Projects Audit and has been investigated by officers since to ensure that all capital projects are appropriately resourced with suitable governance mechanisms. **IA Comments:** We were satisfied that this recommendation had been implemented.
2020/21. Social Lettings Agency	The Council should implement a risk register to monitor the Agency's risks. This should be reviewed on at least a quarterly basis to ensure that there are appropriate mitigations in place and new risks can be added	M	Social Lettings Manager	31/01/21	**Council Comments:** This has been completed and will be continued to monitored and updated on a quarterly basis. **IA Comments:** The risk register has been updated and the Council will monitor this quarterly.
2020/21. NPH Management Agreement	The Council should obtain a documented delivery plan from NPH for the current year. A formal meeting should be arranged to discuss the delivery plan and assess whether the agreed services are being delivered accordingly	H	Director of Housing and Well-being	08/03/2021	**Council Comments:** A letter has been sent to the CEO of NPH for a request of a copy of the delivery plan for 2020/21 as well as a meeting with their management teams to ensure that the delivery of services is meeting agreed standards. **IA Comments:** We reviewed the letter and confirmed that a formal meeting has been requested to discuss NPH's work against the delivery plan.
2020/21. NPH	The Council should hold formal discussions with	H	Monitoring Officer	08/03/2021	**Council Comments:**

Management Agreement	NPH around the expectations of the transparency of their board meetings. If deemed appropriate, the Council should remind NPH of the terms of the Management Agreement and in particular Clause 16.1 and be prepared to take formal action against NPH if this is not adhered to				A letter has been sent to the Chief Executive of the new West Northamptonshire Unitary Council with a copy of the Internal Audit report making reference to their concerns around openness and transparency of the NPH board. **IA Comments:** We reviewed the letter sent and was satisfied it informed the new Unitary of the importance of transparency.
2020/21. NPH Management Agreement	The Council should arrange for a formal meeting to be held between senior officers and the four Council nominees to take place on a regular basis. This should be supported by a structured agenda	H	Monitoring Officer	08/03/2021	**Council Comments:** A letter has been sent to the Chief Executive of the new West Northamptonshire Unitary Council with a copy of the Internal Audit report with reference to the recommendation and the importance of transparency to the NPH board. **IA Comments:** We reviewed the letter sent and was satisfied it informed the new Unitary of the importance of transparency.
2020/21. NPH Management Agreement	Alternatively, the Council should appoint a Council officer as one of the four Council nominees to the NPH board to maintain oversight of the NPH board discussions and are able to include the Council's perspective at NPH board meetings	H	Monitoring Officer	08/03/2021	**Council Comments:** This is not applicable for the Council as they have taken the option of recommendation 1.1 suggesting that the new West Northamptonshire Unitary Council obtain better transparency of the NPH board. **IA Comments:** We reviewed the letter sent and was satisfied it informed the new Unitary of the importance of transparency.
2020/21. NPH Management Agreement	A document should be prepared that outlines the responsibilities and obligations of the Council in relation to the	M	Director of Housing and Well-being	08/03/2021	**Council Comments:** A letter has been sent to the Assistant Director of Housing & Communities of the new West

	Management Agreement. For each responsibility and obligation a named Council officer should be identified as accountable. This should be agreed by CMB and the named officers should be formally made aware of their responsibilities				Northamptonshire Unitary Council with a copy of the Internal Audit report making reference to the importance of roles and responsibilities of named officers being established between the Unitary and NPH. **IA Comments:** We reviewed the letter sent and confirmed that the audit report was provided to West Northants and particular reference was made to the need to establish roles and responsibilities.
2020/21. NPH Management Agreement	Council members should be reminded that, unless in accordance with liaison protocols, communication with NPH staff should be subject to agreed structures	M	Monitoring Officer	08/03/2021	**Council Comments:** A letter has been sent to the Chief Executive of the new West Northamptonshire Unitary Council with a copy of the Internal Audit report and suggests that they may want to implement the recommendations. **IA Comments:** We reviewed the letter and confirmed that it made clear reference to the recommendations in the report.
2020/21. NPH Management Agreement	A communication process should be developed and agreed between the Council and NPH. We would expect this document to be clear about: • The extent to which members can communicate with NPH • Clarity on the remit of officers in relation to liaison with NPH to ensure that officers are involved in discussions that impact their portfolio	M	Monitoring Officer	08/03/2021	**Council Comments:** A letter has been sent to the Chief Executive of the new West Northamptonshire Unitary Council with a copy of the Internal Audit report and suggests that they may want to implement the recommendations. **IA Comments:** We reviewed the letter and confirmed that it made clear reference to the recommendations in the report.
2020/21. NPH Management Agreement	The National Federation of ALMOs (NFA) suggest that communication tends to be more effective where organisations clearly	M	Monitoring Officer	08/03/2021	**Council Comments:** A letter has been sent to the Chief Executive of the new West Northamptonshire Unitary

identify an individual for liaison. The Council should consider whether it would be appropriate to appoint one individual that is responsible for liaison with NPH			Council with a copy of the Internal Audit report and suggests that they may want to implement the recommendations. A separate letter was also sent to the Director of Housing & Communities of the new West Northamptonshire Unitary Council iterating the importance of having accountable named officers documented in the agreement with NPH. **IA Comments:** We reviewed both letters and confirmed that clear reference was made to the recommendations in the report.

Recommendations: In Progress

Audit	Recommendation made	Priority Level	Manager Responsible	Due Date	Current Progress
2019/20. Asset Management	Asset Management ensure where rent review provisions are in place these are undertaken in a timely manner as they fall due	H	Asset Manager	31/01/21	**Council Comments:** Resources not adequate for scale of portfolio action so this will follow through to West Northants to consider. **IA Comments:** To be taken into the new Unitary.
2020/21. Social Lettings Agency	The Council should ensure that the Empty Homes Officer role is filled and that their roles and responsibilities are clearly defined. Once the role is assigned this individual should pursue communication with the c.1200 empty properties	H	Housing Options & Advice Manager	~~31/03/21~~ 30/04/21	**Council Comments:** **IA Comments:**
2020/21. Social Lettings Agency	The Council should define how the agency monitors the success of its communications strategy. This could include monitoring how many hits the Agency's website gets in addition to any additional measures by which the Agency wishes to measure itself against its communication strategy	M	Social Lettings Manager	~~31/01/21~~ 31/03/21	**Council Comments:** **IA Comments:**
2020/21. Social Lettings Agency	The Council should identify a set of KPIs to monitor performance against each of the objectives outlined in the business case. Examples of KPIs that the Council may wish to consider include: • Ensuring that all properties which are identified by the Council as being empty homes are investigated and appropriate action taken • Monitoring Council expenditure on bed and breakfasts • Assessing the number of properties which the Agency have identified as being	M	Housing Options & Advice Manager and Social Lettings Manager	~~31/01/21~~ 30/04/21	**Council Comments:** **IA Comments:**

	suitable and comply with the Council's quality standards		

Recommendations: Overdue

These recommendations have been marked as overdue as they have previously revised their implementation date. Therefore, they have now missed at least two implementation dates.

Audit	Recommendation made	Priority Level	Manager Responsible	Due Date	Current Progress
2018/19. Procurement	The Council should give procurement and contract refresher training for staff involved with high-value contracts	M	Chief Finance Officer & Monitoring Officer	~~30/06/19~~ ~~31/08/19~~ ~~31/10/19~~ ~~31/01/20~~ ~~30/04/20~~ ~~30/09/20~~ ~~31/12/20~~ When Covid is over	**Council Comments:** Training will be arranged for when business returns to normal following the Covid-19 pandemic. This will be completed by the new Unitary now due to the timelines. **IA Comments:** We recognise that the training could not take place due to Covid and that this will be carried into the new Unitary.
2018/19. Member-Officer Protocols	Run an organisation-wide training programme on the Protocol once it has been refreshed - cascading training down through political groups, Heads of Service and to CMT meetings run by Heads of Service	M	Monitoring Officer	~~31/05/19~~ ~~28/02/20~~ ~~30/04/20~~ ~~31/08/20~~ ~~31/12/20~~ After Covid	**Council Comments:** Due to the Covid-19 pandemic the Council have been unable to complete the training. This will be a recommendation that will be transferred to the new Unitary Council. **IA Comments:** Training delayed by Covid limitations and will be taken into the new Unitary where they will likely have their own new protocols for members and officers.
2018/19. Member-Officer Protocols	When holding training for Members on the Officer-Member Protocol, the importance of appropriate tone, and not influencing Officer reports, should be emphasised through a series of scenario-based exercises to reduce the likelihood that either element of the Protocol is unintentionally breached	M	Monitoring Officer	~~31/05/19~~ ~~28/02/20~~ ~~30/04/20~~ ~~31/08/20~~ ~~31/12/20~~ After Covid	**Council Comments:** Due to the Covid-19 pandemic the Council have been unable to complete the training. This will be a recommendation that will be transferred to the new Unitary Council. **IA Comments:** Training delayed by Covid limitations and will be taken into the new Unitary where they will likely have their own new

					protocols for members and officers.
2019/20. GDPR	Management should agree a contractual addendum as part of the outsourced agreement held with LGSS for the provision of revenues and benefits.	H	Data Protection Officer	~~30/11/19~~ ~~31/03/20~~ ~~30/09/20~~ ~~31/12/20~~ To Unitary	**Council Comments:** In light of the issues/uncertainty surrounding LGSS at the moment, the PDA extension has not been signed. If and when that happens this will be addressed then. **IA Comments:** This will be taken into the new Unitary who will have their own GDPR arrangements with revenues and benefits.
2019/20. Contract Management	The Council should ensure that the PDA extension with LGSS is signed by both parties.	M	Chief Finance Officer	~~30/11/19~~ ~~31/03/20~~ ~~30/09/20~~ ~~31/12/20~~ To Unitary	**Council Comments:** In light of the issues/uncertainty surrounding LGSS at the moment, the PDA extension has not been signed. If and when that happens this will be addressed then. **IA Comments:** This will be taken into the new Unitary who will have their own agreement with LGSS or another provider.
2019/20. Cyber	Regular internal cyber security risks assessments are performed to identify cyber security threats. There is also a need to ensure alignment between IT risks identified by the Council on the Corporate Risk Register and those on the IT Risk register. The IT risk register may be further sub-divided into cyber security risks and other IT risks until the cyber security risk management becomes embedded.	M	ICT Service Delivery Client Manager	~~31/12/19~~ ~~30/04/20~~ ~~30/09/20~~ ~~31/12/20~~ To Unitary	**Council Comments:** There has been progress on alignment of IT risks identified on the Corporate Risk Register and the IT Risk Register but the Council are awaiting final confirmation from LGSS IT on this. **IA Comments:** This will be taken into the new Unitary who will have their own IT risk management arrangements.
2019/20. Cyber	A scheduled plan for major incident response scenario testing should be developed and approved by the Digitalisation, Cyber security and Data Protection Group. Regular	M	ICT Service Delivery Client Manager	~~31/12/19~~ ~~30/04/20~~ ~~30/09/20~~ ~~31/12/20~~ After Covid	**Council Comments:** This will not be progressed until the pandemic has finished. **IA Comments:**

	comprehensive cyber security testing should be included in the plan.				This will not be completed until the pandemic is over, which will be when the new Unitary is formed.
2019/20. Asset Management	As soon as the Unitary Authority asset management approach is agreed upon, Asset Management and Property Management policies and procedures should be updated and disseminated to staff as soon as possible. Policies and procedures should include change control	M	Asset Manager	~~30/09/20~~ ~~28/02/21~~ 30/04/21	**Council Comments:** Understood this to now be a centralised function. Assistant Director to communicate update when in position. **IA Comments:** To be taken into the new Unitary.
2019/20. Asset Management	Once the 'Community Asset Transfer Policy' is approved by Cabinet, the policy is disseminated to staff and relevant parties as soon as possible	M	Asset Manager	~~30/09/20~~ ~~28/02/21~~ 30/04/21	**Council Comments:** Understood this to now be a centralised function. Assistant Director to communicate update when in position. **IA Comments:** To be taken into the new Unitary.

Recommendations: No Response

Audit	Recommendation made	Priority Level	Manager Responsible	Due Date	Current Progress
2019/20. Disabled Facilities Grant	An annual declaration of interests should be completed by all staff members involved in DFG tendering selections. This should be based on the approved contractor list in place with signed records maintained centrally for all staff members	H	Private Sector Housing Manager	~~31/10/20~~ 31/03/21	*Manager responsible was originally contacted on 02/02/21 and then further chased on 03/03/21. We sent a final request for the recommendation implementation progress on 11/03/21.*
2019/20. Safeguarding	Communications should be issued on the intranet or via the CEO's update to remind staff that the two e-learning modules are mandatory and should be completed in a timely manner once assigned to officers	H	Director of Housing & Well-being	28/02/21	*Manager responsible originally contacted on 23/02/21 and then further chased on 05/03/21. We sent a final request for the recommendation implementation progress on 11/03/21.*
2019/20. Safeguarding	Staff that have been assigned the modules but not yet completed them should be reminded via an email from the relevant director that they should complete these modules	H	Director of Housing & Well-being	28/02/21	*Manager responsible originally contacted on 23/02/21 and then further chased on 05/03/21. We sent a final request for the recommendation implementation progress on 11/03/21.*
2019/20. Safeguarding	Completion of safeguarding training modules should be included in annual appraisals to ensure managers are monitoring whether staff complete the e-learning modules	H	Director of Housing & Well-being	28/02/21	*Manager responsible originally contacted on 23/02/21 and then further chased on 05/03/21. We sent a final request for the recommendation implementation progress on 11/03/21.*
2019/20. Safeguarding	All museum volunteer agreements and confidentiality agreements should be held electronically and in a central folder which is accessible to more than one member of staff to ensure the Council can access them at all times	M	Director of Housing & Well-being	28/02/21	*Manager responsible originally contacted on 23/02/21 and then further chased on 05/03/21. We sent a final request for the recommendation implementation progress on 11/03/21.*
2019/20. Safeguarding	Copies of the two completed reference forms for each museum volunteer should also be retained in a central folder to ensure	M	Director of Housing & Well-being	28/02/21	*Manager responsible originally contacted on 23/02/21 and then further chased on 05/03/21. We sent a final*

	they are accessible to the Council at all times				*request for the recommendation implementation progress on 11/03/21.*
2019/20. Safeguarding	All new starters identified in our sample that have not completed the modules should be reminded by an email from their manager to complete the module	M	Director of Housing & Well-being	28/02/21	*Manager responsible originally contacted on 23/02/21 and then further chased on 05/03/21. We sent a final request for the recommendation implementation progress on 11/03/21.*
2019/20. Safeguarding	As per finding 1.3, completion of the mandatory safeguarding modules should be embedded into staff appraisals	M	Director of Housing & Well-being	28/02/21	*Manager responsible originally contacted on 23/02/21 and then further chased on 05/03/21. We sent a final request for the recommendation implementation progress on 11/03/21.*
2019/20. Safeguarding	The Council should monitor the time taken to complete training and request anyone taking the training in an unrealistic timeframe to retake the training	M	Director of Housing & Well-being	28/02/21	*Manager responsible originally contacted on 23/02/21 and then further chased on 05/03/21. We sent a final request for the recommendation implementation progress on 11/03/21.*
2019/20. Safeguarding	Up to date DBS certificates should be obtained for the two officers identified in our sample where they were not held on record	M	Director of Housing & Well-being	28/02/21	*Manager responsible originally contacted on 23/02/21 and then further chased on 05/03/21. We sent a final request for the recommendation implementation progress on 11/03/21.*
2019/20. Safeguarding	A log should be developed for all staff that require DBS checks and include • The date when the DBS certificate was last obtained/renewed • The date when the DBS certificate is next due to be renewed	M	Director of Housing & Well-being	28/02/21	*Manager responsible originally contacted on 23/02/21 and then further chased on 05/03/21. We sent a final request for the recommendation implementation progress on 11/03/21.*
2019/20. Safeguarding	A training needs analysis should be developed to identify the training requirements for each job role. This should ensure that staff in roles with more exposure to vulnerable adults or children are required to undertake the additional training modules where appropriate	M	Director of Housing & Well-being	28/02/21	*Manager responsible originally contacted on 23/02/21 and then further chased on 05/03/21. We sent a final request for the recommendation implementation progress on 11/03/21.*

Recommendations: To Unitary

Audit	Recommendation made	Priority Level	Manager Responsible	Due Date	Current Progress
2019/20. Cyber	Management should assess resource and time requirements for enabling authentication control for all wired access points to the corporate network. Progress should then be monitored internally by the Council's client manager	M	ICT Service Delivery Client Manager	31/05/21	This will fall due once the new Unitary is formed.
2019/20. Safeguarding	The Council should ensure that a Contextual Safeguarding Policy and an E-Safety Policy are developed and approved. These should be disseminated to staff on the intranet	H	Director of Housing & Well-being	To Unitary	This will be a responsibility of the new Unitary Council.
2019/20. Safeguarding	A formal action plan should be developed and presented to CMB for approval to address how the Council will improve their arrangements for areas identified as ‘not met areas’ in the 2019/20 Section 11 Survey. Each action should have an action owner and target completion date. The Council should consider whether the action plan template in the Section 11 Survey document could be used for this	H	Director of Housing & Well-being	To Unitary	This will be a responsibility of the new Unitary Council.
2020/21. Capital Projects	Highlight the deficiencies from this review to all project managers currently managing projects of similar nature and ensure they are complying with the duties in the policy for document retention and contract management	H	Economic Growth & Regeneration Manager	31/03/21	To be taken into the new Unitary Council.
2020/21. Capital Projects	Carry out post implementation audits once a project has been completed to ensure all documents have been retained appropriately and are accessible	H	Economic Growth & Regeneration Manager	31/03/21	To be taken into the new Unitary Council.
2020/21. Capital Projects	Confirm the Council position on the documentation set out in the findings and whether this is available	H	Economic Growth & Regeneration Manager	31/03/21	To be taken into the new Unitary Council.

2020/21. Climate Emergency	Additional information should be included within the strategy. This should include, but not be limited to: • Northampton Borough-specific challenges and opportunities • Where the Strategy fits in with other policies and processes within the Council and how it will be delivered • More detail around current actions and steps in place within the Council with case studies to ensure greater buy-in and awareness • Use of statistics to demonstrate the level of risk to the Council • Link the themes and objectives to actions • NBC branding	H	Director of Planning	31/03/21	To be taken into the new Unitary Council.
2020/21. Climate Emergency	Dates within the action plan should be assessed to ensure they are feasible	H	Director of Planning	31/03/21	To be taken into the new Unitary Council.
2020/21. Climate Emergency	A formal governance structure should be established which includes the reporting line for both performance against targets and general performance including expenditure and resources	H	Director of Planning	31/03/21	To be taken into the new Unitary Council.
2020/21. Climate Emergency	A Terms of Reference should be established for the Energy Forum if it is to be responsible for monitoring progress and should include: • Who is required to attend • What is to be reported to it • Who the forum reports to • Regularity of meetings	H	Director of Planning	31/03/21	To be taken into the new Unitary Council.
2020/21. Climate Emergency	Appropriate measures should be established that are able to be reported on monthly to provide an accurate quantitative data set to evidence progress against key metrics	M	Director of Planning	31/03/21	To be taken into the new Unitary Council.
2020/21. Climate Emergency	A clear commitment to establishing a carbon management plan should be made with current	M	Director of Planning	31/03/21	To be taken into the new Unitary Council.

	actions linked to this in order to have a realistic timeline for its development				
2020/21. Licensing	Ensure that manual payments or exceptions/waivers for payments are supported by senior management written approvals. The arrangements should be placed into a Refund Policy which should be developed	M	Licensing Team Leader	01/10/21	To be taken into the new Unitary Council.
2020/21. Licensing	Continue to pursue with the Civica team about whether the platform can be improved to ensure that the payment screen is clearer to avoid refunds being needed	M	Licensing Team Leader	01/01/21	To be taken into the new Unitary Council.
2020/21. Licensing	Add in corporate process to reconcile payments to the Civica system to ensure all payments have been received - this should be done on at least a quarterly basis	M	Licensing Team Leader	31/03/21	To be taken into the new Unitary Council.
2020/21. Licensing	Ensure that guiding checklist are updated and followed by the Licensing team that includes the most frequent and important tips and guidelines when processing each application type	M	Licensing Team Leader	31/03/21	To be taken into the new Unitary Council.
2020/21. Licensing	Random spot checks on different application types should be conducted monthly to identify any missing or wrong supporting documents within applications and communicate them to the team as part of lessons learned	M	Licensing Team Leader	01/02/21	To be taken into the new Unitary Council.

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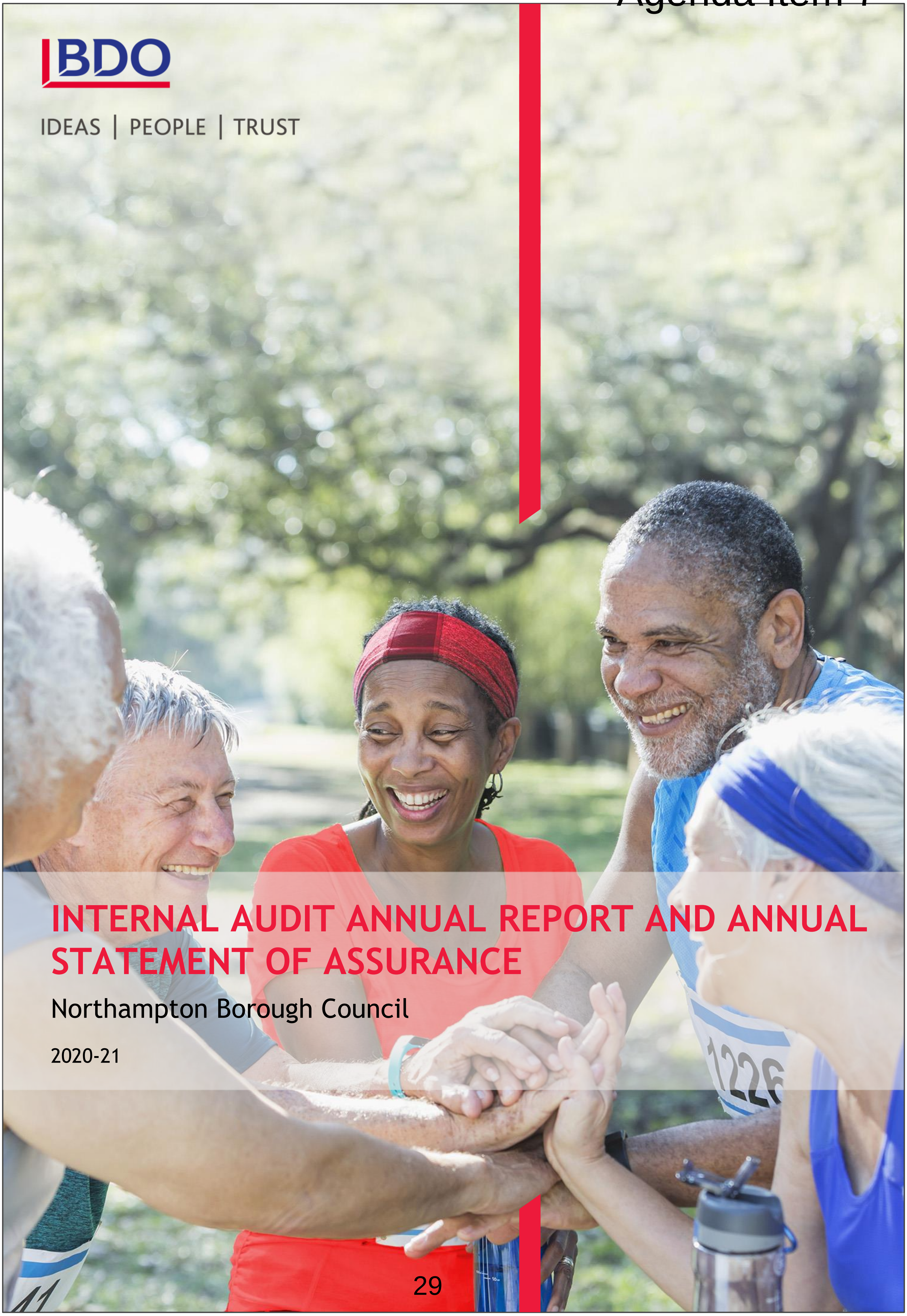

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INTERNAL AUDIT ANNUAL REPORT AND ANNUAL STATEMENT OF ASSURANCE

Northampton Borough Council

2020-21

CONTENTS

SUMMARY OF 2020-21 WORK

Internal Audit 2020-21

This report details the work undertaken by internal audit for Northampton Borough Council and provides an overview of the effectiveness of the controls in place for the full year. The following reports have been issued for this financial year:

- Licensing
- Climate Emergency (Environment)
- Northampton Partnership Homes (NPH) Service Level Agreement
- Capital Projects
- Social Lettings Agency
- Self-isolation Grant
- Health and Safety NPH
- Safeguarding (carried over from 2019-20).

We have detailed the opinions of each report and key findings on pages four to eight. Our internal audit work for the 12 month period from 1 April 2020 to 31 March 2021 was carried out in accordance with the internal audit plan approved by management and the Audit Committee. The plan was based upon discussions held with management and was constructed in such a way as to gain a level of assurance on the main financial and management systems reviewed. There were no restrictions placed upon the scope of our audit and our work complied with Public Sector Internal Audit Standards.

Head of Internal Audit Opinion

The role of internal audit is to provide an opinion to the Board, through the Audit Committee (AC), on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation's objectives in the areas reviewed. The annual report from internal audit provides an overall opinion on the adequacy and effectiveness of the organisation's risk management, control and governance processes, within the scope of work undertaken by our firm as outsourced providers of the internal audit service. It also summarises the activities of internal audit for the period. The basis for forming my opinion is as follows:

- We conclude a **Limited Opinion** on the overall arrangements for governance, risk and control (2018-19 – Limited and 2019-20 – Moderate)

- We have seen an increase in the number of high findings issued in 2020-21 and also in the number of Limited Opinions in both the Design of Controls and the Effectiveness of Controls despite conducting fewer reviews this year. Of the 9 reports, 4 gave limited assurance on design of controls and 5 gave limited assurance on the effectiveness of controls. We do recognise that in working with the Council we agree to focus on areas of known concern. However, taking this into account there are key themes from our work which raise concern about the effectiveness of governance and oversight, particularly in relation to contract and project management.

- Whilst there has been good engagement in some reports during the year and taking into account the impact of the Covid-19 pandemic, there have been instances of long delays in management responding to reports and some management responses that have not provided confidence that the issue would be addressed. This is at least partly due to the move towards unitary status and some issues have been carried forward for the new authority to action.

Please note that this Opinion is being issued on 25 March 2021 to the Council's Audit Committee. An Opinion would ordinarily be issued after 1 April in any given year however due to the Council moving to Unitary status we are issuing this earlier. Therefore whilst our Opinion is for 2020-21 period it is only correct as of the date 25 March 2021 and does not take into account any subsequent events between this date and 1 April 2021 which could otherwise impact our Opinion.

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REVIEW OF 2020-21 WORK

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)		Summary of Key Findings / Recommendations
	H	M	L	Design	Operational Effectiveness	
Licensing	-	2	3	Substantial	Moderate	• The Licensing Team maintain detailed policies, procedures and guidelines for applicants for the licensing application process. Their communication with the applicants, based on a sample reviewed, assists the process for the applicant. Issues noted included: • Some application types fees are not applied automatically in the system which leads to manual payments. Three of our sample of 25 applications were processed with a potentially incorrect fee category (although the difference was small) and some payments have missing supporting justifications for a manual or payment waiver • Our sample test of 25 license applications found that some licenses were approved despite inadequate information being provided to support the application. For example, on taxi license was approved when the DBS certificate on the applicant was out of date. In one further case the private vehicle hire application was approved even though the vehicle inspection report was outdated • The Council do not currently have an effective process to measure the application processing timeline and performance of the team
Northampton Partnership Homes (NPH) Service Level Agreement	2	2	1	Moderate	Limited	Overall the Council has a Moderate control design for the management of the NPH Management Agreement. There were no nominated officers assigned to responsibilities in the Management Agreement, however, in practice, there appears to be clear distinction between the operational management and strategic management of NPH's performance. However, there were apparent weaknesses in communication

						arrangements between Council officers and the Council nominees on the NPH board. The Management Agreement includes clear requirements from NPH in terms of transparency of board meetings and annual preparations of the Delivery Plan. However, there is currently no mutual understanding between the Council and NPH as to whether these apply and as a result these have not been met. This leads us to conclude that the control effectiveness is Limited.
Climate Emergency (Environment)	1	3	1	Limited	Moderate	The Council is in the early stages of establishing a process designed to ensure it achieves its target of becoming carbon neutral by 2030. The Council, through work completed by the Director of Planning, has developed a draft strategy and has identified a number of key actions needed to ensure their target date is achieved. However, whilst these actions have been recorded in the strategy, the strategy itself provides little detail and information in terms of current work, the specifics of the Council and their objectives when compared to other strategies viewed. Similarly, the process for monitoring and reporting as well as the actions themselves require further work. • Based on the above we can provide Limited assurance over both the design of controls. We have issued a Moderate Opinion over operational effectiveness of the controls currently in place as the Council have declared two motions around a climate emergency and have taken a number of steps to improve their environmental credentials. We do note that this Moderate Opinion on the effectiveness of controls could quickly move to a Limited position if the design elements around the strategy and governance structures are not progressed
Capital Projects	3	-	-	Limited	Limited	• There was a clear lack of contract management controls in place, including insufficient retention of key information for the contract. Moreover poor procurement arrangement has also been evidenced from the Delapre Abbey project. • The Delapre Abbey project was handed over to the last project

						manager in 2016 without any sufficient and appropriate documentations, including financial budgets and cost reports, key performance indicators, previous minutes of contractor performance or a summary of progress, which contributed to the significant overspent over the years • The Council did not identify the previous project managers' lack of expertise required and the Council did not act promptly to ensure the project management issues were rectified.
Social Lettings Agency	1	4	-	Limited	Limited	• There is currently no Empty Homes Officer in place at the agency. The responsibilities of this role are shared between the Housing Advice and Options Service team and the Private Sector Homes team. This may have led to inadequate take up of the scheme as there are only three landlords who have signed up to the private sector leasing scheme. There are currently three properties under the scheme, against an original target of 250 and revised target of 50 • The Project Plan does not detail how the agency intends to measure the success of its communication strategy • The business case and performance reports for the social lettings agency do not specify how the objectives outlined in the business case are measured • The agency does not have a live risk register in place which would allow the agency to monitor existing risks or raise new risks • While a performance framework is in place to identify where additional training is required, there is currently no structured training in place for agency staff.
Self-isolation Grant	-	-	-	N/A	N/A	This was a review of government guidance for self-isolation grant received. It was an advisory and small compliance review with all recommendations accepted and acted upon.
Health and Safety NPH (draft report)	2	1	-	Limited	Limited	This report is currently in draft and with officers for comment. The significant issues in the report relate to those specified in the NPH Management Agreement report above, ie a lack of mutual understanding as to the required health and safety reporting from NPH to NBC.

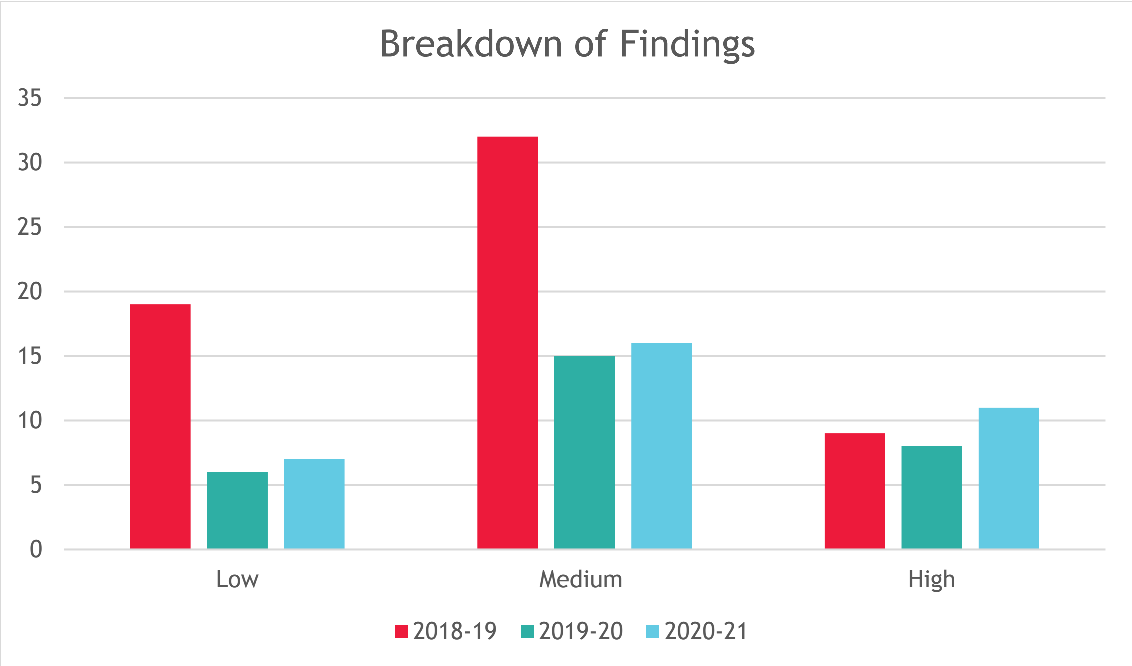
Safeguarding (carried over from 2019-20).	2	4	2	Moderate	Limited	Overall we concluded that the Council has a Moderate control design for the management of safeguarding. Policies around referring and monitoring safeguarding were robust, as were safe recruitment policies for staff and volunteers. The Council also provided reasonable levels of training to staff via the Psittacus e-learning modules. Agreements with partners and contracts with service providers included adequate consideration of safeguarding, requiring the contractors to undertake DBS checks of their staff in some instances. However, there was significant non-completion of the e-learning training modules and where they are completed it took an average of more than 80 days to complete the modules from the point at which they were assigned to staff. Furthermore, actions identified and taken based on the results of the Section 11 survey are inadequate and documentation was not in place and/or inaccessible to evidence the vetting of volunteers. This leads us to conclude that control effectiveness is currently Limited.

SUMMARY OF FINDINGS

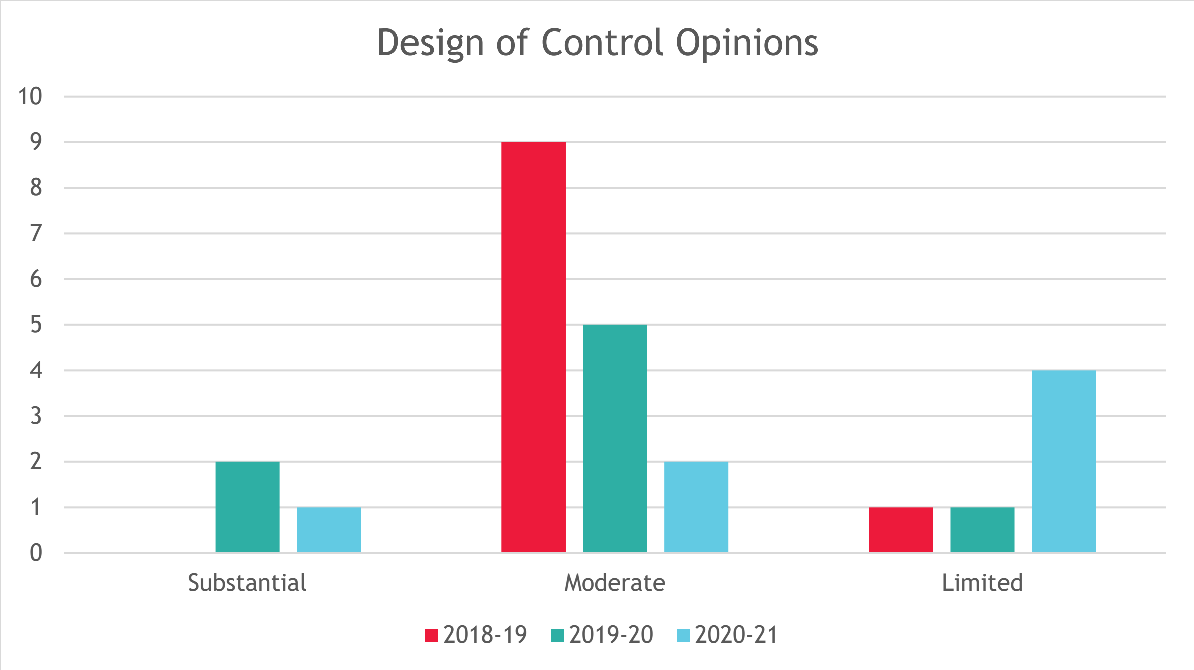
RECOMMENDATIONS AND ASSURANCE DASHBOARD

The chart shows a summary of our recommendations for 2020-21; it also shows the summary based on the previous two year's work.

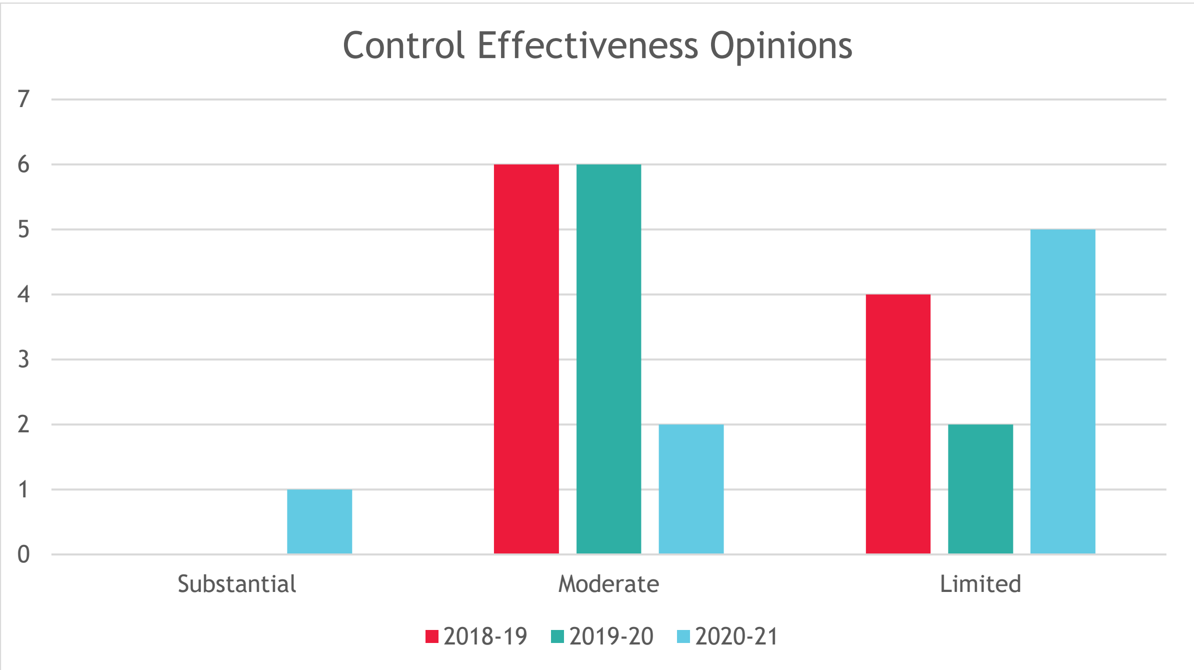
It can be seen that the total number of recommendations has increased from 29 last year to 33 this year. Whilst there has been fewer high findings this year this is also in part to fewer reviews being conducted this year. The chart does show that this year there were more high findings compared to medium and low findings which has not previously occurred.



The below chart outlines the split of Opinions for the Design of Control from 2018-19 to 2020-21. There is a clear increase in 2020-21 of Limited Opinions with more this year than the previous two years combined. There is however one Substantial Opinion this year which is a positive.



The below chart outlines the split of Opinions for Control Effectiveness from 2018-19 to 2020-21. For the first time we have issued a Substantial for Control Effectiveness which is very positive. However, we have also issued five reports with a Limited Opinion which is more than the previous two years combined.



ADDED VALUE

CONSISTENT QUALITY STAFF

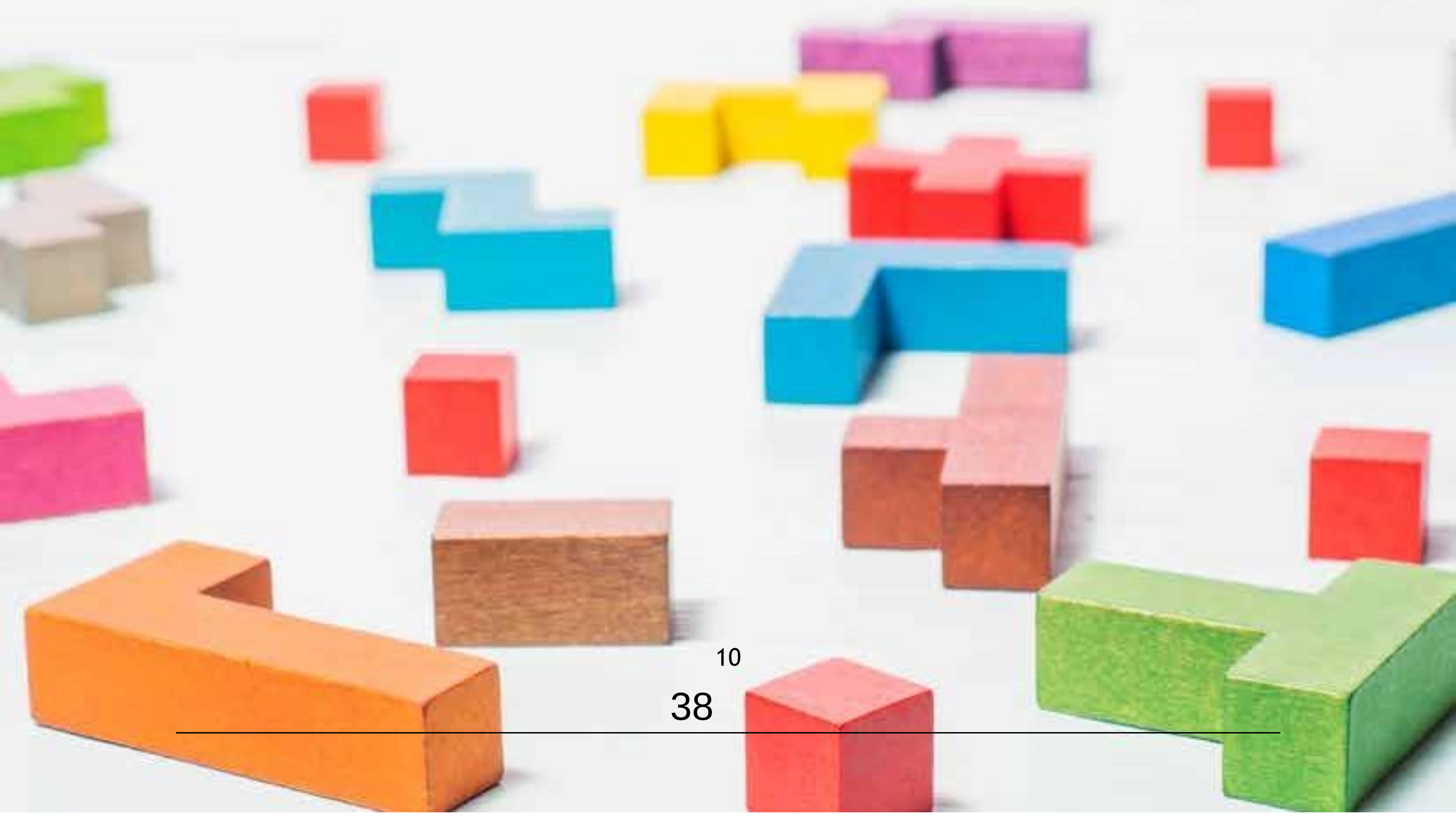
We have kept the same key personnel team throughout the contract and last year. We have deliberately prioritised those staff assigned to the Council to ensure staff who have previously received good feedback were redeployed

RESPONSIVENESS

At the outset of the Covid-19 pandemic we supported the Council in their review of business grants prior to distribution. This involved us quickly deploying a large volume of staff working each day and weekends over April and May 2020. We also conducted a short notice review of the self-isolation grant

BENCHMARKING AND BEST PRACTICE

We delivered a training session to the Audit Committee on good governance in 2020. We also provided benchmarking and sector analysis in our reports for example, in the Climate Emergency Report we provided examples of good practice strategies



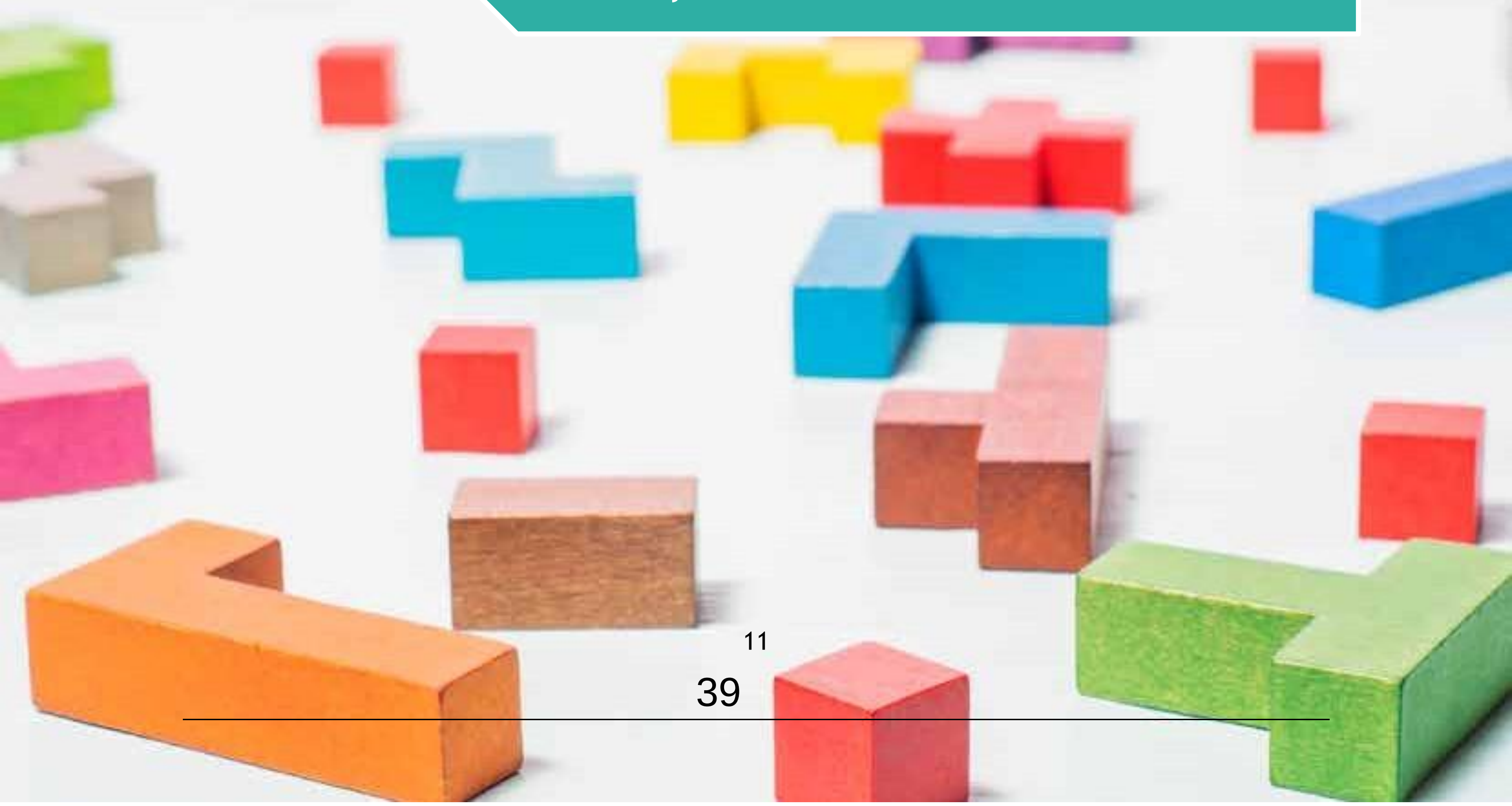
KEY THEMES

GOVERNANCE AND OVERSIGHT

In a number of reviews there is a theme of the Council not having effective arrangements to oversee performance and see through actions. For example, the two reviews relating to oversight of NPH identify control weaknesses where the Council do not have sound arrangements to ensure they discuss, escalate and act upon performance. This was also identified in the safeguarding review where actions were identified as being outstanding for over two years from internal reviews conducted by the Council. Similarly with the social lettings review we found the initial objectives of the agency were not being tracked and reported against effectively. The theme here is that some fundamental elements of governance and oversight were not operating effectively.

FOLLOW UP AND SOME MANAGEMENT ENGAGEMENT

We recognise that in a year when the Council is moving towards Unitary status that completing all actions and management engagement may become more challenging - coupled with the challenges of the pandemic. This being said, there are some long standing actions outstanding as reported in our March 2021 Follow-Up Report. Furthermore there were instances of engagement with management not being effective resulting in reports taking longer than expected to close. These reports also contained high findings which means the Council did not act upon these as soon as they could have.



BACKGROUND TO ANNUAL OPINION

Introduction

Our role as internal auditors to Northampton Borough Council is to provide an opinion to the Board, through the Audit Committee (AC), on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation's objectives in the areas reviewed. Our approach, as set out in the firm's Internal Audit Manual, is to help the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Our internal audit work for the 12 month period from 1 April 2020 to 31 March 2021 was carried out in accordance with the internal audit plan approved by management and the Audit Committee, adjusted during the year for any emerging risk issues. The plan was based upon discussions held with management and was constructed in such a way as to gain a level of assurance on the main financial and management systems reviewed. There were no restrictions placed upon the scope of our audit and our work complied with Public Sector Internal Audit Standards.

The annual report from internal audit provides an overall opinion on the adequacy and effectiveness of the organisation's risk management, control and governance processes, within the scope of work undertaken by our firm as outsourced providers of the internal audit service. It also summarises the activities of internal audit for the period.

Scope and Approach

Audit Approach

We have reviewed the control policies and procedures employed by Northampton Borough Council to manage risks in business areas identified by management set out in the 2020-21 Internal Audit Annual Plan approved by the Audit Committee. This report is made solely in relation to those business areas and risks reviewed in the year and does not relate to any of the other operations of the organisation. Our approach complies with best professional practice, in particular, Public Sector Internal Audit Standards, the Chartered Institute of Internal Auditors' Position Statement on Risk Based Internal Auditing.

We discharge our role, as detailed within the audit planning documents agreed with Northampton Borough Council management for each review, by:

- Considering the risks that have been identified by management as being associated with the processes under review

- Reviewing the written policies and procedures and holding discussions with management to identify process controls

- Evaluating the risk management activities and controls established by management to address the risks it is seeking to manage

- Performing walkthrough tests to determine whether the expected risk management activities and controls are in place

- Performing compliance tests (where appropriate) to determine that the risk management activities and controls have operated as expected during the period.

The opinion provided on page 3 of this report is based on historical information and the projection of any information or conclusions contained in our opinion to any future periods is subject to the risk that changes may alter its validity.

Reporting Mechanisms and Practices

Our initial draft reports are sent to the key officer responsible for the area under review in order to gather management responses. In every instance there is an opportunity to discuss the draft report in detail. Therefore, any issues or concerns can be discussed with management before finalisation of the reports.

Our method of operating with the Audit Committee is to agree reports with management and then present and discuss the matters arising at the Audit Committee meetings.

Management actions on our recommendations

The management actions to our recommendations were largely adequate however, with some instances of being inadequacy. Whilst management responses were received for all reports issued there were three reports where this took a particularly long time (multiple months) for responses to be received namely: capital projects, safeguarding and climate emergency. Furthermore, in some reports such as safeguarding despite being informed that robust actions plans would be developed and provided in the management responses we received short responses stating ‘Agreed’. This provides less confidence to us as a service that management are committed to the recommendations and have thought through the implications to implement the recommendations. Through wider discussion with management it also became apparent that despite the Council Sponsor approval the report for final that the final report position agreed may not have always been collectively agreed by management which undermines the ‘buy-in’ for reports and subsequent commitment to complete recommendations. These conclusions do contribute to our overall Opinion.

Recommendations follow-up

Implementation of recommendations is a key determinant of our annual opinion. If recommendations are not implemented in a timely manner then weaknesses in control and governance frameworks will remain in place. Furthermore, an unwillingness or inability to implement recommendations reflects poorly on management’s commitment to the maintenance of a robust control environment.

All outstanding recommendations from 2018-19 are deemed complete and with those from 2019-20 having received a reasonable response for subsequent steps to be taken. For recommendations from 2020-21 due to the delays in some reports moving to final as highlighted above, whilst we have conducted a follow-up in March 2021 the Council will not have had sufficient time to close these which reinforces the importance of agreeing reports more promptly as it allows time within the year to demonstrate adequate follow-up.

Relationship with external audit

All our final reports are available to the external auditors through the Audit Committee papers and are available on request. Our files are also available to external audit should they wish to review working papers to place reliance on the work of internal audit.

Report by BDO LLP to Northampton Borough Council

As the internal auditors of Northampton Borough Council we are required to provide the Audit Committee, and the Director with an opinion on the adequacy and effectiveness of risk management, governance and internal control processes, as well as arrangements to promote value for money.

In giving our opinion it should be noted that assurance can never be absolute. The internal audit service provides Northampton Borough Council with **Limited** assurance which means we do believe that there are major weaknesses in the internal control system for the areas reviewed in 2020-21. The statement of assurance is not a guarantee that all aspects of the internal control system are limited. The statement of assurance should confirm that, based on the evidence of the audits conducted, there may be signs of material weaknesses in the framework of control.

In assessing the level of assurance to be given, we have taken into account:

- All internal audits undertaken by BDO LLP during 2020-21
- Any follow-up action taken in respect of audits from previous periods for these audit areas
- Whether any significant recommendations have not been accepted by management and the consequent risks
- The effects of any significant changes in the organisation’s objectives or systems
- Matters arising from previous internal audit reports to Northampton Borough Council including from LGSS
- Any limitations which may have been placed on the scope of internal audit – no restrictions were placed on our work.

KEY PERFORMANCE INDICATORS

Quality Assurance	KPI	RAG Rating
Quality of Work	Feedback from our reviews were positive – this comes from email and verbal feedback. We have not been able to obtain survey feedback this year due to the large volume of reports coming towards the end of the year in part due to the pandemic and the plan starting later and also due to delays in management responses. However we have not received any negative feedback and in contract meetings feedback has continued to be positive.	
Responsiveness of Service	We have responded to deadlines and adapted to the COVID19 pandemic by engaging with the Council to re-arrange reviews and support the processing of business grants. We supported due diligence on applications at short notice for the 2,407 grants received totalling £30.34 million.	
Completion of Audit Plan	We have completed and finalised all reports as per the Audit Plan and issued our Opinion in March 2021 as expected.	
Follow-up Recommendations	We have followed up on all recommendations due prior to the end of March 2021. The requests for updates were issued to management providing at least six weeks to respond and non-responses escalated with the Section 151 Officer and Governance Manager.	

APPENDIX 1

OPINION SIGNIFICANCE DEFINITION

Level of Assurance	Design Opinion	Findings from review	Effectiveness Opinion	Findings from review
Substantial	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate	In the main, there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

FOR MORE INFORMATION:

GREG RUBINS

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Appendices:

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Update on 2020-21 LGSS Internal Audit Plan

AGENDA STATUS: **PUBLIC**

Audit Committee Meeting Date: 25th March 2021

Policy Document: No

Services: Chief Finance Officer

Accountable Cabinet Member: Cllr Brandon Eldred

1. Purpose

1.1 To update the Audit Committee on progress with delivery of the 2020-21 audit plan.

2. Recommendations

2.1 It is recommended that the Audit Committee note the progress with delivery of the 2020-21 audit plan.

3. Issues of note

3.1 Report Background

Many financial activities transferred from Northampton Borough Council to LGSS during 2013-14 financial year. It was agreed with the S151 Officer and the Councils previous internal auditors that where LGSS have the responsibility to undertake the functions, LGSS Internal Audit would complete the assurance work, whilst the Councils internal auditors would continue to audit those aspects which remain in the direct control of the council.

Since the decision was made on the future of LGSS in August 2020, the services for NBC are now being delivered either directly as hosted by the County Council until migration to West Northamptonshire Council, or via a lead authority depending on the service element.

This report provides the Audit Committee with an update on planned work for 2020-21.

3.2 Issues

Progress on Delivery of the 2020-21 Audit Plan

At the August 2020 Audit Committee, a revised plan for 2020-21 was agreed. Progress against this plan is detailed in the table below.

Audit	Status	Control Environment Assurance	Compliance Assurance	Organisation Impact
c/fwd 2019-20 Reviews				
Agresso IT Review	Complete	Satisfactory	Limited	Minor
Treasury Management	Planning			
General Ledger	Fieldwork			
2012-21 Reviews				
Council Tax	Complete	Good	Good	Minor
Q1-2 Balance Sheet Review	Complete	n/a	n/a	n/a
Q3 Balance Sheet Review	Complete			
Q4 Balance Sheet Review	Fieldwork			
Business Rates	Planning			
Accounts Payable	Planning			

Key points to note include:

- **Q1-3 Balance Sheet Review** – The scope of the review covered the following - (a) bank account reconciliations and (b) control account reconciliations covering accounts payable, accounts receivable, payroll, rents, council tax and business rates. Overall, the review has found that there are effective processes in place to ensure that reconciliations are completed on a timely basis, are subject to review by an independent officer with action taken to clear unreconciled transactions on a timely basis.

The only issue identified was that limited progress has been made in resolving historical unreconciled payroll transactions. We will continue to assess progress with clearing these transactions as part of the planned Q4 reviews.

- **The Business Rates** review has had to be paused as the Revenues and Benefits Team did not have capacity to support the Audit because of the pressures on the Team to process a suite of covid 19 business grant payments to and ensure the grant payments to businesses are accurate and timely. As well as the expectation to complete the billing cycle, there is a requirement for the Team to submit monthly returns to the Government to demonstrate checks and balances undertaken to ensure accuracy and minimise fraud, in making these payments to businesses. An approach has been agreed with the Head of Service, for the service to produce an assurance statement for review by Internal Audit.

- **C/fwd 2019-20 Reviews** -:

- Agresso IT audit -The key issues raised were that no evidence was found of testing of the resilience of failover processes and at the time of the Audit, security patching of systems was not being carried out. It has been confirmed that the recommendations raised in relation to these weaknesses have been implemented.
- For the General Ledger audit, fieldwork has been completed and a report drafted. This is being subject to quality review before issuing for agreement with Management.
- For Treasury management efforts are being made by the Audit Team to progress the audit but it is recognised that the Finance Team at NCC currently have many competing priorities including year-end activities and preparation for close down of the Council

Committee to note that every effort is being made by the Audit Team to progress the planned audits, but the demands on client staff resources has impacted on their capacity to support or prioritise audit work. Staff at NCC who provide the services have been required to support the Community through the pandemic; undertake work in preparation for the transfer to the new unitary Authorities as well as ensure continuity of normal service delivery, coupled with undoubted personal concerns around health and job security.

4. Implications (including financial implications)

4.1 Policy

4.1.1 There are no policy implications associated with this report.

4.2 Resources and Risk

4.2.1 There are no audit resource or risks implications associated with this report.

4.3 Legal

4.3.1 There are no legal implications associated with this report.

4.4 Equality

4.4.1 There are no specific equality impacts relating to this report.

4.5 Consultees (Internal and External)

4.5.1 This update has been drafted in consultation with the Chief Finance Officer and Governance and Risk Manager.

4.6 Other Implications

4.6.1 None

5. Background Papers

5.1 None

Duncan Wilkinson - Chief Internal Auditor, LGSS

Appendices:
A – EY Audit Results Report

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	External Audit Results Report 2018-19

AGENDA STATUS: **PUBLIC**

Audit Committee Meeting Date:	25 March 2021
Policy Document:	Statement of Accounts
Directorate:	Chief Finance Officer
Accountable Cabinet Member:	Cllr Brandon Eldred

1. Purpose

1.1 This report presents the Audit Results Report produced by Ernst & Young LLP (EY LLP) in relation to the Statement of Accounts for 2018-19.

2. Recommendations

2.1 That the Audit Committee note and consider the external Audit Results report and recommendations.

3. Issues and Choices

3.1 Report Background

3.1.1 Ernst and Young LLP (EY LLP) were appointed as the Council's external auditors from the 2018-19 financial year onwards.

3.1.2 The External Auditor is required to report separately to this Committee on the findings during the audit of accounts and provide an opinion on the Statement of Accounts and in relation to the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources (Value For Money) for the financial year 2018-19.

3.1.3 The Audit Committee are required to note and consider the Audit Results Report (ISA 260) presented by EY at Appendix A prior to the consideration and approval of the final Statement of Accounts for 2018-19 contained elsewhere on this agenda.

4. Implications (including financial implications)

4.1 Policy

4.1.1 There are no specific policy implications from this report.

4.2 Resources and Risk

4.2.1 There is a resource implication in ensuring that the finance team and other teams required to support the audit process are available to support the delayed audit process for 2018/19, 2019/20 and closedown activities in the current year 20/21. This will place additional demands on staff time. This may lead to additional costs through the retention of external resources supporting the teams to the conclusion of the closedown and audit of the authorities accounts.

4.3 Legal

4.3.1 The actions proposed in this report will enable the Council to meet its statutory requirements of finalising its 2018/19 Statement of Accounts.

4.4 Equality

4.4.1 There are no specific equality implications from this report.

4.5 Consultees (Internal and External)

4.5.1 This report has been produced by the Chief Finance Officer (s151 Officer).

4.5.2 The external audit commenced in January 2020 by EY LLP. The completion of the audit has been prolonged due to the reasons set out in the Audit Results Report (ISA 260) report produced by EY LLP at Appendix A.

4.6 The Audit Committee has received periodic updates on the progress of the audit from EY LLP over the course of the audit.

4.7 Other Implications

4.7.1 None specifically.

5. Background Papers

5.1 None

Stuart McGregor
Chief Finance Officer (Section 151 Officer)

Contact: DMiddleton@northamptonshire.gov.uk

Northampton Borough Council

Audit Results Report

Year ended 31 March 2019

March 2021

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Building a better working world

Private and Confidential

March 2021

Members of the Audit Committee
Northampton Borough Council
The Guildhall
St Giles' Square
Northampton
NN1 1DE

Dear Audit Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Audit Committee. This report summarises our audit conclusion in relation to the audit of Northampton Borough Council for 2018/19.

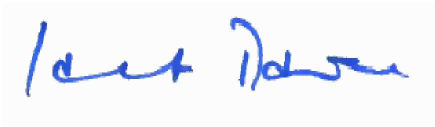
We have substantially completed our audit of Northampton Borough Council ('the Authority') for the year ended 31 March 2019.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form in Section 3, before the financial statement publication date. We also intend to include an Emphasis of Matter paragraph within our auditor's report highlighting disclosures within the financial statements of the demise of the Authority on 31 March 2021. In addition, we are reporting a number of matters about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the Audit Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 25 March 2021.



Yours faithfully

Janet Dawson

Partner

For and on behalf of Ernst & Young LLP

Contents

Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk). This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

01 Executive Summary

Executive Summary

Scope update

In our Audit Planning Report presented at the 6 February 2020 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We have carried out our audit in accordance with this plan.

Materiality

In our Audit Planning Report, we communicated that our audit procedures would be performed using a materiality in the range £972k to £1,942k, with performance materiality, at 50% of overall materiality, of £486k to £972k and a threshold for reporting misstatements, at 5% of overall materiality, of £48k to £96k. Our materiality thresholds were set at 0.5% to 1% of the Authority's gross expenditure on provision of services.

We concluded that use of thresholds set at 1% of gross expenditure on provision of services was appropriate and, following some minor amendment to the amount assessed as the gross expenditure on provision of services, performed our audit using a materiality of £1,905k, with a performance materiality, set at 50% of overall materiality, of £952k and a threshold for reporting misstatements, at 5% of overall materiality, of £95k.

Information Produced by the Entity (IPE)

We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Authority's systems due to the need to complete the audit remotely as a consequence of the Covid-19 pandemic. We addressed this risk by agreeing IPE to scanned documentation or other system screenshots.

Status of the audit

We have completed a significant proportion of our audit of Northampton Borough Council's financial statements for the year ended 31 March 2019 and have performed the procedures outlined in our Audit Planning Report. Subject to satisfactory completion of the outstanding items set out in Appendix D, we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3. We intend to include an Emphasis of Matter paragraph within our auditor's report highlighting disclosures within the financial statements of the demise of the Authority on 31 March 2021. However until work is complete, further amendments may arise. We will provide a verbal update on these matters at the Committee meeting.

We expect to issue the audit certificate at the same time as the audit opinion.

Executive Summary

Audit differences

We identified 3 unadjusted audit differences in the draft financial statements which management has chosen not to adjust. We ask that they be corrected or a rationale as to why they are not corrected be approved by the Audit Committee and included in the Letter of Representation. The aggregated impact of unadjusted audit differences is to increase the deficit on the provision of services by £1,120k. We agree with management's assessment that the impact is not material.

We have also identified audit differences with an aggregated impact of increasing the deficit on provision of services by £5,312k, and other audit differences not impacting the deficit on provision of services, which have been adjusted by management. Details can be found in Section 4 Audit Differences.

Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of Northampton Borough Council's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Areas of Audit Focus" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues;
- You agree with the resolution of the issue;
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee.

Control observations

During the audit we identified a number of observations in relation to management's financial processes and controls. We identified findings in relation to:

- The provision of information to external valuers of non-current assets;
- The completeness and accuracy of the Council's leases database;
- The basis of recharges to the Housing Revenue Account; and
- The retention of support for Council Tax write-offs.

Given that the Authority will cease to exist on 31 March 2021, we have not made recommendations as to how management should seek to address our observations. We do, however, recommend that our observations are brought to the attention of the successor organisation, for their information and action where appropriate.

Further details of our observations are set out in Section 7.

Executive Summary

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Planning Report we identified the following significant risks:

- The governance action plan;
- The football club loan; and
- Financial resilience

Our response to these risks is set out in detail in Section 5.

We have the following matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources:

- At 31 March 2018, the Authority had 6 actions from its Governance Action Plan which were not yet implemented. The Governance Action Plan was closed in September 2018 with 2 of these actions noted as outstanding. In addition, the management commentary on a number of completed actions noted that there were further actions required to fully implement the recommendations. We have reviewed management updates provided in September 2018 and January 2020 and concluded that 4 of the 6 actions outstanding at 31 March 2018 remained at least partially outstanding at 31 March 2019. We are therefore unable to conclude that the Governance Action Plan was fully implemented and embedded during 2018/19, and are therefore unable to conclude that 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. As a result, we will issue an adverse value for money opinion.

Except for the implementation of the Governance Action Plan, we have no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We have no other matters to report.

Independence

Please refer to Section 8 for our update on Independence.

02 Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What judgements are we focused on?

The specific fraud risks identified relate to the inappropriate capitalisation of expenditure when considering revenue and expenditure recognition. Further details of our response to this risk are set out on the next page.

What did we do?

- We identified fraud risks during the planning stage of our audit;
- We enquired of management and those charged with governance about risks of fraud and the controls put in place to address those risks, and considered the effectiveness of those controls;
- We determined an appropriate strategy to address those identified risks of fraud; and
- We performed mandatory procedures regardless of specifically identified fraud risks, including:
    - testing of journal entries and other adjustments in the preparation of the financial statements;
    - assessing accounting estimates for evidence of management bias; and
    - evaluating the business rationale for significant unusual transactions.

What are our conclusions?

We note that a material level of misstatement was identified within the valuation of non-current assets, further details of which are provided on the following pages. We have considered the causes of these misstatements, along with the fact that misstatements were identified which both overstated and understated the valuation of assets, and are content that there was not a consistent management bias within these valuations towards either overstatement or understatement.

Our testing has also not identified any other misstatements arising from fraud or error, or other matters relating to this risk, to bring to your attention.

Note that details of misstatements identified during the course of our audit by other audit procedures are detailed in Section 4.

Significant risk

Misstatements due to fraud or error (additional considerations)

What is the risk?

During the course of our audit, we have held discussions with Northamptonshire Police in respect of their ongoing investigation into the football club loan. We have also read the KPMG public interest report, published on 27 January 2021, in respect of the loan. From these sources, we have identified additional factors which we consider to be relevant to the risk of misstatement due to fraud or error and requiring additional audit response.

What judgements are we focused on?

Our focus is on transactions which the Authority may have entered into in previous periods, including around the time of the football club loan when governance processes are known to have contained weaknesses, which are still impacting the financial statements.

What did we do?

- We reviewed minutes of the Council and Cabinet for the period from 1 April 2014 to 31 March 2018, and political party manifestos for the 2011 local government elections, for significant commitments by the Authority which could give rise to material balances still impacting the financial statements in 2018/19. Where such commitments were identified, we considered the treatment of balances still impacting the financial statements for reasonableness;
- We reviewed minutes of the Council and Cabinet for the period 1 April 2018 to 31 March 2019, and the Authority's published contracts register, to identify significant commitments entered into during 2018/19. For material projects, we reviewed evidence of the approval and due diligence processes performed prior to entering into the contract or agreement;
- We reviewed evidence of the Authority's assessment that the loan to the University of Northampton, issued in March 2016 and not due for repayment in 2018-19, was state aid compliant.

The above procedures included use of our EY Forensics specialists due to the complexity of the audit risk.

What are our conclusions?

Our review of Council and Cabinet minutes since 1 April 2014 and pollical party manifestos for the 2011 local government elections identified a number of proposals for significant commitments. We have investigated these further to either evaluate the accounting treatment in the 2018/19 statements or confirm the Council ultimately provided no funding. We have no issues to report from this work.

Our review of Council and Cabinet minutes during 2018/19 identified one significant new contract entered into by the Council during the year, to regenerate the old Vulcan Works site. As of submission of this report, our review of the approval and due diligence process for this project is ongoing and is noted as an outstanding item in Appendix D.

Our review of the Authority's assessment of state aid risks in respect of the loan to the University of Northampton found that state aid risks had been adequately considered and addressed prior to monies being advanced to the University.

We have no other observations to report in respect of misstatements due to fraud or error arising from the ongoing police investigation or the KPMG Public Interest Report.

Significant risk

Risk of fraud in revenue and expenditure recognition – Inappropriate capitalisation of expenditure

What is the risk?

Under ISA (UK and Ireland) 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

What judgements are we focused on?

Misstatements that occur in relation to the risk incorrect capitalisation of revenue expenditure could affect the comprehensive income and expenditure account and the balance sheet by decreasing revenue expenditure and increasing capital expenditure.

What did we do?

- We sample tested additions to property, plant and equipment at a lower testing threshold to ensure they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised;
- We reviewed and tested Revenue Expenditure Funded from Capital Under Statute (REFCUS) to verify that revenue costs have not been inappropriately funded from capital; and
- As part of our journal testing strategy, we reviewed unusual journals related to capital expenditure posted around the year-end, for example where the debit was to capital expenditure and the credit to income and expenditure.

What are our conclusions?

Our testing has not identified any misstatements arising from fraud in revenue and expenditure recognition, or other matters relating to this risk to bring to your attention.

Significant risk

Valuation of non-current assets

What is the risk?

The fair value of property, plant and equipment (PPE), investment properties (IP) and heritage assets represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the Balance Sheet for land and buildings, surplus assets and investment properties in particular.

What judgements are we focused on?

The valuation of non-current assets is performed by an external valuer and relies upon significant estimation and assumptions. We focus our work on the appropriateness of the valuer's work and the assumptions used to value non-current assets.

What did we do?

- We considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- We sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- We considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for property, plant and equipment, and annually for investment property. We will also considered if there are any specific changes to assets that have occurred and whether these were communicated to the valuer;
- We review assets that were not subject to valuation in 2018/19 to confirm the remaining asset base is not materially misstated;
- We considered changes to the useful economic lives of assets as a result of the most recent valuation; and
- We tested the accounting entries relating to the valuation of non-current assets to ensure they had been correctly processed in the financial statements,

What are our conclusions?

We encountered difficulty auditing the valuations of some non-current assets due to the Council being unable to provide the necessary explanations or obtain them from the external valuer who undertook the valuations (Avison Young), who we note ceased to be the Council's external valuer after the 2018/19 cycle. Where these difficulties could not be resolved, management had to seek revised valuations from the Council's current external valuer (Wilks Head and Eve). As we were unable to test the original valuations, differences between the original and revised valuations have been treated as audit differences.

Where we were able to complete our testing of asset valuations, we noted a number of issues including valuations based upon incorrect information (e.g. terms of existing tenancies and asset areas) and assets being incorrectly classified, resulting in the wrong valuation methodology being applied.

We also challenged management as to whether changes to the capital programme, arising from the local government reorganisation, should result in impairment of assets under construction. A £5.3m impairment was subsequently recognised.

In aggregate, we identified gross misstatement of £20.0m with a net impact on the balance sheet of overstating assets by £3.6m. Management have adjusted the financial statements for £19.0m of these misstatements, following which we are content non-current assets are not materially misstated.

Higher inherent risk

Pension liability valuation

What is the risk?

Accounting for the Authority's defined benefit pension scheme liabilities involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management specialists and the assumptions underlying fair value estimates.

What did we do?

- We liaised with the auditors of the Northamptonshire Pension Fund to obtain assurance over the information supplied to the actuary in relation to Northampton Borough Council;
- We assessed the work of the Pension Fund actuary, including the assumptions they have used, by relying on the work of PwC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors and review of this work by our own EY actuarial specialists;
- We reviewed the Northamptonshire Pension Fund's draft financial statements and compared the year end asset values with the estimate used by the actuary in producing the Authority's IAS 19 report and considered the impact on the Authority's pension fund liabilities and IAS 19 disclosures; and
- We reviewed and tested the accounting entries and disclosures made within the Authority's financial statements in relation to IAS 19.

What are our conclusions?

The initial valuation of the Authority's net pension liability included the valuation of pension assets as at 31 December 2018, adjusted for cash movements between 31 December 2018 and 31 March 2019. The actual valuation of pension assets as at 31 March 2019 materially differed from this assumption, therefore management had the actuary revise their calculations. The revised calculations were prepared prior to, and reflected in, the draft financial statements presented for audit.

In addition, the valuation of the Authority's pension liabilities as at 31 March 2019 included the estimated impact of addressing age discrimination within the LGPS highlighted by the McCloud legal case.

On 16 July 2020, the Ministry for Housing, Communities and Local Government (MHCLG) published the proposed remedies for removing age discrimination from the LGPS for consultation. On 4 February 2021, MHCLG announced the final proposed remedies.

The valuation of scheme liabilities as at 31 March 2019 does not include the impact of the proposed remedies, as they were announced after the valuation was prepared. We have engaged our EY Pensions specialists to help us confirm that the impact of applying the proposed remedies would not be material to the Authority's pension liabilities.

We have no other matters to report in respect of this risk.

Higher inherent risk

IFRS 9 Financial Instruments /

IFRS 15 Revenue from contracts with customers

What is the risk?

New accounting standards, IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers, are effective for 2018/19 and introduce significant changes to the accounting treatment and financial statements disclosures in respect of financial instruments and revenue. Management will need to ensure the financial statements comply with the new standards.

What did we do?

- We assessed the authority's implementation of the new accounting standards, including management's assessment of the impacts of the new standards on the Authority's and Group's financial statements;
- We reviewed the classification and valuation of financial instruments;
- We reviewed management's determination of expected credit losses, a new approach under IFRS 9 to the recognition of impairments;
- We considered the applicability of the new revenue standard to the authority's revenue streams, and where the standard applies performed sample testing to ensure that revenue had been recognised in accordance with the new standard; and
- We reviewed financial statement disclosures for consistency with the new standards.

What are our conclusions?

The financial instrument disclosures within the draft financial statements presented for audit did not reflect the requirements of the new standard, for example by continuing to use the financial instrument classifications of the previous standard.

Management have subsequently revised the financial instrument disclosures to ensure they are consistent with the new standard.

In addition, we noted several misstatements within financial instrument balances which were not specifically related to the adoption of the new standard. Further details of these audit differences are given in Section 4.

We have no matters to report in respect of the application of IFRS 15.

Other matters

Contract and procurements

What is the risk?

The Council incurs material annual expenditure under contracts with third parties. A risk of misstatement arises from the risk that these contracts are not appropriately accounted for, including the risk of omission or that amounts are recorded in the incorrect period.

What did we do?

- We have obtained and read significant contracts, agreements, and similar documents and considered their accounting or auditing implications;
- We have undertaken sample testing to confirm the correct procurement processes were followed; and
- We have analysed the results of our expenditure testing and considered whether this indicates that contract registers may not be complete.

What are our conclusions?

We have no matters to report in respect of contracts and procurements.

03 Audit Report

Audit report

We include below a copy of the auditor's report we propose to issue.

Given our intention to qualify our value for money opinion, there are additional internal consultation processes in respect of our audit opinion which we need to conclude. Any changes to our audit report as a result of this consultation will be communicated to the Audit Committee.

Audit report

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHAMPTON BOROUGH COUNCIL

Opinion

We have audited the financial statements of Northampton Borough Council for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement;
- Authority and Group Comprehensive Income and Expenditure Statement;
- Authority and Group Balance Sheet;
- Authority and Group Cash Flow Statement;
- The related notes 1 to 33 to the Authority financial statements and 1 to 12 to the Group financial statements;
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Balance Statement and the related notes 1 to 6; and
- Collection Fund Statement and the related notes 1 to 4.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of Northampton Borough Council and Group as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Local Government Reorganisation

We draw attention to the disclosures made in Note [TBC] – Events after the balance sheet date, concerning local government reorganisation in Northamptonshire. As stated in this disclosure, a new council called West Northamptonshire Council [will replace/replaced] the Authority and [other existing local councils/[names]] in Northamptonshire in April 2021. The Authority's assets, liabilities, services and functions transferred to the new West Northamptonshire Council on 1 April 2021.

Audit report

Audit report

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

Basis for Qualified Conclusion [wording subject to internal consultation]

In September 2013, the Authority advanced a loan to Northampton Town Football Club of £10.25m to carry out works to improve stadium facilities and develop a hotel. The money was passed to a third party developer and concerns about the recoverability of the loan resulted in the full loan balance being written-off during the year to 31 March 2016. In December 2016, the Authority's internal auditor issued a report into the circumstances of the loan which raised a number of concerns over failings in the systems of governance and internal control.

In response, the Authority produced a Governance Action Plan containing a number of actions to address the governance and internal control issues raised. At 1 April 2018, 6 of the 48 actions from this plan were at least partially outstanding.

During 2018/19, management have adopted a less formal approach to addressing the remaining actions and have formally closed the Governance Action Plan in September 2018. As at 31 March 2019, several actions were either outstanding or implemented in a manner which we are unable to conclude as embedded within the organisation.

We are therefore unable to conclude that the necessary improvements in governance and internal controls were fully embedded throughout the year ended 31 March 2019 and that 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 during this period.

Audit report

Qualified conclusion [wording subject to internal consultation]

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are not satisfied that, in all significant respects, Northampton Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of Responsibilities set out on page 15, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

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

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Audit report

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the 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. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Northampton Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We certify that we have completed the audit of the accounts of Northampton Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Northampton Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Northampton Borough Council and the Northampton Borough Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Janet Dawson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
London
March 2021

04 Audit Differences

Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as "known" or "judgemental". Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of unadjusted differences

We highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit Committee and provided within the Letter of Representation:

Misstatements impacting income and expenditure

- We noted an error in the calculation of the non-domestic rates appeals provision methodology which resulted in an overstatement of the appeals provision by £125,000. Correction of this misstatement would decrease expenditure and decrease provisions by £125,000;

- Our EY Real Estate valuation specialists disagreed with the valuations given by management's valuer for the Council's two hotel investment properties, which we believe to be understated by £995,000. Valuation of property assets is subjective therefore management have opted not to amend for this judgemental audit difference. Correction of these differences would increase investment property and reduce net expenditure by £995,000.

Misstatements impacting other comprehensive income and expenditure

- The auditor of the Northamptonshire Pension Fund identified misstatement in the valuation of the Pension Fund's assets provided to the actuary to inform the calculation of the Authority's net pension liability. They have estimated the impact to be an understatement of the Authority's net pension liability and the actuarial loss for the year of £290,000.

All unadjusted differences apply to both the Authority and Group financial statements.

Audit Differences

Summary of adjusted differences

We highlight the following misstatements of the Authority's financial statements which have been corrected by management:

Presentational misstatements

- The presentation of the Comprehensive Income and Expenditure Statement and the Expenditure and Funding Analysis did not reflect the restructuring of the Authority's directorates which took place during 2018/19. Correction of this matter resulted in significant changes to the allocation of income and expenditure to individual directorates within these statements, but had no impact on the overall amounts reported. The prior period comparatives have also been restated to reflect the current year's structure and provide comparability to the prior year;

- The amounts presented as other operating expenditure, financing and investment income and taxation and non-specific grants included recognition of amounts as both income and expenditure, overstating each individually but with no impact on net expenditure. Correction of this matter resulted in a decrease to gross expenditure and gross income of £39.9 million; and

- The year-end creditor balance with Northampton Partnership Homes of £2,747,000 was incorrectly recognised as both a debtor of £9,175,000 and a creditor of £11,922,000, resulting in the correct net liability but an overstatement of both debtors and creditors of £9,175,000.

Misstatements impacting income and expenditure

- In 2014-15, the Council demolished the old Greyfriars bus station and surrounding structures and, as permitted by accounting standards, recognised £5,312,000 of demolition costs within assets under construction as part of the cost of the new assets to be constructed at the site. Since the initial demolition, there have been several iterations of plans for the site however plans still remain in the early stages and no further costs have been recognised within assets under construction. Following audit challenge of the time lag between the original demolition and construction of the replacement assets and the uncertainty over future development introduced by the Northamptonshire Local Government Reforms announced during 2018/19, management have accepted the criteria to hold this balance as an asset under construction are no longer met and the asset has been impaired. This reduced property, plant and equipment and increased expenditure by £5,312,000.

Misstatements impacting other comprehensive income and expenditure

- Our testing of non-current assets identified a number of misstatements of individual asset valuations with a gross value of £13,702k and a net impact of understating asset valuations by £715,000. Management have adjusted these asset valuations resulting in an increase to asset valuations and the gain on revaluation for the year of £715,000.

- Due to an error in the recording of valuations within the non-current asset register, the valuation of heritage assets at 31 March 2019 and the revaluation gain during 2018/19 were overstated by £190,000.

- Investments in the CCLA Local Authorities Properties Fund were incorrectly valued using mid-market prices, when bid prices should be used for the purposes of the financial statements. Application of bid prices resulted in a decrease in the value of investments, and an increase in the loss recognised within other comprehensive expenditure, of £186,000.

Summary of adjusted differences – Authority (continued)

Classification misstatements within the balance sheet and supporting notes

- During the course of our audit we identified a number of classification errors between lines on the balance sheet. The aggregate impact of correcting these errors was to:
  - Decrease long-term debtors by £35,000;
  - Increase short-term debtors by £47,000;
  - Increase cash and cash equivalents by £1,067,000;
  - Increase short term creditors by £1,138,000; and
  - Decrease provisions by £59,000

- Investments of £7,586,000 in the CCLA Local Authorities Property Fund (pre-adjustment as per previous page) were incorrectly recorded as non-current fixed term investments. These investments are investments into a pooled property fund, rather than fixed term investments, and have been reclassified as current investments.

- Expected credit losses of £9,295,000 were netted off against gross debtor balances rather than presented separately within the debtors note, as required by the reporting framework. This had no impact on the net debtor position recognised on the balance sheet, but understated gross balances and impairment allowances within the debtors note by £9,295,000.

Misstatements impacting reserves

- We have challenged management on the non-recognition of minimum revenue provision, the amount set aside from the Council's revenue budget for repayment of capital financing, in respect of the loan to Northampton Town Football Club given the significant uncertainty over recovery of loan amounts. Following this challenge, management has applied £4,655k of the £5,000k set aside from the General Fund during 2018-19 into the Sixfields Recovery Reserve as minimum revenue provision during 2018-19.

Misstatements impacting the Collection Fund and Balance Sheet

- Management determined that an appropriate provision for bad and doubtful debts at 31 March 2019 would be £981,000, however this amount was incorrectly recorded as the new amount provided during the year, rather than the closing balance. Correction of this matter resulted in a decrease to the Collection Fund provision for bad and doubtful debts of £328,000, a decrease to the Council's own provision for bad and doubtful debt of £131,000 (the Council's share of the £328,000) and an increase in the amounts owed to preceptors of £197,000 (other preceptors' share of the £328,000).

All adjusted differences, other than the overstatement of debtors and creditors in respect of the balance due to Northamptonshire Partnership Homes, apply to both the Authority and Group financial statements. The overstatement of debtors and creditors in respect of the balance due to Northamptonshire Partnership Homes applies to the Authority's statements only, as these balances are eliminated from the Group statements as intra-Group balances.

Audit Differences

Summary of prior period audit differences

Misstatements impacting the prior period

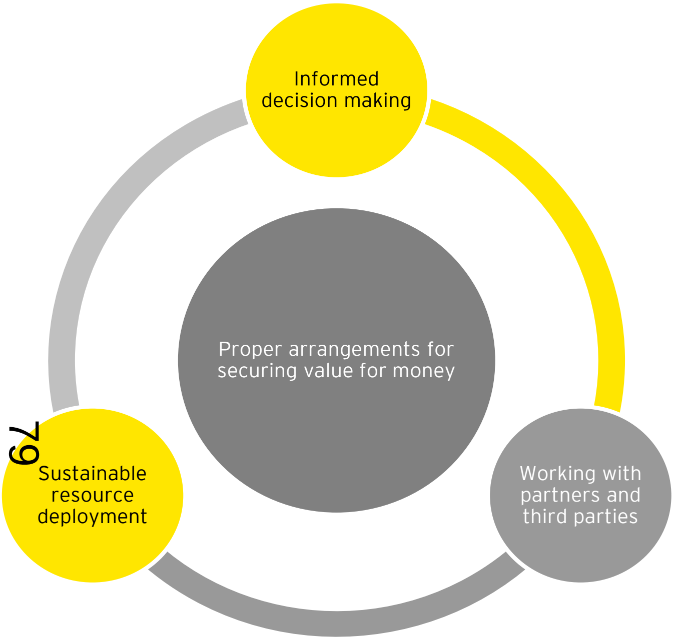
- During the course of our audit we identified an addition to property, plant and equipment of £320,000 which should have been recognised during 2017/18 as the addition took place prior to 1 April 2018. This has no impact on the valuation of property, plant and equipment at 31 March 2019, but indicates an understatement of property, plant and equipment as at 31 March 2018 presented in the prior year comparatives. As the matter is immaterial, correct accounting treatment is not to restate the prior period comparatives.

Comments on Disclosures

During the course of the audit we have identified a number of disclosure errors and made a number of recommendations to management to improve the presentation of financial statements disclosures. There are no individual observations on disclosures which we consider warrant the attention of the Audit Committee.

05 Value for Money

Value for Money



Background

We are required to consider whether the Authority has put in place ‘proper arrangements’ to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2018/19 this is based on the overall evaluation 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”

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

Overall conclusion

We identified three significant risks around these arrangements. The tables below present our findings in response to the risks identified in our Audit Planning Report and any other significant weaknesses or issues we want to bring to your attention.

At 31 March 2018, the Authority had 6 actions from its Governance Action Plan which were not yet implemented. The Governance Action Plan was closed in September 2018 with 2 of these actions noted as outstanding. In addition, the management commentary on a number of completed actions noted that there were further actions required to fully implement the recommendations. We have reviewed management updates provided in September 2018 and January 2020 and concluded that 4 of the 6 actions outstanding at 31 March 2018 remained at least partially outstanding at 31 March 2019. We are therefore unable to conclude that the Governance Action Plan was fully implemented and embedded during 2018/19, and are therefore unable to conclude that 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. As a result, we will issue an adverse value for money opinion.

Further details are provided on the following pages.

Value for Money Risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risks identified in our Audit Planning Report.

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
Governance Action Plan The Council has a Governance Action Plan that was established in December 2016. The predecessor auditor reported that while good progress had been made, as of 31 March 2018 the plan had not been fully implemented in that year. This resulted in an adverse value for money conclusion.	Informed decision making	At 31 March 2018, the Council had implemented 42 of the 48 actions included within the Governance Action Plan and considered 5 of the remaining 6 actions to have been partially implemented. The six actions which had not been fully implemented prior to 2018/19 were all deemed to be high priority and included the establishment of a due diligence manual, delivery of the 'Licence to Practice Organisational Development and Training Plan' and delivery of a mandatory training programme on project programmes and major project competencies. Following new appointments to several senior posts within the Council during the first half of 2018, management undertook a review of the remaining elements of the Governance Action Plan and determined that aspects of the Governance Action Plan established in December 2016 no longer reflected the needs of the Council in 2018/19. A proposal to formally close the Governance Action Plan was presented to, and approved by, the Audit Committee in September 2018. At this point, management reported that 46 of the 48 actions had been fully implemented. We do however note that the additional management commentary provided to the Audit Committee for several completed actions noted that implementation was an ongoing progress and could take up to 18 further months to complete. With regards to the actions which were not fully implemented prior to the start of 2018/19, we noted the following: • **Establishment of a due diligence manual** Management reported in September 2018 that the first stage of this action, the development of a 'loans checklist', was complete and a checklist implemented. Development of the manual itself was however delayed pending a review of the Authority's constitution. Management noted in delaying development of the manual that the governance arrangements surrounding approval of loans had been made more stringent prior to development of the manual. The Council published its updated constitution in November 2018, however as of January 2021 the manual has still not been produced and, given the dissolution of the Authority in March 2021, is unlikely to be completed.

Value for Money Risks

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
Governance Action Plan (continued)	Informed decision making	• **Delivery of mandatory training and development of the 'Licence to Practice Organisational Development and Training Plan' (links to 3 actions)** Following review of the training plans included within the Governance Action Plan, management determined that the needs of officers and members would be better served by more informal coaching sessions than the formal structured training included within the Governance Action Plan. A number of one-to-one coaching sessions were delivered to project managers during 2018/19, with a strong focus on the preparation of robust business cases. The 'Licence to Practice Organisational Development and Training Plan' is intended to reflect management's updated assessment of the training needs of officers and members, however development of this plan remains ongoing as of February 2021 and it is unclear to what extent it will be carried over to the new West Northamptonshire Council. • **Monitoring of Cabinet decisions, implementation and compliance thereof, including delegated decisions** At the point the Governance Action Plan was closed in September 2018, this action was reported as outstanding with management indicating that the processes for Cabinet decisions and reporting would be included as part of the wider review of the Authority's constitution. The Authority's revised constitution was published in November 2018 and included guidance on the taking and reporting of decisions by Cabinet. • **Production of the Annual Governance Statement in a timely manner** The Annual Governance Statement for 2018/19 was completed and signed off by the Leader of the Council and the Section 151 Officer on 24 July 2019. Our audit procedures, including the extent to which we are required to review the Annual Governance Statement, have not identified any significant concerns over this statement. Production of the Annual Governance Statement is an annual exercise, however we are content that management had appropriate arrangements in place for production of the 2018/19 statement. Management has continued during 2018/19 to build on the progress made against the Governance Action Plan in prior years, and formally closed the Governance Action Plan in September 2018. We do however note that there are significant elements of the plan which have not been implemented, most notably the development of a due diligence manual and the 'Licence to Practice Organisational Development and Training Plan'. Whilst management has taken steps towards the overall objectives of these elements of the plan, the more informal nature of these steps mean they are not reflected in the formal policies and procedures of the Council and we are therefore unable to conclude these actions are fully embedded in the organisation. We are therefore unable to conclude that 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. As a result, we will issue an adverse value for money opinion.

Value for Money Risks

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
Football club loan In 2015/16, the Council advanced a £10.25m loan to Northampton Town Football Club, which has not been repaid nor the proceeds recovered. The predecessor auditor identified a lack of a formalised system for documenting the due diligence process for loans, and that the accountability and decision making process was not sufficiently robust. A Public Interest Report on this matter was issued by the predecessor auditor in January 2021. In the 2017/18 ISA 260 report, the predecessor auditor concluded that the actions agreed to address these issues had not been fully implemented as at 31 March 2018. This resulted in an adverse value for money conclusion. The Council has expended significant resources to date to recover monies.	Informed decision making Sustainable resource deployment Working with partners and third parties	Under the previous risk, we have reported that the development of the due diligence and compliance manual and the implementation of the Licence to Practice Organisational Development and Training Plan, including the specific module around preparation of business cases, were not fully implemented during 2018/19. These are significant elements of the Authority's overall response to the findings of what went wrong with the awarding of the loan to Northampton Town Football Club. In addition to the loan to Northampton Town Football Club, the Authority has previously loaned £5.5 million to Northampton Rugby Football Club ('the rugby club') in 2014. During 2018/19, the Authority held further discussions with the rugby club over loaning an additional £1.5 million to the club. At the time of considering this proposal, the Authority had not yet implemented its new 'loans checklist' and, as noted above, the due diligence and compliance manual is also still to be completed. There was not therefore a formally defined process for the Authority to follow in assessing the proposal to loan additional amounts to the rugby club. Nevertheless, we have reviewed the process which was followed by the Authority in assessing the proposed loan. The Authority performed a two-stage review of the proposal, an internal assessment by the Authority's Governance and Risk Manager and an external review by Link Asset Management. The external review included consideration of factors identified in the KPMG Public Interest Report as not sufficiently considered in the assessment of the football club loan, including consideration of the financial position and performance of the rugby club, the future cashflow forecasts of the rugby club and compliance with EU state aid regulations. Cabinet approved the loan to the rugby club in February 2019, subject to a number of risks identified by the Authority's review processes being adequately addressed. The actions required to address these risks included obtaining cashflow forecasts from the rugby club which included the repayment of the loan to the Authority and sensitivity analysis of the impact of worse-than-forecast cash flows on the ability of the rugby club to service the loan on the final agreed terms. The rugby club withdrew their request for the loan prior to these points being addressed, therefore we are unable to assess whether these points would have been satisfactorily addressed prior to monies being paid to the rugby club. Up to the point of the loan request being withdrawn, the processes followed by the Authority appear reasonable. The absence of a formally defined process does however increase the risk that future processes may be inconsistent or insufficiently documented.

Value for Money Risks

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
Football club loan (continued)	Informed decision making Sustainable resource deployment Working with partners and third parties	As of March 2019, the Authority had spent £1.6 million on efforts to recover the football club loan, including £662,000 during 2018/19. The majority of these costs relate to legal fees. The legal advice received by the Authority includes advice on the identity of parties from whom recovery could be sought, the quantum of amounts which could be recovered and the probability of successful recovery of monies. As of January 2021, the Authority has recovered £132,000 and expects to realise a further £645,000 from property sales during 2021. Both Deloitte and FRP Insolvency are working with the Authority to recover additional amounts on a contingent fee basis (i.e. no cost to the Authority if no recovery is made). Whilst the various risks, opportunities and costs identified by the Authority's legal advisors are reported to Cabinet, no formal cost-benefit analysis of continuing to pursue recovery of the loan has been performed, either during 2018/19 or since. Based on the above factors, specifically the outstanding actions to implement a due diligence and compliance manual and completion of relevant modules of the Licence to Practice Organisational Development and Training Plan, we are unable to conclude that 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 do however note the overlap of this conclusion with our conclusion against the previous risk. Our review of the governance processes around the proposed loan to the rugby club have not identified additional observations, and we note the amount spend during 2018/19 on recovery of the football club loan was not material to the Authority. We do not therefore extend our adverse value for money opinion beyond the fact the Governance Action Plan was not fully implemented during 2018/19.

Value for Money Risks

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
Financial resilience The local government sector is facing financial challenges. For 2018/19, the Council set a net budget of £28.490 million. This included £1.8 million of savings and efficiencies, incorporating £320,000 from organisation redesign; £1.36 million of increased income and £142,000 of service reductions. The outturn report shows an overspend of £732,000 against budget. Over the medium term, the net budget requirement increases from £27.438 million in 2019/20 to £28.897 million in 2022/23. The Council has identified a savings requirement of £10.8 million over this period. The medium term financial strategy includes assumptions on the level of business rates income and new homes bonus, which will need to be reviewed regularly to ensure they are supportable and any changes reflected in the MTFP. The MTFP also includes use of reserves over the medium term of £4.5 million. The Council does hold £25 million of general reserves to mitigate against specific and general risks faced by the Council.	Informed decision making Sustainable resource deployment Working with partners and third parties	We have reviewed the financial outturn of the Authority against budget and note that the Authority's revenue activities were delivered with an overspend of £732,000 (2.4%). The main driver of this overspend was higher than anticipated homelessness costs, which are not wholly within management's control. The overspend was partially offset by management achieving savings of £2.48 million against budgeted savings of £1.82 million. The forecast overspend position was reported to senior management and members regularly throughout 2018/19. We have made enquiries of management and reviewed the assumptions used in the 2019-2022 Medium Term Financial Plan (MTFP). We note that management allowed for an additional £1 million spend on homelessness services, compared to the 2018-19 budget, to allow for the overspend in this area during 2018/19. Included within management's budget for 2019/20 were required savings of £1.134 million. We consider this level of savings to have been an achievable level of savings, given the Authority exceeded both this level and the targeted level of savings during 2018/19. Savings prior to 2018/19 were minimal in the Authority's budget, therefore only 2018/19 provides evidence of management's ability to realise planned savings. Overall we are satisfied that the Authority had proper arrangements in place during 2018/19 to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people, with regards to management of its financial position and the setting of budgets.

06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2018/19 with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2018/19 and published with the financial statements is consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest. We note that KPMG published their public interest report in respect of the football club loan on 27 January 2021.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of Northampton Borough Council's financial reporting processes. We have one matter to report.

The Accounts and Audit Regulations 2015 require that a responsible financial officer signs and dates the financial statements prior to commencement of the period for public inspection. Whilst we understand the financial statements were internally approved by the responsible finance officer, the version published on the Council's website for public inspection was neither signed nor dated and did not therefore comply with the requirements of the Accounts and Audit Regulations 2015.

07 Assessment of Control Environment

Assessment of Control Environment

Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control. We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

Due to the impending demise of the Authority, we have not raised formal recommendations in respect of our control observations however we wish to highlight the following matters which may be of interest to management of the new unitary authority:

- As described in sections 2 and 4, we noted a number of issues with the valuation of non-current assets. A number of these issues could be traced to inaccuracies in the information used by the Council’s external valuers to prepare the valuations of assets. We would therefore encourage management of the new authority to consider the controls in place within the new Authority to ensure that information provided to external valuers is accurate, and hence that the valuations received are appropriate.
- We noted errors in the disclosure of future minimum lease commitments which occurred as a result of the Council’s finance function not being informed where changes were agreed to the terms of the Council’s lease agreements. From 2022/23, the new Authority will be required to adopt a new accounting standard, IFRS 16: Leases, which will require recognition of the Council’s material operating lease commitments on the balance sheet. Controls to ensure the completeness and accuracy of lease information will be key to successful implementation of the new standard.
- We observed a minor control deficiency in respect of the basis of recharges from the General Fund to the Housing Revenue Account, for services such as legal and ground maintenance. These recharges, which total £1.88 million, are determined on a percentage of total cost basis, however the percentages used have been in place for a number of years and management were unable to provide support that they remain appropriate. We understand that a review of the basis of recharges to the HRA is already planned for the new Authority.
- During our testing of Council Tax write-offs we were unable to obtain evidence of the rationale for a sample of write-offs or evidence that the write-off was appropriately approved. We understand that management were unable to provide this evidence as these records are retained in individuals’ e-mail records, and the relevant individuals are no longer employed by the Council. There is a risk that management are unable to demonstrate write-offs of Council Tax debt are appropriate if records are not formally retained by the Council.

08 Independence

Confirmation and analysis of audit fees

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Planning Report presented on 6 February 2020.

We complied with the Auditing Practices Board (APB) Ethical Standards. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that management and the Audit Committee consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit Committee on 23 March 2021.

We confirm we have not undertaken non-audit work outside of the Statement of Responsibilities of Auditors and Audited Bodies as issued by the Public Sector Audit Appointments Ltd.

As part of our reporting on our independence, we set out below a summary of the fees for the year ended 31 March 2019.

Description	Final Fee 2018/19 £	Scale Fee 2018/19 £
Base Scale Fee	62,197	62,197
Increase for changes in risk and regulatory environment [notes 1,3]	93,346	-
Revised Base Fee	**155,543**	**62,197**
Additional audit fee for response to specific audit findings [notes 2,3]	261,457	-
Total Audit Fee	**417,000**	**62,197**

Notes

1) We wrote to management and the Audit Committee Chair on 10 February 2020 setting out our considerations on the sustainability of UK local public audit. Parliamentary select committee reports, the Brydon and Kingman reviews, plus within the public sector the Redmond review and the new NAO Code of Audit practice, are all shaping the future of local audit. These regulatory pressures all have a focus on audit quality and what is required of external auditors. In continuing to respond to these factors we are required to seek higher levels of corroborative evidence, including increasing sample sizes and engage with our internal specialists more extensively and on a wider array of matters. Additionally, we need to continue to increase our investment in data analytics tools to allow us to test more transactions to a greater level of detail and enhance audit quality. To support the increasing regulatory focus, we have to continue to invest in our audit quality infrastructure; for example our compliance costs have doubled over the past five years. We break down on the following page the impact of these factors on our audit fee.

2) Where we have identified significant risks and other areas of audit focus, as reported in this report, we have undertaken additional procedures to obtain the appropriate levels of evidence to support our opinion. This work is over and above that assumed in the scale fee. We break down on the following page the areas where additional work has been required and the impact on our fee.

3) We have held discussions with management in respect of our audit fees but have not been able to reach agreement on the additional fee amounts. We will therefore submit our proposals to Public Sector Audit Appointments (PSAA) and ask them to make a determination as to the additional fee to be charged. As this process will not be completed prior to the dissolution of the Authority at the end of March, we will provide an update on these discussions to the Audit Committee of the new West Northamptonshire unitary authority.

Confirmation and analysis of audit fees

We provide below a breakdown of the increase in our fee for changes in risk and the regulatory environment:

Description	Final Fee 2018/19 £
Base Scale Fee	**62,197**
Increase in audit risk and complexity, including recognition of additional significant and inherent audit risks	32,743
Increase in value for money audit risk and complexity, including recognition of additional significant value for money risks	11,640
Increased costs of regulatory compliance	34,219
Increased use of auditor's specialists to address risk	7,928
Increased use of data analytics and other IT-based audit tools	6,816
Revised Base Fee	**155,543**
Additional audit fee for response to specific audit findings [note 1]	261,457
Total Audit Fee	**417,000**

Notes

1) The additional audit fee for response to specific audit findings includes audit fee in respect of:

- Additional audit effort required due to the poor quality of the draft financial statements and supporting working papers, and the resulting volume and size of changes made between the draft financial statements and the final financial statements;
- Additional audit effort to overcome difficulties auditing the valuation of non-current assets, including the use of EY valuation specialists; and
- Involvement of EY Forensics specialists to address fraud risks.

We will provide management with further details of the breakdown of our additional audit fee at the conclusion of the audit.

New UK independence standard

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates;
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries;
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation;
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
    - Tax advocacy services
    - Remuneration advisory services
    - Internal audit services
    - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees;
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential;
- Permitted services required by law or regulation will not be subject to the 70% fee cap;
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms;
- A requirement for the auditor to notify the Audit Committee where the audit fee might compromise perceived independence and the appropriate safeguards; and
- A requirement to report to the audit committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next Steps

We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under FRC Revised Ethical Standard 2019, which came into effect from 1 April 2020.

We do not currently provide any non-audit services which would be prohibited under the new standard.

Other communications

EY Transparency Report 2020

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 3 July 2020 (published November 2020):

https://www.ey.com/en_uk/who-we-are/transparency-report-2020

09 Appendices

Appendix A

Audit approach update

We summarise below our approach to the audit of the balance sheet.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- Existence: An asset, liability and equity interest exists at a given date;
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date;
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items;
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded; and
- Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework.

We have tested each of these assertions substantively for all material balances included in the Balance Sheet.

Appendix B

Summary of communications

Date	Nature	Summary
Up to January 2020	Meetings	Various audit liaison meetings to develop understanding of the Authority as new audit client, audit risks and the planned audit approach.
06/02/2020	Report	The audit team presented our Audit Planning Report, including confirmation of our independence, to the Corporate Affairs and Audit Committee.
04/03/2020	Meeting	The audit team met with management to discuss difficulties completing audit work, and agreed that audit work would need to take place later in the year.
15/07/2020	Meeting	The audit team met with management to discuss the status of the audit and plans for resuming detailed audit work.
02/11/2020	Meeting	The audit team met with management to discuss the resumption of our audit work and the timetable for completion of our audit. This meeting also introduced Mark Rutter as our new Engagement Manager.
19/11/2020	Meeting	The audit team met with the Chief Executive to discuss the expected content of the KPMG Public Interest Report, the ongoing police investigation in respect of the football club loan and the Authority's response to these matters.
22/02/2021	Meeting	The audit team met with management to discuss the key findings of our audit, including our observations in respect of our value for money opinion. This meeting also introduced Janet Dawson as our new Engagement Partner.
23/03/2021	Report	The audit team will present our Audit Results Report (this report), including confirmation of our independence, to the Audit Committee.

In addition to the above specific meetings and reports, the audit team have held regular meetings with the Authority's Section 151 Officer and other senior officers involved in financial reporting where developments in the Authority, emerging audit topics and the status of our audit have been discussed. Since March 2020, these discussions have also considered the impact of the Covid-19 pandemic on our audit.

In line with government guidance and EY policy, discussions since the start of the Covid-19 pandemic have been held remotely.

Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Planning Report
Significant findings from the audit	▸ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; ▸ Significant difficulties, if any, encountered during the audit; ▸ Significant matters, if any, arising from the audit that were discussed with management; ▸ Written representations that we are seeking; ▸ Expected modifications to the audit report; and ▸ Other matters, if any, significant to the oversight of the financial reporting process.	Audit Results Report (this report)

Appendix C

Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty; ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and ▸ The adequacy of related disclosures in the financial statements	Audit Results Report (this report)
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation; ▸ The effect of uncorrected misstatements related to prior periods; ▸ A request that any uncorrected misstatement be corrected; ▸ Corrected misstatements that are significant; and ▸ Material misstatements corrected by management	Audit Results Report (this report)
Fraud	▸ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity; ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist; and ▸ A discussion of any other matters related to fraud	Audit Results Report (this report)
Related parties	▸ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▸ Non-disclosure by management; ▸ Inappropriate authorisation and approval of transactions; ▸ Disagreement over disclosures; ▸ Non-compliance with laws and regulations; and ▸ Difficulty in identifying the party that ultimately controls the entity	Audit Results Report (this report)

Appendix C

Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Independence 66	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats; ▸ Safeguards adopted and their effectiveness; ▸ An overall assessment of threats and safeguards; and ▸ Information about the general policies and process within the firm to maintain objectivity and independence	Audit Planning Report; and Audit Results Report (this report)
External confirmations	▸ Management's refusal for us to request confirmations; and ▸ Inability to obtain relevant and reliable audit evidence from other procedures	Audit Results Report (this report)
Consideration of laws and regulations	▸ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off; and ▸ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of.	Audit Results Report (this report)
Subsequent events	▸ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	Audit Results Report (this report)
Significant deficiencies in internal controls identified during the audit	▸ Significant deficiencies in internal controls identified during the audit.	Audit Results Report (this report)

Appendix C

Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Group Audits	▸ An overview of the type of work to be performed on the financial information of the components; ▸ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components; ▸ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work; ▸ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted; ▸ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.	Audit Planning Report; and Audit Results Report (this report)
Written representations we are requesting from management and/or those charged with governance	Written representations we are requesting from management and/or those charged with governance	Audit Results Report (this report)
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise.	Audit Results Report (this report)
Auditors report	Any circumstances identified that affect the form and content of our auditor's report.	Audit Results Report (this report)
Fee Reporting	▸ Breakdown of fee information when the audit plan is agreed; ▸ Breakdown of fee information at the completion of the audit; and ▸ Any non-audit work	Audit Planning Report; and Audit Results Report (this report)

Appendix D

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item	Actions to resolve	Responsibility
Redevelopment of Vulcan Works site	We have a small number of queries still with management in respect of our review of the due diligence and approval processes for the redevelopment of the Vulcan Works site.	Management / EY
Financial instruments	Financial instrument disclosures have been subject to late amendment and we are still working through the agreement of the revised disclosures.	Management / EY
Restatement of 2017/18 comparatives	We are still working through queries with management on the restatement of the prior period comparatives in the CIES, reflecting the restructuring and different directorates disclosed in 2018-19.	Management / EY
Miscellaneous queries	There are some minor queries outstanding in respect of the Council's provision for bad and doubtful debts and Collection Fund discretionary reliefs.	Management / EY
Updated Statement of Accounts	Management are in the process of implementing a large number of changes to the Statement of Account agreed during the audit. We will need to trace through all of these changes once we receive the updated statements to confirm they are complete and appropriate.	Management / EY
Internal review	We are still completing our internal review procedures and final documentation to ensure the quality of our work.	EY
Going concern	We are in the process of agreeing going concern disclosures which can be used across the demising Northamptonshire bodies. Once this process is complete, management will need to include the agreed disclosures within the Statement of Accounts.	EY / Management
Letter of Representation	Receipt of signed letter of representation.	Management and Audit Committee
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report.	Management / EY

Management representation letter

We include below a copy the management representation letter which we request is printed on the Authority's letterheaded paper, signed and provided to us prior to us signing our audit report. This letter should be dated with same date as the date of approval of the financial statements.

Management Representation Letter

[To be prepared on the entity's letterhead]

[Date]

Ernst & Young
400 Capability Green
Luton
LU1 3LU

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Dear Sirs,

This letter of representations is provided in connection with your audit of the consolidated and council financial statements of Northampton Borough Council ("the Group and Council") for the year ended 31st March 2019. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and council financial statements give a true and fair view of the Group and Council financial position of Northampton Borough Council as of 31st March 2019 and of its financial performance and its cash flows for the year then ended in accordance with, for the Group and Council, the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We understand that the purpose of your audit of our consolidated and council financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and for the Council, the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and council financial statements. We believe the consolidated and council financial statements referred to above give a true and fair view of the financial position, financial performance and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and are free of material misstatements, including omissions. We have approved the consolidated and council financial statements.

3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.

4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 that are free from material misstatement, whether due to fraud or error.

5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and council financial statements taken as a whole. We have not corrected these differences identified and brought to our attention by the auditor because [management to provide rationale].

Management representation letter (continued)

Management Representation Letter (continued)

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B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible for determining that the Group and Council's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. We have disclosed to you the results of our assessment of the risk that the consolidated and Council financial statements may be materially misstated as a result of fraud.

4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with laws and regulations, including fraud, known to us that may have affected the Group or Council (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance matters:

- involving financial statements;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or Council's financial statements;
- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group or Council's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the consolidated and council financial statements.

3. We have made available to you all minutes of the meetings of the Council and committees, including the Audit Committee held through the year to the most recent meeting on the following date: 25 March 2021.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and council financial statements.

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

Management representation letter (continued)

Management Representation Letter (continued)

7. We have disclosed to you any unauthorized access to our information technology systems, including for the period 1 April 2018 to 31 March 2019 and since, that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and council financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in the consolidated and council financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. Other than the events after the Balance Sheet date described in Note [TBC] to the [council] financial statements, there have been no events subsequent to year end which require adjustment of or disclosure in the consolidated and council financial statements or notes thereto.

F. Group audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.

2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst council, subsidiary undertakings and associated undertakings.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and the Annual Governance Statement.

2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Ownership of Assets

1. Except for assets recognised under finance lease accounting in accordance with IAS 17 Leases, the Group and Council has satisfactory title to all assets appearing in the balance sheets, and there are no liens or encumbrances on the Group and Council’s assets, nor has any asset been pledged as collateral. All assets to which the Group and Council has satisfactory title appear in the balance sheets.

I. Reserves

1. We have properly recorded or disclosed in the consolidated and council financial statements the useable and unusable reserves.

J. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of non-current assets and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

Management representation letter (continued)

Management Representation Letter (continued)

K. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

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Stuart McGregor, Chief Financial Officer

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Ian Orrell, Chair of Audit Committee

Appendix – Schedule of unadjusted audit differences

Misstatements impacting income and expenditure

- You noted an error in the calculation of the non-domestic rates appeals provision methodology which resulted in an overstatement of the appeals provision by £125,000. Correction of this misstatement would decrease expenditure and decrease provisions by £125,000;
- Your EY Real Estate valuation specialists disagreed with the valuations given by our valuer for the Council's two hotel investment properties, which you believe to be understated by £995,000. Valuation of property assets is subjective therefore we have opted not to amend for this judgemental audit difference. Correction of these differences would increase investment property and reduce net expenditure by £995,000.

Misstatements impacting other comprehensive income and expenditure

- The auditor of the Northamptonshire Pension Fund identified misstatement in the valuation of the Pension Fund's assets provided to the actuary to inform the calculation of the Authority's net pension liability. They have estimated the impact to be an understatement of the Authority's net pension liability and the actuarial loss for the year of £290,000.

Appendix F

Regulatory update

Since the date of our last report to the Audit Committee, there have been a number of regulatory developments. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures	Impact on Northampton Borough Council
Code of Audit Practice 2020	▸ The updated Code of Audit Practice issued by the National Audit Office has introduced some significant changes to the requirements regarding auditors' work on the value for money conclusion, which will be applicable from 2020/21.	▸ The NAO are currently updating the Auditor Guidance Notes which will set out how the new Code of Audit Practice should be applied when carrying out value for money work. As such, the impact remains to be confirmed. ▸ Further updates will be provided when possible.
Going Concern - ISA (UK) 570 (Revised September 2019)	▸ The standard is effective for audits of financial statements for periods commencing on or after 15 December 2019. ▸ This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after.	▸ Practice Note 10, which sets out how the auditing standards are applied in a public sector context, is currently being revised, including in light of the updated standard for Going Concern. As such, the impact is not clear at this stage. ▸ Further updates will be provided when possible.
Independence	▸ The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and will be effective from 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to companies that are UK Public Interest Entities (PIEs) . This prohibition will also extend to any UK parent and apply to all worldwide subsidiaries. A narrow list of permitted services will continue to be allowed.	▸ We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under the FRC Revised Ethical Standard 2019. Non-audit services which were in progress as at 15 March 2020 and are permitted under the previous ethical standard are allowed to continue under the existing engagement terms until completed. ▸ We do not currently provide any non-audit services to you.

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Appendices:
- A- Summary of adjustments
- B- Statement of Accounts 2018/19
- C- Letter of Representation

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Approval of Statement of Accounts 2018-19

AGENDA STATUS: **PUBLIC**

Audit Committee Meeting Date:	25 March 2021
Policy Document:	Statement of Accounts
Directorate:	Chief Finance Officer
Accountable Cabinet Member:	Cllr Brandon Eldred

1. Purpose

1.1 This report presents the Council's final audited Statement of Accounts for 2018-19. The draft accounts for audit were presented to the Committee in September 2019 and were submitted to Ernst & Young LLP (EY LLP) for external audit. The audit commenced in January 2020 after the conclusion of the 2017-18 audit by the previous auditor KPMG. The Audit is now substantially complete as reflected in the Audit Results Report contained elsewhere on this agenda. After consideration of the Auditor's report and opinion the Audit Committee is asked to approve the final Statement of Accounts for 2018-19.

1.2 To confirm to the Committee that prior to their formal approval, the s151 Officer, being the responsible financial officer, reconfirms on behalf of the Borough Council, that he is satisfied that the statement of accounts presents a true and fair view of:
- The financial position of the Council at the financial year ending 31 March 2019; and
- The Authority's income and expenditure for that financial year.

1.3 To present the 2018-19 Statement of Accounts to the Audit Committee for final approval and signing by the Chair.

1.4 To present the Letter of Representation, subject to availability, in respect of Northampton Borough Council for signature by the Chair of the Audit Committee and the Chief Finance Officer (s151 Officer) on behalf of the Council.

2. Recommendations

2.1 That the Audit Committee, subject to the auditor's position as set out in the Audit Results Report elsewhere on this agenda, either:

2.1.1 approves the final 2018-19 Statement of Accounts for Northampton Borough Council at Appendix B and that the Chair of the Audit Committee and the Chief Finance Officer (s151 Officer) sign the accounts on behalf of the Borough Council; and

2.1.2 approves the Letter of Representation at Appendix C, in respect of Northampton Borough Council, and that the Chair of the Audit Committee and Chief Finance Officer (s151 Officer) sign the letter on behalf of the Borough Council.

or

2.1.3 That the Audit Committee delegates authority to the Chief Finance Officer and the Chair of Audit Committee on or before 31 March 2021 to:
i) approve and sign the final Statement of Accounts for Northampton Borough Council at Appendix B as revised by the resolution of outstanding items set out in the Audit Results Report; and
ii) approve and sign the letter of representation on behalf of the Borough Council at Appendix C, as revised by the resolution of outstanding items set out in the Audit Results Report.

2.1.4 That the Audit Committee agree that in the event that all outstanding matters cannot be resolved to enable signing of the 2018/19 Statement of Accounts and the Letter of Representation by 31 March 2021 as set out in 2.1.2 or 2.1.3 above, that those matters shall be referred to the Audit Committee of the new West Northamptonshire Council at the earliest practicable date after 1 April 2021.

3. Issues and Choices

3.1 Report Background

3.1.1 The Borough Council's accounts are presented on a basis that complies with International Financial Reporting Standards (IFRS) and Code of Practice on Local Authority Accounting (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

3.1.2 The objective of the Statement of Accounts is to provide information about the Borough Council's financial performance to a wide range of users for assessing the stewardship of the Council's management.

3.1.3 The External Auditor is required to report separately to this Committee on the findings during the audit of accounts and provide an opinion on the Statement of Accounts and in relation to Council's arrangements for securing economy, efficiency and effectiveness in the use of resources (Value For Money) for the financial year 2018-19.

3.1.4 The Audit Committee are required to:

- Approve the Statement of Accounts for 2018/19 set out at Appendix B.
- Approve the Letter of Representation set out at Appendix C.

3.1.5 It is a requirement that the letter is signed by persons with specific responsibility for the financial statements, which for this Council is the Chief Finance Officer (s151 Officer), and formally acknowledged as being correct by 'those charged with governance' by being signed by the Chair of the Audit Committee.

3.1.6 Subject to approval of the recommendations in this report, the certified Statement of Accounts will be published by the 31 March 2021. This is later than the statutory reporting deadlines and reporting requirements of 31 July 2019 and is allowed for by regulation 10, paragraph (2a) of the Accounts and Audit Regulations 2015. The delay is due to the following reasons:

- The audit of accounts did not commence until January 2020, after the sign off of accounts for the year ended 31 March 2018 by the previous auditor.

- As 2018-19 was the first year of EY LLP undertaking the audit, there were additional tasks to be undertaken that would have normally have been completed prior 31 March 2019.

- There were resource constraints due primarily to the Covid19 pandemic.

- There were a significant number of complex audit queries that the Council worked with EY to resolve.

3.2 Statement of Accounts

3.2.1 The final Statement of Accounts is set out at Appendix B and comprises:

- **The Narrative Report -** providing a summary of the most significant matters reported within the accounts and of the Council's financial position, this section is intended to outline the overall context within which the Council operates and provide a commentary on performance in 2018/19.

- **Statement of Responsibilities** – provides details of the formal responsibilities assigned to the Council and the Chief Finance Officer in respect of the Statements and the financial management of the Council.

- **The Core Financial Statements** – providing the Council's financial position as at 31 March 2019 comprising of:

    - **Comprehensive Income and Expenditure Statement (CIES)** - Reports the net cost for of all of the functions for which the Council is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers.

    - **Movement in Reserves Statement (MIRS)** - Shows the movement in the year on the different reserves held by the Council. The reserves are analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and ‘unusable’ reserves.

- **Balance Sheet** - Presents the value of the Council’s current and non-current assets and liabilities as at 31 March 2019 with the bottom line effectively being the net worth of the organisation.
- **Cash Flow Statement** - Summarising the inflows and outflows of cash arising from transactions with third parties, this analysis shows how the Council generates and uses cash and cash equivalents.

- **The Expenditure and Funding Analysis (EFA)** – this demonstrates to council tax payers how the funding available to the Council has been used to provide services, the EFA also shows how this expenditure is allocated between the Council’s directorates.
- **Additional statements -** for the Collection Fund, the Housing Revenue Account (HRA) and Group Accounts.
- **Notes to the Core Financial Statements and the EFA** - these provide further supporting details on aspects of the accounts and which are largely defined by the Code.
- **Accounting Policies** – this section details the accounting policies followed by the Council throughout the year and applied in producing the Statement of Accounts.
- **Glossary** – the Statement inevitably includes a number of technical terms and this section provides an explanation of their meaning.

3.2.2 The concept of a going concern assumes that an authority’s functions and services will continue in operational existence for the foreseeable future. The provisions of the Code in respect of going concern reporting requirements reflect the economic and statutory environment within which authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. The Council’s accounts are therefore produced under the Code and assume that the Council’s services will continue to operate for the foreseeable future.

3.2.2 The functions and services of Northampton Borough Council will be transferred to West Northamptonshire Council on 1st April 2021 in accordance with The Northamptonshire Structural Changes Order 2020 (Statutory Instrument 2020 No. 156)

3.2.3 **Group Accounts** – In additions to the Council’s single entity accounts outlined above, the Council is required to prepare Group Accounts alongside its own financial statements where it has material interests in subsidiaries, associates and/ or joint ventures. During 2018-19 Northampton Partnership Homes Ltd (NPH) accounts were consolidated within the Council’s accounts. NPH’s Net Assets of £9m, Net Expenditure of £2.7m and Cash Balance of £1.7m has been consolidated in the Group Accounts.

3.3 Amendments to the Pre audit Statement

3.3.1 The draft Statement of Accounts 2018-19 for audit was presented to this Committee and published on the Council's website on 23 September 2019. The final audited accounts including all audit adjustments are presented in Appendix B of this report.

3.3.2 There have been a number of significant audit adjustments as a result of the audit. A summary of adjustments is provided at Appendix A to support Members in reviewing the Statement of Accounts. This compares the final position on the Comprehensive Income and Expenditure Statement, Balance Sheet and Movement in Reserves Statement with the draft Statement of Accounts published in September 2019.

3.3.3 The most significant changes to the accounts as agreed with the external auditor are summarised below.

- A range of amendments to the valuation of Property, Plant and Equipment totalling £4.8m, including the impairment from assets under construction of the demolition costs of the former Greyfriars Bus Station.
- The reclassification of an investment of £5.6m from Long Term Debtors to Short Term Investments, to correctly reflect the nature of the investment.
- An adjustment between Short Term Debtors and Short Term Creditors for £9.0m to correctly represent the outstanding balance with Northamptonshire Partnership Homes. This amendment does not impact on the group accounts.
- An adjustment of £1.1m between Cash and Cash Equivalents and Short Term Debtors for cash received in respect of debtor accounts.
- A reduction of £4.6m in Earmarked Reserves to cover the costs of making a provision for the repayment of debt in respect of council borrowing in connection with the loans made to Northampton Town Football Club.

3.3.4 In addition, the external auditor has required a change to the Council's MRP Policy in relation to loans to third parties in order to comply with statutory guidance on MRP issued by the Ministry for Housing Communities and Local Government (MHCLG) and formerly DCLG. The Policy now reads as follows:

Third party loans – Under statute the payment of the loan to a third party for capital purposes will treated as capital expenditure and will increase the Council's Capital Financing Requirement (CFR). The expenditure will normally be financed by the third party loan principal repayments being treated as capital receipts and applied to reduce the Council's CFR. As a result, MRP will not generally be required to charged in relation to loans to third parties. The Council will review the individual circumstances of each third party loan on an annual basis to assess the risk that the loan will not be repaid. If the Authority considers that some or all of the loan may not be repaid, it will make plans to make financial provision for the potential losses that may arise from non-repayment of the loan principal which may include charging MRP, setting aside capital receipts or building revenue reserves that will be applied to reduce the CFR at an appropriate time based upon prudent assessment.

3.3.5 The impact of the audit adjustments upon the General Fund Reserves is outlined in Table 1 below:

TABLE 1 Movement in General Fund Reserves

	Earmarked Reserves	Unrestricted General Fund	Total General Fund Reserves
	£'000	**£'000**	**£'000**
Balances per draft accounts	28,459	4,000	32,459
Debt repayment provision	-4,625	-	-4,625
Interest payment correction	-	42	42
Total General Fund Reserves	**23,834**	**4,042**	**27,876**

3.3.6 The external auditor identified the following errors, which have not been adjusted in the final Statement of Accounts for the reasons summarised below and set out further in the Letter of Representation at Appendix C:

- The calculation of the non-domestic rates appeals provision methodology which resulted in an overstatement of the appeals provision by £125,000.
- EY Real Estate valuation specialists disagreed with the valuations given by management's valuer for the Council's two hotel investment properties, which EY believe to be understated by £995,000.
- The auditor of the Northamptonshire Pension Fund identified misstatement in the valuation of the Pension Fund's assets provided to the actuary to inform the calculation of the Authority's net pension liability. They have estimated the impact to be an understatement of the Authority 's net pension liability and the actuarial loss for the year of £290,000.

All unadjusted differences apply to both the Authority and Group financial statements.

Balance Sheet

3.3.7 The effect of the audit adjustment upon the Council's balance sheet at 31 March 2019 is summarised in Table 2 below:

TABLE 2 Movement in Net Worth

	£m
Net Worth in Draft Accounts	431.3
Greyfriars Bus Station demolition costs removed from Assets under Construction	-5.3
Other property asset valuation changes	0.5
Minor adjustments to investment values	-0.1
Revised Council Net Worth	**-426.4**

4. Implications (including financial implications)

4.1 Policy

4.1.1 There are no specific policy implications from this report.

4.2 Resources and Risk

4.2.1 There is a resource implication in ensuring that the finance team and other teams required to support the audit process are available to support the delayed audit process and closedown activities in the current year 20/21. This has placed additional demands on staff time due to the audit of the 2018/19 and 2019/20 accounts out of step with the normal annual financial reporting cycle. This may lead to additional costs through the retention of external resources supporting the teams to the conclusion of the closedown and audit of the authorities accounts.

4.3 Legal

4.3.1 The actions proposed in this report will enable the Council to meet its statutory requirements of finalising its 2018/19 Statement of Accounts.

4.4 Equality

4.4.1 There are no specific equality implications from this report.

4.5 Consultees (Internal and External)

4.5.1 This report has been produced by the Chief Finance Officer (s151 Officer).

4.5.2 The external audit commenced in January 2020 by EY LLP. The completion of the audit has been prolonged due to the reasons set out in 3.1.6 above and as set out in the Audit Findings Report (ISA 260) produced by EY LLP.

4.6 The Audit Committee has received periodic updates on the progress of the audit from EY LLP over the course of the audit.

4.7 Other Implications

4.7.1 None specifically.

5. Background Papers

5.1 None

Stuart McGregor
Chief Finance Officer (Section 151 Officer)

Contact Officer: Debbie Middleton
Interim Assistant Director – Finance Operations
Northamptonshire County Council
DMiddleton@northamptonshire.gov.uk

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BALANCE SHEET - Assets and Liabilities

APPENDIX A

	Per Published Accounts £'000	Total Adjustment £'000	Revised Accounts £'000	Reasons for the Adjusments
Property, Plant and Equipment	719,603	-4,753	714,850	Greyfriars Derecognition £5.3m less £0.5m of upward Revaluation of various properties
Heritage Assets	28,220	-35	28,185	Impairment of Museum of £190k and other upward revaluation of £155k
Investment Property	13,794	0	13,794	
Intangible Assets	388	0	388	
Long Term Debtors	56,080	-7,610	48,470	Move to ST Debtor
Long Term Assets Total	**818,085**	**-12,398**	**805,687**	
Short Term Investments	5,025	**0**	5,025	
Financial Assets at Fair Value	0	**7,399**	7,399	£186k changed from Mid-rate to Bid-Rate and movement of CCLA Investment from Long Term to Short Term £5.6m
Fixed Term Investments	23,119	**0**	23,119	
Inventories	23	0	23	
Short Term Debtors	30,557	-9,352	21,205	£9m NPH Debtor and Creditor overstatement and £1.1m of Debtor cash left in cash. £0.9m moved from LT Debtors and moved to ST Creditors
Cash and Cash Equivalents	11,162	1,068	12,230	As per debtor above
Short Term Assets Total	**69,886**	**-885**	**69,001**	
Short Term Borrowing	-5,506	-78	-5,584	Adjustment to interest on borrowings
Short Term Creditors	-44,553	8,238	-36,315	As per Debtors above
Provisions	-6,170	59	-6,111	Reclassified to ST Creditor
Current Liabilities Total	**-56,229**	**8,219**	**-48,010**	
Long Term Creditors	-16,599	0	-16,599	
Provisions	-60	0	-60	
Long Term Borrowing	-241,874	127	-241,747	Adjustment to interest on borrowings
Other Long Term Liabilities	-141,857	0	-141,857	
Long Term Liabilities Total	**-400,390**	**127**	**-400,263**	
Net Liabilities	**431,352**	**-4,937**	**426,415**	

BALANCE SHEET - Reserves

APPENDIX A

	Per Published Accounts £'000	Total Adjustment £'000	Revised Accounts £'000	Reasons for the Adjusments
General Fund Balance	-4,000	-40	-4,040	Adjustment to interest on borrowings
Capital Receipts	-18,287	0	-18,287	
Capital Grants Unapplied	-3,751	0	-3,751	
HRA Balance	-5,000	0	-5,000	
General Fund Earmarked Reserves	-28,459	4,624	-23,835	Provision for borrowing repayment (NTFC)
HRA Earmarked Reserves	-9,096	0	-9,096	
Usable Reserves Total	**-68,593**	**4,584**	**-64,009**	
Capital Adjustment Account	-227,267	-951	-228,218	Greyfriars, borrowing repayment provision (NTFC) and valuation adjustments
Deferred Capital Receipts	-113	0	-113	
Revaluation Reserve	-276,465	1,117	-275,348	Vaulation adjustments
Financial Instruments Adjustment Account	352	0	352	
Financial Instruments Available for Sale Reserve	484	187	671	CCLA Investment adjustment as per above
Accumulated Absences Account	59	0	59	
Collection Fund Adjustment Account	-1,666	0	-1,666	
Pensions Reserve	141,857	0	141,857	
Unusable Reserves Total	**-362,759**	**353**	**-362,406**	
Total Reserves	**-431,352**	**4,937**	**-426,415**	

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

APPENDIX A

	Per Published Accounts £'000	Total Adjustment £'000	Revised Accounts £'000	Reasons for the Adjusments
Net Cost of Services	40,946	4,234	45,180	Property, Plant and Equipment (PPE) valuations, primarily Greyfriars. Reclassification of Spend
Central Income and Expenditure	-26,411	229	-26,182	Reclassification of Spend. Amendments to Investment valuations and borrowing costs
Deficit on Provision of Services	14,535	4,463	18,998	
Other Comprehensive Income and Expenditure	-13,144	470	-12,674	Amendments to valuations for PPE and for Investments
Total Comprehensive Income and Expenditure	1,391	4,933	6,324	

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Northampton Borough Council
Draft Statement Of Accounts 2018-19

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Introduction

This Statement of Accounts presents the statutory financial statements for Northampton Borough Council (the Council) for the period 1 April 2018 to 31 March 2019 and gives a comprehensive summary of the overall financial position of the Council, providing a true and fair view.

The Council has a statutory duty to approve and publish this document, which sets out to ensure that the accounts of the authority provide comparable information through complying with International Financial Reporting Standards. The accounts are presented in the format recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA), as set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 (the Code). Our core financial statements use this format and meet the conditions of the Code.

The final Statement of Accounts will be approved by Audit Committee at its meeting on 25 March 2021

The Statements

The financial statements which make up these accounts are listed below, and further details of their purpose are provided with each statement:

Core Financial Statements

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

Supplementary Financial Statements

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

Group Accounts

- Northampton Partnership Homes (NPH) and Happy to Help (Northampton) are wholly owned subsidiaries of the Council and, in order to provide a full picture of the Council's economic activities and financial position, the accounting statements of the Council and NPH and Happy to Help (Northampton)have been consolidated. Full details can be found in the Group Accounts section.

The Council's Strategic / Corporate Priorities

The Council adopts a Corporate Plan each year as part of its policy and management framework. This sets out the future direction of the Council and commitments for action on behalf of the elected Administration.

The Corporate Plan 2018-2020 is relevant to the period of these accounts and can be found on the Council's website using this link:
https://www.northampton.gov.uk/downloads/file/10585/corporate-plan-2018-2020

The Corporate Plan outlines the strategic priorities set by the Council for that period, as follows:

- A stronger economy – shaping place and driving growth; creating a thriving, vibrant town; and a clean, green and tidy town.
- Resilient communities – keeping the town and people safe; empowering local people; and more homes, better homes.
- Exceptional services to be proud of – putting the customer first; spending your money wisely; and improving our governance.

The Council's 2018-19 Performance

In order to provide an overview of the Council's performance during the 2018/19 financial year and the position as at 31 March 2019, significant matters and variances are summarised in this section and supported by the detail included in the statement of accounts and the core financial statements.

Financial Performance

The Council's budget is divided across two accounts as required by statute. The General Fund, the Housing Revenue Account (HRA), and their respective sources of funding are kept entirely separate.

The Council set a balanced budget for 2018/19. The main budgeted sources for funding of the 2018/19 **General Fund budget** were as follows:

- Revenue Support Grant £0.89m;
- Business Rates Retention Scheme £8.35m;
- New Homes Bonus £3.08m;
- Council Tax £15.79m.

At the end of the 2018/19 year, the General Fund outturn for controllable service budgets shows an overspend of £0.73m as detailed below:

Service area	**Revised budget £'000**	**Outturn £'000**	**Variance £'000**
Customers & Communities	12,492	12,980	488
Chief Executive	921	767	(153)
Chief Finance Officer	10,559	10,457	(102)
Economy, Assets & Culture	936	1,118	181
Housing & Wellbeing	2,734	3,969	1,235
Borough Secretary	2,480	2,256	(225)
Planning	613	115	(497)
Corporate budgets	233	38	(195)
Total	**30,968**	**31,700**	**732**

The main variations were as follows:

- Within Customers & Communities there was an overall overspend of £0.49m. This was mainly due to an overspend of £0.31m on the environmental services contract and its management. This related to additional ad hoc works; legal costs; and costs of a risk share mechanism reflecting lower sales proceeds of recycled materials.This was partially offset by performance deductions relating to the old contract, and some variable elements of the contract coming out under budget. There was also an overspend of £0.23m on Parks and Open Spaces.
- Within the Chief Executive area there was an overall underspend of £0.15m associated with the senior management restructure that took place during the year.
- Within the Chief Finance Officer Area there was an overall underspend of £0.10m, mainly due to a saving on the LGSS contract related to new insurance premiums. There was also a significant pressure of £0.40m in the Benefits area due to subsidy loss resulting from the increased demand in temporary accommodation – this was forecast during the year.This overspend has been offset by an underspend on rent allowances due to increased recovery rates.
- Within the Economy, Assets and Culture area there was an overall overspend of £0.18m. This was made up of overspends in the Asset Management area (£0.38m) due to vacant posts being covered by interims, valuation work being carried out by external companies and additional maintenance costs in relation to water hygiene at the Racecourse.There was also an overspend in Programmes & Enterprise (£0.15m) partly due to the write off of a large debt. These overspends were partially offset by underspends against Car Parking (£0.26m) and Facilities

Management (£0.12m) due to savings on postage associated with a reduction in post sent by the authority.
- Within the Housing & Wellbeing area there was an overall overspend of £1.23m. This mainly relates to the Housing Options and Advice area and is due to pressures resulting from the increased demand in temporary accommodation and includes the associated increased charge in the bad debt provision. This pressure was forecast during the year. This pressure was partly offset by additional homelessness grants received from central government in March 2019.
- Within the Borough Secretary area there was an overall underspend of £0.23m, mainly due to vacancies within the Legal Team.
- Within the Planning area there was an overall underspend of £0.50m. This was partly due to an underspend in the Planning Policy & Heritage area (£0.25m) due to an underspend on the Local Plan Part 2. There was also an underspend on Development Control (£0.21m) due to additional planning income and some vacancies.
- On the Corporate budget there was an underspend of £0.20m due to greater interest income generated from cash balances due to cash balances remaining higher than forecast, and an interest rate rise.

The Council's final approved budget for **General Fund** capital expenditure in 2018/19 was £24.83m. The budgeted funding of the 2018/19 capital programme was as follows:
- Borrowing £16.21m
- Capital Receipts £5.54m
- Grants and developer contributions £3.08m

In-year changes to the general fund capital budget meant that the final capital budget at the end of 2018/19 was £19.98m. Capital expenditure for 2018/19 totalled £13.93m against the final approved budget of £19.98m, a net variance of £6.05m (30%). A large proportion of this relates to schemes that are currently underway or still planned to take place and these budgets will be carried forward into the 2019/20 financial year. The majority of this carry forward is due to the timing of approvals and the timescales for letting contracts and funding agreements.

Significant areas of capital expenditure were as follows:

Scheme description	Outturn 2018/19 (£m)
Environment Services Vehicles	8.29
Central Museum Development	1.59
Disabled Facilities Grant Owner Occupiers	1.28

The **HRA Outturn** position shows an underspend on controllable spending of £0.88m. After technical accounting adjustments this position moves to an underspend of £0.62m. This has reduced the required net contribution to reserves from the budgeted amount of £0.92m to £0.62m, while the HRA working balance remains unchanged at £5.00m.

HRA Capital Expenditure for 2018/19 totalled £23.95m. The most significant item of expenditure in the HRA capital programme was the £21.10m spent on the Northampton Partnership Homes managed budget for improvements to homes. This overall HRA capital spend is against the final approved budget of £25.69m, a net underspend of £1.75m. This underspend relates mainly to the reclassification of some of the spend on leaseholder properties as revenue expenditure £1.37m; repurchase of former council houses £0.41m to be carried forward to 2019/20; and an overspend of (£0.035m) on the NPH managed capital schemes which are undertaken on behalf of NBC.

Reserves

At the end of 2018/19, the Council held general fund earmarked reserves of £24m. These are set out in more detail in note 3 to the core statements. Within the 2018/19 year there was a realignment of reserves to better reflect the expected use of these reserves. Overall the general fund balance has reduced from £5.5m to £4.0m, with the most significant reason for this being that the Sixfields case now has a specific earmarked reserve, so this risk is no longer included as a risk against the general fund balance.

Northampton Partnership Homes Performance

Northampton Partnership Homes (NPH) is a fully owned subsidiary of the Council, and is included in the Group Accounts. NPH's financial statements for the year ended 31 March 2019 show an operating profit for the year of £131k, and an overall loss of £2,652k after taking into account movements on the pension liability. Overall the services to the Council were delivered within budget achieving a £0.5m underspend against the management fee budget. NPH's Corporate Plan 2018-2023 sets out a number of performance measures geared to achieving their strategic objectives and a range of more detailed measures have been developed against which NPH will also measure its performance, of which 88% are achieving or exceeding the target (81% in 2017/18).

Whilst this means that Northampton Borough Council may cease to exist in its current form beyond 2020/21, the budget set for the year must be sustainable. Therefore, budget forecasts are prepared for three financial years beyond 2020/21 on a no-change basis.

Financial Challenges

Northampton Borough Council faces several financial challenges, like much of the public sector. Grants from central government have reduced over a number of years, meaning a greater reliance is placed on business rates and council tax income. There is uncertainty around the timing and level of these locally collected income streams. The council also provides some services that are demand led and therefore the demand for some of these services can be unpredictable. The rise in homelessness and associated costs of temporary accommodation was a pressure in 2018/19 and is expected to continue to be a pressure on 2019/20. Despite these challenges the Council was able to set a balanced budget for 2019/20 through a series of savings, efficiencies and additional income generation.

Non-Financial Performance

Data is collected across a range of locally developed indicators which are collected on a monthly, quarterly or annual basis. These form the basis of the council's performance monitoring process. A summary of the overall indicator performance against targets is shown below:

	2017/18	2018/19			
Performance Status	**End of year**	**Q1**	**Q2**	**Q3**	**Q4**
Blue (exceptional or over performance)	21.21%	20.00%	13.33%	13.79%	14.71%
Green	39.39%	40.00%	46.67%	44.83%	32.35%
Amber (within agreed tolerance)	9.09%	9.09%	10.00%	10.00%	14.71%
Total	69.69%	69.69%	70.00%	70.00%	61.77%
Red (outside agreed tolerances)	30.30%	30.04%	30.00%	30.00%	38.24%

61.77% of performance measures where data was available reached their target or performed within agreed tolerances. The figures reported for the quarter and year end unfortunately have shown an increase in the red indicators. This is largely due to the handover of the contract from Enterprise Services to Veolia which impacted on reporting while the new contractor got to grips with how we needed data reporting. Although this means the overall figures appear poor, there have been significant improvements overall in the service now being delivered to residents of Northampton. We have changed some KPIs from four monthly reporting (which didn't line up with quarterly reports in any meaningful way) to monthly. This will give the opportunity to identify areas of concern more promptly and take remedial action.

Full details of the performance outturn report can be found here:
http://www.northamptonboroughcouncil.com/councillors/ieListDocuments.aspx?CId=528&MId=8734

THE 2018/19 ACCOUNTS

The Core Financial Statements consist of the following, which are supported by the details provided in the associated notes to the accounts:

Comprehensive Income and Expenditure Statement (CIES) – provides a summary of the resources which have been applied and generated during the year through the process of delivering services and managing the Council. The statement analyses total expenditure and income by major category or type of service and shows that Housing is the largest area of expenditure.

- The headline figure for the CIES is an overall deficit of £6.32m which includes all accounting adjustments.
- The Net Cost of Services for the year totalled £45.18m to which Other Operating Expenditure and Income and Financing and Investment Expenditure and Income are added. This is then offset by £33.57m of Council Tax funding and non-specific grants to provide the Overall Deficit on the Provision of Services for the year of £18.81m.
- The Other Comprehensive Income and Expenditure category includes technical items that are not reflected in the Surplus or Deficit on the Provision of Services. This category in the CIES is a £12.49m surplus.

Expenditure and Funding Analysis –provides further context to the CIES and shows the difference between net expenditure chargeable to the Council's GF and HRA non-earmarked balances plus the GF and HRA earmarked reserves, compared to the income and expenditure in the CIES. The analysis also demonstrates how the Council's resources are allocated between directorates. This differs from the income and expenditure shown in the CIES due to a number of technical accounting adjustments which the Council is required to make by the Code. These include capital charges such as depreciation, actuarial pension adjustments and adjustments to the Collection Fund, and are shown in the supporting note to the EFA.

Balance Sheet – setting out the assets and liabilities recognised by the Council at the balance sheet date, the bottom line is effectively the net worth of the organisation at that date. The net assets of the Council (the assets less the liabilities) are matched by the Reserves held by the Council – net assets decreased over the year by £6.3m to £426.4m
The key points to note from this statement are:

- The value of property, plant and equipment has increased by £13.9m to £714.9m. Mainly due to additions to Council Dwelling £18.5m, Vehicles, Plant and Equipment £8.5m and Assets Under Construction £8m less depreciation charge for the year of £16.4m. The movements are in line with prior years.

- Heritage Assets have decreased by £8.6m to £28.2m. Due to impairment of the Historic Buildings & Statuary.

- Long term Debtors are £1.0m down at £48.5m. £459k is repayment and the balance £532k are debts that are now Short Term and have been transferred accordingly.

- Short Term Debtors have decreased by £2.0m.

- The Cashflow Statement gives details of net movement in Short Term Debtors, Short Term Creditors and Cash.

- Long Term Liabilities – These are Pension Liabilities reflecting the on going obligation of the Council funding of its employee pension scheme.

Movement in Reserves Statement – analyses the movements on reserves held by the Council, split between 'usable reserves', which are those that can be applied to fund expenditure or reduce local taxation and 'unusable' reserves. The 'surplus or (deficit) on provision of services' line shows the true economic cost of providing the Council's services, more details of which are shown in the CIES. This cost is different from the amounts required to be charged to the General Fund balance for Council Tax setting purposes.

The main message from this statement in 2018/19 is that Usable Reserves have decreased by £2.3m over the year to £64.0m and Unusable Reserves over the period to 31 March 2019 decreased by £4.0m to £362.4m. This is mainly due to transfer of £2.2m of Capital Reserve to Usable Reserves and funding of £1.4m of total expenditure on CIES.

Cash Flow Statement – outlines the changes in the cash and cash equivalents during the year. For example, changes in debtor and creditor balances during the year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

Supplementary Financial Statements – the Housing Revenue Account shows the in-year cost of providing housing services in accordance with generally accepted accounting practices. The transactions of the Council, acting as billing authority for Council Tax and NNDR are shown on the Collection Fund Statement in accordance with the code of accounting practice.

RISK MANAGEMENT

The Council takes a proactive approach to risk management. The management of risk and governance was undertaken at officer level through service risk registers, which were, where necessary, escalated to the Corporate Risk Register and the Corporate Management Board on a quarterly basis. The registers identify key risks together with any existing or planned measures to mitigate them. This analysis is then interpreted through an assessment based on a combination of impact and likelihood of occurrence. Member involvement is through Cabinet, Audit Committee and Council approval of policies and review of risk areas.

GOVERNANCE

A number of policies and procedures are in place to govern financial management and decision making, with the constitution being the principal one as it includes financial regulations and contract procedures.

THE 2019/20 BUDGET AND MEDIUM-TERM OUTLOOK

Economic Context

There continues to be uncertainty around the national and global economic outlook, caused by various factors including the UK's planned withdrawal from the European Union. Therefore the draft budget is built on prudent assumptions around inflation, interest rates, business rates growth and growth in the tax base.

Medium Term Financial Strategy

In October 2018 Cabinet approved the Medium Term Financial Strategy, which provides the framework and context for the development of the detailed budget and Medium Term Financial Plan. The Medium Term Financial Strategy included the following strategic principles:

- The Council will, within available resources, seek to maximise delivery of services and levels of performance and ensure that resources are targeted to meeting its objectives and priorities
- The Council will set a balanced budget, which is stable and sustainable and fully represents the cost of providing the levels of service and performance set out in the Corporate Plan and Service Plans
- Income streams will be maximised through the delivery of high quality, cost effective services.
- Council Tax will be increased up to the maximum allowed without requiring a referendum.
- Investment decisions will take into account both revenue and capital implications.
- Where requirements to undertake borrowing are identified, the costs and benefits of doing so will be assessed as required in line with CIPFA's Prudential Code.
- Financial implications will be underpinned by a robust risk assessment.

- Decision making will be business case lead. There will be a focus on the short, medium and long-term financial implications of decisions.
- Reserves will be utilised to fund investments that will deliver a long-term sustainable financial position.

The 2019/20 Budget

The Council's 2019/20 budget was agreed on 20 February 2019 and included the following headlines:

- An annual council tax increase of £6.56 (2.99%) per band D property and an indicative increase at the same level for planning purpose in future years;
- A general fund budget of £27.49m, excluding parish precepts.

The agreed general fund net budget for 2019/20 is summarised in the table below:

Description	**2019/20 £'000**
Service Base Budget	29,702
Proposed Growth	970
Proposed Savings	(1,134)
Corporate Budgets	(1,005)
Contribution from Reserves	133
Net Budget	**28,665**
Business Rates	(8,883)
New Homes Bonus	(2,595)
Council Tax	(16,622)
Collection Fund Surplus	(565)
Total Funding	**(28,665)**
Savings to be identified	**-**

The value of the proposed capital programme for 2019/20 is just over £52.5m. Proposed new schemes include support for the northwest relief road, new office developments/town centre regeneration schemes, street light repairs and temporary accommodation for homeless people.

The table below summarises the general fund capital programme and funding for 2019/20:

Description	**Budget 2019/20 £'000**
Schemes in the current capital programme	7,800
Scheme where approval has recently been given	7,667
Schemes in the current development pool awaiting formal approval	1,525
New proposals	35,525
Total general fund capital programme	**52,516**
Funding source:	
Self funded schemes	23,327
Borrowing	6,999
Capital receipts	5,549
ESIF and LGF funding for Vulcan Works	7,140
s106 funding for North West Relief Road and Upton Country Park	5,700
Other grants and contributions	3,801
Total Funding	**52,516**

The headlines for the 2019/20 Housing Revenue Account budget are as follows:

- An average rent decrease of 1% per dwelling, in line with the legislation and the government's national rent policy, to take effect from 1st April 2019;
- HRA budget for 2019/20 of £51.8m expenditure.

The HRA capital programme has been developed within the context of the 30 year business plan and the latest stock condition survey information. The HRA capital programme has a direct impact on the revenue position of the HRA and is summarised below:

HRA Capital Programme	**2019/20 £'000**
External Improvements	10,600
Internal Works	3,500
Environmental Improvements	3,000
Structural Works and Compliance	450
Disabled Adaptations	1,300
IT Development	400
New Build Programme/Major Projects	22,576
Buybacks and Spot Purchases	500
Total	**42,326**

HRA Capital Financing	**2019/20 £'000**
Major Repairs Reserve / Depreciation	9,642
Capital Receipts – RTB (excl 1-4-1)	3,134
Capital Receipts – RTB 1-4-1 Receipts	7,035
Revenue / Earmarked Reserves	9,405
Borrowing / CFR	13,110
Total	**42,326**

Full details of the medium term financial plan and the budgets that have been set for 2019/20 can be found on the council's website here:
http://www.northamptonboroughcouncil.com/councillors/ieListDocuments.aspx?CId=242&MId=8719

VALUE FOR MONEY STATEMENT

Northampton Borough Council strives to achieve Value for Money (VfM) through:

- Delivering services that are fit for purpose and meeting statutory requirements;
- Applying cost effective delivery models for services, be they provided directly, in partnership or commissioned through a third party;
- Holding a clear understanding of costs and what drives them;
- Applying changes and investment to reduce costs and overheads, improving efficiency and the customer experience; and
- Delivering improved outcomes and value for money for local people, through a framework of strategic and local partnerships which cooperate effectively to meet shared goals.

The Council has developed a range of integrated approaches and organisational processes which together help to drive the delivery of VfM. For example:

- An Efficiency Strategy approved as part of the Medium Term Financial Strategy
- Performance Management reporting

- Procurement rules that ensure VfM is delivered through the Councils procurement of goods and services
- A Governance Action Plan to ensure that proper and effective governance happens in practice at all times.

The Council will continue to maintain the focus on Value for Money whilst striving to achieve its key outcomes.

FURTHER INFORMATION

For information please contact:

Stuart McGregor
Chief Finance Officer
Northampton Borough Council
Guildhall
St Giles Square
Northampton
NN1 1DE

You have the right to inspect our accounts each year during the Public Inspection Period. We advertise the dates during which you can inspect the accounts on our website. Our accounts are audited by Ernst & Young. They are the auditors appointed by PSAA (Public Service Accounts Appointments Board).

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:

- Arrange 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 2019.

Stuart McGregor. CPFA ACMA **Chief Finance Officer (Section 151 Officer).**
Date

Approval by Audit Committee

I confirm that these audited accounts were approved by the Audit Committee at the meeting held on 25 March 2021.

Ian Orrell CPFA – Independent Chair of Audit Committee
Date:

C. INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHAMPTON BOROUGH COUNCIL

These financial statements and accompanying notes have been prepared using the relevant level of rounding according to individual notes. In some instances, this has led to a variance in totals/sub-totals. Any variances of 2 units (£'000 etc.) are caused by roundings and are considered to be trivial for the purpose of the accounts.

D1 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.

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The Statement is shown on the next page.

Movement in Reserves Statement

	General Fund £'000	Earmarked GF Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Authority Reserve £'000
Balance at 1-Apr-18	**(5,505)**	**(25,182)**	**(4,999)**	**(11,060)**	**(12)**	**(12,506)**	**(3,307)**	**(62,571)**	**(326,594)**	**(389,165)**
Movement in Reserves during 2017-18										
Total comprehensive income and expenditure	(1,565)	-	142,420	-	-		-	140,855	(184,430)	**(43,575)**
Adjustments between accounting and funding basis under regulations (note 2)	(202)	-	(140,132)	-	(604)	(3,488)	(198)	(144,624)	144,624	-
Transfer to/from Earmarked Reserves	1,774	(1,774)	(2,289)	2,289	-	-		-	-	-
Increase/(decrease) in 2017-18	7	(1,774)	(1)	2,289	(604)	(3,488)	(198)	(3,769)	(39,806)	**(43,575)**
Balance at 31 March 2018 carried forward	**(5,498)**	**(26,956)**	**(5,000)**	**(8,771)**	**(616)**	**(15,994)**	**(3,505)**	**(66,340)**	**(366,400)**	**(432,740)**
Movement in Reserves during 2018-19										
Total comprehensive income and expenditure	15,695	-	3,303	-	-	-	-	18,998	(12,674)	6,324
Adjustments between accounting and funding basis under regulations (note 2)	(11,117)	-	(3,627)		616	(2,294)	(246)	(16,668)	16,668	-
Transfer to/from Earmarked Reserves	(3,122)	3,122	325	(325)	-	-	-	-	-	-
Increase/(decrease) in 2018-19	1,456	3,122	1	(325)	616	(2,294)	(246)	2,331	3,993	6,324
Balance at 31 March 2019 carried forward	**(4,042)**	**(23,834)**	**(4,999)**	**(9,096)**	**0**	**(18,288)**	**(3,751)**	**(64,009)**	**(362,407)**	**(426,416)**

D2 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

The statement is shown on the next page.

NORTHAMPTON BOROUGH COUNCIL

Comprehensive Income and Expenditure Statement

Gross Expenditure 2017-18 £'000	Gross Income 2017-18 £'000	Net Expenditure 2017-18 £'000		Gross Expenditure 2018-19 £'000	Gross Income 2018-19 £'000	Net Expenditure 2018-19 £'000
3,185	**(16)**	**3,170**	Chief Executive	3,173	(196)	**2,977**
124,256	**(122,820)**	**1,436**	Housing	9,437	(6,833)	**2,605**
131,567	**4,835**	**136,402**	HRA	50,715	(53,009)	**(2,295)**
2,243	**(896)**	**1,347**	Borough Secretary	2,106	(330)	**1,776**
22,810	**(8,354)**	**14,456**	Customers & Communities	25,282	(5,457)	**19,825**
77,210	**(69,966)**	**7,243**	Chief Finance Officer	69,949	(67,383)	**2,566**
11,436	**(9,375)**	**2,061**	Economy, Assets & Culture	23,138	(5,841)	**17,297**
2,156	**(1,831)**	**325**	Planning	2,632	(2,203)	**429**
374,863	**(208,423)**	**166,440**	**Cost of Services**	**186,432**	**(141,252)**	**45,180**
12,026	**(11,796)**	**230**	Other Operating Expenditure (Note 1F)	(1,334)	(0)	**(1,335)**
23,235	**(14,772)**	**8,463**	Financing and Investment Income (Note 1G)	18,084	(9,359)	**8,725**
30,763	**(65,042)**	**(34,279)**	Taxation and Non Specific Grants (Note 1H)	36,559	(70,130)	**(33,571)**
440,887	**(300,033)**	**140,855**	**Surplus(-) or Deficit on Provision of Services**	**239,740**	**(220,742)**	**18,998**
		(178,466)	(Surplus) or Deficit on Revaluation of Non Current Assets			**(18,941)**
		(5,964)	Actuarial (gains) / losses on pension assets / liabilities			**6,267**
		(184,430)	**Other Comprehensive Income and Expenditure**			**(12,674)**
		(43,575)	**Total Comprehensive Income(-) and Expenditure**			**6,324**

D3 BALANCE SHEET

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

Balance Sheet

31 March 2018 £'000		Note	31 March 2019 £'000
700,902	Property, Plant and Equipment	4	714,850
36,806	Heritage Assets	5	28,185
13,830	Investment Property	6	13,794
551	Intangible Assets	16	388
49,500	Long Term Debtors	9b	48,470
801,589	**Long Term Assets**		**805,687**
34,021	Fixed Term Investments	7a	23,119
-	Financial Assets at Fair Value	7a	7,399
10,021	Short Term Investments	7a	5,025
48	Inventories		23
23,193	Short Term Debtors	9a	21,205
17,300	Cash and Cash Equivalents	10	12,230
84,583	**Current Assets**		**69,001**
(10,546)	Short Term Borrowing	7e	(5,584)
(39,578)	Short Term Creditors	12	(36,315)
(5,912)	Provisions	13	(6,111)
(56,036)	**Current Liabilities**		**(48,010)**
(12,734)	Long Term Receipts in Advance	20	(16,599)
(11)	Provisions	13	(60)
(247,263)	Long Term Borrowing	7f	(241,747)
(137,385)	Other Long Term Liabilities	15	(141,857)
(397,393)	**Long Term Liabilities**		**(400,263)**
432,743	**Net Assets**		**426,415**
(66,341)	Usable Reserves	14	(64,009)
(366,402)	Unusable Reserves	15	(362,406)
(432,743)	**Total Reserves**		**(426,415)**

D4 CASH FLOW STATEMENT

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

2017-18 £'000	Cashflow Statement	2018-19 £'000
(140,855)	Net Surplus or (deficit) on the provision of services (Notes D2/D5a)	(18,998)
182,367	Adjustment to surplus or deficit on the provision of services for noncash movements (Note 30)	52,390
(3,081)	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Notes 30)	(12,983)
38,431	**Net Cashflows from Operating Activities**	**20,408**
(31,192)	Net Cashflows from Investing Activities (Note 32)	(14,931)
(3,027)	Net Cashflows from Financing Activities (Note 33)	(10,547)
4,212	**Net increase or decrease in cash and cash equivalents**	**(5,070)**
13,088	Cash and Cash Equivalents at the Beginning of the Reporting Period (Note 10)	17,300
17,300	**Cash and Cash Equivalents at the End of the Reporting Period**	**12,230**

1A ACCOUNTING POLICIES

a Going Concern

Going Concern: Local Government Reform in Northamptonshire

The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions of the Code in respect of going concern reporting requirements reflect the economic and statutory environment within which authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. The Council's accounts are therefore produced under the Code and assume that the Council's services will continue to operate for the foreseeable future.

The functions and services of Northampton Borough Council will be transferred to West Northamptonshire Council on 1st April 2021 in accordance with The Northamptonshire Structural Changes Order 2020 (Statutory Instrument 2020 No. 156).

Establishing the Financial Baseline for West Northamptonshire
The approach to establishing West Northamptonshire Council's budget and financial position has been to create the baseline budget and balance sheet by disaggregating the County Council and aggregating with the District and Borough Councils. This covered the following areas:

- 2020-21 Budget
- Balance sheet (including reserves and balances)
- Capital Programme
- Dedicated Schools Grant
- Public Health Grant

The disaggregation work was overseen by a member led task and finish group which was supported by relevant senior officers including the Chief Financial Officer.

The budget formulation work was overseen by a separate member led task and finish group, as well as the shadow executive, which again were supported by senior officers.

A critical piece of work was to disaggregate the County Council budget and balance sheet to provide an indicative baseline of what the costs, assets and liabilities are of providing County Council services in 2020/21 had there been a split between the West and the North. The disaggregation was based on a number of agreed principles and provides for what the cost of services should be as a starting position for the West and North. A summary of these key principles is set out in the table below.

Revenue and Capital Disaggregation Principles	Balance Sheet Disaggregation Principles
• Place of ordinary residence • Geographical location • Cost drivers • Population • Funding formulae • Staff numbers	• Geographical location • Link to capital programme / capital financing requirement • Link to service disaggregation • Caretaker authority • District/Borough areas

Whilst the majority of disaggregation principles have been agreed there are still some areas to be finalised in relation to the balance sheet, one of these is the County Council borrowing portfolio of £532m. Positive progress has been made since the budget was approved on the outstanding areas, and work continues to finalise the position.

Added to the disaggregated County Council position were the budgets for the District and Borough Council's and when brought together provides for a starting baseline budget for the total estimated cost of services, as well as the assets and liabilities, to be delivered by the new authority.

West Northamptonshire Budget 2021/22 and Medium Term Financial Plans

The focus for establishing financial budgets and plans for the new council has been for a 'safe and legal' provision of services. A key requirement in formulating the 2021/22 budget has been to develop a process for allocating the existing Medium Term Financial Plans to the new organisation. The existing sovereign council plans were carefully scrutinised and updated to reflect a West Northamptonshire perspective to identify and budget for changes related to:

- COVID-19 pressures
- Contract and other inflation
- Demographic and service demand
- Full year impacts of previous decisions
- Technical and legislative changes
- The implementation of the service Blueprint for West Northamptonshire and the Council's drive for further transformation and improvement.

Key assumptions included in the 2021/22 budget for West Northamptonshire are safe and legal service provision, a balanced net revenue budget of £327m, Covid-19 pressures of £12.5m, a contingency of £10.1m, a 4 year capital investment programme (including HRA) of £303m (funded by up to £100m of borrowing), an Affordable Borrowing Limit of £850m for 2021/22, general fund reserves of £35m (equivalent of 11% of net revenue budget) and earmarked reserves of £55m, including £5m of HRA reserves, at 1st April 2021. In addition the forecast liquidity position the new council is due to inherit is positive, on 31st December 2020 the level of cash and investment held by sovereign councils and due to transfer to West Northamptonshire was around £223m.

In November 2020 the Northamptonshire Children's Trust was established. This follows Northamptonshire County Council being issued statutory directions from the Department for Education which required the Council to voluntarily establish a Children's Trust. The Children's Trust is a wholly owned and 'Teckal' compliant company to perform specified children's social care functions on behalf of the Council in Northamptonshire with the statutory responsibility for children's services retained by the Council. The Trust was established as a company limited by guarantee on 1st November 2020 and is a wholly owned subsidiary of the Northamptonshire County Council, who are responsible for its underwriting liabilities. From 1st April the ownership and responsibilities of the Trust will transfer to North and West Northamptonshire Council's. The Trust is expected to operate as a separate entity in its own right and within the terms of the contractual agreement.

Key Risks and Uncertainties

The financial position of the new council includes a number of risks and uncertainties. These include the impact of Covid-19 on services provision and the economy, potential changes to government funding arising from the Fair Funding, Business Rates Retention and New Homes Bonus reviews from 2022/23, agreement between North and West on the areas of disaggregation outstanding in relation to the balance sheet, the completion of the predecessor council's 2020/21 external audit process and the inherent risks of establishing a new organisation. These risks are actively being monitored, managed and mitigated.

Further Information

For more information on the West Northamptonshire Council budget refer to the budget report approved by Shadow Authority on 23rd February 2021 at the following web link:

https://cmis.northamptonshire.gov.uk/cmis5live/MeetingsCalendar/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/3647/Committee/462/Default.aspx

Conclusion

Having regard to the Code and its reporting requirements the Council concludes that it is appropriate to prepare the financial statements on a going concern basis, and that the Council will be a going concern, 12 months from the date of approval of the financial statements. The is based on the financial and liquidity position of West Northamptonshire Council, taking into account the balanced budget, positive assurance by West Northamptonshire Council's Chief Finance Officer on the robustness of budget estimates and adequacy of reserves of the new council and cash / investment balances of £223m at December 2020.

West Northamptonshire Council cannot be dissolved without statutory prescription and therefore the functions of Northampton Borough Council will continue in the new council. It is therefore appropriate for the Accounts to be prepared on a going concern basis.

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 Overheads and Support Costs

The costs of overheads and support services are charged to services as defined in CIES reporting structure in accordance with the authorities' arrangements for accountability and financial performance.

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 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.

j Recognition of Capital Expenditure (de-minimis Policy)

In accordance with International Accounting Standard 16 (IAS16), the Council recognises non-current assets when the following tests are met:

- 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.
- Present Value of minimum lease payments if lower than fair value of the asset.
- 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 expenditure that meets the definition of repairs and maintenance is not capital.

The Authority has a general de-minimis level of £6,000 for capital expenditure purposes. Howvever, an asset that has been acquired for less than £6,000 but has been funded by ring fenced capital funding, the de-minimis rule does not apply and it 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 Council Dwellings, Operational Land and Building, Community Assets, Vehicles Plant and Equipment, Infrastructure Assets, Assets Under Construction and Non-Operational Assets.

  Council Dwellings - are dwellings that are within the Housing Revenue Account.

  - **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.

Current Assets

- **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 -** Other Land and Buildings Property Assets are held at current 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, or if specialised and there is no market, then Depreciated Replacement Cost (DRC) is used.
  - **Council Dwellings –** Land and building structure are valued at EUV for Social Housing, being an appropriate percentage of market value. Individual components are valued at Depreciated Historic Cost. (Since 17-18 SoA individual components are also valued at EUV for Social Housing).
  - **Vehicles and Assets Under Construction –** these assets are held at depreciated historic and historic cost respectively.
  - **Community Assets -** the Authority recognises Community Assets at depreciated historic cost.
  - **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.

Properties held under finance leases would initially be recognised at Present Value of minimum lease payments if lower than fair value of the asset and then at Fair Value under IFRS 13.

- **Assets Held for Sale -** Assets held for sale are valued at the lower of carrying amount or Fair Value less cost of sale.and where these are held at carrying value unless there has been a previous loss to reverse and they are only recognised up to that loss reversal.
- **Heritage Assets –** Heritage Assets are held at valuation where practicable (and at depreciated historic cost where it is not practicable to obtain a valuation).
- **Surplus Assets –** these are described in our accounting policies as follows:

  These are assets which the Authority no longer operates from, however they 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). They are therefore valued on a fair value basis.

m Impairment of Non-Current Assets

The accounting policy is in accordance with IAS 36.

Impairment is the amount by which the carrying value of an asset exceeds its recoverable amount.

At the end of each reporting period, the Authority undertakes an assessment of its Non-Current Assets for any impairment.

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.

An impairment loss, previously recognised in the Surplus or Deficit on the Provision of Services, may no longer exist or may have decreased, the reversal of that loss is permitted if there has been a change in the estimates used to determine the asset's recoverable amount since the impairment loss was recognised.

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 disposal. 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 i.e. those with indefinite life

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

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

Component Type	Useful Economic Lives (UELs)
Kitchens	20 years

Heating Systems, Lights and Electrics	23 years
Bathrooms	25 years
Windows and Doors	25 years
Roof	25 years

p Component Accounting

For **Council Dwellings** the following components are valued, enhanced and depreciated separately – Kitchen, Bathroom, Windows and Doors, Roof, Heating Systems, 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 Capital Grants and Contributions

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

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

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

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

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

Relevant Government Grants are treated in accordance with this policy.

y Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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

z 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.

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.

Third party loans – Under statute the payment of the loan to a third part for capital purposes will treated as capital expenditure and will increase the Council's Capital Financing Requirement (CFR). The expenditure will normally be financed by the third party loan principal repayments being treated as capital receipts and applied to reduce the Council's CFR. As a result MRP will not generally be required to charged in relation to loans to third parties. The Council will review the individual circumstances of each third party loan on an annual basis to assess the risk that the loan will not be repaid. If the Authority considers that some or all of the loan may not be repaid, it will make plans to make financial provision for the potential losses that may arise from non-repayment of the loan principal which may include charging MRP, setting aside capital receipts or building revenue reserves that will be applied to reduce the CFR at an appropriate time based upon prudent assessment.

aa Capital Reserves

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

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

Revenue Accounting

ab Recognition of Revenue Expenditure.

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

ac Employee Costs

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

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

Short-term employee benefits:

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

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.

ad Revenue Grants and Contributions

Grants, contributions, and donations are recognised as income at the date that the Authority has satisfied the conditions of entitlement, and there is reasonable assurance that the monies will be received. Any grant received before these recognition criteria were satisfied would be held as a creditor (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 Taxation and Non-Specific Grant income in Note 1H.

ae Provisions

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

Provisions are charged to the appropriate service revenue account in the year that the Authority recognises an obligation, based on the best estimate of the likely settlement. When payments are eventually made, it is charged to the provision.

Estimated settlements are reviewed at the end of each financial year and adjustments with the service revenue account are made as required.

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

af Revenue Reserves

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund and HRA 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 and HRA working balance is shown within the Movement in Reserves Statement. The 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.

ag Council Tax Recognition

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

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

The Cash Flow Statement includes within operating activities the net Council Tax cash received from the Collection Fund in the year (i.e. the precept for the year plus its share of Collection Fund surplus for the previous year, or less the amount paid to the Collection Fund in respect of its share of the previous 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.

ah Inventories and long-term contracts

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

ai Provisions for bad and doubtful debts

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

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

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

<u>Treasury Management</u>

aj 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.

ak Financial Liabilities

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

Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus any interest accrued to 31st March and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate. Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Reserves to be spread over future years.

The Authority has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premiumwas payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Reserves is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

al Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- **Amortised Cost -** assets that have fixed or determinable payments but are not quoted in an active market.

  Financial assets measured at amortised cost are initiall 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 de-recognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

- **Fair value through profit or loss -** assets that have a quoted market price and/or do not have fixed or determinable payments.

  Financial Assets Measured at fair value through Profit and Loss 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.

Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services Statements. Any gains and losses that arise on the derecognition of the asset are credited to the Financing and Investment income and expenditure line in the Comprehensive Income and Expenditure Statement. IFRS 9 Financial Instruments sets out that investments in equity should be classified as fair value through profit and loss unless there is an irrevocable election to recognise changes in fair valuethrough other comprehensive income. The Council will assess each investment on an individual basis and assign an IFRS 9 Category.The assessment will be based on the underlying purpose for holding the financial instrument

- **Expected Credit Loss Model**

The Authority recognises where material expected credit losses on its financial assets held at amortised cost, either on a 12-month or lifetime basis.

Impairment losses are calculated to reflect the expectation that the future cash flows – be it principal and/or interest repayments - might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Fair Value Profit and Loss (FVOPvestment) nor is contingent consideration recognised by an acquirer in a business combination to which IFRS3 applies. The CCLA Property Fund have issued a notice that it may require up to six months' notice to honour redemption requests to allow for the orderly disposal of underlying assets. This investment is therefore not considered to be a 'puttable' instrument as despite the Authority having the ability to request repayment, it does not have a contractual right to 'put' the instrument back to the issuer for immediate redemption of cash.

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

CCLA investments, the Authority is treating it as a FVPL but as elected FVOCI and the 5-year statutory override mandates that movements in relation to this investment are to be taken out of the CIES to the Financial Instruments Revaluation Reserve.

am 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.

an 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.

ao Cash and Cash Equivalents

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

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

ap 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.

aq 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.

ar Non Domestic Rates

The Local Government Finance Act 2012 amended the 1988 Local Government Finance Act to give local authorities the power to retain a proportion of funds obtained from business rates in their area.
The changes under the 'Localisation of Business Rates' means that from April 2013, local authorities retain a share of the income they collect from business rates as funding to meet the cost of service provision. Prior to this date, all business rates in England were paid to Central Government from the billing authorities, and a proportion was then paid back to each authority as Formula Grant.
The Department for Communities and Local Government guidance indicates that each billing authority should formally set a Business Rate Baseline each year. This baseline will be the authority's estimate of the business rates it forecasts to collect in the following financial year, net of any reductions such as reliefs and estimated cost of appeals.
As such, the business rates the Council collected and retained are adjusted for the anticipated outcome of the on-going national backlog of Business Rate appeals cases, which are still currently being assessed by the Valuation Office.

1B GENERAL INFORMATION

I. PRIOR YEAR ADJUSTMENTS

There have been no material prior periods adjustments identified that require disclosure within Note 1 of the accounts for 2018-19.

II. 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 2019-2020 Code:

• Amendments to IAS 40 Investment Property: Transfers of Investment Property
• Annual Improvements to IFRS standards 2014-2016 Cycle
• IFRIC 22 Foreign Currency Transactions and Advanced Consideration
• IFRIC 23 Uncertainty over Income Tax Treatments
• Amendments to IFRS 9 Financial Instruments: Prepayment features with Negative Compensation.

These changes are not expected to have a material impact on the Council's single entity statements or Group statements.

III. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies, the Council has had to make certain critical judgements about complex transactions or those involving uncertainty about future events.

In the accounts these are as follows:
There is a high degree of uncertainty regarding future levels of funding for local government. However the Council takes the view that this uncertainty is not yet sufficient indication that the value of the Council's assets might need to be impaired due to reduced levels of service provision or the need to close facilities.

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 or dependant on the nature of the specific asset, and service experts in relation to other assets.
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.

For 2017-18 and 2018-19, the valuation of Delapre Golf Course was completed by the same specialist valuer, using a methodology based on the RICS guidance and the latest trading accounts provided by the tenant.

IV. 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 2019 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 dependent 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 PPE including components' would increase by approximately £0.3m 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. However, these valuations are considered to remain materially correct as at the reporting date.	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 £4.11m - A 1% variation in value on other operational property is equivalent to £0.66m
Property, Plant and Equipment - Council Dwellings use of Beacon Properties	Council dwellings are valued by reference to representative properties across the housing estate known as 'beacons'. Following a 100% valuation of the portfolio in 2017-18,the portfolio was subject to annual desktop reviews at 1st April and 31st March and will be the next 3 years, then subject to a further full revaluation in 2023.	This process is in compliance with MHCLG (previously DCLG) guidance.
Benefit Overpayments Provision	The Authority has made a provision of £6.9m in respect of Overpayments to Benefit Claimants. This provision is based upon an 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 87.1% 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 £0.24m for actual insurance claims outstanding and a reserve of £0.88m 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 £140.713m. 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 effect would be: 0.5% decrease in discount rate would give rise to an increase in liability of approximately £27.7m 0.5% salary increase would give rise to an increase in liability of approximately £1.7m 0.5% increase in Pensions rate would give rise to an increase in liability of approximately £25.8m
Arrears	The General Fund has provided for a bad debt provision of £0.935m. 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 £2.848m. Therefore any changes in the recovery of our debts will have a maximum impact of £1.912m.
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 £6.806m. This is based on appeals that had been lodged and were outstanding at 31 March 2019. 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 2019.	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.

V. EVENTS AFTER THE BALANCE SHEET DATE

In March 2018 the Secretary of State for Housing, Communities and Local Government invited all eight principal councils in Northamptonshire to "develop and submit locally led proposals for establishing new unitary authorities across the county which will be right for the communities and people they serve". The Secretary of State's invitation stemmed primarily from the well-documented severe financial and operational plight that Northamptonshire County Council (NCC) faced, continues to face and is expected to otherwise face in future.

A proposal to create two new Unitary Councils for West and North Northamptonshire from April 2020 was submitted to the Secretary of State at the end of August 2018. The Secretary of State has now approved the move to two unitary authorities, with a vesting date of 1st April 2021. This will see Northampton Borough forming part of the West Northamptonshire authority along with the current Daventry and South Northamptonshire Council and the current county council services in these areas.

1C EXPENDITURE AND FUNDING ANALYSIS (EFA)

The Expenditure and Funding Analysis demonstrates how the funding available to the Council for the year 2018-19 (i.e. government grants, rents, Council Tax and Business Rates) has been used to provide services in comparison with those resources consumed or earned under generally accepted accounting practice (GAAP). The Expenditure and Funding analysis also shows how this expenditure is allocated for decision-making purposes between the Council's directorates. Income and expenditure accounted for under GAAP is presented more fully in the Comprehensive Income and Expenditure Statement.

Expenditure and Funding Analysis

Net expenditure chargeable to the General Fund and Earmarked Reserves £'000	Adjustments between Funding and Accounting Basis £'000	2017-18 Net Expenditure in the CIES £'000		Net expenditure chargeable to the General Fund and Earmarked Reserves £'000	Adjustments between Funding and Accounting Basis £'000	2018-19 Net Expenditure in the CIES £'000
1,516	1,654	**3,170**	Chief Executive	2,030	947	**2,977**
(7,076)	8,512	**1,436**	Housing	1,878	727	**2,605**
1,027	320	**1,347**	Borough Secretary	2,114	(338)	**1,776**
9,120	5,336	**14,456**	Customers & Communities	15,825	4,000	**19,825**
6,255	988	**7,243**	Chief Finance Officer	452	2,114	**2,566**
2,468	(406)	**2,061**	Economy, Assets & Culture	16,656	640	**17,297**
(211)	536	**325**	Planning	900	(471)	**429**
13,100	**16,938**	**30,038**	**Net Cost of Services**	**39,854**	**7,620**	**47,474**
(8,848)	(16,737)	**(25,585)**	Other Income and Expenditure	(29,679)	3,498	**(26,181)**
4,253	**201**	**4,453**	**(Surplus) or Deficit on Provision of Services**	**10,176**	**11,118**	**21,293**
(46,747)			Opening General Fund Balance at 31 March	**(46,224)**		
(3,730)			Plus: Surplus/Deficit on HRA Balance for the year (Statutory Basis)	**(5,921)**		
4,253			Plus: Surplus/Deficit on General Fund Balance a for the year (Statutory Basis)	**10,176**		
(46,224)			**Closing General Fund Balance at 31 March**	**(41,970)**		

1D NOTES TO THE EXPENDITURE AND FUNDING ANALYSIS

2017-18 PENSIONS Retirement Benefits £'000	2017-18 CAPITAL Total Capital Adjustments £'000	2017-18 OTHER Financial Instruments & Collection Fund £'000	2017-18 TOTAL Total Adjustments in year £'000	Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement	2018-19 PENSIONS Retirement Benefits £'000	2018-19 CAPITAL Total Capital Adjustments £'000	2018-19 OTHER Financial Instruments & Collection Fund £'000	2018-19 TOTAL Total Adjustments in year £'000
(88)	(1,566)	-	(1,654)	Chief Executive	(138)	1,084		947
(116)	(872)	-	(988)	Chief Finance Officer	1,946	168		2,114
(420)	(8,092)	-	(8,512)	Housing	(556)	1,283		727
(312)	(8)	-	(320)	Borough Secretary	(347)	9		(338)
(1,324)	(4,012)	-	(5,336)	Customers & Communities	(1,411)	5,411		4,000
(494)	(42)	-	(536)	Planning	(484)	13		(471)
(466)	872	-	406	Economy, Assets & Culture	(459)	1,098		640
2,563	12,720	1,454	16,737	Other Income and Expenditure	(348)	3,470	375	3,498
(657)	**(998)**	**1,454**	**(201)**	**Total**	(1,796)	12,537	375	11,118

Adjustments for Capital purposes

- In the **service lines** this column records adjustments in respect of depreciation, impairment, movements in fair value of investment properties, revenue expenditure funded from capital under statute (REFCUS) and revaluation gains/losses
- **Other Operating expenditure –** adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure, as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure –** capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS19 *Employee Benefits* pension related expenditure and income

- **For services**, this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- **For Financing and investment income and expenditure**, the net interest on the defined benefit liability is charged to the CIES.

Other Adjustments

Other difference between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statute.

- **For services,** this comprises the accrual made in respect of accumulated absences.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for Council Tax and NNDR that was projected to be received at the start of the year and the income recognised under generally

accepted accounting practices in the Code. This is a timing issue, as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

1E EXPENDITURE AND INCOME ANALYSED BY NATURE

2017-18 £'000	Expenditure/Income	2018-19 £'000
	Expenditure	
14,832	Employee Benefits expenses	13,645
163,270	Other Services expenses	167,098
(1,900)	(Gains)/Loss on the disposal of non current asset	(3,518)
68,444	Depreciation, Amortisation, Impairment	40,168
16,671	Interest Payments and Investment Costs	17,893
1,058	Precepts and Levies	1,111
1,072	Payments to Housing Capital Receipts Pool	1,072
96,063	(Gain)/Loss on revaluations	2,084
359,510	**Total Expenditure**	**239,554**
	Income	
(77,247)	Fees, charges and other service income	(72,063)
(6,609)	Interest and investment income	(9,360)
(65,042)	Income from council tax and NNDR	(70,131)
(69,757)	Government grants and contributions	(69,188)
(218,655)	**Total Income**	**(220,742)**
140,854	**(Surplus) or Deficit on the Provision of Services**	**18,812**

1F. OTHER OPERATING EXPENDITURE

2017-18 £'000	Other Operating Expenditure	2018-19 £'000
1,058	Parish council precepts	1,111
1,072	Housing Capital Receipts Pool	1,072
(1,900)	Gains/Losses on the disposal of non-current assets	(3,518)
230	**Total**	**(1,335)**

1G. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2017-18 £'000	Financing And Investment Income And Expenditure	2018-19 £'000
8,142	Interest payable and similar charges	7,771
3,526	Pensions interest cost and expected return on pension assets	3,473
(1,606)	Interest receivable and similar charges	(1,802)
-	Financial Instrument Valuation	186
(322)	Income and expenditure in relation to investment properties and changes in their fair value	(960)
(1,277)	Other	57
8,463	**Total**	**8,725**

1H. TAXATION AND NON-SPECIFIC GRANT INCOME

2017-18 £'000	Taxation And Non Specific Grant Income	2018-19 £'000
(15,318)	Council tax income	(16,237)
(36,878)	Retained Rates	(39,828)
(1,148)	Capital grants and contributions	(1,487)
(1,817)	Revenue Support Grant	(886)
(4,245)	Non-ring fenced government grants	(3,082)
(1,836)	Section 31 grants	(2,274)
(3,668)	Other NNDR related transactions	(2,026)
29,120	Tariff Payment	30,079
-	Donated Assets	(14)
1,511	Levy Payment	2,184
(34,279)	**Total**	**(33,571)**

2 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.

2018-19	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
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	(21,518)	(5,391)	(12,998)	-	-	(39,907)	39,907
Revaluation gains on PPE	1,106	9,298	-	-	-	10,404	(10,404)
Revaluation losses on Property Plant and equipment	(2,165)	(10,569)	-	-	-	(12,733)	12,733
	(186)					(186)	(186)
Movements in the market value of Investment properties	(40)	5	-	-	-	(35)	35
Amortisation of Intangible assets	(92)	-	-	-	-	(92)	92
Capital Grants & contributions applied (if any)	3,162	-	-	-	-	3,162	(3,162)
Income in relation to donated assets if any	14	-	-	-	-	14	(14)
Revenue expenditure funded from capital under statute	(1,439)	-	-	-	-	(1,439)	1,439
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	(107)	(7,871)	-	-	-	(7,978)	7,978
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement							
Statutory provision for the financing of capital investment	5,999	-	-	-	-	5,999	(5,999)
Total Adjustments primarily involving the Capital Adjustment Account	**(15,266)**	**(14,527)**	**(12,998)**	**-**	**-**	**(42,791)**	**42,791**

2018-19	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	2466	-	-	19	2,485	(2,485)
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	(265)	(265)	265
Total Adjustments primarily involving the Capital Grants Unapplied Account	**-**	**2466**	**-**	**-**	**(246)**	**2,220**	**(2,220)**
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	3061	8434	-	(11,496)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	8214	-	8214	(8,214)

Contribution from the Capital Receipts Reserve to finance payments to Government Capital Receipts pool	(1,072)	-	-	1,072	-	-	-
Transfer from Deferred Capital receipts Reserve upon receipt of cash		-	-	(85)	-	-85	85
Total Adjustments primarily involving the Capital Receipts Reserve	**1,989**	**8,434**	**-**	**(2,294)**	**-**	**8129**	**(8,129)**
Adjustment primarily involving the Major Repairs Reserve:							
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	13,614	-	-	13,614	(13,614)
Other Adjustment	(8)					(8)	8
Total Adjustment primarily involving the Major Repairs Reserve	**(8)**	**-**	**13,614**	**-**	**-**	**13,606**	**(13,606)**

2018-19	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and expenditure Statement	(4,823)	-2	-	-	-	(4,825)	4,825
Employer's pensions contributions and direct payments to pensioners payable in the year	6,619	1	-	-	-	6,620	(6,620)
Total Adjustments primarily involving the Pensions Reserve	**1,795**	**(1)**	**-**	**-**	**-**	**1,795**	**(1,795)**
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 calculated for the year in accordance with statutory requirements	373	-	-	-	-	373	(373)
Total Adjustments	**(11,117)**	**(3,627)**	**616**	**(2,294)**	**(246)**	**(16,668)**	**16,668**

2017-18	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Charges for depreciation and impairment of non-current assets	(3,464)	(51,826)	(12,604)	-	-	(67,894)	67,894
Revaluation gains on PPE	4,973	58,485	-	-	-	63,458	(63,458)
Revaluation losses on Property Plant and equipment	(7,790)	(153,791)	-	-	-	(161,581)	161,581
Movements in the market value of Investment properties	1,853	8	-	-	-	1,861	(1,861)
Amortisation of Intangible assets	(349)	-	-	-	-	(349)	349
Capital Grants & contributions applied (if any)	2,516	-	-	-	-	2,516	(2,516)
Revenue expenditure funded from capital under statute	(1,519)	-	-	-	-	(1,519)	1,519
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure statement	(1,163)	(8,553)	-	-	-	(9,716)	9,716
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement							
Statutory provision for the financing of capital investment	1,333	-	-	-	-	1,333	(1,333)
Capital expenditure charged against the General Fund and HRA balances	824	6,791	-	-	-	7,615	(7,615)
Total Adjustments primarily involving the Capital Adjustment Account	**(2,787)**	**(148,886)**	**(12,604)**	**-**	**-**	**(164,278)**	**164,278**

2017-18	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	(211)	(211)	211
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	13	13	(13)
Total Adjustments primarily involving the Capital Grants Unapplied Account	**-**	**-**	**-**	**-**	**(198)**	**(198)**	**198**
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	2,898	8,898	-	(11,796)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	7,066	-	7,066	(7,066)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(38)	(142)	-	179	-	(1)	1
Contribution from the Capital Receipts Reserve to finance payments to Government Capital Receipts pool	(1,072)	-	-	1,072	-	-	-
Transfer from Deferred Capital receipts Reserve upon receipt of cash	-	-	-	(9)	-	(9)	9

Total Adjustments primarily involving the Capital Receipts Reserve	**1,787**	**8,756**	**-**	**(3,487)**	**-**	**7,056**	**(7,056)**
Adjustment primarily involving the Major Repairs Reserve: Use of the Major Repairs Reserve to finance new capital expenditure	-	-	12,000	-	-	12,000	(12,000)
Total Adjustment primarily involving the Major Repairs Reserve	**-**	**-**	**12000**	**-**	**-**	**12,000**	**(12,000)**

2017-18	**General Fund Balanc £'000**	**Housin g Revenu e £'000**	**Major Repairs Reserv £'000**	**Capital receipt s Reserv £'000**	**Capital Grants Unappli £'000**	**Total Usable Reserv es £'000**	**Movem ent in Unusab le £'000**
Adjustments primarily involving the Deferred Capital Receipts Reserve: Transfer of deferred sale proceed credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-	-
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	(10)	-	-	-	-	(10)	10
Adjustments primarily involving the Pensions Reserve: Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and expenditure Statement	(6,747)	(4)	-	-	-	(6,751)	6,751
Employer's pensions contributions and direct payments to pensioners payable in the year	6,090	3	-	-	-	6,093	(6,093)
Total Adjustments primarily involving the Pensions Reserve	**(657)**	**1**	**-**	**-**	**-**	**(657)**	**657**
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 calculated for the year in accordance with statutory requirements	1,464	-	-	-	-	1,464	(1,464)
Total Adjustments	**(202)**	**(140,131)**	**(604)**	**(3,487)**	**(197)**	**(144,623)**	**144,623**

3. 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 2018-19.

Earmarked Reserve	Balance at 31 March 2017	Realignmt 2017-18	Additions to Reserve 2017-18	Use Of Reserve 2017-18	Balance at 31 March 2018	Realignmt 2018-19	Additions to Reserve 2018-19	Use Of Reserve 2018-19	Balance at 31 March 2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund									
Customers and Communities Reserves	1,349	-	-	(667)	682	(484)	-	(102)	96
Economy, Assets & Culture Reserves	722	(64)	171	(286)	543	(97)	164	(133)	477
Planning Reserves	-	-	-	-	-	314	120	(8)	426
Housing & Wellbeing Reserves	610	-	73	(83)	600	190	-	(140)	650
Total Service Related Reserves	**2,681**	**(64)**	**244**	**(1,036)**	**1,825**	**(77)**	**284**	**(383)**	**1,649**
Delivering the Efficiency Plan Reserve	7,101	(5,101)	-	-	2,000			(217)	1,783
MTFP Cashflow Reserve	5,762	(3,307)	3,065	(770)	4,750	(3,179)	869	(1,186)	1,254
Strategic Investment Reserve	2,851	(1,528)	-	(1,326)	(3)	3	-	-	-
Environmental Services Capital Financing	-	10,000	-	-	10,000	-	-	(1,000)	9,000
Sixfields Recovery Reserve	-	-	-	-	-	5,000	-	(4,624)	376
Other Corporate Reserves	1,371	-	422	(383)	1,410	-	1,502	(267)	2,645
Total Corporate Reserves	**17,085**	**64**	**3,487**	**(2,479)**	**18,157**	**1,824**	**2,371**	**(7,294)**	**15,058**
Insurance Reserve	1,027	-	152	-	1,179	-	-	(302)	877
Rates Retention Deficit Funding	1,964	-	1,448	-	3,412		759		4,171
Other Technical Reserves	247	-	-	-	247	(247)	-	-	-
Total Technical Reserves	**3,238**	**-**	**1,600**	**-**	**4,838**	**(247)**	**759**	**(302)**	**5,048**
Section 106 Contributions	**2,183**	**-**	**-**	**(46)**	**2,137**	**-**	**-**	**(57)**	**2,080**
Total General Fund	**25,186**	**-**	**5,331**	**(3,561)**	**26,957**	**1,500**	**3,414**	**(8,036)**	**23,835**
HRA									
HRA Reserves	8,295	961	-	(2,288)	6,968	-	328	-	7,296
HRA Supporting People Reserve	558	(558)	-	-	-	-	-	-	-
HRA Reform Reserve	8	(8)	-	-	-	-	-	-	-
HRA Leaseholder Reserve	500	-	-	-	500	-	-	-	500
HRA Service Improvement Reserve	1,395	(395)	-	-	1,000	-	-	-	1,000
HRA Insurance Reserve	300	-	-	-	300	-	-	-	300
Total HRA	**11,056**	**-**	**-**	**(2,288)**	**8,770**	**-**	**328**	**-**	**9,096**
Total Earmarked Reserves	**36,242**	**-**	**5,331**	**(5,849)**	**35,727**	**1,500**	**3,742**	**(8,036)**	**32,931**

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 had set aside funding to support future Invest to save initiatives and meet strategic priorities.

Delivering the Efficiency Plan
To fund the one-off revenue costs of initiatives leading to ongoing efficiency savings.

MTFP Cashflow Reserve
To cover any delays in achieving planned savings, or shortfalls, in income generation.

Environmental Service Capital Financing
This reserve is set aside to fund vehicles and equipment to be used in the new environmental services contract

Sixfields Recovery Reserve
This reserve is set aside against the recovery of money relating to the Sixfields case.

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.

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.

Rates Retention Deficit Funding

This reserve is set aside to manage timing differences in the payments of NNDR

4. PROPERTY, PLANT AND EQUIPMENT

a) Movement

Movements in 2018-19	Council Dwellings £'000	Housing Land and Buildings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infra-structure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construct-ion £'000	Total Property, Plant and Equipment £'000
Cost or Valuation									
At 1st April 2018	657,355	16,617	80,505	2,595	2,585	14,530	1,835	17,925	**793,947**
Additions	18,541	236	810	8,517	-	79	-	8,072	**36,255**
Donations	-	-	-	-	-	-		-	-
Revaluation increases / (decreases) recognised in the Revaluation Reserve	5,979	3,510	(170)	-	-	-	11	-	**9,330**
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(5,998)	(3)	(1,417)	-	-	-	157	-	**(7,261)**
Derecognition – disposals	(6,788)	(79)	(47)	-	-	-	(144)	-	**(7,058)**
Derecognition – other	(805)	(229)	(96)	-	-	-	0	(5,312)	**(6,442)**
Assets reclassified to / (from) PPE	6,705	(138)	7,539	-	(123)	- 7,007	1,536	(8,935)	**(423)**
Other Movements	(6)	4	(2)	-	-	-	-	-	**(4)**
Accumulated Depreciation and Impairment									
At 1 April 2018	(82,565)	(721)	(6,707)	(1,309)	(641)	(569)	(533)	-	**(93,045)**
Depreciation Charge	(12,628)	(322)	(2,137)	(1,055)	(74)	(156)	(24)	-	**(16,396)**
Depreciation written out to the revaluation reserve	8,333	119	1,965	-	-	-	15	-	**10,432**
Depreciation written out to the Surplus/Deficit on the Provision of Services	4,128	13	792	-	-	-	3	-	**4,936**
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	6	(456)	-	-	-	-	-	**(450)**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(5,441)	50	(3,839)	-	-	-	-	(5,312)	**(14,542)**
Derecognition – Disposals	101	1	3	-	-	-	5	-	**110**
Derecognition – other	46	22	33	-	-	-	-	5,312	**5,413**
Assets reclassified (to) / from PPE	(67)	13	- 706	-	(6)		61	-	**(705)**
Other Movements	7	30	10	-	-	706	-	-	**753**
At 31 March 2019	**(88,086)**	**(789)**	**(11,042)**	**(2,364)**	**(721)**	**(19)**	**(473)**	**-**	**(103,494)**
Net Book Value									
At 31 March 2018	**574,790**	**15,896**	**73,798**	**1,286**	**1,944**	**13,961**	**1,302**	**17,925**	**700,902**
At 31 March 2019	**586,897**	**19,129**	**76,080**	**8,748**	**1,741**	**7,583**	**2,922**	**11,750**	**714,850**

Movements in 2017-18	Council Dwellings £'000	Housing Land and Buildings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infra-structure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construct-ion £'000	Total Property, Plant and Equipment £'000
Cost or Valuation									
At 1st April 2017	582,235	20,566	80,895	2,067	2,530	14,471	1,549	9,353	**713,666**
Additions	17,966	147	170	464	47	58	-	8,849	**27,701**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	166,862	(3,294)	1,261	-	-	-	429	-	**165,258**
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(98,790)	(703)	(3,529)	-	-	-	42	-	**(102,980)**
Derecognition – disposals	(6,811)	(186)	-	-	-	-	-	-	**(6,997)**
Derecognition – other	(1,372)	-	-	-	-	-	(330)	-	**(1,702)**
Assets reclassified to / (from) Investment	-	200	(600)	-	-	-	-	-	**(400)**
Other movements in cost or valuation	(2,735)	(113)	2,308	64	8	1	145	(277)	**(599)**
Accumulated Depreciation and Impairment									
At 1 April 2017	(35,640)	(501)	(6,221)	(707)	(566)	(411)	(40)	-	**(44,086)**
Depreciation Charge	(12,184)	(384)	(1,843)	(602)	(74)	(158)	(29)	-	**(15,274)**
Depreciation written out to the revaluation reserve	12,530	10	914	-	-	-	6	-	**13,460**
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,777	352	709	-	-	-	16	-	**4,854**
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	(56)	(158)	-	-	-	(38)	-	**(252)**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(51,209)	(155)	(707)	-	-	-	(462)	-	**(52,533)**
Derecognition – Disposals	95	6	-	-	-	-	-	-	**101**
Derecognition – other	27	-	-	-	-	-	18	-	**45**
Other Movements	39	7	599	-	(1)	-	(4)	-	**640**
At 31 March 2018	**(82,565)**	**(721)**	**(6,707)**	**(1,309)**	**(641)**	**(569)**	**(533)**	**-**	**(93,045)**
Net Book Value									
At 31 March 2017	**546,595**	**20,065**	**74,674**	**1,360**	**1,964**	**14,060**	**1,509**	**9,353**	**669,580**
At 31 March 2018	**574,790**	**15,896**	**73,798**	**1,286**	**1,944**	**13,961**	**1,302**	**17,925**	**700,902**

b) Depreciation

The useful lives and depreciation rates used in the calculation of depreciation are detailed in the accounting policies.

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. Valuations of land and buildings were carried out by GVA, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS).
Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest prices adjusted for the condition of the asset.

Council Dwellings have been valued as at 1st April 2018 and 31st March 2019 based on a desk top review carried out by Bruton Knowles.

Council Dwellings valuations were prepared in accordance with the MHCLG Guidance on Stock Valuation for Resource Accounting, published in November 2016 and the RICS Vauation - Global Standards 2017, which incorporates the International Valuation Standards.

	Council Dwellings £'000	Housing Land and Buildings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture, and Equipment £'000	Surplus Assets £'000	Total £'000

Valued at fair value in:						
2018/19	674,983	12,687	72,309	8,512	3,395	771,886
2017/18	-	286	2,329	482	-	3,097
2016/17	-	-	1,313	25	-	1,338
2015/16	-	6,919	4,969	173	-	12,061
2014/15	-	27	6,201	1,919	-	8,147
Previous Years	-	-	2	-	-	2
	674,983	**19,919**	**87,123**	**11,111**	**3,395**	**796,531**

d) Donated Assets

No donated assets were received during 2018-19 or 2017-18.

e) Commitments under Capital Contracts

The significant (over £0.5m) project that have been contracted in the year are as per below.

Capital Project	Value of Outstanding commitment (£m)	Outstanding contractual commitment as at 31 March 2019
Central Museum Development	4.7	Main contract signed on 07/03/19
Vulcan Works Creative Hub	10.7	Main contract (with a value of £10.8m) not signed until 19/11/19

5. HERITAGE ASSETS

Reconciliation of the heritage assets held by the Authority:

Movements in 2018-19	Historic Buildings & Statuary £'000	Museum Exhibits £'000	Mayoral Regalia £'000	Guildhall Artefacts £'000	Total Heritage Assets £'000
Cost or Valuation					
At 1 April 2018	**13,675**	**21,718**	**48**	**1,932**	**37,373**
Additions	92				92
Donations	-	14	-	-	14
Revaluation increases/(decreases) recognised in the Revaluation Reserve	272	-	-	-	272
Assets reclassified (to) / from PPE	288	-	-	-	288
Cost at 31 March 2019	**14,328**	**21,732**	**48**	**1,932**	**38,040**
Accumulated Depreciation and Impairment					
At 1 April 2018	**(567)**	-	-	-	**(567)**
Depreciation Charge	(81)	-	-	-	(81)
Depreciation written out to the revaluation reserve	530	-	-	-	530
Impairment losses/(reversals) recognised in the Revaluation Reserve	(853)	-	-	-	(853)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(8,884)	-	-	-	(8,884)
Acc Depreciation and Impairment as at 31 March 2019	**(9,854)**	**-**	**-**	**-**	**(9,854)**
Net Book Value at 31 March 2018	**13,108**	**21,718**	**48**	**1,932**	**36,806**
Net Book Value at 31 March 2019	**4,473**	**21,732**	**48**	**1,932**	**28,185**

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. During the valuation in 2018-19, a total impairment of 9.7m was recognised in relation to the Delapre Abbey and the cottage at Delapre Park

Museum Exhibits
Museum Exhibits were valued in March 2010 by Arts and Antiques Ltd for insurance purposes, which is based on market values. Of particular interest is the shoe collection, which is the largest collection of shoe heritage in the world and is designate as being of national importance. During the financial year 2018-19, the Malcolm Arnold Knighthood Medal Set and a portrait of Sir Mathew Arnold with a total value of £14k were donated to the museum.

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.

Enhancement of Heritage Assets
Enhancements on Heritage Assets reflect improvement works undertaken at Abington Park Museum and to the Francis Crick Memorial.

6. 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:

2017-18 £'000	Investment Properties	2018-19 £'000
(1,079)	Rental income from investment property	(1,331)
757	Direct operating expenses arising from investment property	371
(322)	**Net gain/loss**	**(960)**

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.

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

2017-18 £'000	Investment Property Valuations	2018-19 £'000
12,150	**Balance at start of the year**	13,828
	Additions:	
19	: Subsequent expenditure	1
-	**Disposals**	-
1,861	**Net gains/losses from fair value adjustments**	(35)
	Transfers:	
(200)	: to/from Property, Plant and Equipment	-
13,830	**Balance at end of year**	**13,794**

7. FINANCIAL INSTRUMENTS

a) Categories of Financial Instruments

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

	Long-Term		Current	
	31-Mar-18 £'000	31-Mar-19 £'000	31-Mar-18 £'000	31-Mar-19 £'000
Investments				
Cash and Cash Equivalent	-	-	17,300	12,230
Investments at Amortised Cost	-	-	10,021	5,025
Fair value through profit and loss assets	-	-	34,021	23,119
Financial assets at fair value through Other Comprehensive Income	-	-	-	7,399
Total Investments	-	-	61,342	47,774
Debtors				
Loans and receivables	49,384	48,470	941	1,024
Total Debtors	49,384	48,470	941	1,024
Borrowings				
Financial Liabilities at amortised cost	(247,263)	(241,747)	(10,546)	(5,584)
Total Borrowings	(247,263)	(241,747)	(10,546)	(5,584)
Creditors				
Financial Liabilities at amortised cost	(12,258)	(16,599)	(10,676)	(14,760)
Total Creditors	(12,258)	(16,599)	(10,676)	(14,760)
Total	**(210,137)**	**(209,876)**	**41,062**	**28,455**

b) Reclassifications of Financial Instruments

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

c) Income, Expense, Gains, and Losses

	2017-18		2018-19	
	Surplus/Deficit on the Provision of Services	Other Comprehensive	Surplus/Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
	£000	£000	£000	£000
Net (Gains)/Losses on financial instruments:				
• financial assets measured at fair value through profit/loss	12	-	52	671
• financial assets measured at amortised costs	732	-	1,146	-
Total Net (Gains)/Losses on financial instruments	**744**	**-**	**1,199**	**671**
Income/Expenditure in (Surplus)/Deficit on the Provision of Services				
Interest Receivable from financial assets measured at amortised costs	- 1,468	-	- 1,900	99
Investment income from financial assets measured through profit and loss	14	-	-	-
Interest Expense	7,961	-	7,890	-
Net Income/Expenditure in (Surplus)/Deficit on the Provision of Services	**6,507**	**-**	**5,989**	**99**
Net (gain)/loss for the year	**7,251**	**-**	**7,188**	**769**

d) Fair Values

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

Financial Investments measured at Fair Value

Items of 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 reccurring 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	Valuation technique used to measure fair value	**31-Mar-18**	**31-Mar-19**
			£'000	**£'000**
Certificate of Deposits	Level 1	Unadjusted quoted prices in active market for identical shares.	34,021	23,119
Total			**34,021**	**23,119**

The Council held £23m in Certificates of Deposit at 31 March 2019. 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.

31-Mar-18				31-Mar-19	
Balance Sheet	Fair Value		Fair Value Levels	Balance Sheet	Fair Value
		Financial liabilities held at amortised:			
240,494	285,388	Loans from PWLB	2	230,471	333,243
9,066	15,711	Market loans	2	9,067	15,778
8,249	8,248	Other loans	2	7,793	7,793
257,809	**309,348**	**Total Financial Liabilities**		**247,331**	**356,815**

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 2019) arising from a commitment to pay interest to lenders above current market rates.

PWLB loans included above have a carrying value of £230.5m and a fair value of £333.2m. 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.

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 value of the assets at 31 March 2019 is the same as the carrying value at the Balance Sheet date.

Financial Instruments - Assets	31 March 2018		31 March 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Short Term				
Fixed Term Investments	10,021	10,021	5,025	5,025
Cash and Cash Equivalents	17,300	17,300	12,230	12,230
Debtors	12,813	12,813	1,024	1,024
Short Term Investments	-	-	7,399	7,399
Long Term				
Long Term Debtors	49,500	49,500	48,470	48,470
TOTAL	**89,634**	**89,634**	**74,149**	**74,149**

e) Short Term Borrowing

31 March 2018		31 March 2019
£'000		£'000
-	Barclays Capital	67
50	Billing Parish Council 7 day notice account	-
125	Northampton Volunteer Bureau 7 day notice account	-
32	HCA principal due within 1 year	35
10,094	PWLB Loans principal due within 1 year	5,208
245	Growing Places Fund principal due within 1 year	275
10,546		**5,585**

f) Long Term Borrowing

31 March 2018 £'000	Long Term Borrowing	31 March 2019 £'000
	Analysis of loans by type	
230,401	Public Works Loan Board	225,263
9,066	Fixed term rate loan	9,000
1,037	Homes & Communities Agency	1,002
5,620	Growing Places Fund	5,307
1,140	Local Infrastructure Fund	1,175
247,263		**241,747**
	Analysis of loans by maturity	
5,451	Maturing in 1-2 years	34,324
44,092	Maturing in 2-5 years	16,854
45,712	Maturing in 5-10 years	39,439
152,009	Maturing in 10-20 years	7,172
-	Maturing in 20-30 years	5,276
-	Maturing in 30-40 years	4,683
-	Maturing in 40-50 years	134,000
247,263		**241,747**

g) Investments

31-Mar-18 £'000 Balance Sheet	31-Mar-18 £'000 Fair Value		31-Mar-19 Fair Value Levels	31-Mar-19 £'000 Balance Sheet	31-Mar-19 £'000 Fair Value
		Financial assets held at fair value:			
21,400	21,400	Liquid Instruments (Money market funds & bank call accounts)	1	12,495	12,511
34,021	34,021	Certificate of Deposits	1	23,127	23,127
0		Property Funds	1	7,399	7,586
		Financial assets held at amortised cost:			
10,021	10,021	Short-term loans to local authorities		5,017	5,017
		Long -term loans to local authorities			
50,325	50,325	Long-term loans to companies		49,388	49,397
115,767	**115,767**	**Total Financial Assets**		**97,427**	**97,638**
		Assets for which fair value is not disclosed		0	
		Total Financial Assets		**97,427**	
		Total financial Assets			
941		Short-term debtors		1,024	
65,442		Short-term investments		40,639	
49,384		Long-term debtors		48,364	
0		Long-term investments		7,399	
115,767		**Total Financial Assets**		**97,427**	

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.

	2017-18 £'000	2018-19 £'000
Opening balance at 1 April	4,432	4,240
Write down of fair value adjustments in year	28	27
Loans repaid	(220)	(220)
Movement in Expected Credit Loss per IFRS9	-	(77)
Closing Balance at 31 March	**4,240**	**3,971**

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.

8. CONSTRUCTION CONTRACTS

In 2018-19, the Council did not have any external construction contracts in progress.

9. DEBTOR

The Council provides loans to third parties to support local businesses and regeneration. See the table below.

9a Short Term Debtors

Short Term Debtors	31 March 2018 £'000	31 March 2019 £'000
Trade receivables	11,247	5,845
Prepayments	-	523
Other receivables	11,947	14,837
Total	**23,193**	**21.205**

9b Long Term Debtors

Long Term Debtors	31 March 2018 £'000	31 March 2019 £'000
Other entities and Individuals	49,500	48,470
TOTAL	**49,500**	**48,470**

9c Significant debtors included in the debtors above are:

Counterparty	Purpose of loan	Start date	End Date	Initial Loan Value £'000	Amount Outstanding at 31 March 2019 £'000
Saints Rugby Club (NTRFC)	To support stadium expansion and associated development	22-Jan-14	22-Jan-39	5,500	3,751
Unity Leisure	To facilitate the purchase a soft play facility in Northampton.	10-Jul-15	10-Jul-20	300	30
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	16,517

10. CASH AND CASH EQUIVALENTS

31 March 2018 £'000	Cash and Cash Equivalents	31 March 2019 £'000
7	Cash Held by the Authority	12
7	**Total Cash Accounts**	**12**
(4,107)	**Operating Account used as part of cash management/ overdraft**	**(278)**
200	Deposit Account Facilities with banks	200
21,200	Deposits with money market funds	12,295
21,400	**Total Cash Equivalents**	**12,495**
17,300	**Total Cash and Cash Equivalents**	**12,230**

11. CURRENT ASSETS HELD FOR SALE

2017-18 £'000	Assets Held for Sale	2018-19 £'000
1,159	**Balance outstanding at start of year**	**-**
	Assets newly classified as held for sale:	
	Property Plant and Equipment	
(1,163)	Assets sold	-
4	Other Movements	-
-	**Balance outstanding at year end**	**-**

Note: All assets in Held for Sale in 2018-19 are classified as current assets where disposal is anticipated within 12 months.

12. CREDITORS

Short Term Creditors	31 March 2018 £'000	31 March 2019 £'000
Trade Payables	(13,570)	(10,043)
Receipts in advance	(635)	(948)
Other payables	(25,373)	(25,324)
Total	**(39,578)**	**(36,315)**

13. PROVISIONS

Long Term Provisions

	Insurance Provision £'000	Business Rates Appeals £'000	Other Provisions £'000	Total £'000
Balance at 1 April 2018	(6)	-	(5)	(11)
Additional Provisions Made	(49)	-	-	(49)
Balance at 31 March 2019	**(55)**	**-**	**(5)**	**(60)**

Short Term Provisions

	Insurance Provision £'000	Business Rates Appeals £'000	Total £'000
Balance at 1 April 2018	(80)	(5,773)	(5,853)
Additional provisions made	(167)	(914)	(1,080)
Amounts used	27	759	787
Unused amounts reversed	36	-	36
Balance at 31 March 2019	**(184)**	**(5,927)**	**(6,111)**

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 31 March 2019; an actuarial forecast of future valid claims made against 2018-19 and before, is held in the Insurance Reserve.

b) Business Rates Appeals Provision

Following the localisation of the Business Rates Retention Scheme, The Council 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 2019 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.
This only includes NBC's share of the Business Rates Appeals provision.

14. USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement on page 20 and further detail about earmarked reserves is shown in Note 3.

The summary table below shows that Usable Reserves balances held the end of the year.

31 March 2018		31 March 2019
£'000		£'000
(5,500)	General Fund	(4,042)
(5,000)	HRA Balance	(5,000)
(15,993)	Capital Receipt Reserve	(18,287)
(616)	Major Repairs Reserve	-
(3,505)	Capital Grants Unapplied Account	(3,751)
(35,727)	Other Earmarked and Ring-fenced Reserves	(32,930)
(66,341)		**(64,009)**

15. UNUSABLE RESERVES

a) Balances

31 March 2017	Unusable Reserves	31 March 2018
£'000		£'000
(267,972)	Revaluation Reserve	(275,348)
380	Financial Instruments Adjustment Account	352
26	Financial Instruments Reserve	671
(234,864)	Capital Adjustment Account	(228,218)
(123)	Deferred Capital Receipts Reserve	(113)
137,385	Pensions Reserve	141,857
(1,293)	Collection Fund Adjustment Account	(1,666)
59	Short Term Compensated Absences Account	59
(366,402)	**Balance at 31 March**	**(362,406)**

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 impaied 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.

2017-18 General Fund £'000	2017-18 Housing Revenue Account £'000	2017-18 Total £'000	Revaluation Reserve	2018-19 General Fund £'000	2018-19 Housing Revenue Account £'000	2018-19 Total £'000
(53,831)	**(48,304)**	**(102,135)**	**Balance at 1 April**	**(55,046)**	**(212,925)**	**(267,971)**
(5,392)	(209,046)	(214,438)	Upward Revaluation of assets	(9,079)	(20,800)	(29,879)
3,368	32,604	35,972	Downward Revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	7,784	2,834	10,618
-	-	-	Other Movement	419	(101)	318
(2,024)	**(176,442)**	**(178,466)**	**(Surplus) or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**(876)**	**(18,067)**	**(18,942)**
736	7,964	8,701	Difference between fair value depreciation and historical cost depreciation	825	7,712	8,537
73	3,857	3,929	Accumulated gains on assets sold or scrapped	31	2,999	3,030
809	**11,821**	**12,630**	**Amounts written off to the Capital Adjustment Account**	**856**	**10,711**	**11,566**
(55,046)	**(212,925)**	**(267,971)**	**Balance at 31 March**	**(55,066)**	**(220,281)**	**(275,348)**

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.

2017-18 £'000	Financial Instruments Adjustments Account	2018-19 £'000
408	**Balance as at 1 April**	**380**
(28)	Soft Loans - Statutory Fair Value Adjustments	(28)
380	**Balance at 31 March**	**352**

d) Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation 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.

31 March 2018 £'000		31 March 2019 £'000
(12)	**Balance at 1 April**	26
-	CCLA Property Fund initial unrealised revaluation loss	692
(1)	Upward Revaluation of Investments	-
27	Downward Revaluation of Investments not charged to the Surplus or Deficit on the Provision of Services	
14	**Surplus or Deficit on revaluation of Investments not posted to the Surplus or Deficit on the Provision of Services**	**718**
12	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure as part of Other Investment Income	(26)
-	CCLA Property Fund year-end unrealised revaluation gain	(22)
26	**Balance at 31 March**	**671**

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 2 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2017/18 General Fund £'000	2017/18 HRA £'000	2017/18 Total £'000	Capital Adjustment Account	2018/19 General Fund £'000	2018/19 HRA £'000	2018/19 Total £'000
(32,204)	**(335,442)**	**(367,646)**	**Balance at 1 April**	**(32,121)**	**(202,743)**	**(234,864)**
			Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
3,464	64,430	67,894	Charges for depreciation and impairment of non current assets	21,518	18,389	39,908
7,791	153,791	161,582	Revaluation losses on Property, Plant and Equipment	2,160	10,569	12,728
(4,972)	(58,486)	(63,458)	Revaluation gains on Property, Plant and Equipment	(1,106)	(9,298)	(10,404)
349	-	349	Amortisation of intangible assets	92	-	92
1,519	-	1,519	Revenue expenditure funded from capital under statute	1,439	-	1,439
1,163	8,553	9,717	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	107	7,870	7,977
			- Other Movement	(427)	68	(360)
9,315	**168,289**	**177,603**	**Total**	**23,783**	**27,597**	**51,380**
(809)	(11,821)	(12,630)	Adjusting amounts written out of the Revaluation Reserve	(854)	(10,712)	(11,565)
8,506	**156,468**	**164,973**	**Net written out amount of the cost of the Revaluation Reserve**	**22,929**	**16,886**	**39,815**
			Capital financing applied in the year:			
(2,095)	(4,971)	(7,066)	Use of the Capital Receipts Reserve to Finance new capital expenditure	(3,193)	(5,021)	(8,214)
-	(12,000)	(12,000)	Use of the Major Repairs Reserve to finance new capital expenditure	-	(13,614)	(13,614)
(2,309)	-	(2,309)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital expenditure	(2,897)	-	(2,897)
(9)	-	(9)	Application of grants to capital financing from the Capital Grants Unapplied Account	-	-	-
(1,333)	-	(1,333)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(5,999)	-	(5,999)
(824)	(6,791)	(7,614)	Capital expenditure charged against the General Fund and HRA balances	-	(2,466)	(2,466)
(6,571)	**(23,761)**	**(30,331)**	**Total**	**(12,089)**	**(21,102)**	**(33,191)**
(1,853)	(8)	(1,860)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	40	(5)	35
-	-	-	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	(14)	-	(14)
(32,121)	**(202,743)**	**(234,864)**	**Balance at 31 March**	**(21,255)**	**(206,963)**	**(228,218)**

f) Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current 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.

2017-18 £'000	Deferred Capital Receipts Reserve	2018-19 £'000
(132)	Balance at 1 April	(123)
9	Transfer to the Capital Receipts Reserve upon receipt of cash	10
(123)	**Balance at 31 March**	**(113)**

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 the 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 has been set aside by the time the benefits come to be paid.

2017-18	Pension Reserve	2018-19
£'000		£'000
142,692	Balance at 1 April	137,385
(5,964)	Remeasurements of the net defined liability/(asset)	6,267
6,750	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	4,825
(6,093)	Employer's pensions contributions and direct payments to pensioners payable in the year	(6,620)
137,385	**Balance at 31 March**	**141,857**

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.

2017-18 £'000	Collection Fund Adjustment Account	2018-19 £'000
171	Balance as at 1 April	(1,293)
132	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	(60)
(1,596)	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	(313)
(1,293)		**(1,666)**

i) 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 be neutralised by transfers to or from the Account.

2017-18 £'000	Short Term Compensated Absences Account	2018-19 £'000
59	**Balance as at 1 April**	**59**
-	Movements in year	-
59	**Balance as at 31 March**	**59**

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 internaly generated software.

2017-18			Intangible Assets	2018-19		
Internally Generated Assets £'000	Other assets £'000	Total £'000		Internally Generated Assets £'000	Other assets £'000	Total £'000
			Balance at start of year			
-	4,679	4,679	: Gross carrying amounts	-	5,235	5,235
-	(4,388)	(4,388)	: Accumulated amortisation	-	(4,684)	(4,684)
-	**291**	**291**	**Net carrying amount at start of year**	**-**	**551**	**551**
-	46	46	Purchases	-	74	74
-	(61)	(61)	Other Disposals - Gross Book Value	-	-	-
-	61	61	Other Disposals - Amortisation	-	-	-
-	559	559	Changes of Asset class - Gross Book Value	-	134	134
-	(345)	(345)	Amortisation for the Period	-	(371)	(371)
-	-	-	Other Charges	-	-	-
-	**551**	**551**	**Net carrying amount at end of year**	**-**	**388**	**388**
			Comprising:			
-	5,235	5,235	: Gross carrying amounts	-	5,298	5,298
-	**551**	**551**	**Net carrying amount at end of year**	**-**	**388**	**388**

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £371k charged to revenue in 2018-19 was charged to the appropriate cost centres.
No item of capitalised software is individually material to the financial statements.

17. MEMBERS' ALLOWANCES

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

2017-18 £'000	Members' Allowances	2018-19 £'000
	Expenditure	
22	Mayor/Deputy Mayor Allowance	5
412	Members' Allowances	420
434	**Total**	**425**

18. OFFICERS' REMUNERATION

a) Senior Officers

Position	Position Group	Year	Note	Salary (inc Fees & Allowances) £'000	Compensation for loss of Office £'000	Total Remuneration excl Pension Contributions £'000	Pension Contribution £'000	Total Remuneration inc Pension Contributions £'000
Chief Executive	Head of Paid Service	**2018-19**	1	127	-	127	21	148
		2017-18		117	-	117	9	126
Borough Secretary	Monitoring Officer	**2018-19**		87	-	87	14	101
		2017-18		85	-	85	14	99
Director of Customers & Communities	Director	**2018-19**	2	81	62	143	8	151
		2017-18		113	-	113	19	132
Director of Regeneration, Enterprise & Planning	Director	**2018-19**		-	-	-	-	-
		2017-18		35	-	35	5	40
Head of Customer & Cultural Services	Head of Service	**2018-19**		77	-	77	13	90
		2017-18		75	-	75	12	87
Head of Housing & Wellbeing	Head of Service	**2018-19**		76	-	76	12	88
		2017-18		72	-	72	12	84
Head of Planning	Head of Service	**2018-19**		76	-	76	13	89
		2017-18		74	-	74	12	86
Head of Economy, Assets and Culture	Head of Service	**2018-19**	3	33	-	33	-	33
		2017-18		48	35	83	-	83
Head of Finance (Section 151 Officer)	Head of Service	**2018-19**	4	83	-	83	-	83
		2017-18		62	-	62	-	62
Totals for the year:		**2018-19**		**640**	**62**	**702**	**81**	**783**
		2017-18		**681**	**35**	**716**	**83**	**799**

Notes:2018-19

1- Chief Executive was appointed in April 2018.
2- Director for Customers and Communities left post August 2018. Was compensated for loss of Office
3- Head of Economy,Asset and Culture was appointed in December 2018.
4- Head of Finance was appointed to the post in June 2018 on a fixed term contract.

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 18a (Senior Officers).

2017-18 No. of Employees	Remuneration Band	2018-19 No. of Employees
5	£50,000 - £54,999	8
0	£55,000 - £59,999	2
0	£60,000 - £64,999	1
0	£65,000-£69,000	1
5		**12**

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 (£'000)	
	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19
£0 - £20,000	2	1	2	-	4	1	18	7
£20,001 - £40,000	-	1	1	1	1	2	35	44
£40,001 - £60,000	-	-	1	-	1	-	47	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £200,000	-	1	-	-	-	1	-	107
£200,001 - £400,000	-	1	-	-	-	1	-	328
Total	**2**	**4**	**4**	**1**	**6**	**5**	**100**	**486**

19. 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.

2017-18 £'000	External Audit Costs	2018-19 £'000
	Fees payable to our External Auditors with regard to their	
81	services carried out as appointed Auditor (Section 5 Audit Commission Act 1998)	62
11	Fees payable to the Auditor for the certification of Grant Claims and Returns (Section 28 Audit Commission Act 1998)	-
196	Additional Charges due to overruns 2016-17 and 2017-18*	161
21	Fees payable in respect of other services provided by the appointed auditor.	21
309	**Total**	**244**

*The final 2016-17,2017-18 and 2018-19 external audit fee variations have yet to be agreed

20. GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018-19:

2017-18 £'000	Grant Income	2018-19 £'000
	Credited to Taxation and Non-Specific Grant Income	
(1,843)	Revenue Support Grant	(886)
(4,319)	New Homes Bonus	(3,082)
(1,836)	S.31 Small Business Relief	(2,274)
(462)	Local Growth Fund - Vulcan Works	(860)
-	St Crispins	(107)
-	St James Mill	(114)
-	Upton Country Park	(101)
(293)	Mounts Baths - Sport England	(153)
(215)	Mounts Bath - Northampton Leisure Trust contribution (accrued)	215
-	Playgrounds and allotments	(120)
(36)	Other Grants Individually Less Than £100,000	(247)
(9,004)	**Total**	**(7,730)**
	Credited to Services	
(200)	Additional Housing Admin. Grant	(213)
(1,044)	Housing Benefit Admin. Grant	(958)
(27,101)	HRA Rent Rebates Grant	(25,698)
(1,168)	Non HRA Rent Rebates	(1,634)
(34,907)	Rent Allowance Grant	(34,936)
(360)	Flexible Holelessness Support Grant	(869)
(16)	Property Searches New Burdens Payment	-
(547)	Discretionary Housing Payments	(441)
(125)	Planning Delivery Grant	(125)
(146)	Section 106 Contributions	(158)
(2,007)	Northamptonshire County Council Recycling Credits	(1,615)
(166)	Northampton County Council Contribution for Grounds Maintenance	(155)
(71)	Joint Planning Unit Contribution	(83)
(108)	Heritage Lottery Fund	(132)
(283)	NNDR Cost of Collection	(283)
(1,323)	DFG Grant Income	(1,461)
(31)	Decent home Recoupment	(70)
(154)	Total of Other Grants not included in the above	(359)
(69,758)	**Total**	**(69,188)**

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

2017-18 £'000	Grant Income Unapplied - Current Liabilities	2018-19 £'000
	Capital Grants Receipts in Advance	
10	Other Grants/Contributions Individually Less Than £100,000	10
10	**Total - Capital Receipts in Advance**	**10**
	Revenue Grants Receipts in Advance:	
1	Grants/Contributions Individually Less Than £100,000	1
11	**Total - all Receipts in Advance**	**11**

Long Term Liabilities

2017-18 £'000	Grant Income Unapplied - Long-Term Liabilities	2018-19 £'000
	Capital Grants Receipts in Advance:	
873	S106 - SW Country Park - Swan Valley	873
337	S106 - Land at Upton SWD Ph1 re Country Park	342
125	S106 - Southern Development Link road	125
2,606	S106 - Princess Marina	2,480
334	S106 - Sainsbury's Sixfields	330
850	S106 - Land at Booth Rise	850
1,898	S106 - Banbury Lane	1,876
369	S106 - Wellingborough Rd	380
266	S106 - Goldings School	230
454	S106 - Former Abington Vale School Site	182
354	S106 - Old Towcester Road	354
130	S106 - Project Angel	130
-	S106 - Upton Country Park	397
-	S106 - Land at Danes Camp Way	349
-	S106 - Former Kingsthorpe MS, Northfield	1,637
-	S106 - Park Campus	2,006
-	S106 - Land at Nunn Mills	195
125	Community Infrastructure Levy -Development of former Green Oaks Primary School	125
-	Community Infrastructure Levy - Gambrel Road	205
1,014	West Northamptonshire Development Corporation	929
1,467	Capital Contributions - General	1,255
1,047	Other Grants/Contributions Individually Less Than £100,000	649
12,249	**Total - Capital Receipts in Advance**	**15,898**
	Revenue Grants Receipts in Advance:	
155	S106 - Pineham	154
331	Other Grants/Contributions Individually Less Than £100,000	547
486	**Total - Revenue Receipts in Advance**	**701**
12,734	**Total - all Receipts in Advance**	**16,599**

21. 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 the 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 20 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 2018-19 is shown in Note 17.

During 2018-19 expenditure to the value of £1.3m (2017-18 £1.7m) 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 £0.3m (2017-18 £0.3m) was receivable from these parties. Parties with transactions over £1k are shown below:

Expenditure 2017-18	Organsation	Expenditure 2018-19
£'000		£'000
399	Brackmills Industrial Estate	403
290	Northampton Town Centre Ltd	337
300	Northampton Theatres Trust	301
62	Community Law	62
408	Delapre Abbey Trust	59
65	Northampton Leisure Trust	49
65	Citizens Advice	0
14	The Hope Centre	16
16	Museum of Leathercraft	15
111	Community Spaces Northampton	15
0	Northampton Rape Crisis	13
0	SEMLEP	10
9	Duston Parish Council	1
0	Northampton Town Football in the Community Charity	6
0	Scooters 2 go	6
4	Northamptonshire Rights and Equalities	0
2	Alliston Gardens Youth & Community Centre	1
2	Groundwork	0
1	Caring and Sharing	0
1	Golby's Garden Centre	1
1	78 Derngate	0
1	Northamptonshire Country Centre	0
0	Far Cotton Association	1
0	Friends of Eastfield Park	1
1749	Grand Total	1,296

At 31st March 2019, the outstanding balances with these parties were debtors of £74k (2017-18 £299k); creditors of £310k (2017-18 £200k).

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 20 and 26.

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 is 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.

Delapre Abbey Preservation Trust is a separate company limited by guarantee and a charity. There is a provision subject to the restrictions of the LGHA 89 for NBC to have representation on the board (less than 20%). NBC own the freehold of Delapre Abbey. In 2018-19, NBC provided £58,544 of revenue funding for ongoing requirements.

Senior Officers of the Council

During 2018-19 there were two disclosures made in relation to related parties, Art Regeneration Ltd and Mind Tyneside and Northumberland. No transactions were identified in relation to these organisations.

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 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.

22. 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/PPP –Public Private Partnership 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) which is a measure of the capital expenditure incurred Financing Requirement (CFR) which reflects the capital expenditure incurred historically by the Authority that has yet to be financed.

Capital Financing	**2017-18 £'000**	**2018-19 £'000**
Opening Capital Financing Requirement	302,815	298,056
Capital Investment		
Property, Plant & Equipment	27,701	36,257
Heritage Assets	1,004	106
Investment Properties	18	-
Intangible Assets	46	74
Revenue Expenditure Funded from Capital Statute	1,519	1,439
Sources of finance		
Capital receipts	(11,260)	(8,214)
Sums set aside from capital receipts	(777)	-
Government grants and other contributions	(2,318)	(2,897)
Sums set aside from revenue	(1,333)	(5,999)
Write Down of Third Party Loans	(522)	(529)
Direct Revenue contributions	(18,837)	(16,080)
Closing Capital Financing Requirement	**298,056**	**302,213**
Explanation of movements in year:		
Increase in underlying need to borrow	(4,758)	4,157
Increase/(decrease) in Capital Financing Requirement	**(4,758)**	**4,157**

23. LEASES

Authority as Lessee

Finance Leases

a} In 2017-18 the Council had a number of leases that were required to be treated under IFRS accounting rules in 2018-19 the Council did not hold any leases.
In 2017-18 the assets acquired under these leases were carried in the Balance Sheet as net amounts:

31-Mar-18 £'000	Local Authority as Lessee - Finance Leases	31-Mar-19 £'000
50	Vehicles, Plant, Furniture and Equipment	-
52	Intangible Fixed Assets	-
102	**Total**	**-**

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 2018 £'000	Local Authority as Lessee - Finance Leases	31 March 2019 £'000
	Future minimum lease payments	
46	Vehicles, Plant, Furniture and Equipment	-
56	Intangible Fixed Assets	-
102	**Future minimum lease payments**	**-**
	Net present value of minimum lease payments	
100	Current	-
100	**Present value of minimum lease payments**	**-**
2	**Finance costs payable in future years**	**-**

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 March 2018		Local Authority as Lessee - Finance Leases	31 March 2019	
Present Value of Leases £'000	Minimum Lease Payments £'000		Present Value of Leases £'000	Minimum Lease Payments £'000
100	102	Not later than one year	-	-
-	-	Later than one year and not later than five years	-	-
100	**102**	**Total**	**-**	**-**

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 2018 £'000	Local Authority as Lessee - Operating Leases	31 March 2019 £'000
33	Not later than one year	10
39	Later than one year and not later than five years	6
-	Later than 5 years	-
72	**Minimum lease payments**	**16**
(43)	**Future minimum sub-lease payments receivable**	**-**

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:

2017-18 £'000	Local Authority as Lessee - Operating Leases	2018-19 £'000
	Minimum lease payments	
107	Contract Hire	18
23	Other	4
(86)	Sublease payments receivable	(1)
44	**Total**	**21**

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 2018 £'000	Leases - Authority as Lessor - Finance Leases	31 March 2019 £'000
	Gross investment in leases	
124	Other Land and Buildings	107
124	**Net present value of minimum lease payments receivable**	**107**
10	Current	11
81	Non-current	70
91	**Present value of minimum lease payments receivable**	**81**
33	**Unearned finance income**	**26**

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

31 March 2018		Leases - Authority as Lessor - Finance Leases	31 March 2019	
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	10	Not later than one year	17	11
69	48	Later than one year and not later than five years	69	52
37	33	Later than five years	20	18
123	**91**	**Minimum lease payments receivable**	**106**	**81**

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 201

Operating Leases

i) 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 2018 £'000	Leases - Authority as Lessor - Operating Leases - Minimum Lease Payments	31 March 2019 £'000
1,932	Not later than one year	2,016
6,746	Later than one year and not later than five years	7,212
55,383	Later than five years	53,219
64,061	**Minimum lease payments**	**62,447**

The minimum lease payments receivable do not include rents that are contingent on future events, such as adjustments following rent reviews. In 2018-19 £11k contingent rents were receivable by the Authority (compared with £9k in 2017-18).

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

24. IMPAIRMENT LOSSES

During 2018-19, the council has recognised material impairment losses totalling £5.5m (2017-18 - £51.9m) in relation to Council Dwellings and £16.34m (£1.1m) in relation to Other Assets. The council also reversed £155k (2017-18 - £0m) impairment losses in 2018-19.

25. TERMINATION BENEFITS

There were no material or significant termination benefits paid in 2018-19 as set out in note 18c.

26. 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, 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 pension's 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 2017-18 £'000	Comprehensive Income and Expenditure Statement	Local Government Pension Scheme 2018-19 £'000
	Cost of Services:	
	Service cost comprising:	
3,220	Current service cost	3,440
-	Past service cost (including curtailments)	1,273
-	Effect of Settlement	(3,361)
	Financing and Investment Income and Expenditure	
3,530	Net interest expense	3,473
6,750	**Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services**	**4,825**
	Other Post-employment Benefits charged to the	
	Remeasurement of the net defined benefit liability	
6	Return on plan assets (excluding the amount included in the net interest expense)	(9,551)
5,356	Actuarial gains and losses arising on changes in financial assumptions	15,400
602	Other experience	418
5,964	**Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement**	**6,267**
	Movement in Reserves Statement	
786	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(1,442)
	Actual amount charged against the General Fund Balance for pensions in the year:	
6,093	Employers' contributions payable to scheme	6,620

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	
	2017-18 £'000	2018-19 £'000	2017-18 £'000	2018-19 £'000	2017-18 £'000	2018-19 £'000
Present value of the defined benefit obligation	326,226	325,877	13,714	13,791	339,940	339,668
Fair value of plan assets	(202,555)	(197,811)	-	-	(202,555)	(197,811)
Net liability arising from defined benefit obligation	**123,671**	**128,066**	**13,714**	**13,791**	**137,385**	**141,857**

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements		Total £000	
	2017-18 £'000	2018-19 £'000	2017-18 £'000	2018-19 £'000	2017-18 £'000	2018-19 £'000
Opening fair value of scheme assets	202,975	202,555	-	-	202,975	202,555
Interest income	5,003	4,897	-	-	5,003	4,897
Remeasurement gain/(loss)	-	(14,063)				(14,063)
The return on plan assets, excluding the amount included in the net interest expense	6	9,551	-	-	6	9,551
Contributions from employer	5,248	5,760	845		6,093	5,760
Contribution from employees into the Scheme	529	590	-	-	529	590
Contribution in respect of unified benefits	845	860			845	860
Unfunded benefit paid	(845)	(860)			(845)	(860)
Benefits Paid	(11,206)	(11,479)	(845)	-	(12,051)	(11,479)
Closing fair value of scheme assets	**202,555**	**197,811**	**-**	**-**	**202,555**	**197,811**

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements		Total	
	2017-18 £'000	2018-19 £'000	2017-18 £'000	2018-19 £'000	2017-18 £'000	2018-19 £'000
Opening balance at 1 April	345,667	326,226	14,862	13,714	360,529	339,940
Current service cost	3,220	3,440	-	-	3,220	3,440
Interest cost	8,533	8,370	-	-	8,533	8,370
Contribution from scheme participants	529	590	-	-	529	590
Remeasurement gain/(loss):					-	-
Actuarial gain/losses arising from changes in financial assumptions	(5,356)	15,400			(5,356)	15,400
Other experience	(602)	418	(303)		(905)	418
Past service cost (Including Curtailments)	-	1,273			-	1,273
Effect of Settlements		(17,424)			-	(17,424)
Present value of unfunded liabilities	-	(77)	-	77	-	-
Unfunded benefit paid	(845)	(860)			(845)	(860)
Benefits Paid	(11,206)	(11,479)	(845)		(12,051)	(11,479)
Closing present value of scheme liabilities	**339,940**	**325,877**	**13,714**	**13,791**	**353,654**	**339,668**

Local Government Pension Scheme assets comprised:

Fair value of scheme assets 2017-18 £'000	Assets comprised of:	Fair value of scheme assets 2018-19 £'000
3,861	Cash and cash equivalents	4,642
	Equity instruments:	
	By industry type	
14,351	Consumer	21,700
1,030	Manufacturing	7,610
11,450	Energy and utilities	11,286
14,839	Financial institutions	12,313
6,330	Health and care	7,757
13,865	Information technology	10,622
11,909	Other	-
73,774	**Total equity**	**71,288**
	Bonds:	
	By sector	
17,632	Government	16,927
17,632	**Total bonds**	**16,927**
	Private Equity:	
1,502	Overseas	3,568
1,502	**Total private equity**	**3,568**
	Real Estate	
	By type	
	UK Property	
15,924	Overseas Property	16,137
15,924	**Total property**	**16,137**
	Investment Funds and Unit Trusts:	
74,420	Equities	70,014
15,442	Bonds	14,356
-	Infrastructure	879
89,862	**Total investment funds and unit trusts**	**85,249**
202,555	**Total assets**	**197,811**

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 31 March 2017.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2017-18	2018-19
Mortality Assumptions:		
Longevity at 65 for Current Pensioners:		
- Men	22.1	22.1
- Women	24.2	24.2
Longevity at 65 for Future Pensioners:		
- Men	23.90	23.90
- Women	26.10	26.10
Rate of Increase in Pensions	2.4%	2.5%
Rate of Increase in Salaries	2.7%	2.8%
Rate for Discounting Scheme Liabilities	2.6%	2.4%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above.The sensitivity analysis 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 2019:	Approximate increase to Employer Liability %	Approximate Monetary Amount £'000
0.5% decrease in Real Discount Rate	8%	27,758
0.5% increase in the salary increase rate	0%	1,661
0.5% increase in the Pension Increase Rate	8%	25,807

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 2019.

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.

27. CONTINGENT LIABILITIES

The Council is potentially liable for the following:

Northampton Partnership Homes

- As set out in the explanatory forward and 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 Group Accounts for disclosure of the financial performance of NPH in 2018-19

Other – various

- 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. If every one of these deposits becomes repayable with interest, the Council's maximum liability for interest payable as at 31st March 2019 is estimated to be £0.7m.

- Employment tribunal claims for discrimination – age, and age related, harassment £0.18m.

- Financial guarantee for Home Group - a Housing Association.
  "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.
The NBC proportion is 1.35% of £82.55m representing a value of £1.11m.

- There are a number of outstanding insurance claims that have been received of £1.27m as assessed by our Insurance Actuary. These have been assessed and an estimated provision has been charged to the accounts of £0.39m, therefore the estimated value of the insurance claims outstanding is £0.88m.

- There are a number of small appeals, and claims, estimated at £49k.

- Errors, anomalies and poor record keeping have been identified in the administration of the Council's Empty Homes Scheme (2012-14). The amount of money that the Council can expect to recover from the property owners will need to be recalculated £100k.

28. 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 £17k.

- NBC have lodged a court claim for money lent to Northampton Town Football club to the value of £2.79m. The Council acknowledges there is significant risk as to recoverability of this fund.

- 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. Retention payment due to NBC by 2024 is £300k.

29. 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 because 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 include, 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 2018-19 the maximum limits for placements with individual or group counterparties 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. However, business customers are assessed, taking into account their financial position, past experience, and other factors, in line with parameters set by the council, when contracts are entered into. This forms part of the Council's procurement procedures.
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.
In 2015-16 the Council experienced default on a loan to a third party, however due to the individual circumstances of this default, this does not increase the likelihood of default on other third party loans.
The Council's maximum exposure to credit risk in relation to its investments totalling £47.8m 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 non-recoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2019 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 non-collectability over the last five to six financial years adjusted to reflect current market conditions.

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

Estimated Maximum Exposure to Default and Uncollectability at 31 March 2018 £'000	Credit Risk	Amount at 31 March 2019 £'000	Historical Experience of Default at 31 March 2019 %	Historical Experience Adjusted for Market Conditions at 31 March 2019 %	Estimated Maximum Exposure to Default and Uncollect-ability at 31 March 2019 £'000
-	Third Party Loans	48,364	0		
1,025	**Customer: Sundry debtors**	**6,493**	**22**	628	**1,553**
-	**Deposits with Bank and Financial Institutions**	**47,773**	**0**		
1,025	**Total**	**102,631**		**628**	**1,553**

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 2018-19.
With the exception of third party loans and mortgages, 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 £48.4m. 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 £102.6m total exposure to credit risk £1.6m 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 2018 £'000	Aged Debt Analysis	Amount at 31 March 2019 £'000
89	Less 3 months	0
381	Three to six months	512
470	Six months to one year	512
49,419	More than one year	48,364
50,360		**49,388**

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 cash flow 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 2018 £'000	Maturity Profiles of Financial Liabilities	31 March 2019 £'000
(50,599)	Less than 1 year	(5,584)
(17,709)	One to two years	(34,324)
(44,092)	Two to five years	(16,854)
(197,720)	More than five years	(190,569)
(310,120)		**(247,331)**

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 £4.5m are due for maturity during 2019-20(excl amortisation adjustments and EIP/Annuity repayments) per loan schedule. 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 respect of 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 affect 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 where interest rates are falling or where economic circumstances are favourable, fixed rate loans may be repaid early to minimise costs.

The Council has an active strategy for assessing interest rate exposure that is applied in setting the annual budget and 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 2018, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

31 March 2018 £'000	Market Risk	31 March 2019 £'000
2	Increase in interest payable on variable rate borrowing	2
(317)	Increase in interest receivable on variable rate investments	(266)
(315)	**Impact on Surplus or Deficit on the Provision of Services**	**(266)**
(81)	Share of overall impact credited to the HRA	(203)
(396)	**Impact remaining on General Fund**	**(63)**
113	Increase in fair value of fixed rate investment assets	140
113	**Impact on Other Comprehensive Income and Expenditure**	**140**
234	**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)**	**71**

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.

30. CASH FLOW STATEMENT – Non Cash Movements

The cash flows for operating activities include the following items:

2017-18 £'000	Operating Activities	2018-19 £'000
15,365	Depreciation	16,477
178,143	Impairment and downward valuations	25,431
91	Amortisation	337
8,340	Increase(-)/Decrease in Creditors	602
(1,855)	Increase/Decrease (-) in Debtors	3,015
(9)	Increase/Decrease (-) in Inventories	25
657	Movement in Pension Liability	(1,795)
9,717	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	7,929
867	Movement in Provisions	248
(28,949)	Other non-cash items charged to the deficit on the provision of services	122
182,367	**Total**	**52,390**

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

2017-18 £'000	Items removed from net cost of service that are investing/financing activities	2018-19 £'000
(11,617)	Proceeds from the sale of property, plant and equipment	(11,495)
(1,122)	Any other items for which the cash effects are investing or financing activities	(1,487)
(12,739)	**Total**	**(12,982)**

31. CASH FLOW STATEMENT – OPERATING ACTIVITIES (INTEREST)

2017-18 £'000	Operating Activities	2018-19 £'000
8,142	Interest payable and similar charges	7,771
3,526	Pensions interest cost and expected return on pension assets	3,473
(1,606)	Interest receivable and similar charges	(1,802)
10,062	**Total**	**9,442**

32. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2017-18 £'000	Cash Flows from Investing Activities	2018-19 £'000
(28,773)	Purchase of Property, Plant and Equipment	(36,420)
(88,000)	Purchase of short-term and long-term investments	(27,494)
82,500	Proceeds from short-term and long-term investments	36,000
1,959	Proceeds from the Sale of Property, Plant and Equipment	11,495
1,122	Capital Grants Received	1,487
(31,192)	**Total**	**(14,932)**

33. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2017-18 £'000	Cash Flows from Financing Activities	2018-19 £'000
80	Cash Receipts of short and long-term borrowing	0
(3,007)	Repayments of short and long-term borrowing	(10,547)
(2,927)	**Total**	**(10,547)**

F1. 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.

2017-18 £'000	Housing Revenue Account	2018-19 £'000	£'000
	Income		
(49,798)	Dwelling Rents	(48,945)	
(1,064)	Non Dwelling Rents	(1,045)	
(2,520)	Charges for services & facilities	(3,023)	
(2)	Contributions Towards Expenditure	3	
(53,385)	**Total Income**		**(53,009)**
	Expenditure		
14,506	Repairs & Maintenance	13,911	
	Supervision & Management		
8,403	General Management	9,135	
5,469	Special Services	6,158	
188	Rent, Rates, Taxes & other charges	247	
159,915	Depreciation, Impairment & Revaluation of Fixed Assets	19,938	
80	Debt Management Costs	80	
332	Increased in provision for bad/doubtful debts	502	
188,893	**Total Expenditure**		**49,971**
135,508	**Net Cost of Services**		**(3,039)**
919	HRA Services share of Corporate and Democratic Core		744
136,427	**Net Cost of HRA Services**		**(2,295)**
(203)	Gain (-) or Loss on sale of HRA Fixed Assets		(564)
	Interest Payable and other similar charges		
6,195	Interest and Investment Income		6,156
2	Pensions interest cost and expected return on pensions assets		3
(1)	Others		3
142,420	**Surplus (-) or Deficit for the year on HRA services**		**3,303**

F2. 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.

2017-18 £'000	Statement of Movements on the Housing Revenue Account Balance	2018-19 £'000
(5,000)	HRA Balance brought forward	(5,000)
142,421	Surplus (-) / Deficit for the year on the HRA Income and Expenditure Account	3,303
(140,132)	Adjustments between accounting basis and funding basis under the legislative framework	(3,628)
(2,289)	Transfer to Earmarked Reserves	325
(5,000)	**HRA Balance carried forward**	**(5,000)**

F3. NOTES TO THE HRA

1. PRIOR YEAR ADJUSTMENTS

F1 and F2 above have been restated in line with CIPFA guidance.

2. HRA ASSETS AND CAPITAL TRANSACTIONS

a) At 31st March 2019 the Council was responsible for managing 11,417 units of accommodation (excluding shared ownership properties):

Type of Property	Number of Bedrooms				Total
	One	Two	Three	Four	
Flats-Low Rise	1,458	377	2	1	**1,838**
Flats-Medium Rise	1,639	812	112	4	**2,567**
Flats-High Rise	395	82	20	-	**497**
Houses & Bungalows	880	2,381	2,935	319	**6,515**
Total	**4,372**	**3,652**	**3,069**	**324**	**11,417**

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

Type of Property	Stock at 01/04/2018	Stock Movements			Stock at 01/04/2019
		Sales	Additions	Lost Units	
Flats	4,878	(49)	73	(2)	4,900
Houses & Bungalows	6,594	(76)	2	(3)	6,517
Dwellings (excl. Shared)	11,472	(125)	75	(5)	11,417
Shared Ownership	75	(4)			71
Total	**11,547**	**(129)**	**75**	**(5)**	**11,488**

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

2017-18 £'000	Net Balance Sheet Value	2018-19 £'000
	Operational Assets	
179,588	Council Dwellings - Land	176,069
395,202	Council Dwellings - Buildings	410,828
15,896	Other Housing Land and Buildings	19,126
468	Other Operational Assets	346
591,154	**Total Operational Assets**	**606,369**
9,633	**Non Operational Assets**	8,521
600,787	**Total Net Balance Sheet Value**	**614,891**
1,368,548	**Vacant Possession Value as at 1st April**	**1,397,373**

d) Capital Receipts

2017-18 £'000	Housing Capital Receipts	2018-19 £'000
(8,855)	Dwelling Sales	(8,594)
(8,855)	**Total**	**(8,594)**
1,072	Payable to the Secretary of State	1,072
(7,783)	**Useable Capital Receipts**	**(7,521)**

e) Capital Expenditure and Financing

2017-18 £'000	HRA Capital Expenditure and Financing	2018-19 £'000
	Expenditure	
22,975	Dwellings	23,480
288	Re-Purchase of Former Council Housing	90
500	Other Property	377
23,763	**Total Expenditure**	**23,947**
	Financing	
	Dwellings	
-	Borrowing	2,845
4,971	Useable Capital Receipts	5,021
6,792	Revenue Contributions	2,466
12,000	Major Repairs Reserve	13,614
23,763		**23,947**
23,763	**Total Financing**	**23,947**

3 ARREARS

During 2018-19, arrears as a proportion of gross income was 4.2%. This represent an increase of 0.4% since 2017-18 when the proportion was 3.8%.The figures for rent arrears are detailed below

2017-18 £'000	Arrears	2018-19 £'000
1,882	Gross Arrears at 31 March	2,040
(928)	Prepayments	(1,004)
953	**Net Arrears at 31 March**	**1,036**
-		-
909	**Provision for bad debts**	**1,062**

4. VACANT POSSESSION VALUE

2017-18 £'000	HRA Vacant Possession Value	2018-19 £'000
1,368,548	Vacant Possession Value as at 31st March	1,397,373

2017-18 £'000	HRA Existing Use	2018-19 £'000
574,790	Existing Use Value as at 31st March	586,897

The vacant possession value of dwellings within the HRA as at 31st March 2019 was £1,397m (£1,369m in 2017-18). For the balance sheet, the figure has been reduced to 42% of this value. 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

2017-18 £'000	Depreciation, Amortisation	2018-19 £'000
12,185	Dwellings	12,628
403	Other Property	347
16	Vehicles, Plant & Equipment	24
12,604	**TOTAL DEPRECIATION**	**12,999**
181	Intangible Assets	279
181	**TOTAL AMORTISATION**	**279**
12,785	**TOTAL**	**13,277**

b) Revaluation Gains and Losses

2017-18			2018-19	
I&E £'000	RR £'000	Revaluation (Gain), Loss and Impairment	I&E £'000	RR £'000
146,833	(179,392)	Council Dwellings	7,260	(14,312)
297	2,950	Other Housing Land and Buildings	(599)	(3,653)
147,131	**(176,442)**	**TOTAL**	**6,661**	**(17,965)**

6. MAJOR REPAIRS RESERVE

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year end.

The transactions on the Major Repairs Reserve are detailed below:

Major Repairs Reserve	2018-19 £'000
Balance at 1 April 2018	(616)
Council Dwellings Depreciation	(12,999)
	(13,614)
Amount used to finance Capital Expenditure Dwellings	13,614
Balance at 31 March 2019	**-**

G1. 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 £30.1m in 2018-19 (£29.1m in 2017-18). 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.

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

2017-18 Council Tax	2017-/18 NNDR	2017-18 Total		2018-19 Council Tax	2018-19 NNDR	2018-19 Total
£'000	£'000	£'000		£'000	£'000	£'000
			INCOME			
(108,549)	-	(108,549)	Council Tax (net of benefits, discounts & transitional relief)	(115,842)	-	(115,842)
-	(105,641)	(105,641)	Income collectable from business ratepayers	-	(102,675)	(102,675)
(108,549)	**(105,641)**	**(214,190)**	**TOTAL INCOME**	**(115,842)**	**(102,675)**	**(218,517)**
			EXPENDITURE			
			Precepts & demands:-			
76,656	-	76,656	Northamptonshire County Council	82,680	-	82,680
13,736	-	13,736	Northamptonshire Police and Crime Commissioner	14,782	-	14,782
15,066	-	15,066	Northampton Borough Council	15,794	-	15,794
			National Non-Domestic Rates			
-	46,098	46,098	Payments to Central Government	-	48,917	48,917
-	9,220	9,220	Payments to Northamptonshire County Council	-	9,788	9,788
-	36,878	36,878	Amount retained by Northampton Borough Council	-	39,137	39,137
-	283	283	Cost of collection	-	283	283
-	1,261	1,261	Other - Enterprise Zone	-	1,344	1,344
-	5,231	5,231	Transitional Protection Payments	-	2,162	2,162
			Bad & Doubtful Debts / Appeals			
1,329	5,934	7,263	Provisions	(567)	1,009	441
			Contributions			
2,636	(2,799)	(162)	Towards previous years' Collection Fund surplus/ (deficit)	2,680	(2,212)	468
109,423	**102,106**	**211,529**	**TOTAL EXPENDITURE**	**115,368**	**100,427**	**215,795**
873	**(3,535)**	**(2,662)**	**Net (Surplus)/deficit for the year**	**(474)**	**(2,248)**	**(2,723)**
			COLLECTION FUND BALANCE			
(3,504)	4,105	601	Balance brought forward at 1st April	(2,631)	570	(2,061)
873	(3,535)	(2,662)	Net Deficit/(surplus) for the year (as above)	(474)	(2,248)	(2,723)
(2,631)	570	(2,061)	**Balance carried forward at 31 March**	(3,105)	(1,679)	(4,784)
			Allocated to:-			
-	285	285	Central Government	-	(839)	(839)
(1,912)	57	(1,855)	Northamptonshire County Council	(2,270)	(168)	(2,438)
(343)	-	(343)	Northamptonshire Police and Crime Commissioner	(399)	-	(399)
(376)	228	(148)	Northampton Borough Council	(436)	(671)	(1,107)
(2,631)	**570**	**(2,061)**	**Fund Balance c/fwd**	**(3,105)**	**(1,678)**	**(4,783)**

G2. NOTES TO THE COLLECTION FUND

1. NATIONAL NON DOMESTIC RATES (NNDR)

The total non-domestic rateable value as at 31 March 2019 was £247.2m and the equivalent figure for 2017-18 was £248.3m. The National Non-Domestic Rate multiplier for 2018-19 was 49.3p and the equivalent figure for 2017-18 was 47.9p. The small business non-domestic rating multiplier for 2018-19 was 48.0p and the equivalent figure for 2017-18 was 46.6p.

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: -

2017-18 Band D Equivalents	Band	Estimated no of taxable properties 2018-19 after discounts	Ratio	2018-19 Band D Equivalents
20.8	A(-)	38.3	5/9	21.3
14,259.8	A	21,816.5	6/9	14,544.4
13,477.0	B	17,501.5	7/9	13,612.3
18,115.6	C	20,549.8	8/9	18,266.5
9,930.5	D	9,936.9	9/9	9,936.9
6,423.1	E	5,279.8	11/9	6,453.1
3,402.2	F	2,376.8	13/9	3,433.1
2,012.0	G	1,207.3	15/9	2,012.1
100.5	H	49.3	18/9	98.5
67,741.5	**Gross Council Tax Base**			**68,378.0**
2,032.2	**Non-collection provision**			**1,504.3**
65,709.3	**Council Tax Base Used for setting the Precept**			**66,873.7**

The provision for non-collection was set at 2.2% for 2018-19 (3.0% 2017-18)

3. ANALYSIS OF IN-YEAR CONTRIBUTIONS TO FUND DEFICITS

2017-18 £'000	In year contribution to deficit - NNDR	2018-19 £'000
206	Central Government	(1,106)
41	Northamptonshire County Council	(221)
165	Northampton Borough Council	(885)
412	**Total deficit recovered**	**(2,212)**

2017-18 £'000	In year allocation of surplus - Council Tax	2018-19 £'000
2,541	Northamptonshire County Council	1,948
478	Northamptonshire Police & Crime Commissioner	349
533	Northampton Borough Council	383
3,552	**Total Surplus paid out**	**2,680**

4. PROVISION FOR BAD AND DOUBTFUL DEBTS

2017-18 £'000	Bad and Doubtful Debts - Council Tax	2018-19 £'000
10,010	Bad Debt Provision B/fwd	10,016
(1,296)	Write-offs	(1,076)
(27)	Council tax benefit transferred to reserve	(25)
1,329	Provision Made in Year	(567)
10,016	**Bad Debt Provision c/f**	**8,347**

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

2017-18 Re-Sated £'000	Bad and Doubtful Debts - NNDR	2018-19 £'000
620	Bad Debt Provision B/fwd	1,649
(620)	Write offs of uncollectible debt	(1,321)
1,649	Allowance for non collection	623
1,649	**Bad Debt Provision C/F**	**951**
(1,721)	**Amounts written off in year not charged to provision**	**-**

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 2019:

2017-18 £'000	Provision for Appeals - NNDR	2018-19 £'000
11,867	Appeals Provision B/fwd	14,431
(1,095)	Amounts used in year	(1,898)
3,660	Additional provisions made	2,284
14,431	**Appeals Provision C/F**	**14,817**

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 its subsidiary Northampton Partnership Homes (NPH), and also NPH's subsidiary Happy to Help (Northampton) 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.

Happy to Help (Northampton) Community Interest Company was incorporated on the 18th July 2018 which is a company wholly owned by Northampton Partnership Homes. Happy to Help (Northampton) Community Interest Company has therefore been consolidated into Northampton Partnership Homes' group accounts.

H1. GROUP ACCOUNTS CORE STATEMENTS

GROUP MOVEMENT IN RESERVES STATEMENT

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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

Group Movement in Reserves Statement	Single Entity Usable Reserves	Single Entity Unusable Reserves	Total Single Entity Reserves	Authority share of reserves of subsidiary	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2017 Brought forward	**(62,572)**	**(326,594)**	**(389,165)**	**14,121**	**(375,045)**
Movement in reserves during 2017/18					
Total Comprehensive Expenditure and Income	**140,855**	**(184,430)**	**(43,575)**	**(1,108)**	**(44,683)**
Adjustments between accounting basis and funding basis under regulations	(144,624)	144,624	-	-	-
Transfers to/from Earmarked Reserves	-	-	-	-	-
(Increase) / Decrease in Year	**(3,769)**	**(39,806)**	**(43,575)**	**(1,108)**	**(44,683)**
Balance at 31 March 2018 carried forward	**(66,341)**	**(366,399)**	**(432,741)**	**13,013**	**(419,729)**
Movement in reserves during 2018/19					
Total Comprehensive Expenditure and Income	**18,998**	**(12,488)**	**6,510**	**2,652**	**9,162**
Adjustments between accounting basis and funding basis under regulations	(16,668)	16,668	-	-	-
Transfers to/from Earmarked Reserves	-	-	-	-	-
Increase / (Decrease) in Year	**2,331**	**4,180**	**6,510**	**2,652**	**9,162**
Balance at 31 March 2019 carried forward	**(64,010)**	**(362,220)**	**(426,231)**	**15,665**	**(410,566)**

GROUP 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.

2017-18			GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	2018-19		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
			INCOME AND EXPENDITURE ON SERVICES			
3,185	(16)	3,170	Chief Executive	3,173	(196)	2,977
251,029	(113,946)	137,083	Housing	56,368	(56,294)	74
2,243	(896)	1,347	Borough Secretary	2,106	(330)	1,776
22,810	(8,354)	14,456	Customers & Communities	25,282	(5,457)	19,825
77,210	(69,966)	7,243	Chief Finance Officer	69,949	(67,383)	2,566
11,436	(9,375)	2,061	Economy, Assets & Culture	23,138	(5,841)	17,297
2,156	(1,831)	325	Planning	2,632	(2,203)	429
370,070	**(204,385)**	**165,685**	**COST OF SERVICES**	**182,648**	**(137,704)**	**44,944**
2,166	(1,508)	658	Other Operating Expenditure	(1,334)	0	(1,334)
15,059	(6,657)	8,402	Financing and Investment Income and Expenditure	18,454	(9,363)	9,091
-	(34,279)	(34,279)	Taxation and Non-Specific Grant Income	36,559	(70,130)	(33,571)
		140,466	**(Surplus) or Deficit on Provision of Services**			**19,130**
		(178,466)	Surplus or deficit on revaluation of Poperty, Plant and Equipment assets			(18,941)
		(6,682)	Actuarial gains / losses on pension assets/liabilities			8,788
		(185,148)	**Other Comprehensive Income and Expenditure**			**(10,153)**
		(44,682)	**TOTAL COMPREHENSIVE INCOME AND EXPENDITURE**			**8,977**

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'.

31 March 2018 £'000	Group Balance Sheet	31 March 2019 £'000
700,903	Property, Plant & Equipment	714,850
36,806	Heritage Assets	28,185
13,830	Investment Property	13,794
551	Intangible Assets	388
49,500	Long Term Debtors	48,470
801,590	**Long Term Assets**	**805,687**
34,021	Fixed Term Investments	23,119
0	Financial Assets at Fair Value	7,399
10,021	Short Term Investments	5,025
146	Inventories	135
19,201	Short Term Debtors	21,401
18,983	Cash and Cash Equivalents	13,924
82,372	**Current Assets**	**71,003**
(10,546)	Short Term Borrowing	(5,584)
(36,563)	Short Term Creditors	(37,428)
(5,912)	Provisions	(6,111)
(53,021)	**Current Liabilities**	**(49,123)**
		0
(12,734)	Long Term Creditors	(16,599)
(11)	Provisions	(60)
(247,263)	Long Term Borrowing	(241,747)
(151,202)	Other Long Term Liabilities	(158,411)
(411,210)	**Long Term Liabilities**	**(416,817)**
419,731	**Net Assets**	**410,750**
(67,146)	Usable Reserves	(64,898)
(352,585)	Unusable Reserves	(345,852)
(419,731)	**Total Reserves**	**(410,750)**

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.

2017-18 £'000	Group Cashflow Statement	2018-19 £'000
(140,465)	Net surplus or (deficit) on the provision of services	(19,129)
182,433	Adjustment to surplus or deficit on the provision of services for noncash movements	52,533
(3,081)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(12,983)
38,887	**Net Cash flows from operating activities**	**20,421**
(31,192)	Net Cash flows from Investing Activities	(14,931)
(3,027)	Net Cash flows from Financing Activities	(10,547)
4,668	**Net increase or decrease in cash and cash equivalents**	**(5,057)**
14,314	Cash and cash equivalents at the beginning of the reporting period	18,982
18,982	**Cash and cash equivalents at the end of the reporting period**	**13,925**

H2. 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.

Happy to Help (Northampton) Community Interest Company was incorporated on the 18th July 2018 which is a company wholly owned by Northampton Partnership Homes. Happy to Help (Northampton) Community Interest Company has therefore been consolidated into Northampton Partnership Homes' group accounts.

Both Northampton Partnership Homes and its subsidiary Happy to Help (Northampton) Community Interest Company are subsidiaries of Northampton Borough Council for accounting purposes and have been consolidated into the Council's group accounts.

2. Intra-group transactions

During 2018-19 the Council made payments of £51.058m to Northampton Partnership Homes (£49.174m in 2017-18). During 2018-19 the Council received payments of £3.751m from Northampton Partnership Homes (£4.280m in 2017-18). At 31st March 2019 there was a debtor balance of £9.249m (£4.534m in 2017-18), and a creditor balance of £12.065m (£6.607m in 2017-18) 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 – Non Cash Movement

2017-18 £'000		2018-19 £'000
15,365	Depreciation	16,477
178,143	Impairment and downward valuations	25,245
91	Amortisation	337
5,123	Increase/(decrease) in creditors	4,730
1,080	Increase/(decrease) in debtors	(1,173)
2	Increase/(decrease) in inventories	11
994	Movement in pension liability	(1,579)
867	Contributions to/(from) provisions	248
9,717	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	7,929
(28,949)	Other non-cash items charged to the net surplus or deficit on the provision of services	122
182,433		**52,347**

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

2017-18 £'000		2018-19 £'000
(1,959)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(11,496)
(1,122)	Any other items for which the cash effects are investing or financing cash flows	(1,487)
(3,081)		**(12,983)**

2017-18 £'000		2018-19 £'000
3,389	Interest received	(1,802)
(9,921)	Interest paid	7,771
0	Dividends received	3,473
(6,532)		**9,442**

9. Group Cash Flow Statement – Investing Activities

2017-18 £'000		2018-19 £'000
(28,773)	Purchase of property, plant and equipment, investment property and intangible assets	(36,420)
(88,000)	Purchase of short-term and long-term investments	(27,494)
1,959	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	11,496
82,500	Proceeds from short-term and long-term investments	36,000
1,122	Capital Grants Received	1,487
(31,192)	**Net cash flows from investing activities**	**(14,931)**

10. Group Cash Flow Statement – Financing Activities

2017-18 £'000		2018-19 £'000
80	Cash receipts of short- and long-term borrowing	-
(3,007)	Repayments of short- and long-term borrowing	(10,547)
(2,927)	**Net cash flows from financing activities**	**(10,547)**

11. Group Debtors

31 March 2018	Short Term Debtors	31 March 2019
6,275	Trade receivables	5,863
140	Prepayments	701
12,786	Other receivables	14,837
19,201	**Total**	**21,401**

12. Group Creditors

31 March 2018	Short Term Creditors	31 March 2019
(10,248)	Central government bodies	(10,585)
(635)	Other local authorities	(948)
(25,680)	Other entities and individuals	(25,895)
(36,563)	**Total**	**(37,428)**

13. 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 28 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.

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:

	2017-18	2018-19
Cost of Service	**£'000**	**£'000**
Current service cost	6,031	6,096
Past service cost (including curtailments)	-	1,273
Effect of settlements	-	(3,361)
Pension contribution adjustment	(134)	0
net interest expense	3,896	4,297
Total post employment benefits charged to the surplus or deficit on the provision of services	**9,793**	**8,305**
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)	(711)	(9,551)
Actuarial gains and losses arising on changes in financial assumptions	4,550	14,594
Other expenditure	602	418
Total post-employment benefits charged to the comprehensive income and expenditure statement	**14,234**	**13,766**
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	(11,919)	1,875
Employers contributions payable to the scheme	**6,102**	**9,430**

Reconciliation of the movements in fair value of scheme assets:

	2017-18	2018-19
	£'000	£'000
Opening fair value of scheme assets	**219,032**	**221,974**
Interest income	5,461	5,460
Remeasurement gain/(loss)	0	(12,816)
Return on plan assets excluding the amount included in the net interest expense	(887)	9,551
Contributions from employer	9,067	8,570
Contributions from employees into the scheme	991	1,036
Benefits paid	(12,348)	(11,840)
Closing fair value of scheme assets	**221,316**	**221,935**

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

	2017-18	2018-19
	£'000	£'000
Opening present value of scheme liabilities	**375,923**	**373,176**
Current service cost	6,031	6,096
Interest cost	9,357	9,303
Contribution from scheme participants	694	1,036
Actuarial gains/losses arising from changes in financial assumptions	(6,162)	19,168
Actuarial gains/losses arising from other experience	(602)	418
Past service cost	-	1,273
Effect of Settlements	-	(17,424)
Unfunded benefit paid	-	(860)
Benefits paid	(12,051)	(12,700)
Closing present value of scheme liabilities	**373,190**	**379,486**

Fair value of plan assets:

	2017-18 £'000	2018-19 £'000
Equity securities		
Consumer	15,738	24,262
Manufacturing	1,095	8,530
Energy & utilities	12,552	12,620
Financial institutions	16,184	13,759
Health and care	6,877	8,711
Information technology	15,239	11,941
Other	13,150	-
Debt securities		
UK Government	19,259	19,009
Private equity		
All	1,606	4,024
Real Estate		
UK property	17,463	18,226
Investment funds and unit trusts		
Equities	81,561	78,443
Bonds	16,869	16,214
Infrastructure		879
Cash and cash equivalents		
All	4,381	5,319
Total	**221,974**	**221,935**

14. Group External Audit costs

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

Group Auditor Fees	2017-18 £'000	2018-19 £'000
Northampton Borough Council Auditor Fees	309	244
Northampton Partnership Homes Auditor Fees	25	32
Total Group Auditor Fees	**334**	**276**

I. GLOSSARY OF TERMS

Accruals

Income and expenditure are recognised as they are earned or incurred, not as money is received or paid (see Debtors and Creditors).

Actuary

An independent and appropriately qualified adviser who carries out statutorily required pension fund valuations.

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.

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation or the actuarial assumptions have changed.

Actuarial Valuation

An actuary undertakes valuations by checking what a pension scheme's assets are worth compared to its liabilities. The actuary calculates the funding required from the employer to ensure the scheme is able to meet its pension liabilities as they fall due

Admitted Bodies

Voluntary and charitable bodies whose staff can become members of the Local Government Pension Scheme subject to certain terms and conditions and other organisations to whom Local Government employees have been transferred under the outsourcing of Local Government services.

Amortisation

A charge to the comprehensive income and expenditure statement which spreads the cost of the value of an asset or liability over its useful life in line with the Council's accounting policies.

Audit

From 1 April 2015 the appointment of External Auditors to local Authorities has been undertaken by Public Sector Audit Appointments (PSAA), an independent company incorporated by the Local Government Association. KPMG was the Council's appointed Auditor for 2017-18, Ernst & Young became the appointed auditor with effect from 1 April 2018.
An independent examination of the Authority's financial affairs.

Balance Sheet

The Balance Sheet combines all the accounts of an authority, excluding trust funds, as they are not at the disposal of the council.
It is a statement of the recorded assets, liabilities and other balances as at the end of the accounting period.

Capital Adjustment Account

This account contains the resources set aside to meet the cost of past expenditure. These include capital receipts, released grants and contributions and sums set aside for debt redemption.

Capital Expenditure

Expenditure on acquisition, Improvement or enhancement of either the council's or third-party assets are defined as capital expenditure. Expenditure, which merely maintains the value, e.g. repairs and maintenance is charged to revenue.

Capital Receipts

Proceeds from the sale of capital assets such as land or buildings. They are available to finance new capital outlay and to repay existing loan debt. (Subject to the provisions contained within the Local Government Act 2003)

Cash Equivalents

Funds invested in call accounts and 30-day notice accounts which are readily available convertible to known amounts of cash with insignificant risk of change in value

Code

The rules and regulations governing the information and layout of the council's Statement of Accounts.

Community Assets

Assets which are held for the benefit of the community where there is no determinable useful life, such as works of art. These may have restrictions on their disposal.

Council Tax

Council Tax is a local taxation that is levied on dwellings within the local Council area and funds all Council services.

Creditor

Represents the amount that the Council owes other parties at the balance sheet date.

Current assets

An Asset where the value changes because the volume held varies from day to day e.g. Inventories. It is reasonable to expect that these assets will either be consumed or realised during the next accounting period e.g. cash and bank balances, debtors.

Current Liabilities

An amount which will become payable or could be called in within the next accounting period e.g. creditor,

Debtor

Represents the amounts owed to the Council not received at the balance sheet date.

Deferred Grants

Amounts received or receivable that have been used to finance capital expenditure. Under the capital accounting arrangements these amounts will be released to offset depreciation in respect of the fixed assets to which they relate.

Deferred Capital Receipts

These represent capital income still to be received after disposals have taken place and wholly consists of principal outstanding from the sale of council houses

Defined Benefit Scheme

A pension where the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded

Depreciation

The measure of the wearing out, consumption or other reduction in the useful economic life of a long-term asset.

DRC

Depreciated Replacement cost. A method of valuation which provides the current cost of replacing an asset with its modern equivalent

Earmarked Reserves

Reserve balances which have been set aside for future spending in a specific area.

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.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a liability of another, it covers both financial assets and liabilities.

General Fund (GF)

This is the main revenue account of the council. Day to day transactions are conducted through this account, except for those relating to the Housing Revenue Account, Collection Fund or any other trust funds held by the Council.

Grants

Payment towards the cost of local authority services. These are either for purposes or services (specific grants) or in aid of local services generally (formula grant).

Housing Benefit

An allowance to persons receiving little or no income to meet their rent. Benefits can be paid by Local Authorities but refunds in part are received from Central Government.

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

Expenditure on works of construction or improvement but which have no tangible value, such as construction of, or improvement to highways.

Intangible Assets

Non-monetary assets that cannot be seen, touched or physically measured, but can be identified as a separate asset.

Reporting Standards

The Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of a Local Authority. It is based on International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) plus UK Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards (FRS).

Inventory

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

Member

A Councillor, a member of the Council.

Ministry of Housing, Communities and local Government (MHCLG)

MHCLG is a Central Government Department with the overriding responsibility for determining the allocation of general resources to Local Authorities.

Minimum Revenue Provision (MRP)

This is the amount we have to set aside out of our revenue to repay loans.

Net Book Value (NBV)

The value of an asset after depreciation.

Net Realisable Value

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

Non-Current Asset

A tangible asset with a benefit beyond one financial year, which has a realisable value e.g. land, buildings and plant

Non-Distributable Costs

Costs that cannot be specifically applied to a service and are held centrally.

Non Operational Assets

Non-current assets held by the council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets would be investment properties and assets that are surplus to requirements, pending sale or redevelopment.

Officer

Employee of the Council.

Operating Leases

Leases other than a finance Lease

Operational Assets

Non-Current Asset held and occupied, used or consumed by the council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Payment in Advance

A charge considered when preparing the financial statements, which are for benefits to be received in a period after the accounting date.

Precept

This is an amount we receive from district and borough Councils (for Council Tax collected on our behalf) so that we can cover our expenses less our income. We also pay precepts to authorities such as the Environment Agency.

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.

Provision

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.

Prudential Borrowing

Borrowing which is financed from the Council's own resources and conforms to the Prudential Code.

Public Works Loan Board (PWLB)

A government body set up specifically to lend money to local authorities.

PVEQ

Plant, Vehicles and Equipment.

Reserves

Amounts earmarked in the accounts for purposes falling outside the definition of provisions can be classified as reserves. The movements in year being charged or generated as an appropriation to the Movement in Reserves Statement rather than directly to Service Revenue Accounts.

Revaluation Gain

The increase to the fair value of an asset following a valuation.

Revenue Support Grant (RSG)

Government funding which provides general support for council services.

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.

Treasury Management Strategy

A strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the Council.

Useful Life

The period with which an asset is expected to be useful to the Authority in its current state.

Stuart McGregor
Chief Finance Officer (S151)

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BOROUGH COUNCIL

Chief Finance Officer
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Ernst & Young
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LU1 3LU

Our Ref:	SM/JS
Your Ref:	
Contact:	Stuart McGregor
Ext/Direct Line	01604 838347
E-mail:	SMcGregor@northampton.gov.uk
Date:	25th March 2021

Dear Sir or Madam

This letter of representations is provided in connection with your audit of the consolidated and council financial statements of Northampton Borough Council ("the Group and Council") for the year ended 31st March 2019. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and council financial statements give a true and fair view of the Group and Council financial position of Northampton Borough Council as of 31st March 2019 and of its financial performance and its cash flows for the year then ended in accordance with, for the Group and Council, the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We understand that the purpose of your audit of our consolidated and council financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and for the Council, the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and council financial statements. We believe the consolidated and council financial statements referred to above give a true and fair view of the financial position, financial performance and cash flows of the Group and Council in

accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and are free of material misstatements, including omissions. We have approved the consolidated and council financial statements.

3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.

4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 that are free from material misstatement, whether due to fraud or error.

5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and council financial statements taken as a whole. We have not corrected these differences identified and brought to our attention by the auditor because they were immaterial errors or they were matters of judgement which are considered immaterial to the understanding of the accounts.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible for determining that the Group and Council's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. We have disclosed to you the results of our assessment of the risk that the consolidated and Council financial statements may be materially misstated as a result of fraud.

4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with laws and regulations, including fraud, known to us that may have affected the Group or Council (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance matters:

    - involving financial statements;
    - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or Council's financial statements;
    - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group or Council's activities, its ability to continue to operate, or to avoid material penalties;
    - involving management, or employees who have significant roles in internal controls, or others; or
    - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

   - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

   - Additional information that you have requested from us for the purpose of the audit; and

   - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the consolidated and council financial statements.

3. We have made available to you all minutes of the meetings of the Council and committees, including the Audit Committee held through the year to the most recent meeting on the following date: 25 March 2021.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and council financial statements.

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

7. We have disclosed to you any unauthorized access to our information technology systems, including for the period 1 April 2018 to 31 March 2019 and since, that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and council financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in the consolidated and council financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. Other than the events after the Balance Sheet date described in Note 1B (v) to the

Northampton Borough Council financial statements, there have been no events subsequent to year end which require adjustment of or disclosure in the consolidated and council financial statements or notes thereto.

F. Group accounts

1. There are no significant restrictions on our ability to distribute the retained profits/surpluses of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.

2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits/surpluses on transactions amongst council, subsidiary undertakings and associated undertakings.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and the Annual Governance Statement.

2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Ownership of Assets

1. Except for assets recognised under finance lease accounting in accordance with IAS 17 Leases, the Group and Council has satisfactory title to all assets appearing in the balance sheets, and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collateral. All assets to which the Group and Council has satisfactory title appear in the balance sheets.

I. Reserves

1. We have properly recorded or disclosed in the consolidated and council financial statements the useable and unusable reserves.

J. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of non-current assets and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

L. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully

Stuart McGregor, Chief Finance Officer (S151)

Northampton Borough Council

Ian Orrell, Chair of Audit Committee

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Schedule of Unadjusted Errors

Misstatements impacting upon income and expenditure	**Management Reason for not adjusting**
The calculation of the non-domestic rates appeals provision methodology which resulted in an overstatement of the appeals provision by £125,000. Correction of this misstatement would decrease expenditure and decrease provisions by £125,000.	The provision overstatement was not material enough to warrant a change. Any necessary changes can be accommodated in the following year.
EY Real Estate valuation specialists disagreed with the valuations given by management's valuer for the Council's two hotel investment properties, which EY believe to be understated by £995,000.	The values provided for the 19/20 accounts by a different firm of valuers are consistent with the values provided by the 18/19 valuers. Therefore, we believe that EY's estimate is overly optimistic. We are also aware that the hotel sector is not doing well as a result of the Covid19 pandemic and we therefore believe that it is prudent to retain the lower valuation.
Misstatements impacting upon other comprehensive income and expenditure	
The auditor of the Northamptonshire Pension Fund identified misstatement in the valuation of the Pension Fund's assets provided to the actuary to inform the calculation of the Authority's net pension liability. They have estimated the impact to be an understatement of the Authority 's net pension liability and the actuarial loss for the year of £290,000	The error identified is not considered materially enough to warrant a change in the financial statements.

Appendices:
1. Governance report

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	**Governance Report Update**

AGENDA STATUS: **PUBLIC**

Audit Committee Meeting Date: 25th March 2021

Policy Document: Governance Report

Services: Chief Finance Officer

Accountable Cabinet Member: Jonathan Nunn - Leader

1. Purpose

1.1.1 This report provides an assurance that the Governance items that were reported quarterly to Audit Committee, will be handed over to the relevant Directorates in the new authorities.

2. Recommendations

2.1 That the Committee note the contents of the report.

3. Issues of note

3.1 Report Background

Previously, the Audit Committee was presented with a quarterly governance statement to give assurance of controls and process improvements within NBC.

As of the 1st April, the Governance team will transfer into various Directorates within West Northamptonshire Council (WNC), appendix 1 gives a summary of the services and to where they will transfer to give assurance of handover of historical information.

3.2 Issues

Below is a summary of how the information currently managed by the Governance Team will be managed by the new authority:

Corporate Risk Register -

- A Corporate Risk Register has been developed by the WNC by Senior Management amalgamating the information supplied on Corporate registers by the Districts and Boroughs. The Corporate Risk Register has not been made public at this time. Future risk registers will be maintained through the audit and risk function on behalf of the Executive Director Finance (S151).

Emergency planning –

- Separate teams will provide cover for the Covid-19 response and for the wider Emergency planning service for Northamptonshire and will be hosted by North Northamptonshire Council for the first 12 months on behalf of WNC.

Health & Safety –

- Outstanding audit and inspection recommendations will be transferred to the H & S team at WNC for completion.

GDPR/Information Governance –

- Data Protection services will transfer to Legal & Democratic Services
- Outstanding FOI requests and Ombudsman cases will be transferred with the relevant team.
- An NBC officer has been appointed as the Interim Data Protection Officer for WNC

Audit, internal control & Risk –

- The audit, internal control and risk function will transfer to the Finance Directorate.
- Outstanding audit and internal control recommendations will be followed up by the WNC audit team.

- Learning & Development will be hosted by North Northamptonshire and will service both authorities.

- HR & Payroll will transfer to the Corporate Services Directorate (HR Advisory)

4. Implications (including financial implications)

4.1 Policy

4.1.1 There are no policy changes as a result of this report.

4.1.2 There may be various impacts and changes to current policies in the newly formed authority, we are aware that WNC has adopted a new constitution and with that changes to delegations and controls.

4.2 Resources and Risk

4.2.1 The resourcing for the governance services detailed above are in the process of being determined by West Northamptonshire Council.

4.3 Legal

4.3.1 None to report at present.

4.4 Equality

4.4.1 Whilst there are no specific equality implications at this stage, various policies will be reviewed through the improvements in procedures throughout the newly formed authorities. All reviews will be supported by equality and community impact assessments.

4.5 Consultees (Internal and External)

4.5.1 Internal consultation has taken place where required.

4.6 Other Implications

4.6.1 None specifically

5. Background Papers

5.1 None at present

Joanne Bonham, Governance & Risk Manager

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Governance Report to Audit Committee

25th March 2021

CONTRIBUTION LIST

Service Area:	Responsible:
Partner service providers Risk/policies/emergency planning/AOB GDPR H & S	Stuart McGregor Jo Bonham David Taylor Julian Bissaker

1. Partner service providers:

- NBC is directly supported by NCC, MKC and CCC delivering the services through to Unitary
- KPI's and management information is provided by the 3 lead authorities
- These meetings will continue and information will be presented to the West Northamptonshire authority (WNC).

2. Risk registers:

- There has been no update to the NBC Corporate Risk Register for Q4 2020/2021.
- A Corporate Risk Register has been developed by the WNC with engagement by Senior Management amalgamating the information supplied on Corporate registers by the Districts and Boroughs. The Corporate Risk Register has not yet been made public at this time.

3. Emergency Planning:

- Tactical Command Group and the Strategic Command Group continue to meet weekly to manage the Covid-19 response.
- Emergency planning will be hosted by the North authority and will provide Emergency Planning to the West Northamptonshire authority.
- The plan is to have separate teams will provide cover for the Covid-19 response and for the wider Emergency planning service for Northamptonshire.

4. Health & Safety:

- Health and Safety will transfer to HR Advisory in the Corporate Services Directorate in WNC.
- Outstanding audit and inspection recommendations will be transferred to the new team for completion.

Accident / Incident Statistics 2020/21

	April	May	June	July	August	September	October	November	December	January	February	March	
Borough Secretary													**0**
Customers and Communities	1	2		2	1	2	4	1	1		1		**15**
Housing & Wellbeing	1	1	3			2	2	1		2			**12**
LGSS							1	2					**3**
NPH									2	1			**2**
Chief Finance Officer													**0**
Chief Executive													**0**
Planning						1							**1**
Economy, Assets & Culture	5		7	7	5	11	6	4	7	5	3		**60**
Grand Total 20/21	**7**	**3**	**10**	**9**	**6**	**16**	**13**	**8**	**10**	**8**	**4**	**0**	**94**

Accident / Incident Statistics 2019/20

	April	May	June	July	August	September	October	November	December	January	February	March	
Borough Secretary		1		1						1	1		**4**
Customers and Communities	2	2	1	1	5	7	5	4	4	5	5		**41**
Housing & Wellbeing	2			2			3		1	6			**14**
LGSS									1		1	1	**3**
Chief Finance Officer													**0**
Chief Executive													**0**
Planning	1			1		2		1			1		**6**
Economy, Assets & Culture	3		1	3	4	6	1	2	5	8	6	1	**40**
Grand Total 19/20	**8**	**3**	**2**	**8**	**9**	**15**	**9**	**7**	**11**	**20**	**14**	**2**	**108**

5. GDPR:

April 2020 – February 2021

Overall								Improvement				
Service	**Total**	**Reportable Breaches**	**Non Reportable**	**Non Breaches**	**Deferred to another controller**	**Investigation ongoing**		**Procedure improvement**	**Correct Data Set**	**Update contact details**	**Staff Training**	**Notes**
Borough Secretary	0	0	0	0	0	0		0	0	0	0	
Customers and Communities	1	0	1	0	0	0		0	1	0	0	* Website search engine error. Providing returns on SPOC and rota.
Economy Assets and Culture	0	0	0	0	0	0		0	0	0	0	
Finance and Governance	1	0	0	1	0	0		0	0	0	0	
Planning	5	0	4	1	0	0		1	0	0	3	* Private number on website * Email address shared with neighbour * Staff member personal mobile number passed to member of the public. * Email addresses CC'd rather than BCC'd on bulk send out.
CTax & HB (LGSS)	6	0	3	3	0	0		0	0	1	2	* Document sent to old address. * Email to wrong address * Internal memo sent to external recipient.
Cllr	0	0	0	0	0	0		0	0	0	0	
Environmental Health	0	0	0	0	0	0		0	0	0	0	
HR and Payroll	1	0	1	0	0	0		1	0	0	0	* Offer letter sent to wrong applicant.
Post Room	1	0	0	1	0	0		0	0	0	0	

Housing and Wellbeing	3	0	1	2	0	0	0	0	0	1	* Email to wrong recipient.
Community Safety and Engagement	0	0	0	0	0	0	0	0	0	0	
Democratic Services	2	0	0	2	0	0	0	0	0	0	
NNDR	0	0	0	0	0	0	0	0	0	0	
External Agency	0	0	0	0	0	0	0	0	0	0	
External Contractor	0	0	0	0	0	0	0	0	0	0	
NLT	0	0	0	0	0	0	0	0	0	0	
NPH	0	0	0	0	0	0	0	0	0	0	
Total	20	0	10	10	0	0	2	1	1	6	

- Data Protection will transfer to the Legal & Democratic Services Directorate in WNC.

6. AOB:

- The remaining Governance team services will be transferred into the following Directorates in West Northamptonshire:

  Performance reporting - Business Intelligence – Corporate Services
  FOI – Legal & Democratic Services
  Learning & Development – North Northamptonshire will host both authorities
  Audit, internal control and risk – Finance Directorate
  HR & Payroll – HR Advisory – Corporate Services

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Appendices: 0

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Report in the Public Interest regarding the Council's loans to Northampton Town Football Club (accounts for the year ended 31 March 2016)

AGENDA STATUS: PUBLIC

Audit Committee Meeting Date: 25th March 2021

Services: Chief Finance Officer

Accountable Cabinet Member: Jonathan Nunn - Leader

1. Purpose

1.1 This report provides information in relation to the "Report in the Public Interest regarding the Council's loans to Northampton Town Football Club (accounts for the year ended 31 March 2016)".

2. Recommendations

2.1 That the Committee note that a Public Interest Report has been received by the Council and Cabinet have provided an update and action plan.

2.2 That the Committee notes there is no further action for the Northampton Borough Council Audit Committee due to the transition to the new West Northamptonshire Council on 1st April 2021.

2.3 That the Committee notes that the Council has now received the formal Audit Certificates from KPMG in respect of 2015-16, 2016-17 and 2017-18.

3. Issues of note

3.1 Report Background

On 27 January 2021, the Council's previous external auditor (KPMG) issued a Report in the Public Interest ("the Report") regarding the Council's loans to

Northampton Town Football Club (NTFC) (accounts for the year ended 31 March 2016). The Report is issued under the provisions of the Local Audit and Accountability Act 2014 (“the Act").

3.2 Issues

3.2.1 Audit Committee members have received copies of the Public Interest Report and considered it as part of Full Council.

3.2.2 Cabinet have received a formal update and considered the Action Plan at its meeting of 24th March.

3.2.3 Ordinarily the Audit Committee would consider the proposed Action Plan and seek to monitor its implementation, receiving regular updates. However as this will be the last meeting of the Northampton Borough Council Audit Committee, the Committee can only note the reports receipt, the actions taken by the Council and that West Northamptonshire Shadow Authority have been consulted and the new Council will take forward the proposed Action Plan.

3.2.4 The Committee will be aware that the new Council has adopted a new constitution, including new schemes of delegations, policies and controls.

3.2.5 As the issuing of the Public Interest Report concludes the auditing work by KPMG and the objection to the accounts. The previous External Auditor, KPMG, have issued the Council with the formal Audit Certificates for the audits conducted for 2015-16, 2016-17 and 2017-18.

4. Implications (including financial implications)

4.1 Policy

4.1.1 There are no Northampton Borough Council policy changes as a result of this report.

4.1.2 There may be impacts and changes that West Northamptonshire Council consider appropriate in taking forward the agreed Action Plan.

4.2 Resources and Risk

4.2.1 There are no specific resource implications as a result of this report.

4.3 Legal

4.3.1 Under the provisions of the Act, the Council was required to publish the report as soon as practicable, consider it at a meeting within one month, decide what action it will take in response and publish a summary of that decision. The Council met on 22 February 2021 to receive the report.

4.3.2 Under Schedule 7 of the Act, the Council is required to consult with West Northamptonshire Shadow Authority as WNC will be responsible for the Action Plan from 1 April 2021. This has been undertaken leading to a Report to Cabinet on 24th March 2021.

4.3.3 After considering the Report and its response to it, the Council must notify the external auditor of its decisions, and publish a notice containing a summary of those decisions which has been approved by the external auditor. This will be actioned following the Cabinet decision of the 24th March 2021.

4.4 Equality

4.4.1 There are no specific equality implications in respect of this report.

4.5 Consultees (Internal and External)

4.5.1 Consultation has taken place with Corporate Management Board, Cabinet and West Northamptonshire Shadow Authority.

4.6 Other Implications

4.6.1 None specifically

5. Background Papers

5.1 Council Report 22 February 2021 2021 02 22 Council Report - PIR FINAL.pdf (northamptonboroughcouncil.com)

5.2 Cabinet Report 24 March 2021 PIR - final draft Action Plan 23.03.21 FINAL.pdf (northamptonboroughcouncil.com)

Stuart McGregor, Chief Finance Officer (S151)

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NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Chief Finance Officer Report to the Audit Committee

AGENDA STATUS: **PUBLIC**

Audit Committee Meeting Date:		**25 March 2021**
Policy Document:		**No**
Directorate:		**Chief Finance Officer**
Accountable Cabinet Member:		**Cllr Brandon Eldred**

1. Purpose

1.1 To inform the Audit Committee about the work undertaken by the Finance team, in conjunction with the external auditors EY in respect of 2018-19 and 2019-20 Statement of Accounts.

1.2 To inform the Committee of any changes to accounting policies and Treasury Management.

2. Recommendations

2.1 It is recommended that the Audit Committee note:

2.1.1 The progress towards completing the Statement of Accounts for 2018-19 and 2019-20

2.1.2 That there are two changes to Accounting Policies.

2.1.3 That there have been no reportable incidents in respect of Treasury Management, or requirements to change Treasury Management Polices.

3. Issues and Choices

3.1 Report Background

3.1.1 This report provides an overview of the current position in respect of the Statements of Accounts due for Northampton Borough Council and other accounting or treasury policy items requiring reporting.

3.2 Accounting Policy Changes

3.2.1 There are two changes to Accounting Policy, these result from recommendations/requirements by External Audit, these are both reflected in the revised Statements of Accounts for 2018-19.

3.2.2 There is a change to the Council's MRP (Minimum Revenue Provision) relating to loans and the requirement to provide MRP for the capital element during the life of the loan, rather than make no provision on the basis the capital will be repaid on maturity.

3.2.3 Third party loans – Under statute the payment of the loan to a third part for capital purposes will treated as capital expenditure and will increase the Council's Capital Financing Requirement (CFR). The expenditure will normally be financed by the third party loan principal repayments being treated as capital receipts and applied to reduce the Council's CFR. As a result, MRP will not generally be required to be charged in relation to loans to third parties. The Council will review the individual circumstances of each third party loan on an annual basis to assess the risk that the loan will not be repaid. If the Authority considers that some or all of the loan may not be repaid, it will make plans to make financial provision for the potential losses that may arise from non-repayment of the loan principal which may include charging MRP, setting aside capital receipts or building revenue reserves that will be applied to reduce the CFR at an appropriate time based upon prudent assessment.

3.2.4 There is a change to how the Council recognises its Treasury investment in CCLA, which is a property fund.

3.2.5 The change of policy for the CCLA Investment alters the line within the Comprehensive Income and Expenditure Statement that any valuation movements are recorded on. This continues to have no impact on the revenue outturn as the valuation gain or loss is still adjusted via the Movement in Reserves Statement to an Unusable Reserve. Gains and losses on this investment would only impact on General Fund balances if the investment was redeemed.

3.2.6 Neither change has any direct impact on the General Fund budget, but represent accounting presentational changes requested by the External Auditor

3.3 Treasury Management

3.3.1 There have been no reportable incidents, the LGSS Treasury Management Team continue to work hard to maximise the interest earned through the investment vehicles available and reduce the interest paid on borrowing where possible.

3.3.2 The Treasury information is part of the structured handover to WNC, the additional assurance for the Committee is that the current Treasury Manager also provides the service to the County Council and will transition to the new West Northamptonshire Council.

3.4 Completing 2019-20 Statement of Accounts

3.4.1 The revised Statement of Accounts for 2018-19 are provided as a separate agenda item. The Committee are reminded that as a result of the amendments required by Auditors, there will be a subsequent impact on the draft Statement of Accounts for 2019-20.

3.4.2 The Statement of Accounts for Northampton Borough Council for 2019-20 and 2020-21 will be completed by West Northamptonshire Council as the successor authority. The Closedown Team will continue to support the completion of these accounts and handovers are taking place with the new WNC AD Finance responsible.

3.5 Internal Audit Programme

3.5.1 The final Internal Audit updates from BDO are elsewhere on this agenda. All Internal Audit Reports for 2018-19 to 2020-21 will be handed over to the WNC Executive Director Finance for information. Remaining actions will be taken forward for consideration by WNC as part of the structured handover process.

3.5.2 We wish to record our appreciation for the professional work BDO has delivered in respect of the Internal Audit programme and service, during our contract with them, particularly in mobilising at short notice to assist in the governance and control processes the Council needed to implement to support the initial Covid Business Grant distributions.

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3.6 Budget Update 2020-21

3.6.1 The latest Budget Monitoring update has been provided to Cabinet on 3 March 2021 (Cabinet Report - Budget Monitoring March 2021) This identified a forecast underspend of £0.278M.

3.6.2 The final Outturn position for the Council will be reported by West Northamptonshire Council.

3.7 Choices (Options)

3.9.1 Although this report is just for noting, Audit Committee have the opportunity to ask questions directly to Officers on its content, these may be responded to as written answers outside of the meeting.

4. Implications (including financial implications)

4.1 Policy

4.1.1 None to report.

4.2 Resources and Risk

4.2.1 The Council diverted significant staff resources in order to ensure that EY were provided with the required information to enable them to give their opinion on the 2018-1918 statement of accounts as soon as was practicable. This has had a knock-on impact on the ability to progress the closure of the 2019-20 accounts.

4.2.2 There is a risk that improvements could not be made within the financial year 2019-20, if any arise from the audit of 2018-19 due to the timing of the audit itself. These will be actioned for 2020-21.

4.2.3 The Council has mitigated the risk of failing to deliver Housing Benefit Subsidy Claims on time, through continuing to use an alternative audit provider, KPMG.

4.3 Legal

4.3.1 The actions proposed in this report will enable the Council to meet its statutory requirements of finalising its 2018-19 Statement of Accounts and amending the draft 2019-20 Statement of Accounts to prepare them for audit.

4.4 Equality

4.4.1 Not applicable.

4.5 Consultees (Internal and External)

4.5.1 Internal Auditors, BDO

4.5.2 External Auditors, EY

4.5.3 Corporate Management Board

4.6 Other Implications

4.6.1 None.

5. Background Papers

5.1 None.

Stuart McGregor
Chief Finance Officer

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