



**NORTHAMPTON**  
BOROUGH COUNCIL

# Statement of Accounts

2010/2011

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

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

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# B Explanatory Foreword

## 1. Introduction

The Council has a statutory duty to approve and publish this Statement of Accounts document for the period 1<sup>st</sup> April 2010 to 31<sup>st</sup> March 2011.

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

To comply with the Accounts and Audit Regulation 2003 (as amended by later updates), the Council is required to make reasonable endeavours to have the Statement of Accounts audited and received and approved by the end of September 2011. The responsibility for approval is delegated to the Audit Committee. The Audit Committee are due to meet and approve the accounts at its meeting on 26<sup>th</sup> September 2011 to include any changes arising from the audit of the accounts. The Council's Chief Financial Officer approved the accounts for publication on (to be inserted).

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

## 2. The Statements

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

### **Core Financial Statements**

#### Movements in Reserves Statement (pages 19 to 21)

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

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

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

#### Comprehensive Income and Expenditure Statement (page 22 to 23)

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

#### Balance Sheet (page 25)

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

## B Explanatory Foreword

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

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

### Cash Flow Statement (page 27)

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

### Notes to the Core Statements (pages 29 to 120)

This section comprises the recommended notes to the Movements in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, and the Cash Flow Statement, plus additional notes deemed useful to aid the understanding of the reader of the accounts.

## **Supplementary Financial Statements**

### Housing Revenue Account (HRA) Income and Expenditure Account (page 121)

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

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

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

### Notes to the HRA Accounts (pages 125 to 130)

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



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The Collection Fund Income and Expenditure Account (page 131)

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

Notes to the Collection Fund (pages 133 to 134)

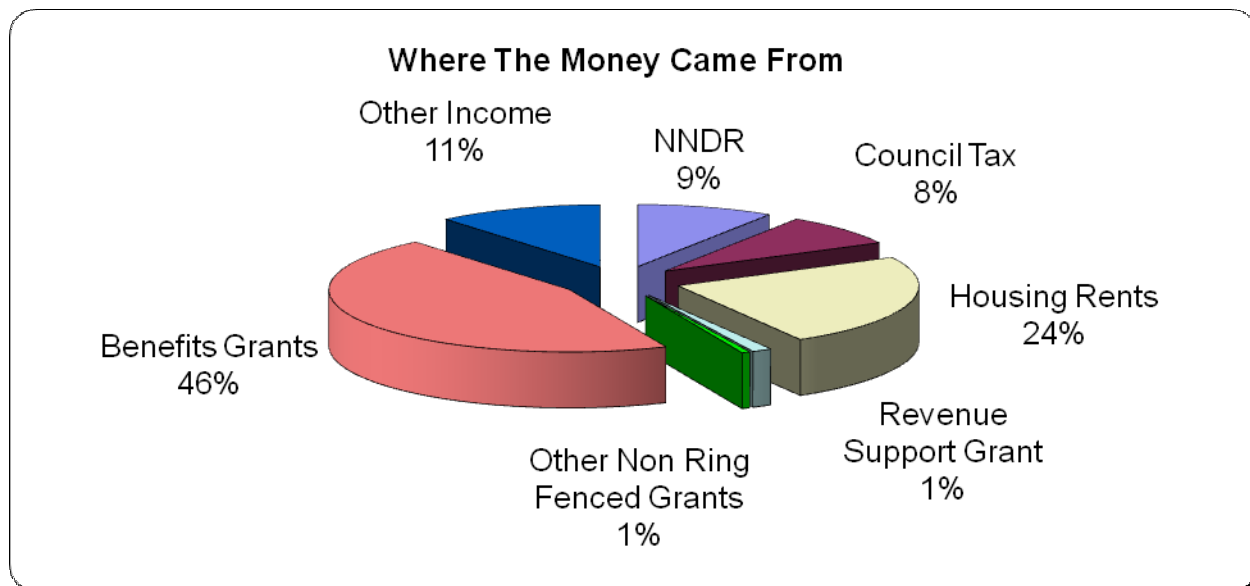
This section comprises the recommended notes to the Collection Fund supplementary financial statements.

### 3. Financial Summary 2010/11

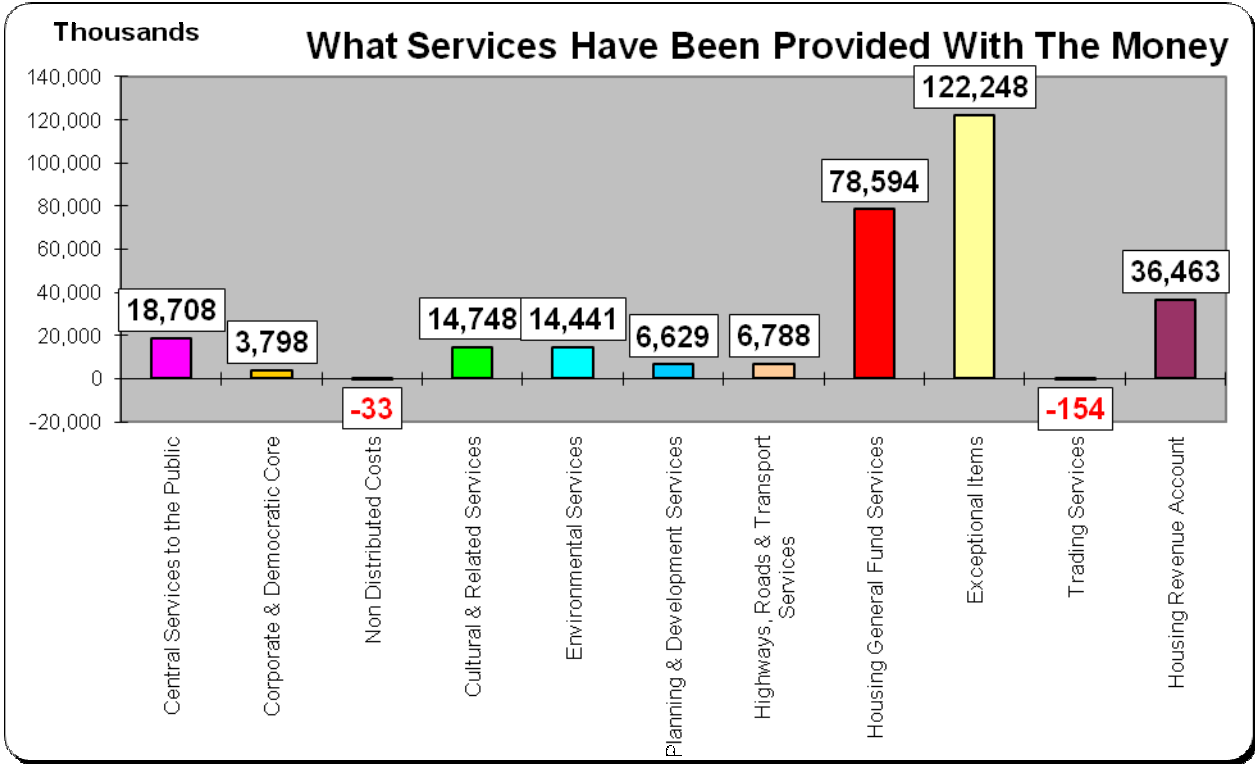
This section shows service expenditure, interest payable, other operating costs, income from grants, local taxpayers and other sources compared in overall terms to the budget.

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

The following charts outline where the Council's revenue money came from, how it was spent and on which services. The charts show the overall position of the Council's revenue accounts for 2010/11 (i.e. both General Fund and HRA).



# B Explanatory Foreword



## B Explanatory Foreword

### b) General Fund Account

The following table summarises the position for the General Fund for 2010/11. Some notes are included following the table to explain the main variations to the budget for the year.

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	£000s	£000s	£000s
<b>Expenditure</b>			
Net Service Expenditure	40,003	38,890	-1,113
Interest & Capital Financing Adjustments	-5,399	-4,660	739
<b>Total Net Expenditure</b>	<b>34,604</b>	<b>34,230</b>	<b>-374</b>
<b>Income</b>			
National Non Domestic Rates	-16,535	-16,535	0
Revenue Support Grant	-2,401	-2,401	0
Non Ringfenced Grants	-988	-988	0
Met by local Council Taxpayers	-14,951	-14,951	0
Collection Fund Deficit	171	171	0
<b>Total Income</b>	<b>-34,704</b>	<b>-34,704</b>	<b>0</b>
<b>(Surplus)/Deficit for the year</b>	<b>-100</b>	<b>-474</b>	<b>-374</b>
<b>Balance brought forward</b>		-2,198	
<b>Balance carried forward</b>		-2,672	

#### Variations to Budget

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

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

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

## B Explanatory Foreword

### c) Housing Revenue Account

The following table outlines the outturn position for the Housing Revenue Account for 2010/11. Some notes are included following the table to explain the main variations to the budget for the year.

	Budget	Actual	Variance
	£000s	£000s	£000s
<b>Expenditure</b>			
Net Service Expenditure	200	1,894	1,694
Interest & Capital Financing Adjustments	227	68	-159
<b>(Surplus)/Deficit for the year</b>	427	1,962	1,535
<b>Balance brought forward</b>		-6,855	
<b>Balance carried forward</b>		-4,893	

#### Variations to Budget

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

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

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

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### d) Capital Expenditure

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

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

### Capital Variations to Budget

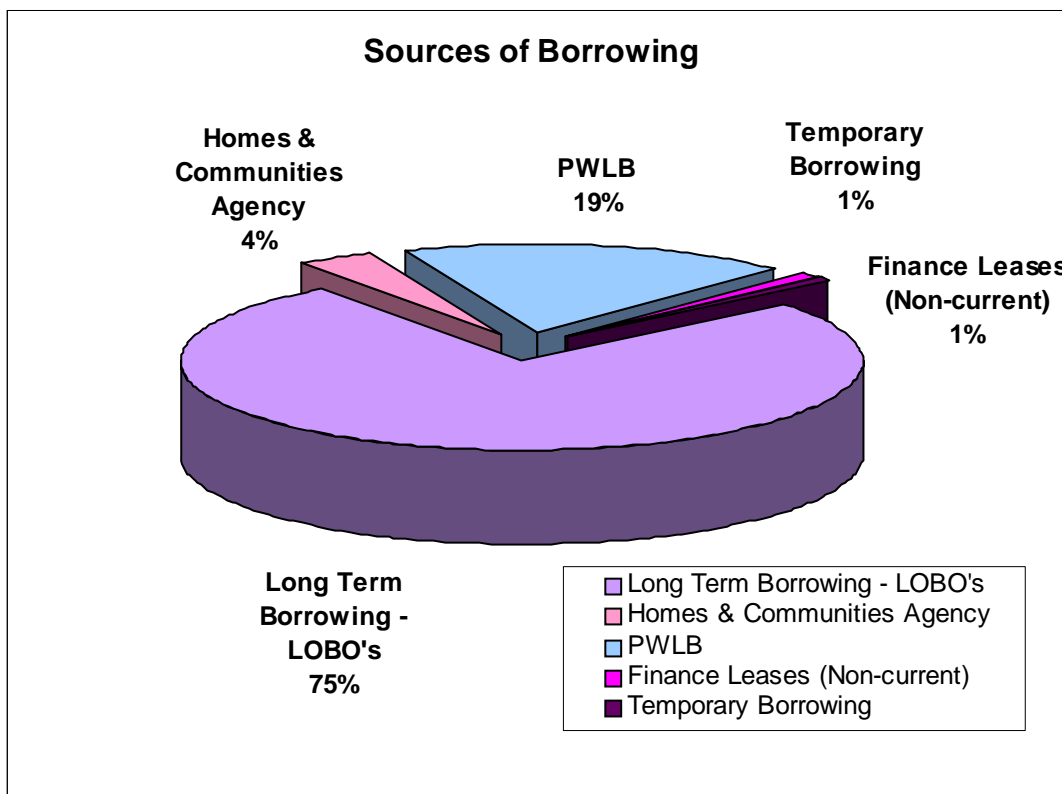
The expenditure on the capital programme was approximately £14.4m below budget for the year. The majority of this variance (12.8m) relates to schemes that are currently underway or are still planned to take place, but effectively “slipped” into the next financial year (i.e.2011/12). The majority of this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

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### e) Current Borrowing Facilities

Current borrowing facilities are as detailed below: -

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



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

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

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

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

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

### 4. Significant Changes in 2010/11

#### a) Assets acquired or enhanced

Capital expenditure represents major investment in new and improved assets such as land, buildings, infrastructure, equipment, and information technology assets. Expenditure is incurred in pursuit of the Council's objectives and priorities and the delivery of services, and can be for the acquisition of new assets, enhancement of existing assets or investment in assets owned by third parties. None of these are unusual in scale when considered in the context of the Council's normal activities.

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

#### b) Accounting Policies

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



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

c) Statutory Functions

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

d) Unusual charges or credits in the accounts

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

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

### 5. Other Matters of Note

a) Pensions Liabilities and Assets

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

b) Significant Provisions or Contingencies and Material Write-offs

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

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

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

c) Current Economic Climate

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

## B Explanatory Foreword

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

### d) Adequacy of Reserves

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

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

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

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

## 6. Conclusion

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

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

The Capital Programme is under-spent in 2010/11 against budget, however this is largely to do with timing; a major housing contract started late in the year and will continue into 2011/12. The Council is committed to further improving project management and to bring the capital spend closer to the budget in the future.

The out-turn for the Housing Revenue Account (HRA) shows an increase in the level of working balances and earmarked reserves. The revenue position of the HRA continues to be healthy with challenges facing the Council in delivering the capital improvements necessary to deliver good quality homes at an affordable price to its tenants. The HRA finance reform is due to be in place for 2012/13 and the Council is monitoring the developing position on this.

The Council continues to consolidate and strengthen its financial position to enable a sound platform from which to maintain and improve essential services within available

## B Explanatory Foreword

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

### 7. Further Information

Further information about these accounts is available from: -

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



## C. Statement of Responsibilities

### The Authority's Responsibilities

The Authority is required to:-

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

### The Chief Financial Officer

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

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

### Certificate

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

Isabell Procter Section 151 Officer
Date

## **C. Statement of Responsibilities**

## **D Core Financial Statements**

### **D1 Movement in Reserves Statement**

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

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

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

The Statement is shown on the next two pages.

## D Core Financial Statements

### D1 Movement in Reserves Statement

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



## D Core Financial Statements

### D1 Movement in Reserves Statement

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

## D Core Financial Statements

### D2 Comprehensive Income and Expenditure Statement

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

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

**D Core Financial Statements**  
**D2 Comprehensive Income and Expenditure Statement**

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

**D Core Financial Statements**  
**D2 Comprehensive Income and Expenditure Statement**

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## D Core Financial Statements

### D3 Balance Sheet

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

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

## **D Core Financial Statements**

### **D3 Balance Sheet**

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## D Core Financial Statements

### D4 Cash Flow Statement

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

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

## **D Notes to Core Financial Statements**

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# D Notes to Core Financial Statements

## 1 ACCOUNTING POLICIES

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### 1.1 INTRODUCTION

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

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

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

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

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

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

### 1.2 ACCOUNTING PRINCIPLES

#### a **Going Concern**

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

#### b **Accruals Concept**

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

Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet respectively. Equally, where cash has been received or paid which is not yet recognised

## D Notes to Core Financial Statements

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

### c Cost of Services

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

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

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

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

### d Value Added Tax

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

### e Changes in Accounting Policy

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

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

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

### f Previous Year Adjustments

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

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

## D Notes to Core Financial Statements

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

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

### g Events after the Balance Sheet date

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

### h Exceptional and extraordinary items and prior period adjustments

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

### i Contingent assets and liabilities

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

## Capital Accounting

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

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

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

The capital cost of an asset is recognised to be:

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

## D Notes to Core Financial Statements

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

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

### k Non-Current Asset Classification.

The authority manages its assets in the following categories:

- **Intangible Assets.**

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

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

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

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

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

Test for Community Assets:

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

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

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

## D Notes to Core Financial Statements

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

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

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

- **Assets Held for Sale.**

The authority will classify assets as held for sale where:

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

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

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

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

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

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

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

Valuations are completed as follows:

## D Notes to Core Financial Statements

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

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

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

### m Impairment of Non-Current Assets

The accounting policy has been created in accordance with IAS 36

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

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

The authority recognises impairment as:

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

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

### n Disposal of Non-Current Assets

## D Notes to Core Financial Statements

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

Sale proceeds in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts are credited to the Useable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the councils underlying need to borrow (the capital financing requirement). Receipts are transferred to the Reserve from the movement in reserves statement. The value of the asset is transferred to the capital adjustment account via the movement in reserves statement.

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

### o Depreciation / Amortisation Methodology

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

Residual values

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

## D Notes to Core Financial Statements

Useful Economic Lives of assets are:

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

\* Depending on the nature of the specific asset

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

### p Leases

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

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

### q Defining a Finance Lease

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

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

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



## D Notes to Core Financial Statements

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

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

### r **Defining an Operating Lease**

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

### s **Lessee Accounting for a Finance Lease**

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

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

### t **Lessor Accounting for a Finance Lease**

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

### u **Lessor Accounting for an Operating Lease**

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

### v **Lessee Accounting for an Operating Lease**

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

### w **Service Concession Agreements (PFI and other similar contracts)**

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. PFI and similar contracts are assessed against criteria within IFRIC 12

## D Notes to Core Financial Statements

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

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

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

PFI Credits are treated as general revenue government grants.

### x **Capital Grants and Contributions**

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

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

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

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

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

Relevant Government Grants are treated in accordance with this policy.

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

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

## D Notes to Core Financial Statements

### z **Minimum Revenue Provision (MRP)**

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

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

### aa **Capital Reserves**

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

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

### **Revenue Accounting**

### ab **Recognition of Revenue Expenditure.**

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

### ac **Employee Costs**

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

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

#### **Short-term employee benefits:**

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

## D Notes to Core Financial Statements

### Termination Benefits

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

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

The Local Government Pension Scheme is a defined benefit scheme. The liabilities of the scheme attributable to the authority are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.

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

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

- Current service cost - the increase in liabilities as result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked
- Past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement
- Expected return on assets - the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return - credited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement
- Gains/losses on settlements and curtailments the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Statement of Comprehensive Income and expenditure.

## D Notes to Core Financial Statements

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

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

- **Early Retirement, Discretionary Payments** - the authority has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

### ad Revenue Grants and Contributions

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

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

### ae Provisions

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

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

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

### af Revenue Reserves

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The

## **D Notes to Core Financial Statements**

reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax in that year for the expenditure.

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

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

The Council's risk-based assessment of the required level of General Fund working balance is £3m. For affordability reasons it is not possible to move directly to this level of reserves, however the Council will build up its General Fund working balances to this level over as short a time as possible. This level of general working balance is considered reasonable due to the mitigation of some risks through the holding of earmarked reserves.

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

### **Insurance Provision/Reserve**

Surpluses or deficits required in the insurance provision are charged or credited back to individual services. Any changes required to the Insurance Reserve will be debited or credited to the MIRS.

### **Subsidy Equalisation Reserve**

Subsidy claims are very much reliant upon regulations issued by the grant paying bodies. These can change in-year and so the net cost of benefit payments and subsidy claims from the Government can be extremely volatile. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

### **Core Business Systems Reserve**

The Core Business Systems Reserve will be used to improve the main financial and subsidiary financial systems of the Council to streamline administrative processes and improve the quality of information and controls. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

### **Building Maintenance Reserve**

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

### **Supporting Business and Economic Growth Reserve**

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

## **D Notes to Core Financial Statements**

### **Change and Performance Reserve**

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

### **Debt Financing Reserve**

This reserve has been set up to mitigate the additional market risks inherent in treasury management transactions during this period of world-wide economic uncertainty. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

### **Rent Deposit Scheme**

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

### **Leasing**

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

### **Carbon Management**

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

### **General Reserve**

The General Reserve allows the Council to commit funding to individual projects which may spread across more than one year. This reserve is also used for any contingency sums set aside during budget setting to mitigate risks within the budget. It also holds general fund grants pending matching expenditure. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

### **Arts Reserve**

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

### **HRA Earmarked Reserves**

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

## D Notes to Core Financial Statements

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

### ag Council Tax Recognition

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

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

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

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

### ah Inventories and long-term contracts

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

### ai Provisions for bad and doubtful debts

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

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

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

## Treasury Management

### aj Definition of Treasury Management Activities

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



## D Notes to Core Financial Statements

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

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

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

### ak Financial Liabilities

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

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

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

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

### al Financial Assets

Financial assets are classified into two types:

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

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

## D Notes to Core Financial Statements

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

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. Any gains and losses that arise on the derecognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

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

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

Values are based on the following principles:

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

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Movement in Reserves Statement. The exception is where impairment losses have been incurred these are debited to the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Reserve. Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. Any gains and losses that arise on the derecognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses.

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

- **Financial assets at fair value through income and expenditure** – The council does not generally deal in derivatives but may take out forward loans from time to time as part of its overall Treasury Management Strategy.

## D Notes to Core Financial Statements

### am Interests in Companies and Other Entities

The council has no material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and so there is no requirement to prepare group accounts. The Council has two Joint Arrangements that are Not Entities (JANE's), the Joint Planning Unit (JPU) and Northampton Area Procurement Service (NAPS). Both arrangements are immaterial to the accounts.

### an Business Improvement Districts

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

### ao Cash and Cash Equivalents

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

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

### ap Component Accounting

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

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

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

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

### aq General Government Grants

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

## D Notes to Core Financial Statements

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

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

#### a) Changes

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

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

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

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

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

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

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

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

#### b) Heritage Assets

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

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

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

## D Notes to Core Financial Statements

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

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

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

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

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

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

### Community Assets

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

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

## **D Notes to Core Financial Statements**

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

### **3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

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

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

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

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

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

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

## D Notes to Core Financial Statements

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

## D Notes to Core Financial Statements

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

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

### 5 MATERIAL ITEMS OF INCOME AND EXPENSE

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

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



## D Notes to Core Financial Statements

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

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

### 6 EVENTS AFTER THE BALANCE SHEET DATE

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

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

a) Leisure Trust

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

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

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

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

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

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

## D Notes to Core Financial Statements

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

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

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

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

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

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

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

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

### b) Environmental Services

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

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

## **D Notes to Core Financial Statements**

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

## D Notes to Core Financial Statements

### 7 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATION

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

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

## D Notes to Core Financial Statements

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

## D Notes to Core Financial Statements

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

## D Notes to Core Financial Statements

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

## D Notes to Core Financial Statements

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



## D Notes to Core Financial Statements

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

## D Notes to Core Financial Statements

### 8 TRANSFERS TO / FROM EARMARKED RESERVES

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

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

#### Insurance Provision/Reserve

Surpluses or deficits required in the insurance provision are charged or credited back to individual services. Any changes required to the Insurance Reserve will be debited or credited to the MIRS.

#### Subsidy Equalisation Reserve

Subsidy claims are very much reliant upon regulations issued by the grant paying bodies. These can change in-year and so the net cost of benefit payments and subsidy claims from the Government can be extremely volatile. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

#### Core Business Systems Reserve

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

## **D Notes to Core Financial Statements**

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

### Building Maintenance Reserve

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

### Supporting Business and Economic Growth Reserve

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

### Change and Performance Reserve

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

### Debt Financing Reserve

This reserve has been set up to mitigate the additional market risks inherent in treasury management transactions during this period of world-wide economic uncertainty. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

### Rent Deposit Scheme

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

### Leasing

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

### Carbon Management

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

### General Reserve

The General Reserve allows the Council to commit funding to individual projects which may spread across more than one year. This reserve is also used for any contingency sums set aside during budget setting to mitigate risks within the budget. It also holds

## D Notes to Core Financial Statements

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

### Arts Reserve

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

### HRA Earmarked Reserves

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

## 9. OTHER OPERATING EXPENDITURE

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

## 10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

## D Notes to Core Financial Statements

### 11. TAXATION AND NON SPECIFIC GRANT INCOME

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

## D Notes to Core Financial Statements

### 12. PROPERTY, PLANT AND EQUIPMENT

#### a) Movements

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

## D Notes to Core Financial Statements

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

## D Notes to Core Financial Statements

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



## D Notes to Core Financial Statements

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

## D Notes to Core Financial Statements

### b) Depreciation

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

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

\* Depending on the nature of the specific asset

### c) Capital Commitments

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

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

### d) Effects of Changes in Estimates

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

## D Notes to Core Financial Statements

### e) Revaluations

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

The significant assumptions applied in estimating the fair values are:

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

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

## D Notes to Core Financial Statements

f) Information on Assets Held

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

## D Notes to Core Financial Statements

g) Donated Assets

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

### 13. INVESTMENT PROPERTIES

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

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

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

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

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

### 14. INTANGIBLE ASSETS

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

## D Notes to Core Financial Statements

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

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

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

- b) Movements

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

## D Notes to Core Financial Statements

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

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

### 15. FINANCIAL INSTRUMENTS

- a) Categories of Financial Instruments

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

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

## D Notes to Core Financial Statements

b) Reclassifications

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

c) Income, Expense, Gains and Losses

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

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

d) Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- estimated ranges of interest rates at 31<sup>st</sup> March 2011 of 3.57% to 4.15% for loans from the PWLB based on new lending rates for equivalent loans at that date and 3.79% to 4.63% for other loans payable, based on discount rates applying at 31<sup>st</sup> March 2011; 0.48 to 1.28% for loans receivable based on new lending rates for equivalent loans at that date;
- no early repayment or impairment is recognised;
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.



## D Notes to Core Financial Statements

The fair values calculated are as follows:

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

The fair value of Financial Liabilities at 31 March 2010 and 31 March 2011 is higher than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on the economic conditions at 31 March 2010 and 31 March 2011 respectively) arising from a commitment to pay interest to lenders above current market rates.

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

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

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

e) Short Term Borrowing

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

## D Notes to Core Financial Statements

### f) Long Term Borrowing

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

### g) Investments

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

## D Notes to Core Financial Statements

### 16. INVENTORIES

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

### 17. CONSTRUCTION CONTRACTS

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

## D Notes to Core Financial Statements

### 18. DEBTORS

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

### 19. CASH AND CASH EQUIVALENTS

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

## D Notes to Core Financial Statements

### 20. ASSETS HELD FOR SALE

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

### 21. CREDITORS

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

## D Notes to Core Financial Statements

### 22. PROVISIONS

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

#### a) Insurance Provision

The provision covers the following risks: -

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

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

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

#### b) Other

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

## D Notes to Core Financial Statements

### 23. USABLE RESERVES

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

### 24. UNUSABLE RESERVES

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a) Balances

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

b) Revaluation Reserve

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

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

## D Notes to Core Financial Statements

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

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

### c) Financial Instruments Adjustment Account

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

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

### d) Available for Sale Financial Instruments Reserve

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



## D Notes to Core Financial Statements

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

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

### e) Capital Adjustment Account

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

## D Notes to Core Financial Statements

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

## D Notes to Core Financial Statements

### f) Deferred Capital Receipts Reserve

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

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

### g) Pensions Reserve

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

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

## D Notes to Core Financial Statements

### h) Collection Fund Adjustment Account

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

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

### i) Unequal Pay Back Pay Account

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

### j) Short Term Compensated Absences Account

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

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

## D Notes to Core Financial Statements

### 25. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

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

## D Notes to Core Financial Statements

### 26. CASH FLOW STATEMENT - OPERATING ACTIVITIES (INTEREST)

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

### 27. CASH FLOW STATEMENT - INVESTING ACTIVITIES

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

### 28. CASH FLOW STATEMENT – FINANCING ACTIVITIES

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

## D Notes to Core Financial Statements

### 29. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

## D Notes to Core Financial Statements

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

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



## D Notes to Core Financial Statements

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

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

## D Notes to Core Financial Statements

### 30. TRADING ACCOUNTS

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

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

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

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

### 31. AGENCY SERVICES

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

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

## D Notes to Core Financial Statements

### 32. POOLED BUDGETS

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

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

The contributions are subject to change as per the agreement.

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

### 33. MEMBERS' ALLOWANCES

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

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

## D Notes to Core Financial Statements

### 34. OFFICERS' REMUNERATION

#### a) Senior Officers

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

## D Notes to Core Financial Statements

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

### Notes re 2010/11

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

### Notes re 2009/10

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

### b) Officers paid over £50,000

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

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

## D Notes to Core Financial Statements

### 35. EXTERNAL AUDIT COSTS

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

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

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

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

## D Notes to Core Financial Statements

### 36. GRANT INCOME

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

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

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

## D Notes to Core Financial Statements

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

### 37. RELATED PARTIES

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

*Central Government* has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. housing benefits). Details of transactions with governments departments are set out in a note to the Cash Flow Statement. Grant receipts outstanding at 31 March 2011 are shown in Note 36.

*Members* of the Council have direct control over the Council's financial and operating policies. During 2010/11 expenditure to the value of £1.26m ( £.971m 2009/10) was paid to parties where members had an interest or where they serve as a nominated representative on outside bodies and income to the value of £111k (£91k in 2009/10) was receivable from these bodies. Contracts were entered into in full compliance with



## D Notes to Core Financial Statements

the Council's standing orders. All transactions are recorded in the Register of Members' Interest, open to public inspection at The Guildhall, Northampton.

*Officers of the Council* – no material disclosures.

*Other Public Bodies* – no disclosures.

### 38. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

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

## D Notes to Core Financial Statements

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

### 39. LEASES

#### Authority as Lessee

##### Finance Leases

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

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

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

## D Notes to Core Financial Statements

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

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

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

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

### Operating Leases

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

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

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

## D Notes to Core Financial Statements

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

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

### Authority as Lessor

#### Finance Leases

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

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

#### Operating Leases

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

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

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

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

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

## **D Notes to Core Financial Statements**

### **40. IMPAIRMENT LOSSES**

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

### **41. CAPITALISATION OF BORROWING COSTS**

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

### **42. TERMINATION BENEFITS**

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

### **43. DEFINED BENEFIT PENSION SCHEMES**

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#### **Participation in Pension Schemes**

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

The authority participates in one post employment scheme:

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

#### **Transactions Relating to Post-employment Benefits**

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

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

## D Notes to Core Financial Statements

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

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

### Assets and Liabilities in Relation to Post-employment Benefits

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

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

## D Notes to Core Financial Statements

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

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

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was a loss of £10.561m (£41.196m in 2009/10).

d) **Scheme History**

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

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

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

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

## D Notes to Core Financial Statements

### Basis for Estimating Assets and Liabilities

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

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

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

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

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



## D Notes to Core Financial Statements

### History of Experienced Gains and Losses

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

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

#### 44. CONTINGENT LIABILITIES

The Council is potentially liable for the following payments: -

- The Council has received Deposits under Section 106 agreements, which may be repayable if the conditions for each agreement are not met. No provision has been made in the Accounts for any interest that may become repayable under the terms of the individual agreements. In the event that every one of these deposits becomes repayable with interest, the Council's maximum liability for interest payable as at 31st March 2011 was estimated to be £887k (£1.542m as at 31st March 2010).
- A capital grant received from the East Midland Development Agency (EMDA) for site clearance of the Blueberry Diner. The grant was awarded on condition of scheme completion within a fixed time period and, due to that time period not having been complied with, up to the full amount of the grant of £2m may be clawed back by EMDA. The Council is making endeavours to secure a development partner for this site and is keeping EMDA fully updated of the progress. To date they have continued to be supportive.
- Currently the Council is involved in the following Human Resources issues:
  - Equal Pay claims outstanding: 2 claims are yet to be finalised, one claimant is expected to withdraw; the worst case scenario of the remaining case would be £50k.
  - An unfair dismissal case: if the Council lost, costs could be £68.4k.
  - An Employee Appeals Tribunal (EAT) outstanding which if successful could cost the Council £6k.
- In 1987, Home Group Limited raised finance to carry out development in a number of local authority areas. In so doing they entered into arrangements with local authorities for the purchase of land in return for nomination rights over 50% of the properties constructed. In addition the local authorities agreed to indemnify bond holders against a fixed percentage of indebtedness under the bonds incurred by Home Group. Home Group in turn gave a counter indemnity to the said local authorities in the same amount. Thus, for so long as Home Group remains solvent, there is no practical likelihood of a claim under the indemnity being made against a participant local authority. Home Group has a strong credit

## D Notes to Core Financial Statements

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

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

### 45. CONTINGENT ASSETS

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

- Historic Costs associated with the redevelopment of Grosvenor / Greyfriars may be reimbursed by the developer depending on agreement of contract terms and the timing of that agreement.
- A case lost by a developer who claimed that the NBC failed to consult when drawing up the Feeschool Street Master Plan which he claimed resulted in a disadvantage. The case was lost by the Developer and the Council is claiming costs, expected to be in region of £60,000.

### 46. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

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

#### **Credit Risk**

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

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

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

## **D Notes to Core Financial Statements**

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

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

The Council's maximum exposure to credit risk in relation to its investments totalling £79.2m in banks, building societies and other institutions cannot be assessed generally as the risk of any counterparty failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2011 that this was likely to crystallise. Deposit protection arrangements, such as the UK banking system support package, will limit any losses that might arise.

## D Notes to Core Financial Statements

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

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

No credit limits were exceeded during the reporting period and the authority does not expect any losses from non-performance by any of its counterparties in relation to deposits. The Council held no investments in the form of bonds during 2010/11.

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

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

## D Notes to Core Financial Statements

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

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

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

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

### Liquidity Risk

The Council has a comprehensive cashflow management system in place that seeks to ensure that cash is available as needed. In the event of unexpected movements to the downside, the Council has ready access to borrowings from the money markets and (for capital expenditure purposes) from the Public Works Loan Board (PWLb). There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The strategy is to manage loans that are due to mature within any rolling three-year period through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments.

The maturity analysis of financial liabilities is as follows:

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

## D Notes to Core Financial Statements

### Market Risk

#### Interest Rate Risk

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

- Borrowing at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise;
- Borrowing at fixed rates – the fair value of the liabilities will fall;
- Investment at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise;
- Investment at fixed rates – the fair value of the assets will fall.

Borrowing is not carried at fair value, so nominal gains and losses on fixed rate borrowing would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowing and investment will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

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

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

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

## D Notes to Core Financial Statements

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

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

### Price Risk

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

### Foreign Exchange Risk

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

## **47. BUILDING CONTROL TRADING ACCOUNT**

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

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

## D Notes to Core Financial Statements

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

### 48. PUBLICITY EXPENDITURE

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

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



## D Notes to Core Financial Statements

### 49. LOCAL AUTHORITIES (GOODS AND SERVICES) ACT 1970

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

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

### 50. TRUST FUNDS

The Council acts as sole trustee in respect of two Trust Funds. One for the Northamptonshire Regiment museum (balances of £78k) and the other the Northamptonshire Yeomanry Museums Trust (balances of £1k). The Trust funds are used to finance expenditure on the exhibits donated by the Regiments at their disbandment, which are housed at Abington Museum. Surplus funds are invested and accounted for separately to the Council's funds and no money is expended unless there are funds to do so.

### 51. BIG LOTTERY FUND

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

### 52. MINIMUM REVENUE PROVISION

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

The Council approved the Council's Annual MRP statement for 2010/11, which is required by the guidance issued by CLG, on 26<sup>th</sup> February 2010. The MRP charged to

## D Notes to Core Financial Statements

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

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

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

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

### 53. COLLECTION FUND

The Council, as a billing authority, is required to maintain a Collection Fund. The Collection Fund is used to account for the collection of Council Tax and National Non-Domestic Rate (NDR) and then pays amounts to precepting authorities on the basis of their precept requests. The statutory transactions relating to this fund are detailed in the supplementary statements. Under the Code, the Authority is required to report on the collection fund figures shown within the core statements on an agency basis. The effect of this is shown below.

#### a) Precept Split

The split of these precepts is shown below:

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

## D Notes to Core Financial Statements

### b) Allocation of deficit

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

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

### c) Allocation of Council Tax Balances

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

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

## D Notes to Core Financial Statements

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

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

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

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

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

# E1 Housing Revenue Account Income and Expenditure

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

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

# **E1 Housing Revenue Account Income and Expenditure**

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## E2 Movement in Housing Revenue Account Reserve

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

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

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

## E2 Movement in Housing Revenue Account Reserve

### Detailed Transactions

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



## E3 Notes to the HRA Accounts

### 1. Prior Year Adjustments

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None

### 2. HRA Assets and Capital Transactions

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

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

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

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

## E3 Notes to the HRA Accounts

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

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

d) Capital Receipts

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

## E3 Notes to the HRA Accounts

### e) Capital Expenditure & Financing

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

### 3 Arrears

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

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

## E3 Notes to the HRA Accounts

### 4 Vacant Possession Value

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

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

The Vacant Possession value of dwellings within the HRA as at 1 April was £1,038m (£1,025m in 2009/10). For the balance sheet, the figure has been reduced to 34% of this value for all except a small number of specific properties( this has changed since 2009/10 when the reduction was 50%), i.e. £354m (£513m in 2009/10). This reflects the economic cost of providing Council housing at less than open market rents.

### 5 Housing Repairs Account

The transactions on the Housing Repairs Account for 2010/11 balanced to nil for the year, although this may not always be the case.

2009/10	Housing Repairs Account	2010/11
£000s		£000s
0	Balance B/f	0
10,267	Expenditure in the Year	9,831
-10,267	Contributions to the Housing Repairs Account	-9,831
0	Increase (-) / Decrease in the Housing Repairs Account Balance for the year	0
0	<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: -

## E3 Notes to the HRA Accounts

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

### 7 Depreciation and Impairment

#### a) Depreciation

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

#### b) Impairment

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

## E3 Notes to the HRA Accounts

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

### 8 Secretary of State Determinations

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

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

### 9 Major Repairs Reserve

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

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

Major Repairs Reserve	£000s
Balance at 1 April 2010	-2,082
HRA Depreciation	-4,394
Depreciation adjustment to agree to MRA	-3,646
	-8,040
Amount used to finance Capital Expenditure	
Dwellings	9,766
Other Property	356
	10,122
<b>Balance at 31 March 2010</b>	<b>0</b>

## F1 Collection Fund Income and Expenditure Account

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

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

# **F1 Collection Fund Income and Expenditure Account**

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## F2 Notes to the Collection Fund

### 1. National Non Domestic Rates (NNDR)

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

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

### 2. Council Tax

The Council's tax base, i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings for 2010/11, was calculated as follows: -

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

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

## F2 Notes to the Collection Fund

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

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

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

### 4. Provision for Bad and Doubtful Debts

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

## **G Glossary of Terms**

### **GLOSSARY OF TERMS**

#### **Accrual**

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

#### **Actuarial Basis**

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

#### **Amortisation**

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

#### **Amortised Cost**

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

#### **Assets**

Right or other access to future economic benefits.

#### **Assets Held for Sale**

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

#### **Available for Sale Assets**

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

#### **Balance Sheet**

Shows all balances including reserves, long-term debt, fixed and net current assets, together with summarised information on the fixed assets held.

#### **Balance Sheet Date**

The date at which the authority reports its financial statements. For Northampton Borough Council, this date is the 31st March.

#### **Best Value Accounting Code of Practice (BVACOP)**

Establishes proper practice with regard to consistent financial reporting, which allows direct comparisons to be made with the financial information published by other local authorities.

#### **Capital Adjustment Account**

Capital reserve largely comprising of resource applied to capital financing and is not available to the authority to support new investment

#### **Capital Costs**

Reflects the element of annual payment for PFI or Leased assets which is in relation to the reduction in the long term debt associated with the asset.

#### **Capital Expenditure**

Expenditure on the acquisition of, or enhancement to fixed assets. This cannot be merely to maintain the value of an existing asset.

## **G Glossary of Terms**

### **Capital Grant**

Grant which is intended to fund capital expenditure.

### **Capital Grant Unapplied Reserve**

Capital reserve reflecting the value of capital grant received where there are no conditions outstanding; however expenditure on the associated asset has not been incurred.

### **Capital Reserves**

Reserve balances held for capital purposes

### **Cash Flow Statement**

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

### **CIPFA Code**

A publication produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) that provides comprehensive guidance on the content of a Councils Statement of Accounts.

### **Collection Fund**

The fund maintained by authorities who have responsibility to bill Council Tax and Non-Domestic Rate payers (billing authorities).

### **Collection Fund Adjustment Account**

Revenue reserve to represent the difference between the income received by a local authority in Council Tax and the amount attributable to them.

### **Collection Fund Statements**

The statutory financial statements produced as part of the Statement of Accounts by authorities who have responsibility to bill Council Tax and Non-Domestic Rate payers (billing authorities).

### **Community Assets**

Assets which are held for the benefit of the community where there is no determinable useful life, such as works of art.

### **Comprehensive Income and Expenditure Statement (CIES)**

This statement reports the net cost of all the services which the Council is responsible for, and demonstrates how that cost has been financed.

### **Contingent Liability**

Potential costs that the Council may incur in the future because of something that happened in the past, but there is no certainty that a cost will occur.

### **Core Service Areas**

The services provided by the authority externally, such as education, highway maintenance and adult social care.

### **Corporate & Democratic Core**

Costs associated with the democratic management of the authority such as the Chief Executives salary and Members Allowances.

### **Council**

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

## **G Glossary of Terms**

### **Council Tax**

Council Tax is a local taxation that is levied on dwellings within the local Council area, and funds all Council services

### **Credit**

A credit represents income to an account.

### **Creditors**

Represents the amount that the Council owes other parties.

### **Debit**

A debit represents expenditure against an account.

### **Debtors**

Represents the amounts owed to the Council.

### **Deficit**

Arises when expenditure exceeds income or when expenditure exceeds available budget.

### **Defined Benefit Scheme**

Also known as a Final Salary Scheme. Pension scheme arrangement where the benefits payable to the members are determined by the scheme rules. In most cases there is a compulsory members contribution but over and above this all costs of meeting the quoted benefits are the responsibility of the employer.

### **Depreciation**

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

### **Derecognition**

The process by which assets that are no longer deemed to belong to the authority either by sale, destruction or other form of disposal, are removed from the accounts of the Authority.

### **Discount**

An allowance received through the early repayment of debt

### **Discounted Cash Flow**

A method of analysing future cash flows, by removing the impact time has on the value of money, and producing an equivalent current value (present value).

### **Donated Assets**

Assets which have been acquired at below market cost.

### **Earmarked Reserves**

Reserve balances which have been set aside for future spending in a specific area.

### **Employee**

A person who holds an office within the authority, but does not include a person who is an elected councillor.

## **G Glossary of Terms**

### **Employee Costs**

The costs directly associated with employees, including but not exhaustively salaries and wages, National Insurance contributions and pensions costs.

### **Enhancement Expenditure**

Expenditure which increases the value of an asset.

### **Exceptional Items**

Events which are material in terms of the authority's overall expenditure and are not expected to recur frequently or regularly.

### **Extraordinary Items**

Material items possessing a high degree of abnormality which arise from events or transactions that fall outside the ordinary activities of the reporting entity and which are not expected to recur.

### **Fair Value**

Usually the amount that would be paid for an asset in an active market, however where there is no market for a certain type of asset (such as schools) other methods to determine fair value are used.

### **Finance Costs**

Reflects the element of annual payment for PFI or Leased assets which is in relation to interest payable on the loan liability.

### **Finance Lease**

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

### **Financial Assets**

A right to future economic benefits controlled by the authority.

### **Financial Instruments Adjustment Account**

Revenue reserve which records the timing differences between the rate at which gains and losses are recognised and the rate at which debits and credits are required to be made against council tax.

### **Financial Liabilities**

An obligation to transfer economic benefits controlled by the authority.

### **General Reserves / General Fund Balance**

The reserve held by the County Council for general purposes, i.e. against which there are no specific commitments.

### **Going Concern**

The going concern accounting concept assumes that the organisation will not significantly curtail the scale of its operation in the foreseeable future.

### **Grants**

Payment towards the cost of local authority services. These are either for particular purposes or services (specific grants) or in aid of local services generally (formula grant).

## **G Glossary of Terms**

### **Impairment**

Impairment of an asset is caused either by a consumption of economic benefits, a deterioration in the service provided by an asset, or by a general fall in prices of that particular asset.

### **Infrastructure Assets**

Assets associated with the road networks owned and maintained by Northampton Borough Council.

### **Intangible Asset**

Non-current assets which do not have physical form such as software.

### **Internal Service Costs**

The provision of services by the central departments of the County Council. Examples finance, personnel, legal, administration, information technology and property.

### **International Accounting Standard (IASs)**

Regulations outlining the method of accounting for activities, IASs are currently being replaced with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board.

### **International Financial Reporting Standards**

Regulations outlining the method of accounting for activities, issued by the International Accounting Standards Board.

### **Investment Property Assets**

Assets held solely for the purposes of rental generation or for increasing the value pre-sale (capital appreciation).

### **Leases**

A method of funding expenditure by payment over a defined period of time.

### **Lessee**

The person or organisation that is using or occupying an asset under lease (tenant).

### **Lessor**

The person or organisation that owns an asset under lease (landlord).

### **Liabilities**

An obligation to transfer economic benefits. Current liabilities are payable within one year.

### **Loans and Receivables**

Financial assets which are not quoted in an active market and have either a fixed or determinable payment.

### **Materiality**

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.

### **Minimum Revenue Provision (MRP)**

A minimum amount, set by law, which the Council must charge to the income and expenditure account, for debt redemption or for the discharge of other credit liabilities (e.g. finance lease).

## **G Glossary of Terms**

### **Movement in Reserves Statement**

The statement detailing the movement in the reserves of the authority.

### **Non-Current Assets**

Assets that yield benefits to the Council for a period of more than one year, examples include land, buildings and vehicles.

### **Non-Distributed Costs**

The value of revenue operating expenditure that is not able to be apportioned to one of the authorities core service areas.

### **Operating Lease**

A lease where an asset is used only for a small proportion of its economic life.

### **Pensions Costs**

The benefits paid by the authority which are accrued during the period of employment and paid to ex-employees after retirement.

### **Pensions Liability**

The cost, calculated by an Actuary, of providing the current members of a pension scheme with retirement benefits as set out in the pension scheme rules.

### **PFI**

See Private Finance Initiative

### **PFI Credits**

The financial support provided to Local Authorities to part fund PFI capital projects.

### **Premium**

A payment made in association with the early repayment of debt.

### **Previous Year Adjustments**

These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors.

### **Principal**

The amount of repayment to a lender which relates to the reduction in the loan, rather than the interest paid on the loan.

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

A Government initiative that enables, through the provision of financial support, Authorities to carry out capital projects through partnership with the private sector.

### **Projected Unit Method**

This is a common actuarial funding method to value pension scheme liabilities.

### **Provisions**

Potential costs that the Council may incur in the future because of something that happened in the past, which are likely or certain to be incurred and a reliable estimate can be made to the costs.



## **G Glossary of Terms**

### **Provision for Bad & Doubtful Debts**

A prudent reduction in the reported level of income owed to the authority for non payment of invoices and other debt.

### **Quoted Market Prices**

A method of determining the fair value of financial assets via prices quoted on an active market.

### **Recognition**

The process upon which assets are deemed to belong to the authority either by purchase, construction or other form of acquisition.

### **Revaluation Gain**

The increase to the fair value of an asset following a valuation.

### **Revaluation Reserve**

This reserve contains revaluation gains on assets recognised since 1 April 2007 only, the date of its formal implementation.

### **Revenue Expenditure**

Expenditure which is not capital.

### **Revenue Grant**

Grant which is not capital.

### **Revenue Expenditure Funded from Capital under Statute**

This is expenditure that is classified as capital although it does not result in the creation of a fixed asset.

### **Service Concession Arrangements**

Arrangements which involve the supply and maintenance of assets and service delivery.

### **Service Costs**

Reflects the element of annual payment for PFI or Leased assets which is in relation to services provided within the contract.

### **Short Term Benefits**

Employee benefits earned and consumed during employment.

### **Soft Loans**

Low interest rate loans.

### **Specific Grant**

A grant awarded to a Council for a specific purpose or service that can not be spent on anything else.

### **Statement of Total Recognised Gains and Losses**

This statement identifies all gains and losses within the Council for the financial year.

### **Stock**

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

## **G Glossary of Terms**

### **Straight Line Basis**

The method of calculating depreciation via charging the same amount each year over the life of the asset.

### **Subsidiary**

An organisation that is under the control of the Council aka the Council is the majority share holder.

### **Surplus**

Arises when income exceeds expenditure or when expenditure is less than available budget.

### **Surplus Assets**

Assets which are no longer in operation.

### **Tenant**

The person or organisation that is occupying an asset under lease.

### **Termination Benefits**

Employee benefits paid upon termination of employment such as redundancy.

### **Treasury Management**

Utilisation of cash flows through investments and loans.

### **Useful Life**

The period with which an asset is expected to be useful to the authority in its current state.

### **Value Added Tax**

National taxation charged on goods and services.

### **Work in Progress**

The fair value of incomplete contracts for goods and services which are to be charged to external customers.