



**NORTHAMPTON**  
BOROUGH COUNCIL

**Draft**

**Statement of**

**Accounts**

**2007/2008**

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## **A. Auditor's Report**

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## B. Explanatory Foreword

### 1. Introduction

The Council has a statutory duty to approve and publish this Statement of Accounts document for the period 1<sup>st</sup> April 2007 to 31<sup>st</sup> March 2008.

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

To comply with the Accounts and Audit Regulation 2003 (subsequently updated by the Accounts and Audit Regulations 2006), the Council is required to have received and approved the Statement of Accounts by the end of June 2008. The Council met and approved the accounts at its meeting on 26<sup>th</sup> June 2008.

This foreword outlines the key individual statements that comprise the Statement of Accounts, including a description of the relationship between them. It also highlights the main activities/variations that took place during 2007/08 in each of the main activity areas.

The detailed accounts and related information are shown on pages 27 to 96 and consist of the following: -

#### **Core Financial Statements**

##### Income and Expenditure Account (page 27)

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

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

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

##### Statement of Total Recognised Gains & Losses (page 33)

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

##### Balance Sheet (page 35)

The Balance Sheet is fundamental to the understanding of an authority's financial position at the year end and shows balances as at 31<sup>st</sup> March 2008. It shows the council's balances and reserves, summarised information on the fixed assets held, net current assets employed in its operations, its long -term indebtedness, and net assets

## **B. Explanatory Foreword**

held. All reserves and balances (including the levels of General Fund and Housing Revenue Account working balances) are shown in the lower part of the Balance Sheet.

### Cash Flow Statement (page 37)

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

### Notes to the Core Financial Statements (pages 39 to 78)

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

### **Supplementary Financial Statements**

#### Housing Revenue Account (HRA) Income and Expenditure Account (page 79)

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

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

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

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

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

#### Collection Fund (page 91)

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

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

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

#### Annual Governance Statement (pages 97 to 117)

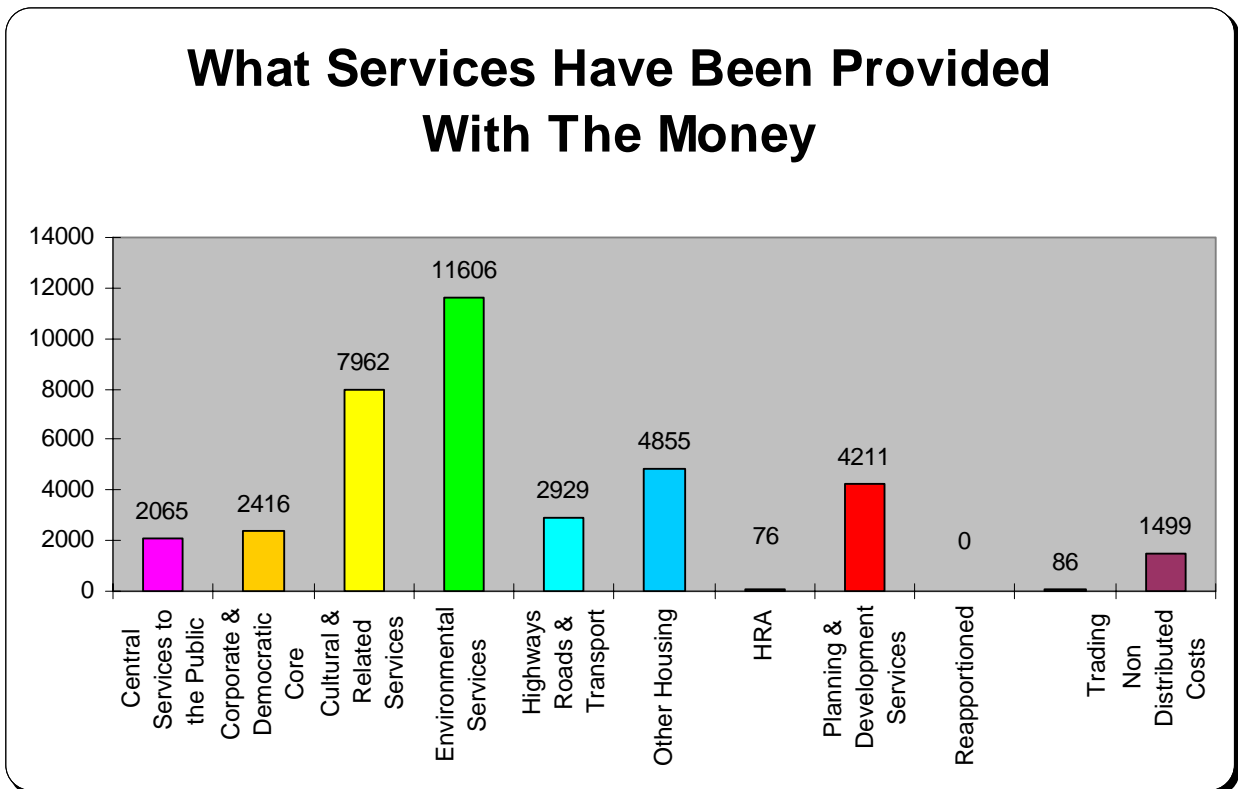
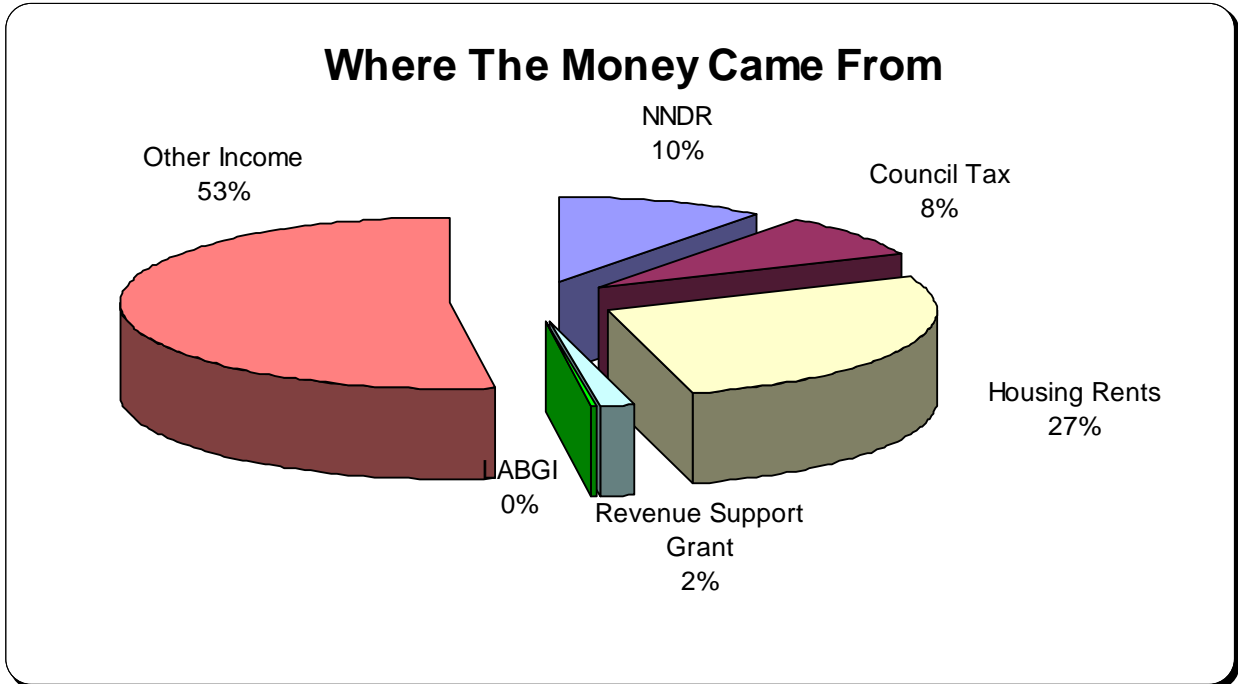
This statement outlines the Council's main systems of internal control and governance arrangements and notes any resultant actions arising for next year.

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### 2. Financial Summary 2007/08

#### a) Revenue Spending and Sources of Income

The following charts outline where the Council's revenue money came from, how it was spent and on which services. The charts show the overall position of the Council's revenue budgets for 2007/08 (i.e. both General Fund and HRA).



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### b) General Fund Account

The following table summarises the position for the General Fund for 2007/08. Some notes are included following the table to explain the main variations to the budget for the year.

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	£000s	£000s	£000s
<b>Expenditure</b>			
Net Service Expenditure	39,638	39,270	-368
Interest & Capital Financing Adjustments	-8,208	-7,238	970
<b>Total Net Expenditure</b>	<b>31,430</b>	<b>32,032</b>	<b>602</b>
<b>Income</b>			
National Non Domestic Rates	-15,760	-15,760	0
Revenue Support Grant	-2,645	-2,645	0
Local Authority Business Growth Incentive	0	-451	-451
Met by local Council Taxpayers	-13,045	-13,045	0
Collection Fund Deficit	20	10	-10
<b>Total Income</b>	<b>-31,430</b>	<b>-31,891</b>	<b>-461</b>
<b>(Surplus)/Deficit for the year</b>		141	
<b>Balance brought forward</b>		-2,893	
<b>Balance carried forward</b>		-2,752	

#### Variations to Budget

After taking account of contributions to reserves and balances, the Council's General Fund working balance was reduced by £141,000. This is after making a net contribution to General Fund earmarked reserves of £2.3m to mitigate some specific business risks.

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

#### i) Local Authority Business Growth Incentive (LABGI) Funding

When setting the Council's budget, LABGI funding was treated as 'outside' of the Council's base budget due to its uncertain and unsustainable nature. To comply with recommended practice, the £451,261 that the Council has been awarded to date for 2007/08 been shown within the accounts as a general government grant.

## B. Explanatory Foreword

### ii) Other Variations

<b>Under (-) / Over spends</b>	<b>£000s</b>
Concessionary Fares	429
Training and Development	-204
Economic Intelligence	-223
Regeneration	400
Events	222
Asset Management	-202
Parks and Open Spaces	-287
Revenues	-308
Targeted Dwellings	-482
Call Care	-272
ICT	-307
Non Distributed Costs	-158
Insurance and Bad Debt Provision	315
Support Service Recharges	697

### c) Housing Revenue Account

The following table outlines the outturn position for the Housing Revenue Account for 2007/08. Some notes are included following the table to explain the main variations to the budget for the year.

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	£000s	£000s	£000s
<b>Expenditure</b>			
Net Service Expenditure	-797	113	910
Interest & Capital Financing Adjustments	-228	59	287
<b>(Surplus)/Deficit for the year</b>	-1,025	172	1,197
<b>Balance brought forward</b>		-5,803	
<b>Balance carried forward</b>		-5,631	

#### Variations to Budget

After taking account of contributions to reserves and balances, the Council's Housing Revenue Account working balance was decreased by £172,000. This is after making a net contribution to HRA earmarked reserves of £3m to equalise capital financing between years and funding sources and to set up a reserve for leaseholder charges.

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

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<b>Under (-) / Over spends</b>	<b>£000s</b>
Repairs & Maintenance	1,234
Revenue Contributions to Capital	-2,000
Net Recharges for Support Services	-701
Increase in Bad Debt Provision	1,075

### d) Capital Expenditure

Capital expenditure relates to spending on new and improved assets (primarily Council owned) such as land, buildings, infrastructure, equipment, and information technology. In 2007/08 the Council spent £13.1 million on capital projects, compared with a budget of £20.3 million.

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	£000s	£000s	£000s
<b>Expenditure</b>			
Housing Revenue Account Schemes	8,975	5,495	-3,480
General Fund Housing Schemes	2,348	774	-1,574
Other General Fund Schemes	8,947	6,837	-2,110
<b>Total Capital Expenditure</b>	<b>20,270</b>	<b>13,106</b>	<b>-7,164</b>
<b>Sources of Financing</b>			
Major Repairs Allowance		4,995	
Revenue Contributions to Capital Expenditure		22	
Grants & Contributions		3,553	
Capital Receipts		1,893	
Supported Borrowing		500	
Unsupported Borrowing		2,143	
		<b>13,106</b>	

### Capital Variations to Budget

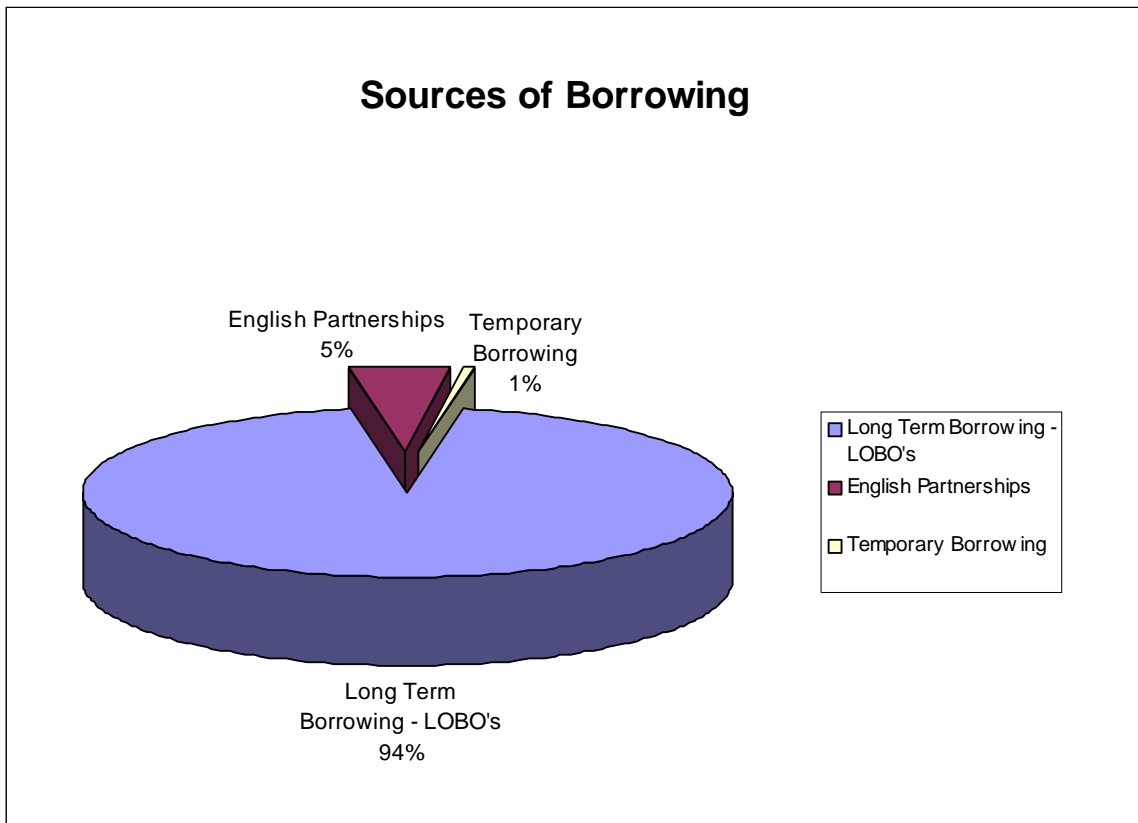
The spend on the capital programme was approximately £7.1 m below budget for the year. Approximately £5.8 of this variance relates to schemes that are currently underway or still planned to take place, but have effectively "slipped " into the next financial year (i.e. 2008/09).

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### e) Current Borrowing Facilities

Current borrowing facilities are as detailed below: -

Description	£000s
Long Term Borrowing - Bonds	24,606
English Partnerships	1,256
Temporary Borrowing	154
	26,016



## B. Explanatory Foreword

### 3. Major Changes in 2007/08

#### a) Assets acquired or enhanced

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

<b>Capital Expenditure</b>	
	£000s
<b>Housing</b>	
Council Housing	5,141
Other Housing	354
	5,495
<b>General Fund</b>	
Information Technology	966
Corporate Buildings	845
Environmental and Recreational Improvements	844
Private Sector Housing Grants	774
Designing Out Crime	742
Changing Room Improvements	631
Pay on Foot St Johns Car Park	428
Midsummer Meadow and Becketts Park Waterside	392
CCTV Installation	362
Far Cotton Resource Centre	283
Capitalisation Directive	277
Recycling Facilities	244
Leisure and Community Facilities	187
CASPAR 5 Thorplands	159
Ecton Lane improvements	147
Upton Mill Bridleway Bridge	107
Community Safety Schemes	128
Other Capital Works	95
	7,611
	13,106

#### b) Accounting Policies

A new Statement of Recommended Practice (SoRP) applies for the production of the 2007/08 accounts. This brings accounting treatments closer into line with UK Generally Accepted Accounting Practice (UK GAAP) and entails some changes to accounting treatments and the presentation of the accounts. There are adjustments required relating to historic transactions in respect of the impact of the accounting for Financial Instruments. Details of the changes are included in the section on accounting policies and the note on prior period adjustments.



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### c) Statutory Functions

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

The Gambling Act of 2005 required Local Authorities to issue premises licences for gambling activity. Administration of licensing activity is a statutory responsibility of a District Council and as such this activity falls within the remit of that role. The duty to grant and issue licences for gambling activity has transferred from Licensing Justices and as such represents and acquired operation. Many of the costs in relation to this activity have been absorbed within the existing service. However it is possible to identify specific income and expenditure in relation to employees, printing and income receivable.

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

### d) Unusual charges or credits in the accounts

As indicated earlier, the Council is in receipt of an additional general government grant in 2007/08 called Local Authority Business Growth Incentive (as it was in 2006/07). The future receipt of this grant is uncertain and so the use of this grant is not being built into base budgets.

An adjustment is necessary between the General Fund and Housing Revenue Account to correct a previous miscalculation of premia which dates back to 2002/03 and 2003/04. The impact of this is detailed in the note on prior period adjustments.

## 4. Conclusion

The Council is committed to continually improving and strengthening its internal governance arrangements. The Council continues to improve its budgetary control, overall financial control, and performance management processes. Clarity of decision-making and accountability, alongside the protection of public money and the legality of operations, is key to any public sector organisation and the Council continues to improve its awareness of its processes and steps that are necessary for compliance with best practice. The Council's budgets and the delivery of services within those budgets are the responsibility of service managers and the Council continues to increase service delivery whilst controlling net expenditure.

The under-spend on the Capital Programme has primarily been the result of a number of schemes not completing within the year. The Council is aware of the need for improved project management and is putting measures in place to deliver this.

The out-turn for the Housing Revenue Account shows an increase in the level of working balances and earmarked reserve, however many challenges must be overcome for the Council to deliver good quality homes at an affordable price to its tenants. A number of reviews are currently underway to enable the Council to deliver to this key priority.

The Council's General Fund Working Balance stood at £2.9m at the end of 2006/07. The working balance was reduced by £0.1m due to transactions in the year. The reasons for this are outlined in section 2b. The Council has adjusted its earmarked reserves to mitigate against emerging risks together with maintaining its level of balances at the level indicated by risk-based analysis. The Council continues to consolidate and

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strengthen its financial position to enable a sound platform from which to maintain and improve essential services within available resources. The level of working balance and the risk mitigation provided by reserves should enable the Council to concentrate on improving its services in line with priorities.

### 5. Further Information

Further information about these accounts is available from: -

Bill Lewis Assistant Head of Finance Northampton Borough Council Cliftonville House, Bedford Road Northampton NN4 7NR	Isabell Procter Finance Director Northampton Borough Council Cliftonville House, Bedford Road Northampton NN4 7NR
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In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed and the availability of the accounts is advertised in the local press.

## **C. Statement Of Accounting Policies**

### **1. General Principles**

The Statement of Accounts summarises the Council's transactions for the 2007/08 financial year and its position at the year-end of 31 March 2008. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2007* (the SoRP), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the Accounts and Audit Regulations 2003 (as amended). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets and certain categories of financial instrument.

### **2. Accruals of Income and Expenditure**

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

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

### **3. Provisions**

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

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

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

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

## C. Statement Of Accounting Policies

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

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

### 4. Reserves

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

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

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

The Council's risk-based assessment of the required level of General Fund working balance is £2.75m. This level of general working balance is considered reasonable due to the mitigation of some risks through the holding of earmarked reserves.

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

#### **Insurance Provision / Reserve**

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

### 5. Specific Accounting Adjustment Reserves

#### **Capital Accounts**

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

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

## C. Statement Of Accounting Policies

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

The **Capital Adjustment Account** mainly represents

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

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

### **Pensions Reserve**

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

### **Financial Instruments Accounts**

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

- **Financial Instruments Adjustment Account (FIAA)**
- **Available-for-sale Financial Instruments Reserve (AFIR)**

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

The Available-for-sale Financial Instruments Reserve (AFIR) is used in accounting for gains and losses arising from a change in value of an available-for-sale financial asset, excluding impairment losses and any foreign exchange losses, which are recognised in the Income and Expenditure Account. These gains and losses are recognised as a separate item within the Statement of Total Recognised Gains and Losses. There are no such adjustments necessary for 2007/08.

## 6. Collection Fund Balances

The treatment of the collection fund balance (although this does not fully recognise the ring fenced nature of the collection fund) is to split the balance on the collection fund by recording the precepting authorities as debtors or creditors in the top half of the balance sheet and the residual balance attributable to NBC in the bottom half. The movement on the amount attributable to NBC then forms part of the Statement of Recognised Gains and Losses. A note reconciling this treatment to the ring-fenced Collection Fund

## C. Statement Of Accounting Policies

balance is included in the notes to the Accounts. This treatment is consistent with the requirements of the SoRP.

### 7. Government Grants and Contributions (Revenue)

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

### 8. Retirement Benefits

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

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

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

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

- quoted securities – mid-market value
- unquoted securities – professional estimate
- unitised securities – average of the bid and offer rates
- property – market value.

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

- current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account

## C. Statement Of Accounting Policies

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

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

### **Discretionary Benefits**

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

### **9. VAT**

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

### **10. Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice (BVACOP) 2007*. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

### **11. Capital Expenditure**

All expenditure on the acquisition, creation or enhancement of capital assets is capitalised on an accruals basis. The Council has a general de-minimus limit of £6,000 for capital projects for capital expenditure purposes, which results in the capitalisation of

## C. Statement Of Accounting Policies

expenditure that complies with the definition of capital expenditure, above that limit, as an asset in the balance sheet.

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

### 12. Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the council (e.g. software licences) is capitalised, subject to the general de-minimus limit of £6,000 for capital projects, when it will bring benefits to the council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits. Intangible Assets are amortised to revenue over between three and ten years depending on the scale and perceived benefit arising from the asset to reflect the pattern of consumption of benefits. Where appropriate, intangible fixed assets will be revalued, disposed of, and impaired in line with the accounting policies on tangible fixed assets.

### 13. Tangible Fixed Assets

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

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

**Measurement:** Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the basis recommended by CIPFA and in accordance with the Royal Institute of Chartered Surveyors Valuation Standards 6<sup>th</sup> Edition. The basis of valuation for assets is shown in note 23 to the core statements. Assets not valued at historic or depreciated historic cost are revalued as part of a 5 year rolling programme. A schedule of properties valued at more than £0.45m is revalued annually. In order to properly reflect the profit or loss on disposal of an asset, assets which are being disposed of will be revalued at an unencumbered market value at the date of disposal. This revaluation will be outside the 5 year rolling programme adopted by the Council. The Council's freehold and leasehold properties are valued by the Council's internal valuer, Richard Lewis FRICS.

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

**Impairment:** the values of each category of asset and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of



## C. Statement Of Accounting Policies

reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

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

Where an impairment loss is charged to the Income and Expenditure account, but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account. This will then offset the transfer from the Statement of Movements to the Capital Adjustment Account.

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

Amounts in excess of £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, subject to the use of capital allowance in respect of non Right-to-Buy receipts. The balance of receipts is required to be credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the Statements of Movement on the General Fund Balance and the Statement of Movement on the Housing Revenue Account Balance.

The revalued assets are compared to the sale value to reflect the profit or loss to be shown in revenue. This will then enable transparency over the effects of any covenants or restrictive deeds which are placed on assets at the time of sale and therefore will show the financial effect of that policy decision. The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance and the Statement of Movement on the Housing Revenue Account Balance so that there is no impact on the General Fund or Housing Revenue Account balances.

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

Depreciation is calculated using the Straight-Line method over the determined life of the asset. The Council does not depreciate assets in the year of acquisition. This is not in accordance with FRS15, however this does not materially affect the pattern of consumption. Where an asset has major components with different estimated useful lives, these are depreciated separately.

**Grants and contributions:** where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to service revenue accounts, where specific services can be identified, in line with the SoRP,

## **C. Statement Of Accounting Policies**

according to the depreciation policy applied to the assets. This will partially offset depreciation charges made for the related assets in the relevant service revenue account, in order that the net impact is charged to services over the useful life of the assets. An adjustment will then be made in the Statements of Movement on balances so that there is no impact on levels of Council Tax or Housing Rents.

Previously Northampton Borough Council wrote Government Grants back over the anticipated life of the asset starting in the year the grant was used for financing. This was not in line with the way that other capital charges are reflected in the accounts and so is being corrected for future years. In order to realign the amortisation with depreciation, there were no amortisations in 2006/07. The amortisations re-commence in 2007/08.

### **14. Charges to Revenue for Fixed Assets**

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

- depreciation attributable to the assets used by the relevant service
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service
- amortisation of intangible fixed assets attributable to the service
- Government Grants and other contributions used for the financing of capital expenditure amortised to the service.

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

### **15. Deferred Charges**

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

### **16. Leases**

Leases have been assessed under the requirements of SSAP21 and treated as Finance Leases or Operating Leases accordingly.

#### **Finance Leases**

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

## C. Statement Of Accounting Policies

- a charge for the acquisition of the interest in the property (recognised as a liability in the balance sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable) and
- a finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, including the general de-minimus of £6,000 for capital expenditure, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

### Operating Leases

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

## 17. Financial Instruments

### Assessment of Fair Value of Assets or Liabilities

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

- Estimated interest rates at 31 March 2008 have been used where applicable based on the rate most appropriate to each type of investment. These have been based on rates for that date including Bank of England base rate (5.25%), PWLB rates and LOBO rates for example;
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate fair value;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

### Financial Liabilities

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account on an amortised cost basis in the year of repurchase / settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments with substantially the same overall effect when viewed as a whole, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and written down to the Income and Expenditure Account on a straight-line basis over the term of the replacement loan by an adjustment to the effective interest rate. Where premiums and discounts are to be charged to the General Fund or housing Revenue Account Balance,

## C. Statement Of Accounting Policies

regulations allow the impact on the Balances to be spread over future years. The Council has a policy of spreading the gain / loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid (or ten years whichever is the lesser in the case of the HRA). The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statements of Movement on Balances. Where there is not a direct replacement of loans, the gains and losses must be derecognised from the balance sheet. Where there is a legal requirement to charge these to revenue over a different period, an adjusting transaction is made to the Statement of Movements on Balances.

### Financial Assets

Financial assets are classified into three types:

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

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

However, the Council has made a number of loans at less than market rates (for example repayable training fees). These are termed 'soft loans'. When soft loans are made, a loss is recorded in the Income and Expenditure Account 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, 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 Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Income and Expenditure Account to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance. Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

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

- b) **Available-for-sale assets** are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or

## C. Statement Of Accounting Policies

determinable payments, income (e.g., dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council. Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

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

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

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

The Council does not generally deal in derivatives but may take out forward loans from time to time as part of its overall treasury management strategy.

### 18. Interest Receivable

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

### 19. Stocks and Work in Progress

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

Work in progress on uncompleted jobs is valued at cost.

### 20. Developers' Contributions

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

## **C. Statement Of Accounting Policies**

contributions will remain in creditors until such a point that the money is not repayable (i.e. the works have been completed) or until the contribution is repaid.

Where the contribution is not repayable to the developer within a specific time, there is a different treatment depending on whether the agreement relates to capital or revenue works. Any revenue contribution is treated as a receipt in advance and is held in the balance sheet until there is related expenditure in revenue. At this point the contribution is credited to the service accounts to support the revenue expenditure. Any capital contribution is treated as a Contribution Unapplied and is written down when the contribution is used to finance a relevant capital project. This treatment is in compliance with the SoRP.

### **21. Interests in Companies and Other Entities**

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

### **22. Private Finance Initiative (PFI)**

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

### **23. Cash flow**

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

### **24. Changes in Accounting Treatment**

#### **Financial Instruments**

In the 2007/08 Statement of Accounts, the Council has adopted a number of significant new accounting policies relating to Financial Instruments. This will not require a restatement of 2006/07 comparative figures, however an adjustment is made in 2007/08 to the Statement of Movement on the General Fund Balance. This is detailed in the note on prior period adjustments.

The accounting requirements dealing with the treatment of Financial Instruments require the establishment of two new reserve accounts. These are: the Financial Instruments Adjustment Account and the Available-for-sale Financial Instruments Reserve. The operation of these is summarised in the Accounting Policies above.

#### **Capital Accounting Reserves**

The 2007 SORP has introduced new capital accounting requirements. As at the 31<sup>st</sup> March 2007, the Fixed Assets Restatement Account (FARA) and the Capital Financing Account (CFA) cease to exist and as from the 1<sup>st</sup> April 2007, two new accounts are operated: - the Revaluation Reserve (RR) and the Capital Adjustment Account (CAA). The total balances held on the FARA and CFA as at 31<sup>st</sup> March 2007 are transferred to the CAA at its inception on 1<sup>st</sup> April 2007 and the CAA begins with a nil balance. The operation of these accounts is summarised in the Accounting Policies above.

## D. Core Financial Statements

### D1 Income & Expenditure Account

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

2006/07		2007/08			Note
Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
£000s		£000s	£000s	£000s	
	<b>EXPENDITURE ON SERVICES</b>				
494	<b>Central services to the public</b>	14,885	-12,821	2,064	
	<b>Cultural, environmental &amp; planning</b>				
9,630	Cultural & related services	12,009	-4,047	7,962	
9,705	Environmental services	16,742	-5,136	11,606	
3,023	Planning & development services	6,994	-2,783	4,211	2
1,226	<b>Highways, roads &amp; transport</b>	9,062	-6,133	2,929	3
	<b>Housing</b>				
-3,384	Housing Revenue Account	35,566	-35,490	76	
5,952	General Fund Housing	55,953	-51,098	4,855	
3,160	<b>Corporate &amp; democratic core</b>	2,486	-70	2,416	4, 5
199	<b>Non distributed costs</b>	1,499	0	1,499	
30,005	<b>Net Cost of Services</b>	155,196	-117,578	37,618	6-10
209	Loss on the Disposal of Fixed Assets			-47	
617	Parish Council precepts			825	
-102	Parish grants			-59	
	Surpluses (-) / Deficits on trading undertakings not included in Net Cost of				
-1,180	Services			86	11
1,545	Interest payable and similar charges			1,363	
186	Premia			-799	
5,299	Contributions to housing pooled capital receipts			3,876	35d
-2,608	Interest & investment income			-3,453	
1,840	Pensions interest cost & expected return on pensions assets			1,655	12
35,811	<b>Net Operating Expenditure</b>			41,065	
-12,143	Demand on the Collection Fund			-13,045	
147	Distributed Surplus (-) / Deficit on Collection Fund			10	
-2,828	General Government Grants (Revenue Support Grant)			-2,645	
-15,062	Non-domestic rates redistribution			-15,760	
-861	Local Authority Business Growth Incentive			-451	
5,064	<b>Surplus (-) / Deficit for the Year</b>			9,174	

## D. Core Financial Statements

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## D. Core Financial Statements

### D2 Statement of Movement on the General Fund Balance

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

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

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

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

2006/07		2007/08	Note
£000s		£000s	
5,064	Surplus (-) / Deficit for the year on the Income and Expenditure Account	9,174	
-4,853	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	-9,032	13
211	<b>Increase (-) / Decrease in the General Fund Balance for the Year</b>	142	
-3,104	General Fund Balance brought forward	-2,893	
-2,893	<b>General Fund Balance carried forward</b>	-2,751	

## D. Core Financial Statements

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## D. Core Financial Statements

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

2006/07		2007/08	Note
£000s		£000s	
	<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>		
-544	Amortisation of intangible fixed assets	-503	
-4,140	Depreciation and Impairment of fixed assets	-8,731	
0	Government Grants Deferred amortisation	2,373	
-764	Write down of deferred charges to be financed from capital resources	-667	
-94	Net loss on sale of fixed assets	-211	
	Differences between amounts debited / credited to the Income and Expenditure Account and amounts payable / receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early repayment of debt	3	
-6,187	Net charges made for retirement benefits in accordance with FRS 17	-5,959	12
-11,729		-13,695	
	<b>Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the General Fund Balance for the year</b>		
307	Minimum Revenue Provision for capital financing	350	
0	Capital expenditure charged in-year to the General Fund Balance	23	
-5,299	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	-3,876	
6,183	Employer's contributions payable to the Northamptonshire County Council Pension Fund and retirement benefits payable direct to pensioners	5,523	12
1,191		2,020	
	<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>		
3,290	Housing Revenue Account Balance	319	
0	Voluntary Revenue Provision for capital financing		
2,395	Net transfers to / from (-) earmarked reserves	2,324	
	Adjustments to opening Financial Instrument Balances	1,900	
	Adjustments to opening Financial Instrument Balances Reversed to the Financial Instruments Adjustment Account	-1,900	
5,685		2,643	
-4,853	<b>Net additional amount required to be credited to the General Fund balance for the year</b>	-9,032	

## **D. Core Financial Statements**

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## D. Core Financial Statements

### D3 Statement of Total Recognised Gains & Losses (STRGL)

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

2006/07		2007/08	Note
£000s		£000s	
5,064	Surplus (-) / Deficit for the year on the Income and Expenditure Account	9,174	I&E
-46,071	Surplus (-) / Deficit arising on revaluation of fixed assets	-52,071	
-9,040	Actuarial gains (-) / losses on pension fund assets and liabilities	36,515	12
	Gains (-) / Losses on Available for Sale Financial Assets		
	Any other gains and losses required to be included in the STRGL		
-158	Surplus (-) / Deficit for the year on Collection Fund balance due to Northampton Borough Council	149	14
	Financial Instruments Restatement Adjustment (2007/08 Only)	1,900	
-50,205	<b>Total recognised gains (-) / losses for the year</b>	-4,333	

## **D. Core Financial Statements**

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## D. Core Financial Statements

### D4 Balance Sheet

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

2006/07		2007/08		Note
£000s		£000s	£000s	
	<b>Fixed Assets</b>			15,16
3,663	<b>Intangible Fixed Assets</b>		3,541	17
	<b>Tangible Fixed Assets</b>			18 - 24
	Operational Assets			
565,857	Council dwellings	597,268		
83,293	Other land and buildings	89,955		
3,938	Vehicles, plant, furniture & equipment	381		
335	Infrastructure Assets	1,412		
4,484	Community Assets	5,597		
	Non-operational Assets			
41,706	Investment Properties	43,523		
3,179	Assets Under Construction	3,049		
865	Surplus Assets Held for Disposal	796		
703,657			741,981	
707,320			745,522	
4,399	Long-term Debtors		119	
1,119	Deferred premia on the early repayment of debt		0	
712,838	<b>Total Long-term Assets</b>		745,641	
342	Stocks & work in progress	379		26
25,840	Debtors	22,950		27
39,520	Investments	52,503		25
29	Cash and bank	29		28
65,731	<b>Total Current Assets</b>		75,861	
778,569	<b>Total Assets</b>		821,502	
-432	Short-term Borrowing	-154		29
-34,568	Creditors	-35,409		30,31
-1,333	Bank Overdraft	-1,236		28
-36,333	<b>Total Current Liabilities</b>		-36,799	
742,236	<b>Total Assets less Current Liabilities</b>		784,703	
-25,869	Long-term borrowing	-25,862		32
-1,110	Provisions	-1,543		33
-7,630	Grants & contributions – deferred	-8,145		
-988	Grants & contributions – unapplied	-1,110		31
-64,144	Liability relating to defined benefit pension scheme	-101,215		12
-99,741	<b>Total Long-term Liabilities</b>		-137,875	
642,495	<b>Total Assets less Liabilities</b>		646,828	34
	<b>Financed by</b>			
0	Revaluation Reserve	49,928		
689,000	Capital Adjustment Account	674,464		
0	Financial Instruments Adjustment Account	-1,582		
0	Usable capital receipts reserve	131		
71	Deferred capital receipts	54		
-64,144	Pension reserve	-101,215		12
2,893	General fund balance	2,751		
1	Collection fund balance	-148		14b
5,803	Housing Revenue Account balance	5,631		
0	Major Repairs Reserve	2,617		
8,871	Earmarked reserves	14,197		
642,495	<b>Total Net Worth</b>		646,828	34,35

## **D. Core Financial Statements**

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## D. Core Financial Statements

### D5 Cash Flow Statement

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

2006/07		2007/08		Note
£000s		£000s	£000s	
10,903	<b>Revenue Activities Net Cash Flow</b>		10,133	36
	<b>Return on Investments &amp; Servicing of Finance</b>			
-1,545	<b>Cash Outflows</b> - Interest paid	-558		
2,608	<b>Cash Inflows</b> - Interest received	3,453		
1,063	<b>Net Interest</b>		2,895	36
	<b>Capital Activities</b>			
	<b>Cash Outflows</b>			
-14,634	Purchase of fixed assets	-12,819		
0	Purchase of long-term investments	0		
-1,052	Other capital cash payments	-1,331		
-15,686		-14,150		
	<b>Cash Inflows</b>			
11,435	Sale of fixed assets	5,899		
2,834	Capital grants received	3,137		
5,533	Other capital cash receipts	457		
19,802		9,493		
4,116			-4,657	
16,082	<b>Net Cash (Inflow)/Outflow before financing</b>		8,371	
	<b>Management of Liquid Resources</b>			36
-17,443	Net increase / decrease in short term deposits	-7,983		
0	Net increase / decrease in other liquid resources	0		
-17,443			-7,983	
	<b>Financing</b>			36
-1,557	<b>Cash Outflows</b> - Repayments of amounts borrowed	537		
1,585	<b>Cash Inflows</b> - New loans raised	-828		
28	<b>Financing Net Cash Flow</b>		-291	
-1,333	<b>Net Increase (-) / Decrease in cash</b>		97	36

## **D. Core Financial Statements**

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## E. Notes To The Core Financial Statements

### 1. Prior Period Adjustments

There are no prior year adjustments which have an effect on the overall position of the Council. There is, however, an adjustment relating to previous and future years which affects the incidence of costs between the Housing Revenue Account and General Fund and a consequent effect on the available balances for the two accounts; this is shown at note 1a below. The major changes are detailed below.

#### a) Premia

Sometimes when the borrowing of the Authority has been amended with the lenders, an additional charge (or discount) is made to the Authority. This transaction is then allocated between Housing Revenue Account and General Fund, based on the notional borrowing on each account. Some of the historic transactions have been incorrectly allocated between the HRA and General Fund in the past and a correction is necessary in order to with HRA 'Ring-fencing' legislation. To correct this requires transactions to be enacted relating to previous years. The transactions are summarised below.

	HRA Premia Share - Original	HRA Premia Share - Actual	Additional Charge due to HRA
	£000s	£000s	£000s
Rescheduling 2002/03	1,656	2,017	361
Rescheduling 2003/04	202	1,120	918
Total Increase to Deferred Premia Account	1,858	3,137	1,279
Deferred Premia Balance B/f 01/04/2007			1,119
Revised Deferred Premia Account as at 01/04/2007			2,398
Backdated Charge in 2007/08			-480
Unattached Premia as at 01/04/2007			1,918
Annual Write Off to HRA 2007/08			-315
Deferred Premia Balance c/f 31/03/2008			1,603

	Revenue Effects £000s
General Fund - Income and Expenditure Account	-1,119
Housing Revenue Account - Income and Expenditure Account	480
Effect on Consolidated Income and Expenditure Account	-639
Charge to HRA Statement of Movements	315
Total Effect on Revenue	-324

## E. Notes To The Core Financial Statements

With the inception of financial instruments, the premia must be derecognised from the balance sheet. The balance on the deferred premia account has therefore had to be written off as at 1<sup>st</sup> April 2007. This will then be written off to the HRA over the relevant period through the Statement of Movements.

### b) Financial Instruments

The accounting treatment for Financial Instruments has changed with effect from the 2007/08 financial year. In accordance with the SoRP, the adjustment relating to previous periods is made on 1<sup>st</sup> April 2007. The 2006/07 accounts have not therefore been restated to accommodate this change, however since the transactions do not relate to 2007/08, they have not been posted to the income and expenditure account but are reflected in two balancing transactions within the Statement of Movements on the General Fund Balance. Because the gains and losses for 2006/07 and previous years are not recognised in the Income and Expenditure Account, a separate line within the Statement of Total Recognised Gains and Losses for 2007/08 is required which will agree to the figures below. These transactions are made up as follows:

	Financial Liabilities	Financial Assets		Total
	Liabilities measured at amortised cost	Loans and Receivables	Available for sale assets	
	£000s	£000s	£000s	£000s
Gains on Revaluation	0	-18	0	-18
Losses on Revaluation	0	0	0	0
Unattached Premia	1,918	0	0	1,918
Amounts recycled to the I+E Account after impairment	0	0	0	0
<b>Surplus (-) / Deficit arising on revaluation of financial assets</b>	1,918	-18	0	1,900

### c) Capital Balance Sheet Accounts

The Balance Sheet figures for 31 March 2007 have been adjusted from those included in the Statement of Accounts for 2006/07 to accommodate the implementation of the Revaluation Reserve (see accounting policy 5). The Revaluation Reserve and Capital Adjustment Account replace the Fixed Asset Restatement Account (FARA) and Capital Financing Account (CFA). The credit balances of £454,688k and £234,312k on the FARA and CFA respectively at 31 March 2007 have been written off to the Capital Adjustment Account with a resulting credit balance of £689,000k. The Revaluation Reserve has been included in the Balance Sheet with a zero balance. The closing balance on the Revaluation Reserve at 31 March 2008 only shows revaluation gains accumulated since 1 April 2007.

## E. Notes To The Core Financial Statements

31st March 2007	Prior Year Adjustments and Accounting Changes - Revaluation Reserve and Capital Adjustment Account	1st April 2007
<b>£000s</b>		<b>£000s</b>
454,687	Fixed Asset Restatement Account	0
234,312	Capital Financing Account	0
0	Revaluation Reserve	0
0	Capital Adjustment Account	688,999
688,999	Total	688,999

## E. Notes To The Core Financial Statements

### 2. Building Control Trading Account

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

The Building Control chargeable services has, for the three-year period to 31<sup>st</sup> March 2008, made an operating deficit of £25k on a turnover of £1,681k. In the previous three-year period to 31<sup>st</sup> March 2007, there was a deficit of £339k against a turnover of £1,681k.

	2007/08		
	Chargeable	Non-Chargeable	Total
	£000s	£000s	£000s
<b>Expenditure</b>			
Employees	253	136	389
Premises	0	0	0
Transport	7	4	11
Supplies and services	18	72	90
Support service charges	145	78	223
Capital Charges	1	0	1
<b>Total Expenditure</b>	424	290	714
<b>Income</b>			
Building Regulation fees	-310	0	-310
Other Income	-15	0	-15
<b>Total Income</b>	-325	0	-325
<b>Surplus (-) / Deficit for Year</b>	99	290	389
Comparatives for 2006/07	2006/07		
	Chargeable	Non-Chargeable	Total
	£000s	£000s	£000s
Expenditure	556	135	691
Income	-486	0	-486
<b>Surplus (-) / Deficit for Year</b>	70	135	205

## E. Notes To The Core Financial Statements

### 3. Agency Services

An Agency agreement with the County Council commenced on 1 July 2003 which allows the Council to undertake a much smaller range of functions than under the previous Highways Agency Agreement. The costs for 2007/08 include residual enquiries from the public, plus grass cutting on highways land and inspection and maintenance of highways trees.

2006/07		2007/08
£000s		£000s
423	Administration costs and ancillary services	446
-223	Income including transfer fees from NCC	-239
200		207

### 4. Members' Allowances

The total amount of members' allowances paid in the year ending 2007/08 was £364k. Detailed allowances are listed below:-

2006/07		2007/08
£000s		£000s
	<b>Expenditure</b>	
27	Mayor/Deputy Mayor Allowance	27
356	Members' Allowances	330
4	Expenses	7
387	<b>Total</b>	364

### 5. Audit Fees

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

## E. Notes To The Core Financial Statements

2006/07		2007/08
£000s		£000s
211	Fees payable with regard to external audit services carried out by the appointed auditor (Section 5 Audit Commission Act 1998)	269
14	Fees payable in respect of statutory inspection (Section 10 Local Government Act 1999)	21
49	Fees payable for the certification of Grant Claims and Returns (Section 28 Audit Commission Act 1998)	50
0	Fees payable in respect of other services provided by the appointed auditor	32
274		372

### 6. Discretionary Expenditure

Under the Local Government Act 2000, the maximum amounts in respect of discretionary expenditure were repealed. Councils now have powers under that Act to promote wellbeing in their area. There is still a requirement to disclose any expenditure made under section 137(3), e.g. donations to charities, not-for profit bodies and mayoral appeals. Expenditure made under this section was £219k in 2007/08 (£0 in 2006/07). The spend was mainly on grants to the voluntary sector and community groups working in the Northampton.

### 7. Publicity Expenditure

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

2006/07		2007/08
£000s		£000s
	<b>Expenditure</b>	
294	Recruitment Advertising	152
-	Other Advertising	0
-	Information relating to regional government	0
-	Public Relations	0
423	Publicity Unit	236
104	Other Publicity	118
821	<b>Total</b>	506



## E. Notes To The Core Financial Statements

### 8. Officers' Remuneration

The Council is required, under the Accounts and Audit Regulations 2003 (regulation 7(2)) to disclose the number of employees whose remuneration (excluding pension payments) was £50,000 or more. This is shown in bands of £10,000 in the table below:

2006/07 No. of Employees	Remuneration Band	2007/08 No. of Employees
2	£50,000 - £59,999	5
10	£60,000 - £69,999	13
0	£70,000 - £79,999	1
1	£80,000 - £89,999	0
2	£90,000 - £99,999	3
0	£100,000 - £109,999	0
0	£110,000 - £119,999	0
0	£120,000 - £129,999	0
0	£130,000 - £139,999	0
0	£140,000 - £149,999	0
0	£150,000 - £159,999	0
0	£160,000 - £169,999	0
0	£170,000 - £179,999	0
0	£180,000 - £189,999	0
0	£190,000 - £199,999	0
1	£200,000 - £209,999	0

### 9. Related Party Transactions

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

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

*Members of the Council* have direct control over the Council's financial and operating policies. During 2007/08 expenditure to the value of £1.343m (£2.326m in 2006/07) was paid to parties where Members had an interest or where they serve as a nominated representative on outside bodies and income to the value of £39k (£35k in 2006/07) was receivable from those bodies. Contracts were entered into in full compliance with the Council's Standing Orders. All transactions are recorded in the Register of Members' Interest, open to public inspection at The Guildhall, Northampton.

*Officers of the Council* – no material disclosures.

*Other Public Bodies* – no disclosures.

## E. Notes To The Core Financial Statements

*Pension Fund* – in 2007/08 the contributions paid to Northamptonshire County Council in respect of employers' contributions, added years' contributions and lump sum payments were £6.974m (£7.697m in 2006/07)

*Assisted Organisations* – no material disclosures.

*Management Contracts* – no disclosures.

*Companies and Joint Ventures* – no disclosures.

### 10. Local Authorities (Goods and Services) Act 1970

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

2006/07			2007/08	
Exp	Income		Exp	Income
£000s	£000s		£000s	£000s
34	-56	Highways	2	-9
346	-128	Call Care	329	-155
21	-21	Print Services Unit	32	-32
401	-205		363	-196

### 11. Trading Undertakings

The Council operates the following trading undertakings: -

2006/07			2007/08		
Net			Income	Exp.	Net
£000s			£000s	£000s	£000s
-1,008	Property Management	-1,529	1,468	-61	
-172	Highways	-1,905	2,053	148	
-	Consortium Audit	-	-	-	
-1,180	<b>(Surplus)/Deficit to I &amp; E</b>	-3,434	3,521	87	

The financial statements include income of £0.488m (£2.360m in 2006/07) and expenditure of £0.541m (£1.539m in 2006/07) in respect of the provision of highways related work undertaken by the Council for W S Atkins plc.

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

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

## E. Notes To The Core Financial Statements

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

2006/07		2007/08		
Net		Income	Exp.	Net
£000s		£000s	£000s	£000s
-34	Trade Refuse	-1,176	1,204	28
-155	Markets	-604	498	-106
-189	<b>(Surplus)/Deficit to I &amp; E</b>	-1,780	1,702	-78

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

### 12 Accounting for Pensions

The Authority's pension scheme is a defined benefit scheme operated by Northamptonshire County Council. The date of the last actuarial valuation was 31<sup>st</sup> March 2004.

#### a) Cost of Pensions

The following table outlines the cost for 2006/07 and 2007/08: -

2006/07		2007/08
£000s		£000s
	<b>Net Cost of Service</b>	
5,079	Current Service Cost	4,065
0	Past Service Cost	1,460
781	Gains and losses on settlements or curtailments	370
	<b>Net Operating Expenditure</b>	
11,117	Interest Costs	12,178
-9,277	Expected Return on Assets	-10,523
	<b>Amount to be met from Government Grants and Local Taxation</b>	
-3	Contribution From Pension Reserve	-556
-	Adjusting item for Pension Contributions	-20
	<b>Amount Charged to Council Tax for Pensions</b>	
7,697	Employer's Contributions	6,974

## E. Notes To The Core Financial Statements

### b) Main Assumptions

The main financial assumptions adopted as at 31 March 2008 were:-

31/03/2007		31/03/2008
% pa		% pa
3.1	The inflation assumption	3.6
4.6	The rate of increase in salaries	5.1
3.1	The rate of increase for pensions	3.6
5.4	The rate used to discount scheme liabilities	6.1

Changes to the Local Government Pension Scheme (LGPS) permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuary we have assumed a number of employees retiring after 6 April 2006 will take advantage of this change to the pension scheme. Our actuary has advised that they have estimated that 50% of members would take up the option to increase their lump sum to the maximum available and that this assumption is built into the figures provided.

### c) Fund Assets and Expected Rate of Return (for the fund as a whole)

31/03/2007			Asset	31/03/2008		
Market Value	Expected Rate of Return (%)	Proportion Of Assets (%)		Market Value	Expected Rate of Return (%)	Proportion Of Assets (%)
114,413	7.5	70.3	Equities	98,470	7.5	69.3
20,506	4.7	12.6	Gilts	12,504	4.6	8.8
11,555	5.4	7.1	Other bonds	11,652	6.1	8.2
11,555	6.5	7.1	Property	10,515	6.5	7.4
4,720	5.3	2.9	Cash	1,705	5.3	1.2
			Other	7,247	7.5	5.1
162,749		100.0	Total	142,093		100.0

The expected return on assets was £10.5k but the actual return on assets was £30k less at (£19.5k), a loss of 20.2%. Employer's contributions were £6,974k for 2007/08 (£7,697k for 2006/07).

## E. Notes To The Core Financial Statements

### d) Reconciliation to the Balance Sheet

31/03/2007		31/03/2008
£000s		£000s
-226,893	Funded benefits under the LGPS regulations	-243,308
162,749	Market Value of Fund Assets	142,093
-64,144	Surplus/deficit(-) in the Fund	-101,215

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

### e) Components of Defined Benefit Cost

	31/03/2008
	£000s
Analysis of amounts recognised in the Statement of Recognised Gains & Losses (STRGL)	
Gain and Losses(-) on Assets	-19,512
Experienced gain(-)/loss on liabilities	-5,886
Gain(-)/loss on change of assumptions (financial and demographic)	-11,117
Total gain/loss(-) recognised in STRGL before adjustment for tax	-36,515
Contribution to CRA	-556
Movement on Pension Reserve	-37,071

### f) History of Experienced Gains and Losses

31st March	2004	2005	2006	2007	2008
	£000s	£000s	£000s	£000s	£000s
Gain/Loss(-) on Fund assets	16,687	6,822	21,709	-1,871	-19,512
% of fund assets at end of period	14.80%	5.50%	14.00%	1.10%	13.70%
Experienced gain(-)/loss on scheme liabilities	0	-3031	-4,102	0	-5,886
% of fund liabilities at end of period	0.00%	1.50%	1.80%	0.00%	2.40%
Gains(-)/loss on scheme liabilities from changes in demographic and financial assumptions	0	-30689	-17,198	10,912	-11,117
% of fund liabilities at end of period	0.00%	15.40%	7.50%	4.80%	4.60%

The information included for all of the pension disclosures is provided by Mercers, the Actuary for the Pension Fund. Further information can be found in the County Council's

## E. Notes To The Core Financial Statements

Pension Fund's Annual Report which is available on request from the Pensions Section, Resources Directorate, PO Box 136, County Hall, Guildhall Road, Northampton, NN1 1AT.

### 13. Minimum Revenue Provision

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

The Council approved the Council's Annual MRP statement for 2007/08, which is required by the guidance issued by CLG, on 28th Feb 2008.

The CLG guidance allows local authorities, as a transitional measure, to calculate MRP for all capital expenditure prior to 1 April 2008 as if the previous regulations were still in force. The Council's Minimum Revenue Provision for 2007/08, calculated under the transitional arrangements (Statutory Instrument 2007 No. 573), was £350k. This compares to £307k in 2006/07.

### 14 Collection Fund

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

#### a) Precept Split

The split of these precepts is shown below:

<b>Precept 2006/07</b>	<b>Percentage of Total Precepts</b>		<b>Precept 2007/08</b>	<b>Percentage of Total Precepts</b>
<b>£000s</b>		<b>Precepting Authorities</b>	<b>£000s</b>	
56,662	72%	Northamptonshire County Council	59,497	71%
10,406	13%	Northamptonshire Police Authority	11,037	13%
12,143	15%	Northampton Borough Council	13,045	16%
79,211	100%	<b>Total Precepts for the year</b>	83,579	100%

## E. Notes To The Core Financial Statements

### b) Allocation of surplus / deficit

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

Collection Fund Balance 2006/07	Treatment	Collection Fund Balance 2007/08
£000s		£000s
	<b>Creditors / Debtors</b>	
-3	Northamptonshire County Council	673
-1	Northamptonshire Police Authority	125
	<b>Reserve</b>	
-1	Northampton Borough Council	148
-5	<b>Collection Fund Balance</b>	946

### 15 Capital Expenditure and Financing

Total 2006/07		Total 2007/08
£000s		£000s
	<b>Capital Investment</b>	
641	Intangible Assets	497
	Tangible Assets	
12,761	Operational Assets	10,894
1,304	Non-operational Assets	384
1,053	Deferred Charges	1,331
15,759		13,106
	<b>Sources of Finance</b>	
500	Supported Borrowing	500
875	Unsupported Borrowing	2,143
3,325	Capital Receipts	1,893
7,982	Government Grants	7,940
1,144	Revenue Contributions	23
1,933	Other Contributions	607
15,759		13,106
9,698	Opening Capital Financing Requirement	10,766
500	Supported Borrowing	500
875	Unsupported Borrowing	2,143
-307	Minimum Revenue Provision	-350
0	Voluntary set-aside	0
10,766	Closing Capital Financing Requirement	13,059

## E. Notes To The Core Financial Statements

### 16 Commitments Under Capital Contracts

Contract	Contractor	2008/09	2009/10	2010/11	2011/12
		£000s	£000s	£000s	£000s
Kitchen Replacement Backlog	Mears & A Ainge & Sons	706	0	0	0
Housing Management System	IBS	359	0	0	0
Archangel Square	Richardsons	72	0	0	0
Spring Lane Victorian School Annex	Chris Smith Developments	48	0	0	0
Far Cotton Resource Centre	Watson & Cox	39	0	0	0
Spring Borough Café	Mears				
Disabled Access		33	0	0	0
Disabled Access (General)	Mears	5	0	0	0
Improvements to Corporate Buildings - Walls and Security Fences	Mears	5	0	0	0
<b>Total</b>		<b>1,267</b>	<b>0</b>	<b>0</b>	<b>0</b>

### 17 Movement in Intangible Assets

	Purchased Software Licenses	Licenses, Trademarks and Artistic Originals	Patents	Total
	£000s	£000s	£000s	£000s
<b>Original Cost</b>	4,999	0	0	4,999
Amortisations to 1 April 2007	-1,336	0	0	-1,336
<b>Net book value 31st March 2007</b>	<b>3,663</b>	<b>0</b>	<b>0</b>	<b>3,663</b>
Expenditure in Year	500	0	0	500
Written Off to Revenue in Year	-622	0	0	-622
<b>Net book value of assets 31st March 2008</b>	<b>3,541</b>	<b>0</b>	<b>0</b>	<b>3,541</b>



## E. Notes To The Core Financial Statements

### 18 Movement in Tangible Fixed Assets

#### a) Operational Assets

	<b>Council Dwellings</b>	<b>Other Housing Property</b>	<b>Other land &amp; buildings</b>	<b>Vehicles plant, etc.</b>	<b>Infra-structure</b>	<b>Com-munity Assets</b>	<b>Total</b>
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Certified Valuation 31st March 2007</b>	574,147	15,661	70,673	10,345	514	4,539	675,879
Accumulated dep'n & impairment	-8,290	-272	-2,769	-6,407	-179	-55	-17,972
<b>Net book value 31st March 2007</b>	565,857	15,389	67,904	3,938	335	4,484	657,907
<b>Movement in 2007/08</b>							
Additions	5,141	0	2,535	1,074	1,093	1,123	10,966
Disposal	-5,315	-265	-38	-1,156	0	0	-6,774
Revaluations	33,367	2,096	5,504	0	0	0	40,967
Depreciation	-9,077	-268	-1,944	-1,872	-16	-11	-13,188
Depreciation Written Back	8,290	106	541	2,100	0	0	11,037
Impairments	-922	-359	-1,671	-3,445	0	0	-6,397
Adjustments/Transfers	-73	154	276	0	0	0	357
Depreciation Adj/Transfers	0	-3	0	-259	0	0	-262
<b>Net book value 31st March 2008</b>	597,268	16,850	73,107	380	1,412	5,596	694,613
Gross Valuation at 31st March 2008	607,267	17,646	78,950	10,263	1,607	5,662	721,395
Impairments at 31st March 2008	-922	-359	-1,671	-3,445	0	0	-6,397
Depreciation at 31st March 2008	-9,077	-437	-4,172	-6,438	-195	-66	-20,385
<b>Net Book Value 31st March 2008</b>	597,268	16,850	73,107	380	1,412	5,596	694,613

## E. Notes To The Core Financial Statements

### b) Non-Operational Assets

	Works In Progress	Investment & Commercial	Surplus Assets	Total
	£000s	£000s	£000s	£000s
<b>Certified Valuation 31st March 2007</b>	3,179	41,728	865	45,772
Accumulated depreciation & impairment	0	-22	0	-22
<b>Net book value 31st March 2007</b>	3,179	41,706	865	45,750
<b>Movement in 2006/07</b>				
Additions	351	312	181	844
Disposal	0	0	-250	-250
Revaluations	0	1,917	0	1,917
Depreciation	0	-29	0	-29
Depreciation Written Back	0	0	0	0
Impairments	0	-580	0	-580
Adjustments/Transfers	-480	197	0	-283
Depreciation Adjustments/Transfers	0	-1	0	-1
<b>Net book value of assets 31st March 2008</b>	3,050	43,522	796	47,368
Gross Valuation at 31st March 2008	3,050	44,154	796	48,000
Impairments at 31st March 2008	0	-580	0	-580
Depreciation at 31st March 2008	0	-52	0	-52
<b>Net Book Value 31st March 2008</b>	3,050	43,522	796	47,368

## E. Notes To The Core Financial Statements

### 19 Information on Assets Held

31/03/2007		31/03/2008
<b>Number</b>	<b>Operational Assets</b>	<b>Number</b>
12,334	<b>Council Dwellings</b>	12,262
	<b>Other Land and Buildings</b>	
26	Council Houses not used as dwellings	27
98	Shared Ownership Properties	95
3,024	Council Garages	3,005
21	Other Housing Properties	20
69	Operational Shops	67
194	Other Garages	194
1	Guildhall	1
4	Sports & Leisure Centres	4
26	Community Centres	27
2	Museums, Art Galleries	2
1	Open Markets	1
26	Public Conveniences	15
5	Multi-Storey Pay & Display Car Parks	5
4	Local Area Offices	4
5	Central Administrative Offices	4
1	Theatres	1
1	Gypsy Site	1
1	Bus Station	1
17	Surface Pay & Display Car Parks	17
1	Depots	1
15	Sub-Depots	15
275	Commercial Property (Units)	284
1	Golf Course	1
74	<b>Infrastructure</b>	74
162	<b>Vehicles, Plant, Furniture and Equipment</b>	164
	<b>Community Assets</b>	
62.88ha	Allotments	62.88ha
887.45ha	Parks and Open Spaces	887.45ha
65.97ha	Agricultural Land	65.97ha
4	Historical Buildings	4
33	Monuments/Memorials/Exhibitions	33
6	Pavilions	6
6	Cemeteries	6
1	Civic/Mayoral Regalia	1
	<b>Non-operational Assets</b>	
1	Indoor Market/Arts Venue	1
70	<b>Intangible Assets</b>	78

## E. Notes To The Core Financial Statements

### 20 Assets Held Under Leases

The Council uses equipment financed under the terms of an operating lease. The amount charged to revenue under these arrangements in 2007/08 was £2.5m (£2.3m for 2006/07). The Council has a financing lease of £3k which is de-minimus for capital purposes.

#### a) Cost

2006/07		2007/08
£000s		£000s
0	Finance Lease Rentals	0
252	Operating Lease Charges	314
0	IT Operating Lease Charges	0
2,014	Vehicle Operating Lease Charges (including Maintenance)	2,162
2,266		2,476

#### b) Periods & Commitment

	31/03/2008
	£000s
<b>Plant and Equipment</b>	
Leases Expiring within 1 year	0
2 – 5 years	185
Exceeding 5 years	128
	313

### 21 Assets Held For Leases

The Council received £2.435m (£2.653m in 2006/07) in the year from the lease of property valued at £38.125m to third parties under operating leases for which £1.227m accumulated depreciation has been charged to revenue.

### 22 Valuation Information

Assets are carried in the Council's balance sheet at current value in accordance with the proper practices as set out in the CIPFA 2007 SoRP (Statement of Recommended Practice).

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

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

Further information on the way that intangible and fixed assets are accounted for is set out in sections 12 and 13 of the Accounting Policies.

## E. Notes To The Core Financial Statements

### a) Tangible Operational

	<b>Council Dwellings</b>	<b>Other Land &amp; Build.</b>	<b>Vehicles Plant &amp; Equip.</b>	<b>Infra-Structure Assets</b>	<b>Comm. Assets</b>	<b>Total</b>
	£000s	£000s	£000s	£000s	£000s	£000s
Valued at Historic Cost	0	10	0	278	3,779	4,067
Valued at Current Value in: -						
2007/08	597,268	6,663	0	1,077	1,112	606,120
2006/07	0	72,060	381	0	0	72,441
2005/06	0	1,494	0	0	0	1,494
2004/05	0	3,611	0	0	169	3,780
2003/04	0	2,299	0	57	368	2,724
Previous Years	0	3,820	0	0	168	3,988
<b>Total</b>	<b>597,268</b>	<b>89,957</b>	<b>381</b>	<b>1,412</b>	<b>5,596</b>	<b>694,614</b>

### b) Tangible Non-Operational

	<b>Non-Operational Assets</b>			<b>Total</b>
	<b>Works in Progress</b>	<b>Investment Property</b>	<b>Surplus Property</b>	
	£000s	£000s	£000s	£000s
Valued at Historic Cost	2,497	100	0	2,597
Valued at Current Value in: -				
2007/08	350	1,795	181	2,326
2006/07	0	32,050	0	32,050
2005/06	0	4,031	276	4,307
2004/05	202	3,142	50	3,394
2003/04	0	860	174	1,034
Previous Years	0	1,545	115	1,660
<b>Total</b>	<b>3,049</b>	<b>43,523</b>	<b>796</b>	<b>47,368</b>

## E. Notes To The Core Financial Statements

### 23 Valuation Methodologies

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

### 24 Changes in Valuation Methodologies Used

As explained in the statement of accounting policies, the Council now revalues all assets at the point of sale for the purpose of achieving a true surplus or deficit on sales.

### 25 Investments

31/03/2007	Investment Type	31/03/2008
£000s		£000s
	<b>Short Term - Under 1 Year</b>	
0	Gilts	0
0	UK Equities	100
21,020	Building Societies	47,303
0	Cash On Deposit	0
18,500	Banks	5,100
39,520		52,503
	<b>Long Term - Over 1 Year</b>	
0	Gilts	0
0	UK Equities	0
0	Building Societies	0
0	Cash On Deposit	0
0	Banks	0
0	Total	0

The investment with banks includes £100,000 for debentures.

## E. Notes To The Core Financial Statements

### 26 Stocks & Work In Progress

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

31/03/2007		31/03/2008
£000s		£000s
182	Westbridge Depot Main Stores	183
37	Sub Stores	68
123	Other Stores	128
342	Total	379

### 27 Current Assets – Debtors

31/03/2007		31/03/2008
£000s		£000s
6,038	Sundry Debtors	4,577
9,834	Government Departments	10,162
1,827	Other Local and Public Authorities	1,950
10,910	Local Taxpayers	10,554
3,516	Housing Tenants	4,291
36	Loans to Employees	15
0	Collection Fund Balance owed	798
32,161		32,347
	Provisions for Bad Debts	
-3,595	Local Taxpayers	-3,775
-1,504	Housing Tenants	-2,293
-1,222	Other	-3,329
-6,321	Total Provision for Bad Debts	-9,397
25,840	Net Debtors	22,950

## E. Notes To The Core Financial Statements

### 28 Current Assets – Cash & Bank

31/03/2007		31/03/2008
£000s		£000s
	-Co-operative Bank	0
13	Imprests	5
8	Floats	16
8	Girobank	8
29	Cash & Bank	29
-1,333	Overdraft	-1,236

### 29 Current Liabilities – Short Term Borrowing

31/03/2007	Funded by	Period Invested	31/03/2008
£000			£000
270	Eastern Orchestral Board	7 day	0
18	Billing Parish Council	7 day	10
50	Billing Parish Council	3 Month	50
94	Northampton Volunteer Bureau	7 day	94
432			154

### 30 Current Liabilities – Creditors

31/03/2007		31/03/2008
£000s		£000s
9,411	Sundry Creditors	10,657
4,827	Government Departments	8,628
6,890	Other Local and Public Authorities	2,449
3,730	Local Taxpayers	4,205
862	Tenants	890
8,301	Developer's Contributions	8,005
543	Deposits	575
4	Collection Fund Balance owed	
34,568		35,409



## E. Notes To The Core Financial Statements

### 31 Government Grants and Developers' Contributions

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

2006/07		2007/08
£000s		£000s
5,913	Creditors	6,598
2,388	Receipts in advance	1,407
409	Grants & Contributions - Unapplied (Government Grants)	948
292	Grants & Contributions - Unapplied (Non-Government Grants)	21
287	Grants & Contributions - Unapplied (Developers)	141
9,289		9,115

### 32 Long Term Borrowing

31/03/2007	Source of Loan	Range of Interest Rates (%)	31/03/2008
£000			£000
0	Analysis of loans by type Public Works Loans Board	-	0
24,600	Money Markets	4.85 - 7.03	24,606
1,269	English Partnerships	9.25	1,256
25,869			25,862
	Analysis of loans by maturity		
13	Maturing in 1-2 years		14
47	Maturing in 2-5 years		51
15,712	Maturing in 5-10 years		15,726
10,097	Maturing in over 10 years		10,071
25,869			25,862

### 33 Provisions

#### a) Insurance Provision

The provision covers the following risks :-

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

## E. Notes To The Core Financial Statements

- Other small miscellaneous items arising from time to time.

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

The estimated cost of outstanding claims on the Insurance provision as at 31<sup>st</sup> March 2008 is shown below. These sums represent the balance on the Insurance Provision, with any surplus being transferred to the Insurance Reserve.

2006/07		2007/08
£000s		£000s
-942	Ongoing Liability Claims under the policy excess	-1,307
-5	Motor Vehicle Claims over the "paid locally" figure, but under the policy excess	-7
0	Car Loan Accounts for employees who died in service	0
0	Housing Stock Claims under the policy excess	0
-947		-1,314

### b) Overall Provisions

Provisions	Balance 01/04/2007	Costs	Income	Balance 31/03/2008
	£000s	£000s	£000s	£000s
Insurance	-947	515	-882	-1,314
DWP Grants	-160	0	0	-160
Other	-3	0	-66	-69
	-1,110	515	-948	-1,543

#### Department for Work and Pensions (DWP) Grants

The amount processed in the benefits system for emergency accommodation payments has been processed gross of VAT. The information being fed into the subsidy claims has therefore been overstated and too much subsidy claimed. The estimate of overstated claims for the 6 financial years from 1998/99 to 2003/04 is £160,000.

#### Other

The balance represents small provisions of £3k in respect of the Rent Assistance and Rent Guarantee Schemes and a provision of £66k relating to electricity payments due on leisure centres.

## E. Notes To The Core Financial Statements

### 34 Analysis of Net Assets Employed

	31 March 2007	31 March 2008
	£000s	£000s
General Fund	16,358	-11,241
Housing Revenue Account	587,647	617,853
Trading Operations	38,490	40,216
Total	642,495	646,828

## E. Notes To The Core Financial Statements

### 35 Reserve Movement

#### a) Overall Summary

Reserve	Balance 01/04/2007	Net Movement in Year	Balance 31/03/2008	Purpose of Reserve	Further Details of Movements
	£000s	£000s	£000s		
Revaluation Reserve	0	49,928	49,928	Store of gains on revaluation of fixed assets from 1st April 2007 onwards	Note 35 b below
Capital Adjustment Account	689,000	-14,536	674,464	Store of capital resources set aside to meet past expenditure	Note 35 c below
Financial Instruments Adjustment Account	0	-1,582	-1,582	Adjustments for Financial Instruments transactions to properly reflect the impact on revenue balances in the correct year	Note 40 below
Usable Capital Receipts Reserve	0	131	131	Proceeds of fixed asset sales available to meet future capital investment	Note 35 d below
Deferred capital receipts	71	-17	54	Future Capital Receipts from mortgaged property	
Pension Reserve	-64,144	-37,071	-101,215	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 12 to the Core Financial Statements
General Fund Balance	2,893	-142	2,751	Resources available to meet future running costs for non-housing services	Statement of Movement on the General Fund Balance (D2)
Collection Fund Balance	1	-149	-148	Resources available to be paid to the Council in the future from the collection fund	Collection Fund Statements and Note 14 to the Core Financial Statements
Housing Revenue Account Balance	5,803	-172	5,631	Resources available to meet future running costs for council houses	HRA Statements
Major Repairs Reserve	0	2,617	2,617	Resources available to meet capital investment in council housing	HRA Statements
Earmarked Reserves	8,871	5,326	14,197	Reserves set aside for specific purposes	Note 35 e below
<b>Total</b>	<b>642,495</b>	<b>4,333</b>	<b>646,828</b>		

## E. Notes To The Core Financial Statements

### b) Revaluation Reserve

	General Fund	Housing Revenue Account	Total
	£000s	£000s	£000s
Balance at 01/04/2007	0	0	0
Revaluation adjustments	8,038	41,917	49,955
Disposals of fixed assets	12	2,104	2,116
	8,050	44,021	52,071
Clear Disposal Revaluations to CAA	0	-2,143	-2,143
<b>Balance at 31/03/08</b>	<b>8,050</b>	<b>41,878</b>	<b>49,928</b>

## E. Notes To The Core Financial Statements

### c) Capital Adjustment Account

	General Fund	Housing Revenue Account	Total
	£000s	£000s	£000s
Balance at 01/04/2007	97,536	591,464	689,000
Capital Financing			
MRR	0	4,995	4,995
Capital Receipts	1,893	0	1,893
Section 106	174	0	174
Government Grants	474	0	474
Revenue Contributions	23	0	23
	2,564	4,995	7,559
MRP	350	0	350
Depreciation - General	-3,714	-9,493	-13,207
Impairment Reversal	-2,670	-960	-3,630
Impairment Market Forces Reversal	-2,347	-70	-2,417
Deferred Charges Reversal	-1,331	0	-1,331
Amortisation - Intangibles	-503	-53	-556
Amortisation 3rd Party Contributions	1,948	0	1,948
Amortisation Grants Deferred	441	0	441
	-8,176	-10,576	-18,752
Revaluations			
Clear Disposal Revaluation	-281	-5,606	-5,887
Clear Disposal Revaluation from RR	0	2,194	2,194
	-281	-3,412	-3,693
<b>Balance at 31/03/2008</b>	<b>91,993</b>	<b>582,471</b>	<b>674,464</b>

## E. Notes To The Core Financial Statements

### d) Useable Capital Receipts Reserve

2006/07		2007/08
£000s		£000s
378	Balance as at 1 April	0
9,235	Effects of Disposals	5,900
-5,299	Housing Capital Receipts Pooling	-3,987
-3,324	Capital Programme Financing	-1,893
-990	Other	111
0	Balance as at 31 March	131

### e) Earmarked Reserves

Reserve	Balance 01/04/2007	Additions to Reserve	Use Of Reserve	Balance 31/03/2008
	£000s	£000s	£000s	£000s
Insurance	1,222	703	-14	1,911
Benefits Clawback	1,300	0	0	1,300
Subsidy Equalisation	550	250	-250	550
Core Business Systems	500	0	0	500
Building Maintenance	676	0	0	676
Corporate Initiatives	860	451	-425	886
Service Improvements	500	0	-285	215
General	235	3,100	-1,199	2,136
Arts	28	0	-5	23
HRA	3,000	3,000	0	6,000
	8,871	7,504	-2,178	14,197

#### i) Insurance Reserve

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

#### ii) Benefits Clawback Reserve

Housing benefits claims from prior years are still open and there is risk of clawback from the Department for Work and Pensions. This reserve mitigates this risk.

#### iii) Subsidy Equalisation Reserve

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

## **E. Notes To The Core Financial Statements**

iv) Core Business Systems Reserve

The Core Business Systems Reserve will be used to improve the main financial and subsidiary financial systems of the Council to streamline administrative processes and improve the quality of information and controls.

v) Building Maintenance Reserve

The base budgets for revenue and capital include an allowance for ongoing building maintenance / enhancement. This reserve consists of balances set aside from revenue to finance any major unanticipated maintenance projects.

vi) Corporate Initiatives Reserve

In 2007/08, £471k of general government grant was received relating to the Local Authority Business Growth Incentive Scheme. Due to the volatile nature of this grant and the unknowns around how much will eventually become due to the Council, it was not included within base budgets. This income has been moved added into an earmarked reserve to be used on corporate initiatives.

vii) Service Improvements Reserve

This reserve has been created to provide funding for improving services and to improve the performance of the Council.

viii) General Reserve

The General Reserve allows the Council to commit funding to individual projects which may spread across more than one year. This reserve is also used for any contingency sums set aside during budget setting to mitigate risks within the budget. For 2007/08, an amount of £1.279m of prior years premia has been set aside to this reserve pending the agreement of auditors regarding its treatment.

ix) Arts Reserve

This is used to finance the purchase of exhibits for the Museum and Art Gallery.

x) HRA Earmarked Reserve

This reserve contains amounts specifically set aside to finance HRA projects. The money in this reserve must be used on the Housing Revenue Account.



## E. Notes To The Core Financial Statements

### 36 Cash Flow Notes

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

2006/07		2007/08	
£000		£000	£000
	<b>(Surplus)/deficit for the year</b>		
-5,065	Income & Expenditure	-9,174	
1,044	Collection Fund	-951	
-4,021			-10,125
	<b>Non-Cash Transactions</b>		
13,466	Depreciation / Impairment	19,810	
-289	Deferred Grants Amortised	-441	
0	Grants Funding Deferred Charges	-2,153	
5	Pension Fund Adjustments	436	
	Reductions in fair value of soft loans	-46	
	Other non-cash Financial Instruments Adjustments	-606	
0	Increase / Decrease in Provisions re loans & advances	70	
190	Transfers to Reserves	433	
13,372			17,503
	<b>Items classified elsewhere in the Cash Flow Statement</b>		
-2,608	Interest received	-3,453	
1,731	Interest paid	563	
1,053	Deferred Charges	1,331	
209	Fixed Assets Gain / Loss	-47	
385			-1,606
	<b>Items accrued</b>		
51	Increase/(decrease) of stock & work in progress	-37	
935	Increase/(decrease) in debtors	2,026	
181	(Increase)/decrease in creditors	2,372	
1,167			4,361
10,903	<b>Revenue Activities Net Cash Flow</b>		10,133

## E. Notes To The Core Financial Statements

### b) Analysis of Net Debt

	Cash	Temporary Investments & Short Term Deposits	Total	Loans Due within one year	Loans due after more than one year	Deferred Liabilities	Net Debt
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1st April 2007	-1,305	39,520	38,215	-431	-25,869	0	11,915
Cashflow / changes in year	98	12,983	13,081	277	13	0	13,371
Other Non Cash changes	0	0	0	0	-6	0	-6
Balance at 31 March 2008	-1,207	52,503	51,296	-154	-25,862	0	25,280

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

2006/07		2007/08
£000s		£000s
-1,333	Increase / Decrease (-) in Cash in Year	98
17,443	Cash Inflow / Outflow (-) from Management of Liquid Resources	12,983
-1,585	Cash Inflow from Loans Raised	828
1,556	Cash Outflow from Loans Repaid	-537
-186	Net Adjustments for differences between EIR and actual interest	-6
-2,862	Net Debt B/f	11,914
13,033		25,280

### d) Analysis of Changes in Cash and Liquid resources

	2006/07	2007/08	Change in Year
	£000s	£000s	
Temporary Investments	39,520	52,503	12,983
Short Term Deposits	0	0	0
Cash	29	29	0
Bank Overdraft	-1,333	-1,235	98
Net Cash Inflow / Outflow (-)	38,216	51,297	13,081

## **E. Notes To The Core Financial Statements**

### **37 Contingent Assets and Liabilities**

#### **Assets**

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

- Historic Costs associated with the redevelopment of Grosvenor / Greyfriars may be reimbursed by the developer depending on agreement of contract terms and the timing of that agreement.
- The Council has made submission to a VAT Tribunal regarding the reimbursement of VAT paid on off-street car parking. If allowable, the Council would stand to gain up to £5.1m.

#### **Liabilities**

The Council is potentially liable for the following payments: -

The Council has received Deposits under Section 106 agreements, which may be repayable if the conditions for each agreement are not met. No provision has been made in the Accounts for any interest that may become repayable under the terms of the individual agreements. In the event that every one of these deposits becomes repayable with interest, the Council's maximum liability for interest payable as at 31<sup>st</sup> March 2008 was estimated to be £1.439m (£1.112m as at 31<sup>st</sup> March 2007).

A capital grant was received from East Midlands Development Agency (EMDA) for site clearance of the Blueberry Diner. The grant was awarded on condition of scheme completion within a fixed time period and, due to that time period not having been complied with, up to the full amount of the grant of £2m may be clawed back by EMDA. The Council is in negotiation with EMDA regarding the reasonableness of the original condition.

The freehold owner of St Peter's Way Car Park is currently litigating against the Council regarding the lease conditions of the land and compliance with those conditions. If the Council loses the litigation there is likely to be a payment due to the freeholder relating to car park income received on the site.

The Council is currently in negotiations about potential equal pay claims. If there are cases where the Council is found not to have paid employees on an equal basis, the Council may be liable to pay back pay.

### **38 The Euro**

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

### **39 Trust Funds**

The Council acts as sole trustee in respect of two Trust Funds for the Northamptonshire Regiment (balances of £78k) and the Northamptonshire Yeomanry Museum Collections

## E. Notes To The Core Financial Statements

(balances of £1k). The Trust funds are used to finance expenditure on the museum collections, which are housed at Abington Museum. Surplus funds are invested and accounted for separately to the Council's funds and no money is expended unless there are funds to do so.

### 40 Financial Instruments Disclosures

#### a) Financial Instruments Balances

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

	Long-Term		Current	
	31 March 2007	31 March 2008	31 March 2007	31 March 2008
	£000s	£000s	£000s	£000s
Financial Liabilities at amortised cost	-25,880	-25,862	-35,005	-35,269
Financial liabilities at fair value through income and expenditure	0	0	0	0
<b>Total borrowings</b>	<b>-25,880</b>	<b>-25,862</b>	<b>-35,005</b>	<b>-35,269</b>
Loans and Receivables	153	119	68,558	68,115
Available-for-sale financial assets	0	0	0	0
Unquoted equity investment at cost	0	0	0	5,040
<b>Total Investments</b>	<b>153</b>	<b>119</b>	<b>68,558</b>	<b>73,155</b>

#### b) Financial Instruments Gains and Losses

The accounting treatment for Financial Instruments has changed with effect from 2007/08. Revaluation adjustments relating to 2006/07 and prior years have been made as at 1<sup>st</sup> April 2007 in accordance with the SoRP. These adjustments will not affect the entries in the I & E account and are detailed within the prior period adjustments note. The gains and losses recognised in the Income and Expenditure Account and Statement of Recognised Gains and Losses in relation to Financial Instruments are made up as follows:

## E. Notes To The Core Financial Statements

2006/07				
	Financial Liabilities	Financial Assets		Total
	Liabilities measured at amortised cost	Loans and Receivables	Available for sale assets	
	£000s	£000s	£000s	£000s
Interest expenditure	-1,545			-1,545
Gains / Losses on derecognition	0			0
Impairment losses	0	-6,391		-6,391
<b>Interest Payable and similar charges</b>	-1,545	-6,391	0	-7,936
Interest income		2,608		2,608
Gains / Losses on derecognition				0
<b>Interest and Investment Income</b>	0	2,608	0	2,608
<b>Net gain/(loss) for the year</b>	-1,545	-3,783	0	-5,328

2007/08				
	Financial Liabilities	Financial Assets		Total
	Liabilities measured at amortised cost	Loans and Receivables	Available for sale assets	
	£000s	£000s	£000s	£000s
Interest expenditure	-1,363			-1,363
Gains / Losses on derecognition	0			0
Impairment losses	0	-4,351		-4,351
<b>Interest Payable and similar charges</b>	-1,363	-4,351	0	-5,714
Interest income		3,454		3,454
Gains / Losses on derecognition				0
<b>Interest and Investment Income</b>	0	3,454	0	3,454
Gains on Revaluation				
Losses on Revaluation				
Amounts recycled to the I+E Account after impairment				
<b>Surplus arising on revaluation of financial assets</b>			0	
<b>Net gain/(loss) for the year</b>	-1,363	-897	0	

## E. Notes To The Core Financial Statements

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

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

	31 March 2007		31 March 2008	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000s	£000s	£000s	£000s
Financial Liabilities at amortised cost	-61,131	-65,710	-60,886	-65,445
Loans and Receivables	68,234	68,225	68,711	68,790

The fair value of Financial Liabilities at amortised cost is less than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest payable is lower than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest below current market rates reduces the amount that the authority would have to pay if the lender requested or agreed to early repayment of the loans.

The fair value of Loans and Receivables at 31 March 2007 is less than the carrying amount because the authority's portfolio of investments includes a number of fixed rate loans where the interest receivable is lower than the rates available for similar loans at the Balance Sheet date. This commitment to receive interest below current market rates decreases the amount that the authority would receive if it agreed to early repayment of the loans.

The fair value Loans and Receivables at 31 March 2008 is higher than the carrying amount because the authority's portfolio of investments includes a number of fixed rate loans where the interest receivable is higher than the rates available for similar loans at the Balance Sheet date. This guarantee to receive interest above current market rates increases the amount that the authority would receive if it agreed to early repayment of the loans.

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

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

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

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

## E. Notes To The Core Financial Statements

### Credit Risk

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

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

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

	Amount at 31 March 2008	Historical Experience of Default	Historical Experience Adjusted for Market Conditions at 31 March 2008	Estimated Maximum Exposure to Default and Uncollectability
	£000s	%	%	£000s
Deposits with Banks and Financial Institutions	47,463	0.00	0.00	0
Bonds	0	0.00	0.00	0
Customers: Council Tax	10,031	4.34	4.34	435
Customers: NNDR	523	0.62	0.62	3
Customers: Rent	3,998	3.96	3.96	158
Customers: Sundry *	4,577	28.50	28.50	1,304
	66,592			1,900

\* Based on last 2 years' experience of default.

No credit limits were exceeded during the reporting period and the authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.. The authority held no bonds in 2007/08.

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

## E. Notes To The Core Financial Statements

	Amount at 31 March 2008
	£000s
Less than three months	3,020
Three to six months	2,074
Six months to one year	3,496
More than one year	9,829
	18,419

Impairment on the debtors financial asset has been identified, standing at a total of £9.4m at the end of 2007/08.

### Collateral

The authority holds collateral against a number of mortgages. The balance sheet value of these is currently £54,795.

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

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

### **Liquidity Risk**

As the authority has ready access to borrowings from the Public Works Loan Board (PWLB), there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the 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: -



## E. Notes To The Core Financial Statements

	Amount at 31 March 2008
	£000s
Less than one year	35,269
One to two years	0
two to five years	0
More than five years	25,862
	61,131

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

### Market Risk

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

#### Interest Rate Risk

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

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

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

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

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

According to this assessment strategy, at March 2008, if interest rates had been 1% higher with all other variables held constant, the financial effect would be: -

## E. Notes To The Core Financial Statements

	Amount at 31 March 2008
	<b>£000s</b>
Increase in interest payable on variable rate borrowing	250
Increase in interest receivable on variable rate investments	-43
Impact on I & E Account	207
Share of overall impact credited to the HRA	-79
Impact remaining on General Fund	286
Impact on GF I & E Account	207
Increase in fair value of fixed rate investment assets	-102
Impact on STRGL	-102
Decrease in fair value of fixed rate borrowing liabilities (no impact on I & E Account or STRGL)	7

The impact of a 1% increase 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.

## F. Housing Revenue Account

### F1 Income & Expenditure Account

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

2006/07		2007/08		Notes
£000s		£000s	£000s	
	<b>Income</b>			
-37,480	Dwelling Rents	-40,461		HRA2-4
-1,150	Non Dwelling Rents	-1,126		
-1,395	Charges for services & facilities	-1,527		
-551	Contributions Towards Expenditure	-160		
0	Housing Revenue Account subsidy receivable	0		
0	Sums Directed by the Secretary of State that are income in accordance with UK GAAP	0		
-40,576	<b>Total Income</b>		-43,274	
	<b>Expenditure</b>			
9,792	Repairs & Maintenance	12,227		HRA5
	Supervision & Management			
4,364	General Management	5,760		
4,515	Special Services	3,653		
82	Rent, Rates, Taxes & other charges	53		
7,218	Negative Housing Revenue Account subsidy payable	8,483		HRA6
8,780	Depreciation and Impairment of Fixed Assets	10,545		HRA7
0	Debt Management Costs	0		
438	Increased in provision for bad/doubtful debts	1,275		
0	Sums Directed by the Secretary of State that are expenditure in accordance with UK GAAP	0		
1,976	Rent Rebates transfer to General Fund	1,354		HRA8
37,165	<b>Total Expenditure</b>		43,350	
-3,411	<b>Net Cost of Services</b>		76	
26	HRA Services share of Corporate and Democratic Core		0	
0	HRA share of other amounts included in the whole authority		0	
0	Net Cost of Services but not allocated to specific services		0	
-3,385	<b>Net Cost of HRA Services</b>		76	
115	Gain (-) or Loss on sale of HRA Fixed Assets		-257	
	Interest Payable and other similar charges			
186	Amortisation of Premiums & Discounts		480	
-569	Interest and Investment Income		-961	
362	Pensions interest cost and expected return on pensions assets		344	
-3,291	<b>Surplus (-) or Deficit for the year on HRA services</b>		-318	

## **F. Housing Revenue Account**

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## F. Housing Revenue Account

### F2 Statement of Movement on the Housing Revenue Account Balance

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

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

2006/07		2007/08	Note
£000s		£000s	
-3,291	Surplus (-) / Deficit for the year on the HRA Income and Expenditure Account	-318	
2,125	Net additional amount required by statute to be debited or credited to the HRA Balance for the year	490	
-1,166	<b>Increase (-) / Decrease in the HRA Balance for the Year</b>	172	
-4,637	HRA Balance brought forward	-5,803	
-5,803	<b>HRA Balance carried forward</b>	-5,631	

## **F. Housing Revenue Account**

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## F. Housing Revenue Account

### Reconciling Items for the Statement of Movement on the HRA Balance

2006/07		2007/08	Note
£000s		£000s	
	<b>Amounts included in the HRA Income and Expenditure Account but required by statute to be excluded when determining the Movement on the HRA Balance for the year</b>		
	Difference between amounts charged to Income and Expenditure for amortisation of premiums and discounts and the charge for the year determined in accordance with statute	0	
	Difference between any other item of income and expenditure determined in accordance with the SoRP and determined in accordance with statutory HRA requirements (if any)	0	
	Impairment of Fixed Assets	-1,029	
	Amortisation of intangible fixed assets	-53	
-115	Gain or Loss on sale of HRA fixed assets	257	
-1,515	Net charges made for retirement benefits in accordance with FRS 17	-1,571	
	Sums directed by the Secretary of State to be debited or credited to the HRA that are not income or expenditure in accordance with UK GAAP	0	
-1,630		-2,396	
	<b>Amounts not included in the HRA Income and Expenditure Account but required by statute to be included when determining the Movement on the HRA Balance for the year</b>		
-1,292	Transfer to / from (-) Major Repairs Reserve	-1,880	HRA9
0	Transfers to / from (-) Housing Repairs Account	0	HRA5
1,514	Employer's contributions payable to the Northamptonshire County Council Pension Fund and retirement benefits payable direct to pensioners	1,451	
	Financial Instruments Adjustments	315	
0	Voluntary set aside for debt repayment	0	
1,144	Capital expenditure charged in-year to the HRA Balance	0	
2,389	Net transfers to / from (-) earmarked reserves	3,000	
3,755		2,886	
2,125	<b>Net additional amount required to be credited or debited to the HRA balance for the year</b>	490	

## **F. Housing Revenue Account**

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## G. Notes To The Housing Revenue Account

### 1 Prior Year Adjustments

There is a premia adjustment relating to a historic debt rescheduling which is being corrected in 2007/08. There is therefore a prior year adjustment to correct the balances and an ongoing effect on the level of premia amortised annually. For more details see note 1 to the Core Financial Statements.

### 2 HRA Assets and Capital Transactions

- a) At 31 March 2008 the Council was responsible for managing 12,247 units of accommodation: -

Type of Property	Number of Bedrooms				Total
	One	Two	Three	Four+	
Flats-Low Rise	1,468	389	2	1	1,860
Flats-Medium Rise	1,841	879	121	4	2,845
Flats-High Rise	398	83	22	0	503
Houses & Bungalows	879	2,583	3,236	341	7,039
<b>Totals</b>	4,586	3,934	3,381	346	12,247

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

Type of Property	Stock at 01/04/2007	Stock Movements			Stock at 01/04/2008
		Sales	Transfers	Additions	
Flats	5,239	-22	-9	0	5,208
Houses & Bungalows	7,095	-50	-6	0	7,039
Dwellings (excl. Shared)	12,334	-72	-15	0	12,247
Shared Ownership	98	-3	0	0	95
<b>Totals</b>	12,432	-75	-15	0	12,342

## G. Notes To The Housing Revenue Account

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

2006/07	Gross Balance Sheet Value	2007/08
£000s		£000s
	Operational Assets	
177,915	Land	184,307
393,613	Dwellings	418,087
10,519	Other Capital Assets	12,768
582,047	Total Operational Assets	615,162
1,242	Non Operational Assets	1,129
583,289	<b>TOTAL</b>	616,291
1,146,860	Vacant Possession Value as at 1st April	1,206,554

d) Capital Receipts

2006/07	Housing Capital Receipts	2007/08
£000		£000
985	Land Sales	365
7,667	Dwelling Sales	5,465
49	Other Property Sales	0
8,701	<b>Total</b>	5,830
-5,299	Payable to the Secretary of State	-3,986
	Adjustment to amounts payable	110
	Net cost of Payments to CLG	-3,876
3,402	Useable Capital Receipts	1,954

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

## G. Notes To The Housing Revenue Account

### e) Capital Expenditure & Financing

2006/07	HRA Capital Expenditure and Financing	2007/08
£000s		£000s
	<b>Expenditure</b>	
0	Land Purchase	0
7,392	Dwellings	5,141
1,042	Other Property	354
8,434	<b>Total Expenditure</b>	5,495
	<b>Financing</b>	
	Dwellings	
0	Borrowing	500
0	Useable Capital Receipts	0
0	Revenue Contributions	0
7,392	Major Repairs Reserve	4,641
7,392		5,141
	Other Property	
0	Borrowing	0
-198	Useable Capital Receipts	0
1,144	Revenue Contributions	0
96	Major Repairs Reserve	354
1,042		354
8,434	<b>Total Financing</b>	5,495

### 3 Arrears

During 2007/08, arrears as a proportion of gross income was 9.9%. This represents an increase of 2.8% since 2006/07 when the proportion was 7.1%. The figures for rent arrears are detailed below: -

2006/07	Arrears	2007/08
£000s		£000s
2,860	Gross Arrears at 31 March	4,291
-621	Prepayments	-889
2,239	Net Arrears at 31 March	3,402
1,504	Provision for bad debts at 31 March	2,293

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

## G. Notes To The Housing Revenue Account

### 4 Vacant Possession Value

The Vacant Possession value of dwellings within the HRA as at 1 April was £1,207m (£1,147m in 2006/07). For the balance sheet, the figure has been reduced to 50% of this value, i.e. £604m (£574m in 2006/07). This shows the economic cost of providing Council housing at less than open market rents.

### 5 Housing Repairs Account

The transactions on the Housing Repairs Account for 2007/08 balanced to nil for the year, although this may not always be the case.

2006/07	Housing Repairs Account	2007/08
£000s		£000s
0	Balance B/f	0
9,792	Expenditure in the Year	12,214
-9,792	Contributions to the Housing Repairs Account	-12,214
0	Increase (-) / Decrease in the Housing Repairs Account Balance for the year	0
0	<b>Balance c/f</b>	0

### 6 Housing Subsidy

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

2006/07	Housing Subsidy	2007/08
£000s		£000s
6	Prior Year Adjustment	-161
-18,818	Management and Maintenance Allowance	-19,241
-7,488	Major Repairs Allowance	-7,611
-960	Charges for Capital	-1,126
-30	Other Allowances	0
34,501	Notional Rent	36,617
7	Interest on Receipts	5
7,218	<b>Total Amount to be paid to Government</b>	8,483

## G. Notes To The Housing Revenue Account

### 7 Depreciation and Impairment

#### a) Depreciation

2006/07	Depreciation	2007/08
£000s		£000s
	Operational Assets	
8,290	Dwellings	9,077
49	Intangible Assets	53
264	Other Property	269
177	Vehicles, Plant & Equipment	146
8,780	Total Operational Assets	9,545
0	Non Operational Assets	0
8,780	<b>TOTAL</b>	9,545

#### b) Impairment

2006/07	Impairment	2007/08
£000s		£000s
	Operational Assets	
0	Dwellings	578
0	Intangible Assets	0
0	Other Property	382
0	Vehicles, Plant & Equipment	70
0	Total Operational Assets	1,030
0	Non Operational Assets	0
0	<b>TOTAL</b>	1,030

The Council's Valuation Officer, a member of FRICS, advised that there were no impairments in 2006/07.

### 8 Secretary of State Determinations

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

## G. Notes To The Housing Revenue Account

2006/07	Secretary of State Determinations	2007/08
£000s		£000s
1,976	Rent Rebate Subsidy Limitation	1,354
0	Rent Rebate Transitional Measures	0
1,976	Total Effect of Special Directions	1,354

### 9 Major Repairs Reserve

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

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

Major Repairs Reserve	£000s
Balance at 1 April 2006	0
HRA Depreciation	-9,545
Depreciation adjustment to agree to MRA	1,933
	-7,612
Amount used to finance Capital Expenditure	
Dwellings	4,641
Other Property	354
	4,995
<b>Balance at 31 March 2008</b>	<b>-2,617</b>

## H. The Collection Fund

### Income and Expenditure Account

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

2006/07		2007/08	Note
£000s		£000s	
	<b>INCOME</b>		
-69,903	Council Tax (net of benefits, discounts & transitional relief)	-72,884	CF2
-10,369	Transfers from General Fund Council Tax benefits	-10,858	
-91,727	Income collectable from business ratepayers	-91,956	
-974	Contributions Towards previous years' Collection Fund deficit	-120	CF3
-172,973		-175,818	
	<b>EXPENDITURE</b>		
	Precepts & demands:-		
56,662	Northamptonshire County Council	59,497	14
10,406	Northamptonshire Police Authority	11,037	14
12,143	Northampton Borough Council	13,045	14
	National Non-Domestic Rates		
91,413	Payments to national pool	91,644	
315	Cost of collection	312	
	Bad & Doubtful Debts / Appeals		CF4
89	Write-offs	1,101	
901	Provisions	133	
	Contributions		
0	Towards previous years' Collection Fund surplus	0	
171,929		176,769	
-1,044	<b>(Surplus)/deficit for the year</b>	951	
1,039	Fund balance b/fwd	-5	
-5	<b>Fund Balance c/fwd</b>	946	

## **H. The Collection Fund**

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# I. Notes To The Collection Fund

## 1. National Non Domestic Rates (NNDR)

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

The total non-domestic rateable value as at 31 March 2007 was £243.7m and the equivalent figure for 2006/07 was £246.4m. The National Non-Domestic Rate multiplier for 2007/08 was 44.4p and the equivalent figure for 2006/07 was 43.3p. The small business non-domestic rating multiplier for 2007/08 was 44.1p and the equivalent figure for 2006/07 was 42.6p.

## 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 2007/08 calculated as follows: -

2006/07 Band D Equivalents	Band	Estimated number of taxable properties 2007/08 after discounts	Ratio	2007/08 Band D Equivalents
18.2	A(-)	34.3	5/9	19.0
16,059.7	A	24,155.8	6/9	16,103.9
13,580.1	B	17,495.0	7/9	13,607.2
16,175.6	C	18,486.3	8/9	16,432.2
8,619.9	D	8,794.9	9/9	8,794.9
5,927.3	E	4,890.8	11/9	5,977.6
2,967.7	F	2,091.0	13/9	3,020.3
1,728.2	G	1,065.4	15/9	1,775.6
94.0	H	50.4	18/9	100.9
65,170.7	Gross Council Tax Base			65,831.6
977.6	Non-collection provision			987.5
<b>64,193</b>	<b>Council Tax Base Used for setting the Precept</b>			<b>64,844</b>

The provision for non-collection was set at 1.5% for 2007/08 (1.5% for 2006/07).

# I. Notes To The Collection Fund

## 3. Analysis of In-year Contributions to Fund Deficits

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

<b>2006/07</b>	<b>Allocation Of Collection Fund Deficits</b>	<b>2007/08</b>
<b>£000s</b>		<b>£000s</b>
147	Northampton Borough Council	-10
701	Northamptonshire County Council	-93
126	Northamptonshire Police Authority	-17
974	<b>Total Deficit Recovered</b>	-120

## 4. Bad and Doubtful Debts

<b>2006/07</b>	<b>Bad and Doubtful Debts</b>	<b>2007/08</b>
<b>£000s</b>		<b>£000s</b>
2,339	Bad Debt Provision B/f	3,240
901	Provision Made in Year	133
3,240	<b>Bad Debt Provision c/f</b>	3,373

## J. Statement Of Responsibilities For The Statement Of Accounts

### The Authority's Responsibilities

The Authority is required to:-

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

### The Section 151 Officer

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

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

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

The Section 151 Officer has also:

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

I certify that this Statement of Accounts presents fairly the position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2008.

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

## **J. Statement Of Responsibilities For The Statement Of Accounts**

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## **K. Annual Governance Statement**

### **NORTHAMPTON BOROUGH COUNCIL ANNUAL GOVERNANCE STATEMENT 2007/08**

#### **1.0 Scope of responsibility.**

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

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

Northampton Borough Council, as part of the Use of Resources improvement plan, aims to approve and adopt a local code of corporate governance by the end of November 2008. This will be consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (CIPFA 2007). The code, when implemented, will be subject to a review by Internal Audit.

This statement explains how the council has complied with the code and also how we meet the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

#### **2.0 The purpose of the governance framework**

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

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

## K. Annual Governance Statement

designed to evaluate the likelihood of those risks being realised and their impact should they be realised, and to manage them efficiently, effectively and economically.

### 3.0 The Governance Framework

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

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

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

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

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

## K. Annual Governance Statement

Many activities which deliver shared priorities are agreed through the *Local Area Agreement* (LAA) for Northamptonshire. This focuses on delivering services and improvements to communities against four key themes. The current LAA has been in place for two years and is being renegotiated in line with government's requirements. The proposed targets for the second LAA were sent to the Government Office of the East Midlands on 30 May 2008. The LAA will identify the key priority outcomes for the whole county as well as informing local priorities for Northampton to be delivered by the Council and its partners.

This will focus on seven key areas:

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

The *Local Area Agreement* will be the key delivery plan for the Northamptonshire *Sustainable Community Strategy*. The strategy was subject to consultation that concluded in April 2008 and is currently being redrafted. It is anticipated that the strategy will be approved by October 2008 and once agreed this will set out the vision and key objectives for the county between now and 2031. A Northamptonshire Public Service board has been established as the body responsible for delivering the second LAA and replaces the previous LAA Board. This Board will take a strategic view for the county as expressed in the 'Sustainable Communities Strategy for Northamptonshire'. It brings key strategic partners together to inform, drive and champion the strategic vision for the county in the longer term.

### **Our partnership vision for Northampton:**

We believe Northampton will be a successful and confident town where people feel they belong, feel they have a future, feel they have financial stability and, where appropriate, business opportunities. It will also be a place that has vibrant cultures and lifestyle opportunities and where everyone who chooses to live here, work here or visit the town feels at home.

To deliver this the Northampton Local Strategic Partnership have agreed the *Sustainable Communities Strategy for Northampton*, which incorporates the key themes from the county-wide strategy and focuses on key strategic objectives local to Northampton;

## K. Annual Governance Statement

By 2011 Northampton will be:

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

As well as planning services for the future growth of the area, we also intend to improve the quality and accessibility of our services to our customers now. By creating a 'fit for purpose council', the opportunities and challenges will be tackled effectively. These include managing the growth of the area in a way that enhances the quality of life, revitalises the town centre and local housing estates and puts Northampton on the map, both regionally and nationally. All of this can only be delivered by working hand in hand with our partners.

In order to ensure that this Corporate Plan meets the needs and aspirations of our local communities, and contributes to wider community outcomes, we engaged with local people in a series of consultation events. We used the feedback to inform the selection of our five priorities and underpinning commitments.

These are:

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

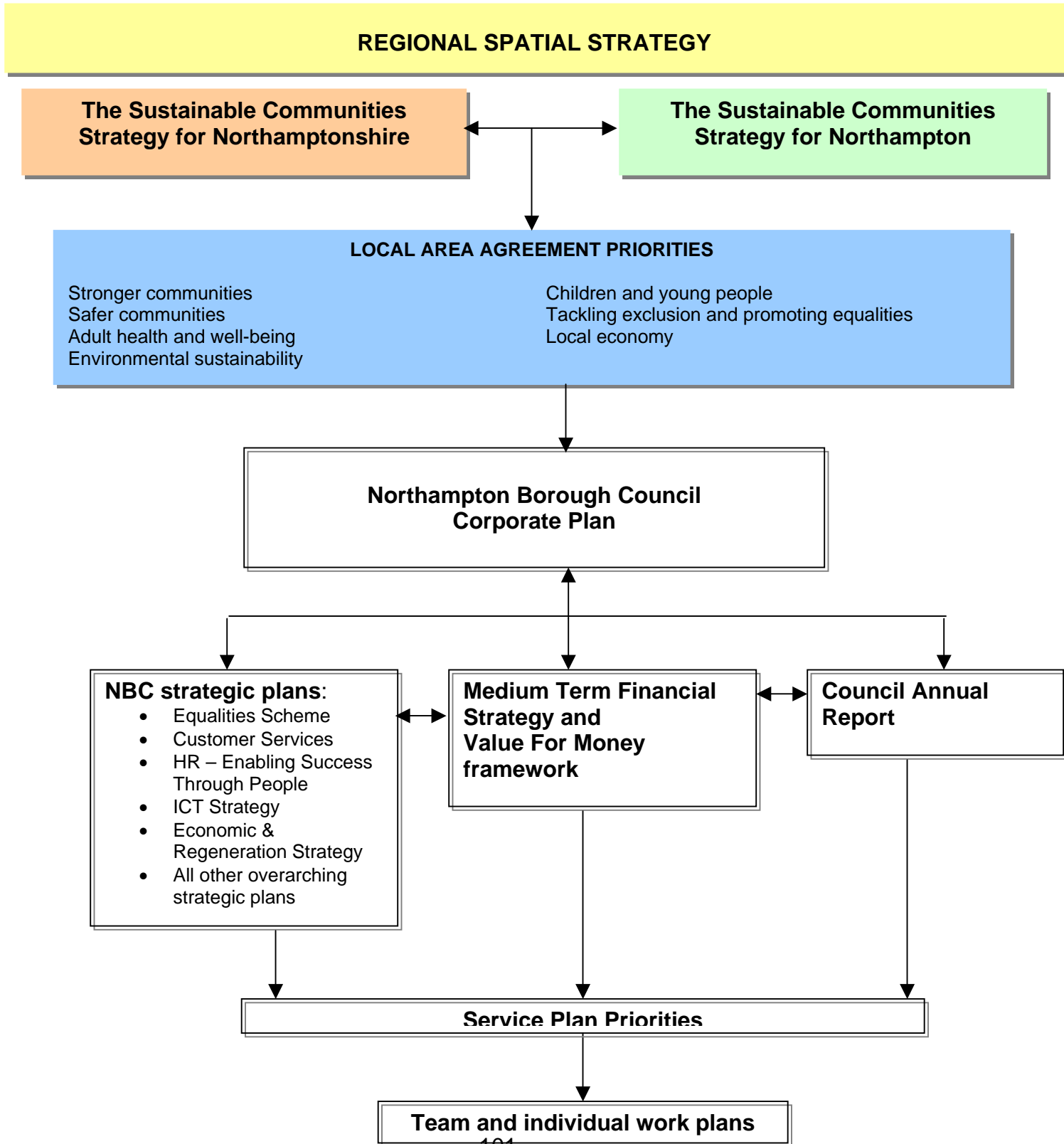
The council uses information from corporate and service consultations, engagement through area partnerships and community forums as well as feedback from customers to ensure that these priorities are important to the community and that service delivery meets their expectations. The council also has a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

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



# K. Annual Governance Statement

## How We Deliver Our Key Strategies



## **K. Annual Governance Statement**

### **Themed strategies and plans**

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

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

The performance management framework requires service plan targets and actions to be reviewed each month by the relevant departmental management teams. At strategic management level overall performance of each service is monitored at Corporate Performance Reviews; these reviews, chaired by the Chief Executive, address a range of performance aspects: risk management, financial performance, national and local performance targets, complaints and compliments. In 2008 Service plans will themselves be subject to quarterly review; this will ensure that plan remain current, that targets remain relevant and appropriately challenging and that the service is delivering the actions necessary to achieve the corporate objectives.

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

Performance information is made widely available. All Councillors are provided with the monthly performance reports. Notice Boards across all council premises are used to display performance information, ensuring that staff who do not use computers can still access up to date information on the performance of each service area. The reports are also placed on the Council's website so that members of the public can access the information.

At a political level performance is monitored by Portfolio Holders each month in meetings with Directors and Corporate Managers. Monthly performance reports

## K. Annual Governance Statement

are presented to each meeting of Cabinet by the Portfolio Holder for Performance, advised by officers. These reports focus on performance against priority indicators in addition to an overview of performance against all indicators. The reports set out an analysis of quartile performance so that the Council's performance levels can be compared to the levels of the best performing Councils. Political monitoring also takes place at reviews chaired by the Leader of the Council each quarter. These Portfolio Performance Reviews consider the delivery of each portfolio holder area against the identified corporate objectives. This helps to ensure that senior councillors are holding officers to account for delivery.

The Performance Management Framework sets out the flow of management information across the Council. Operational Performance Reports (OPRs) are produced by managers of discrete service teams for each Corporate Manager. These inform Directorate Management Teams and, in particular, the Performance Clinics each month. These focus on key issues including under or over performance and specifically address performance against service plan actions. These inform the Director's report at each CPR as outlined earlier.

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

Following the changes to the production of the Best Value Performance Plan as set out by CLG, the Council will no longer produce a BVPP. However, we will continue to produce an Annual Council Report, setting out our performance against our corporate objectives. Through reviews by external auditors, external agencies, Internal Audit, and internal review teams, the Council constantly seeks ways of ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. A corporate procurement strategy/toolkit was produced to ensure proper arrangements are in place for procurement of goods and services. This was reviewed by Members and senior officers before being adopted.

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

Contracts let during the year, as well as partnerships entered into, include appropriate arrangements for monitoring against agreed targets and indicators. A Procurement Monitoring Group has also been set up, where contracts over

## **K. Annual Governance Statement**

£20k are referred to the group, to ensure that the appropriate finance, procurement and legal rules are all adhered to.

The Cabinet in November 2007 adopted the risk management strategy and approved the risk register, with a requirement to maintain this as a dynamic document and submit it to the Audit Committee on an annual basis.

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

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

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

The Council's Management Board, which consists of the Chief Executive, Directors (including the S151 officer), the Monitoring Officer and Head of Human Resources, meets on a weekly basis to develop policy issues commensurate with the Council's aims, objectives and priorities. Management Board also considers other internal control issues, including strategic risk management, performance management, compliances, efficiency and value for money, and financial management. Management Board meet with Cabinet on a monthly basis to review progress in achieving the Council's ambitions, priorities for action, performance management and forward planning for major issues. It has a corporate responsibility for the messages that the council puts out, both internally and externally.

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

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

## **K. Annual Governance Statement**

### **Corporate Briefing**

This group consists of Management Board members and also all Corporate Managers/Heads of Service. The meetings are diarised weekly to meet as required. The agenda and meeting go ahead is agreed each week at Management Board.

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

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

### **Directorate Management Team (DMT)**

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

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

### **Managers' Workshop**

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

### **Other specific group meetings:**

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

## **K. Annual Governance Statement**

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

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

- Members and Officers Code of Conduct
- Members Code of Conduct
- Protocol for Members and officers regarding probity planning
- Members' declarations of interest
- Member/officer relations
- Gifts and hospitality – Members and officers

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

The council has designated the Borough Solicitor as the Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. After consulting the Chief Executive and Director of Finance, he will report to the Council if he considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

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

### **Report on Governance Arrangements**

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

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

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

- How effective are current governance arrangements?
- What's working well needs to be improved?

## **K. Annual Governance Statement**

- Do the arrangements support and have an impact on decision-making process?
- Instances of process failing to work or not complied with?
- General comments

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

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

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

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

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

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

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

### **Finance and Audit Services**

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

The Council maintains an Internal Audit service provided through a contract with PriceWaterhouseCoopers, who operate to the standards set out in the ‘Code of Practice for Internal Audit in Local Government in the UK’. Individual services produce annual service plans. These Service Plans are updated each year so as

## **K. Annual Governance Statement**

to incorporate the Council Plan requirements into service activities, so that services know what they are required to do to achieve the Council's priorities and ambitions. These plans also identify any governance impact.

Our external audit services are provided by KPMG, who audit our statement of accounts, data quality, use of resources, whole of government accounts and national fraud initiative.

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

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

- A Planning Committee to determine planning applications and related matters;
- A Standards Committee that promotes, monitors and enforces probity and high ethical standards amongst the Council's Members, and this extends to having the same responsibility for all town and parish councils within the Borough;
- An Audit Committee to provide assurance about the adequacy of internal controls, financial accounting and reporting arrangements, and that effective risk management is in place. Its work is intended to enhance public trust in the corporate and financial governance of the council;
- A Licensing Committee, which monitors and reviews the effectiveness of the Council's licensing policy and procedures.

Since May 2007 the Council has operated with four committees tasked with carrying out the Overview and Scrutiny (O&S) function these are;

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

The purpose of Overview and Scrutiny is set out in Modern.gov (Modern.gov is the online system that enables access to committee agendas, reports and minutes, it has been in use since November 2001) as:



## **K. Annual Governance Statement**

## **K. Annual Governance Statement**

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

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

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

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

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

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

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

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

Extensive Members training was undertaken during 2007/08. The courses included - Welcome to NBC, Code of Conduct, Getting Results, IDEA workshop, Performance Management, Equalities and Diversity, Local Authority Finance,

## **K. Annual Governance Statement**

LSP/LAA/WNC, Planning (Probity and Building), CAA/LAA and Modern Councillor Launch Party. Training has also been provided to the Audit Committee by PWC.

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

The council introduced internal and external communications strategies in 2007 which clearly set out the principles and responsibilities for effective management of corporate communications and brand identity. The strategy included media training for all senior councillors and officers who have contact with the media. In addition the council has adopted a community engagement strategy which sets out the principles for wider engagement with residents, forums, community groups, stakeholders and partners and detailed work is being carried out to develop a co-ordinated programme of engagement activities to support the implementation of the strategy.

### **4.0 Review of Effectiveness**

The Council has responsibility for conducting, at least annually, a review of its governance framework including the system of internal control. The process adopted during 2007/08 for a review is below; this will be strengthened during 2008/09:

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

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

The next paragraphs give more detail regarding the actual review process, and actions undertaken during 2007/08.

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

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

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

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

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

During 2007/08 examples of task and finish work carried out by O&S include:

- Alcohol related violence/polycarbonate glasses (jointly with NCC)
- Voluntary sector funding/partnerships
- Community engagement
- Historic buildings

The Standards Committee on the 10th July 2007 approved a work plan and has conducted a broad-ranging review of the council's existing policies and procedures for compliance with the Members' Code of Conduct and related ethical conduct requirements. These include the Protocol for Members on Outside Bodies, the Planning Protocol, Register of Members' Interests and a review of the acceptance of gifts and hospitality, the Anti Fraud and Corruption Policy and Whistle Blowing Policy and member/employee relations. It simultaneously reviewed how compliance is monitored and evidenced. The Standards Committee confirmed its endorsement of the compliance procedures and evidence sources used by NBC as representing a satisfactory assessment of Members' standards of conduct to approve various amendments dealt with above.

On the 10th July 2007 the Standards Committee also considered a revised Model Code of Conduct for Members, together with arrangements for training Members. The Council formally adopted the revised Model Code of Conduct for Members and the Planning Protocol on the 23rd July 2007

The Standards Committee has produced periodic newsletters for the benefit of Members, Parish Councillors and relevant officers, to provide updates on the

## K. Annual Governance Statement

national position, advice on matters in relation to Standards generally and to also remind Members of their obligations under the Code of Conduct, the Register of Interests, Gifts and Hospitality.

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

- Risk management
- Control and;
- Governance processes.

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

An audit plan is prepared each year and is agreed at the Audit Committee prior to the year commencing. For 2007/08 the audit plan was agreed at the Audit Committee meeting on 27th February 2007. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant service manager and/or chief officer. The report includes recommendations for improvements that are included within an action plan and requires agreement or rejection by service manager and/or chief officers. The process includes follow-up reviews of recommendations to ensure that they are acted upon, usually within six months. All Internal Audit reports include a report on the quality and effectiveness of internal control within the Council's systems, and an assessment in accordance with quantification and classification of internal control level definitions. These definitions are summarised below:

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

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

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

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

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

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

Teamcentral was introduced at the end of 2007/08. This software manages audit recommendations and monitors the adherence of implementing them by agreed dates. Teamcentral will send out automatic monthly reminders where the implementation dates of audit recommendations have passed without being closed. The reports from this system will also be used as part of the monthly Corporate Performance Review meetings.

As part of the Comprehensive Performance Assessment (CPA) framework for districts, the Council has been assessed under the 'use of resources' category. The overall score for 2006/07 was a 1, with a 2 scored for both VFM and Financial Standing. An improvement plan has been implemented during 2007/08 and it is hoped that the score announced in autumn 2008 will be at least an overall 2.

### 5.0 Significant governance issues

Significant control weaknesses in relation to the following services were identified by Internal Audit and highlighted to the Audit Committee at its meeting of 27<sup>th</sup> May 2008 in the Annual Audit Report:

Significant Control Weakness areas	Action to address weakness (examples)
<b>Core Financial Systems:</b>	
Debtors	Improvements have been and are being made to the write off authorisation process and the monitoring of aged debt.
Fixed Assets	Work is underway on ensuring that the asset register is up to date.
Bank Reconciliations	Improvements are in train, including regular reconciliations to the ledger, improved transaction access security and prompt follow up of unreconciled items.
<b>Westbridge:</b>	
Electrical Services overtime	Controls and records are now in place to control the levels and authorising of

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Capital Voids	overtime.  The quote and tendering process is now more robust and will be monitored.
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As a result of the above, Internal Audit can only give the authority limited assurance on the design and effectiveness of the system of internal control.

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

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

It should also be highlighted that Risk and Business Continuity Manager's post was not filled during 2007/08 and the authority has since failed to recruit during the early months of 2008/09. During 2007/08, risk management was maintained through utilising the services of the previous post holder who moved internally. A Corporate Manager led business Continuity and PWC also provided risk workshops to officers. The Insurance Manager also maintained the completeness of the Risgen, system based, risk management system.

The council is currently rated as "poor" under the Comprehensive Performance Assessment. Certain services during 2007/08 were monitored via the Government Monitoring Board. Improvements have been made to Finance, Culture and Leisure and the Revenue and Benefits services, that have shown the necessary progress to disengage from this process. Housing and Planning Services currently remain part of the GMB monitoring, but the necessary improvements are being undertaken and there should be disengagement during 2008/09.

We are also currently undergoing a senior management restructuring. The initial Director level was agreed at Cabinet in January 2008. The next level or management, Corporate Managers/Head of Service, was agreed at Cabinet and Council in May 2008. This process is currently continuing and it is planned that the new structure is in place for the 1<sup>st</sup> October 2008.

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

**Signed:**

**Signed:**

**Date:**

**Date:**

Councillor Tony Woods  
Leader of the Council

David Kennedy  
Chief Executive

**Signed:**

**Signed:**

**Date:**

**Date:**

Isabell Procter  
Director of Finance (S151 Officer)

Francis Fernandes  
Borough Solicitor/Monitoring  
Officer