

Northampton Borough Council  
Draft Statement Of Accounts 2018-19

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## Introduction

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

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

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

## The Statements

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

### Core Financial Statements

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

### Supplementary Financial Statements

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

### Group Accounts

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

## The Council's Strategic / Corporate Priorities

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

The Corporate Plan 2018-2020 is relevant to the period of these accounts and can be found on the Council's website using this link:

<https://www.northampton.gov.uk/downloads/file/10585/corporate-plan-2018-2020>

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

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

## The Council's 2018-19 Performance

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

### Financial Performance

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

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

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

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

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

The main variations were as follows:

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

Management (£0.12m) due to savings on postage associated with a reduction in post sent by the authority.

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

The Council's final approved budget for **General Fund** capital expenditure in 2018/19 was £24.83m. The budgeted funding of the 2018/19 capital programme was as follows:

- Borrowing £16.21m
- Capital Receipts £5.54m
- Grants and developer contributions £3.08m

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

Significant areas of capital expenditure were as follows:

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

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

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

### Reserves

At the end of 2018/19, the Council held general fund earmarked reserves of £24m. These are set out in more detail in note 3 to the core statements. Within the 2018/19 year there was a realignment of reserves to better reflect the expected use of these reserves. Overall the general fund balance has



reduced from £5.5m to £4.0m, with the most significant reason for this being that the Sixfields case now has a specific earmarked reserve, so this risk is no longer included as a risk against the general fund balance.

### Northampton Partnership Homes Performance

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

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

### Financial Challenges

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

### Non-Financial Performance

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

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

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

Full details of the performance outturn report can be found here:

<http://www.northamptonboroughcouncil.com/councillors/ieListDocuments.aspx?CId=528&MId=8734>

## THE 2018/19 ACCOUNTS

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

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

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

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

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

The key points to note from this statement are:

- The value of property, plant and equipment has increased by £13.9m to £714.9m. Mainly due to additions to Council Dwelling £18.5m, Vehicles, Plant and Equipment £8.5m and Assets Under Construction £8m less depreciation charge for the year of £16.4m. The movements are in line with prior years.
- Heritage Assets have decreased by £8.6m to £28.2m. Due to impairment of the Historic Buildings & Statuary.
- Long term Debtors are £1.0m down at £48.5m. £459k is repayment and the balance £532k are debts that are now Short Term and have been transferred accordingly.
- Short Term Debtors have decreased by £2.0m.
- The Cashflow Statement gives details of net movement in Short Term Debtors, Short Term Creditors and Cash.
- Long Term Liabilities – These are Pension Liabilities reflecting the on going obligation of the Council funding of its employee pension scheme.

**Movement in Reserves Statement** – analyses the movements on reserves held by the Council, split between 'usable reserves', which are those that can be applied to fund expenditure or reduce local taxation and 'unusable' reserves. The 'surplus or (deficit) on provision of services' line shows the true economic cost of providing the Council's services, more details of which are shown in the CIES. This

cost is different from the amounts required to be charged to the General Fund balance for Council Tax setting purposes.

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

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

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

## RISK MANAGEMENT

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

## GOVERNANCE

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

## THE 2019/20 BUDGET AND MEDIUM-TERM OUTLOOK

### Economic Context

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

### Medium Term Financial Strategy

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

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

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

### The 2019/20 Budget

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

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

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

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

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

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

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

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

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

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

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

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

Full details of the medium term financial plan and the budgets that have been set for 2019/20 can be found on the council's website here:

<http://www.northamptonboroughcouncil.com/councillors/ieListDocuments.aspx?CId=242&MId=8719>

## VALUE FOR MONEY STATEMENT

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

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

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

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

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

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

### **FURTHER INFORMATION**

For information please contact:

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

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

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

### The Authority's Responsibilities

The Authority is required to:

- Arrange for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Finance Officer
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- Approve the Statement of Accounts

### The Chief Financial Officer

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

- Kept proper accounting records which were up to date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities
- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with the Code of Practice on Local Authority Accounting

### Certificate

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Authority at the reporting date and of its income and expenditure for the year ended 31<sup>st</sup> March 2019.

<b>Stuart McGregor. CPFA ACMA</b>
<b>Chief Finance Officer (Section 151 Officer).</b>
<b>Date</b>

### Approval by Audit Committee

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

<b>Ian Orrell CPFA – Independent Chair of Audit Committee</b>
<b>Date:</b>

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

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

## **D1 MOVEMENT IN RESERVES STATEMENT**

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

The Statement is shown on the next page.

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### Movement in Reserves Statement

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

**D2 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

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

The statement is shown on the next page.

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## Comprehensive Income and Expenditure Statement

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

**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'.

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



**D4 CASH FLOW STATEMENT**

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

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

**1A ACCOUNTING POLICIES**

**a Going Concern**

**Going Concern: Local Government Reform in Northamptonshire**

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

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

Establishing the Financial Baseline for West Northamptonshire

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

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

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

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

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

<b>Revenue and Capital Disaggregation Principles</b>	<b>Balance Sheet Disaggregation Principles</b>
<ul style="list-style-type: none"> <li>• Place of ordinary residence</li> <li>• Geographical location</li> <li>• Cost drivers</li> <li>• Population</li> <li>• Funding formulae</li> <li>• Staff numbers</li> </ul>	<ul style="list-style-type: none"> <li>• Geographical location</li> <li>• Link to capital programme / capital financing requirement</li> <li>• Link to service disaggregation</li> <li>• Caretaker authority</li> <li>• District/Borough areas</li> </ul>

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

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

## West Northamptonshire Budget 2021/22 and Medium Term Financial Plans

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

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

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

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

## Key Risks and Uncertainties

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

## Further Information

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

<https://cmis.northamptonshire.gov.uk/cm5live/MeetingsCalendar/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/3647/Committee/462/Default.aspx>

## Conclusion

Having regard to the Code and its reporting requirements the Council concludes that it is appropriate to prepare the financial statements on a going concern basis, and that the Council will be a going

concern, 12 months from the date of approval of the financial statements. This is based on the financial and liquidity position of West Northamptonshire Council, taking into account the balanced budget, positive assurance by West Northamptonshire Council's Chief Finance Officer on the robustness of budget estimates and adequacy of reserves of the new council and cash / investment balances of £223m at December 2020.

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

#### **b Accruals Concept**

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

Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet respectively. Equally, where cash has been received or paid which is not yet recognised as income or expenditure, a creditor (income in advance) or debtor (payment in advance) is recorded in the Balance Sheet respectively and the Comprehensive Income and Expenditure Statement adjusted accordingly.

#### **c Overheads and Support Costs**

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

#### **d Value Added Tax**

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

#### **e Changes in Accounting Policy**

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

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

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

#### **f Previous Year Adjustments**

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

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

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

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

## **g Events after the Balance Sheet date**

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

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

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

## **i Contingent assets and liabilities**

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

## **j Recognition of Capital Expenditure (de-minimis Policy)**

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

- Assets where it is expected that future economic benefit will flow to the Authority.
- Assets where the cost can be measured reliably.

The capital cost of an asset is recognised to be:

- Purchase price, construction cost, minimum lease payments or equivalent including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- Costs associated with bringing the asset to the location and condition necessary for it to be capable of operating in the manner required by management.
- Initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located, the obligation for which the Authority incurred either when the asset was acquired or as a consequence of having used the asset during a particular period for purposes other than producing inventories during that period.
- Present Value of minimum lease payments if lower than fair value of the asset.
- Subsequent expenditure that will substantially increase the market value of the asset.
- Subsequent expenditure that will substantially increase the extent to which the Authority can use the asset for the purpose, or in conjunction with the functions of the Authority.
- The expenditure that meets the definition of repairs and maintenance is not capital.

The Authority has a general de-minimis level of £6,000 for capital expenditure purposes. However, an asset that has been acquired for less than £6,000 but has been funded by ring fenced capital funding, the de-minimis rule does not apply and it will be treated as capital.

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

## **k Non-Current Asset Classification**

The Authority manages its assets in the following categories:

- **Intangible Assets.**



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

- **Property, Plant and Equipment Assets**

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

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

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

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

Test for Community Assets:

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

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

- **Infrastructure Assets**, include all tangible (physical) assets required within the authorities land drainage system, and cemetery roadways. There is no prospect for sale of infrastructure assets; expenditure is only recoverable through continued use of the asset.
- **Vehicles, Plant and Equipment Assets and Assets under Construction** are also classified as Property Plant and Equipment where they do not meet the criteria for Investment Property Assets or Assets Held for Sale.
- **Surplus Assets** are assets, which the Authority no longer operates from, however do not meet the definition of held for sale. All surplus assets are treated in the same way as operational assets of the same type (valuation, depreciation, recognition etc.).
- **Heritage Assets** are assets with historical, artistic, scientific, technological, geophysical or environmental qualities that make it important to ensure that they are preserved for future generations. They may be any kind of asset including buildings, works of art, furniture, exhibits, artefacts, etc. or intangible assets such as recordings of significant historical events.

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

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

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

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

## Current Assets

- **Assets Held for Sale**

The Authority will classify assets as held for sale where:

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

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

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

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

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

Where there is an upward revaluation, the carrying value is increased and the associated credit charged directly to the revaluation reserve. This is then reflected in the MIRS as a revaluation gain. Where there is a revaluation, which results in a lower than carrying amount valuation, this is treated in line with accounting policy m impairment of assets. Exceptionally, gains might be credited to the Surplus/Deficit on Provision of Services where they arise from the reversal of a loss previously charged to a service.

Valuations are completed as follows:

- **Intangible Assets** - the Authority recognises Intangible Assets at cost. The Authority will revalue intangible assets annually where there is determinable market value for the asset.
- **Property Plant and Equipment** - Other Land and Buildings Property Assets are held at current value, which is the amount that would be paid for the asset in its existing use. This requirement is met by providing a valuation on the basis of exiting use value (EUV) in accordance with IFRS 13, or if specialised and there is no market, then Depreciated Replacement Cost (DRC) is used.
  - **Council Dwellings** – Land and building structure are valued at EUV for Social Housing, being an appropriate percentage of market value. Individual components are valued at Depreciated Historic Cost. (Since 17-18 SoA individual components are also valued at EUV for Social Housing).
  - **Vehicles and Assets Under Construction** – these assets are held at depreciated historic and historic cost respectively.
  - **Community Assets** - the Authority recognises Community Assets at depreciated historic cost.
  - **Infrastructure Assets** - the Authority recognises Infrastructure Assets at depreciated historic cost (not revalued).
- **Investment Property Assets** - Investment Properties are annually revalued at fair value, which is to be interpreted as the amount that would be paid for the asset in its highest and best use, i.e. market value. This includes investment property under construction.

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

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

These are assets which the Authority no longer operates from, however they do not meet the definition of held for sale. All surplus assets are treated in the same way as operational assets of the same type (valuation, depreciation, recognition etc). They are therefore valued on a fair value basis.

#### m Impairment of Non-Current Assets

The accounting policy is in accordance with IAS 36.

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

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

The Authority recognises impairment as:

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

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

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

#### n Disposal of Non-Current Assets

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

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



requirement). Receipts are transferred to the Reserve from the movement in reserves statement. The value of the asset is transferred to the capital adjustment account via the movement in reserves statement.

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

**o Depreciation / Amortisation Methodology**

Depreciation is provided for on all completed assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use. Depreciation is calculated using the Straight-Line method over the determined life of the asset. The Council depreciates assets in the year of disposal. Where an asset has major components with different estimated useful lives, these are depreciated separately.

Residual values

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

Useful Economic Lives of assets are:

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

\* Depending on the nature of the specific asset i.e. those with indefinite life

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

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

Component Type	Useful Economic Lives (UELS)
Kitchens	20 years

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

#### p Component Accounting

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

For **all other assets**, components will only be shown separately in the asset register if they are significant i.e. if they cost more than £250,000 and their cost amounts to more than 25% of the total cost of the asset. Where the value of an asset is not known, Gross Book Value will be used as a proxy for the determination of significant components.

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

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

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

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

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

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

#### q Leases

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

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

#### r Defining a Finance Lease

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

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

- If the lessee will gain ownership of the asset at the end of the lease term (e.g. hire purchase).
- If the lessee has an option to purchase the asset at a sufficiently favourable price that it is reasonably certain, at the inception of the lease, that it will be exercised.
- If the lease term is for the major part of the economic life of the asset even if title is not transferred.
  - The economic life of the asset is deemed to be that which is consistent with the class of asset in the depreciation policy.

- The Authority recognises major part to be 75% of the life of the asset, unless on an individual case basis this would not give a true representation of the substance of the transaction.
- At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.
  - The present value of the minimum lease payments is calculated by discounting at the rate inherent in the lease.
  - If this rate cannot be determined the incremental borrowing rate applicable for that year is used.
  - The Authority recognises “substantially all” to mean 90% of the value of the asset. In some circumstances, a level of 75% can be used if the Council believes that using this level will give a result that better reflects the underlying transaction.
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications.
- If the lessee cancels the lease, the losses of the lessor, associated with the cancellation are borne by the lessee.
- Gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (e.g. in the form of a rent rebate equalling most of the sales proceeds at the end of the lease).
- The lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

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

## **s Defining an Operating Lease**

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

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

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

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

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

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

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

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

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

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

## **x Capital Grants and Contributions**

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

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

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

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

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

Relevant Government Grants are treated in accordance with this policy.

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

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

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

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

Where a historical debt liability was created prior to 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”.

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

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

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

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

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

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

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

## aa Capital Reserves

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

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

## Revenue Accounting

### ab Recognition of Revenue Expenditure.

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

### ac Employee Costs

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

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

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

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

#### **Termination Benefits**

- **Redundancy Costs** - The obligation to pay redundancy costs occurs when there is a formal plan to create redundancies, which has been approved. The plan would include the location, function and approximate number of employees affected; the termination benefits offered;



and the time of implementation. When these recognition criteria have been met the Authority recognises the costs associated with this in the service revenue expenditure and create a creditor in the Balance Sheet.

In the case of an offer to encourage voluntary redundancy, the Authority has recognised the estimated cost based on the expected number of employees taking the offer.

- **Pensions Costs**

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

The Local Government Pension Scheme is a defined benefit scheme. The liabilities of the scheme attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to

retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of earnings for current employees.

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

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

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

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

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

## ad Revenue Grants and Contributions

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

Revenue grants will either be received to be used only for a specific purpose, or can be used for general purpose. Those for a specific purpose are recognised as income in the relevant service revenue account (wherever the related expenditure is incurred) within the net cost of services. Those, which are for general purpose, are shown in Taxation and Non-Specific Grant income in Note 1H.

## ae Provisions

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

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

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

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

## af Revenue Reserves

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

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

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

The Council's risk-based assessment of the required level of General Fund and HRA working balance is shown within the Movement in Reserves Statement. The level of general working balance is considered reasonable due to the mitigation of some risks through the holding of earmarked reserves.

Certain reserves are kept to manage the accounting processes for tangible fixed assets, retirement benefits, and financial instruments and these reserves do not represent usable resources for the Council. The usable Earmarked Reserves are set out in the notes to the Statement of Accounts.

## ag Council Tax Recognition

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

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

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

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

#### **ah Inventories and long-term contracts**

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

#### **ai Provisions for bad and doubtful debts**

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

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

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

### **Treasury Management**

#### **aj Definition of Treasury Management Activities**

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

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

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

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

#### **ak Financial Liabilities**

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



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

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

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

#### al Financial Assets

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

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

Financial assets measured at amortised cost are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable plus any interest accrued to 31st March and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement. However, the Council could make loans to organisations or individuals at less than market rates (soft loans).

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

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

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

Financial Assets Measured at fair value through Profit and Loss are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits

to the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument.

Values are based on the following principles:

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

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

- **Expected Credit Loss Model**

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

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

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

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

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

**am Interests in Companies and Other Entities**

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

**an Business Improvement Districts**

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

**ao Cash and Cash Equivalents**

Cash is represented by notes and coins held by the Authority and deposits available on demand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known

amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts only arise as part of the Council's cash management and are therefore netted off against Cash and Cash Equivalents.

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

## **ap General Government Grants**

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

## **aq Group Accounts**

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

## **ar Non Domestic Rates**

The Local Government Finance Act 2012 amended the 1988 Local Government Finance Act to give local authorities the power to retain a proportion of funds obtained from business rates in their area.

The changes under the 'Localisation of Business Rates' means that from April 2013, local authorities retain a share of the income they collect from business rates as funding to meet the cost of service provision. Prior to this date, all business rates in England were paid to Central Government from the billing authorities, and a proportion was then paid back to each authority as Formula Grant.

The Department for Communities and Local Government guidance indicates that each billing authority should formally set a Business Rate Baseline each year. This baseline will be the authority's estimate of the business rates it forecasts to collect in the following financial year, net of any reductions such as reliefs and estimated cost of appeals.

As such, the business rates the Council collected and retained are adjusted for the anticipated outcome of the on-going national backlog of Business Rate appeals cases, which are still currently being assessed by the Valuation Office.

**I. PRIOR YEAR ADJUSTMENTS**

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

**II. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT BEEN ADOPTED**

The Code of practice on Local Authority Accounting in the United Kingdom (The Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2019-2020 Code:

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

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

**III. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

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

In the accounts these are as follows:

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

Valuations of Council Dwellings have been based on the latest Government guidance. Useful economic lives are based on estimates either from professional (RICS qualified) valuers in the case of property or dependant on the nature of the specific asset, and service experts in relation to other assets.

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

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

**IV. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends, and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Authority's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment (excluding land) - Depreciation & Useful Lives	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be carried out in relation to individual assets. The current economic climate makes it uncertain how much the authority will be able to spend on repairs and maintenance on these assets, so there is uncertainty in the useful economic lives allocated to each asset.	If useful economic lives are reduced there would be an increase in depreciation and a reduction in the carrying value of the assets. It is estimated that the annual depreciation charge for PPE including components' would increase by approximately £0.3m for every year that useful lives had to be reduced.
Property, Plant and Equipment (excluding land) - Valuations	Assets are valued each year by professional valuers using appropriate valuation methods, judgements, and assumptions. Council dwellings are valued as at 1 April annually, non-investment properties with a closing value of over £300k the previous year are revalued mid-year, and other non-investment property is valued on a 5-year rolling programme part way through the year. The assumptions used and timings of these valuations introduce a degree of estimation risk if property values differ from the valuations used. However, these valuations are considered to remain materially correct as at the reporting date.	The net book value of an asset at 31 March is the value of that asset as it appears on the Balance sheet. - A 1% variation in value on Dwellings is equivalent to £4.11m - A 1% variation in value on other operational property is equivalent to £0.66m
Property, Plant and Equipment - Council Dwellings use of Beacon Properties	Council dwellings are valued by reference to representative properties across the housing estate known as 'beacons'. Following a 100% valuation of the portfolio in 2017-18, the portfolio was subject to annual desktop reviews at 1 <sup>st</sup> April and 31 <sup>st</sup> March and will be the next 3 years, then subject to a further full revaluation in 2023.	This process is in compliance with MHCLG (previously DCLG) guidance.
Benefit Overpayments Provision	The Authority has made a provision of £6.9m in respect of Overpayments to Benefit Claimants. This provision is based upon an analysis of outstanding debt as at year end and is considered prudent in light of the highly uncertain nature of future recovery levels.	As the provision for Benefit Overpayments is currently set at 87.1% of the overall debt, any movement in the level of overpayments will have a corresponding, equivalent impact on the level of provision required.



<p>Insurance Provision and Reserve</p>	<p>The Council has made a provision of £0.24m for actual insurance claims outstanding and a reserve of £0.88m is set aside for unknown future claims. The amount in the reserve is based upon an actuarial report from our independent advisors, who have specialist experience in forecasting.</p>	<p>If the insurance provision proves to be insufficient then funds can be transferred from the insurance reserve. If the level of insurance reserve were to prove incorrect, then the effect would be equivalent to the amount of the additional claims.</p>
<p>Pensions Liability</p>	<p>The Council has a liability for retirement benefits promised under the terms of the pension scheme of £140.713m. Liabilities are measured on an actuarial basis, estimating future cash flows discounted to present values. This estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p>	<p>If the principal assumptions used to measure the liability were to differ, then the effect would be:                  0.5% decrease in discount rate would give rise to an increase in liability of approximately £27.7m                  0.5% salary increase would give rise to an increase in liability of approximately £1.7m                  0.5% increase in Pensions rate would give rise to an increase in liability of approximately £25.8m</p>
<p>Arrears</p>	<p>The General Fund has provided for a bad debt provision of £0.935m. This is based on modelled assumptions of the amount of debt cleared at various time points. The model is based on past recovery rates but any changes in the economic climate could impact on the recovery of outstanding debts.</p>	<p>The amount of debt having a provision against it equates to £2.848m. Therefore any changes in the recovery of our debts will have a maximum impact of £1.912m.</p>
<p>Business Rates Appeals</p>	<p>The council has made a provision for the effects of business rates appeals (including backdated appeals) of which the NBC element is £6.806m. This is based on appeals that had been lodged and were outstanding at 31 March 2019. Contingent liabilities have been disclosed in relation to the risk of new appeals that may come forward in the future and other appeals/risks that have been currently assessed as not meeting the IAS 37 criteria for requiring a provision as at 31st March 2019.</p>	<p>If appeals on the list are rejected or settled at a lower value from the amount taken into account in the appeal provision, the provision for the excess would be released. If appeals on the list are settled at a higher value than the appeal provision or appeals are settled that are not included on the list at 31 March, there would be an impact on the business rates income to the authority under the Rates Retention Scheme.</p>
<p>Minimum lease payments on operating leases (authority as lessor)</p>	<p>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.</p>	<p>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.</p>

This list does not include assets/liabilities that are carried at fair value based on recently observed market prices. For items relating to the Housing Revenue Account, please see section G of the accounts.

#### V. EVENTS AFTER THE BALANCE SHEET DATE

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

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

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**1C EXPENDITURE AND FUNDING ANALYSIS (EFA)**

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

**Expenditure and Funding Analysis**

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



1D NOTES TO THE EXPENDITURE AND FUNDING ANALYSIS

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

**Adjustments for Capital purposes**

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

**Net Change for Pensions Adjustments**

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

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

**Other Adjustments**

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

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

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

## 1E EXPENDITURE AND INCOME ANALYSED BY NATURE

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

**1F. OTHER OPERATING EXPENDITURE**

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

**1G. FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

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

**1H. TAXATION AND NON-SPECIFIC GRANT INCOME**

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

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

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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.

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2018-19	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<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	(21,518)	(5,391)	(12,998)	-	-	(39,907)	39,907
Revaluation gains on PPE	1,106	9,298	-	-	-	10,404	(10,404)
Revaluation losses on Property Plant and equipment	(2,165)	(10,569)	-	-	-	(12,733)	12,733
	(186)					(186)	(186)
Movements in the market value of Investment properties	(40)	5	-	-	-	(35)	35
Amortisation of Intangible assets	(92)	-	-	-	-	(92)	92
Capital Grants & contributions applied (if any)	3,162	-	-	-	-	3,162	(3,162)
Income in relation to donated assets if any	14	-	-	-	-	14	(14)
Revenue expenditure funded from capital under statute	(1,439)	-	-	-	-	(1,439)	1,439
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure statement	(107)	(7,871)	-	-	-	(7,978)	7,978
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>							
Statutory provision for the financing of capital investment	5,999	-	-	-	-	5,999	(5,999)
<b>Total Adjustments primarily involving the Capital Adjustment Account</b>	<b>(15,266)</b>	<b>(14,527)</b>	<b>(12,998)</b>	<b>-</b>	<b>-</b>	<b>(42,791)</b>	<b>42,791</b>
2018-19	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	2466	-	-	19	2,485	(2,485)
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	(265)	(265)	265
<b>Total Adjustments primarily involving the Capital Grants Unapplied Account</b>	<b>-</b>	<b>2466</b>	<b>-</b>	<b>-</b>	<b>(246)</b>	<b>2,220</b>	<b>(2,220)</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	3061	8434	-	(11,496)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	8214	-	8214	(8,214)

# 2018/2019 Notes to the Core Financial Statements



Contribution from the Capital Receipts Reserve to finance payments to Government Capital Receipts pool	(1,072)	-	-	1,072	-	-	-
Transfer from Deferred Capital receipts Reserve upon receipt of cash		-	-	(85)	-	-85	85
<b>Total Adjustments primarily involving the Capital Receipts Reserve</b>	<b>1,989</b>	<b>8,434</b>	<b>-</b>	<b>(2,294)</b>	<b>-</b>	<b>8129</b>	<b>(8,129)</b>
<b>Adjustment primarily involving the Major Repairs Reserve:</b>							
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	13,614	-	-	13,614	(13,614)
Other Adjustment	(8)					(8)	8
<b>Total Adjustment primarily involving the Major Repairs Reserve</b>	<b>(8)</b>	<b>-</b>	<b>13,614</b>	<b>-</b>	<b>-</b>	<b>13,606</b>	<b>(13,606)</b>
<b>2018-19</b>	<b>General Fund Balance</b>	<b>Housing Revenue Account</b>	<b>Major Repairs Reserve</b>	<b>Capital receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Total Usable Reserves</b>	<b>Movement in Unusable Reserves</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Adjustments primarily involving the Pensions Reserve:</b>							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and expenditure Statement	(4,823)	-2	-	-	-	(4,825)	4,825
Employer's pensions contributions and direct payments to pensioners payable in the year	6,619	1	-	-	-	6,620	(6,620)
<b>Total Adjustments primarily involving the Pensions Reserve</b>	<b>1,795</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,795</b>	<b>(1,795)</b>
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>							
Amount by which council tax income and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	373	-	-	-	-	373	(373)
<b>Total Adjustments</b>	<b>(11,117)</b>	<b>(3,627)</b>	<b>616</b>	<b>(2,294)</b>	<b>(246)</b>	<b>(16,668)</b>	<b>16,668</b>

2017-18	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<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	(3,464)	(51,826)	(12,604)	-	-	(67,894)	67,894
Revaluation gains on PPE	4,973	58,485	-	-	-	63,458	(63,458)
Revaluation losses on Property Plant and equipment	(7,790)	(153,791)	-	-	-	(161,581)	161,581
Movements in the market value of Investment properties	1,853	8	-	-	-	1,861	(1,861)
Amortisation of Intangible assets	(349)	-	-	-	-	(349)	349
Capital Grants & contributions applied (if any)	2,516	-	-	-	-	2,516	(2,516)
Revenue expenditure funded from capital under statute	(1,519)	-	-	-	-	(1,519)	1,519
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure statement	(1,163)	(8,553)	-	-	-	(9,716)	9,716
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>							
Statutory provision for the financing of capital investment	1,333	-	-	-	-	1,333	(1,333)
Capital expenditure charged against the General Fund and HRA balances	824	6,791	-	-	-	7,615	(7,615)
<b>Total Adjustments primarily involving the Capital Adjustment Account</b>	<b>(2,787)</b>	<b>(148,886)</b>	<b>(12,604)</b>	<b>-</b>	<b>-</b>	<b>(164,278)</b>	<b>164,278</b>
	<b>General Fund Balance</b>	<b>Housing Revenue Account</b>	<b>Major Repairs Reserve</b>	<b>Capital receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Total Usable Reserves</b>	<b>Movement in Unusable Reserves</b>
<b>2017-18</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	(211)	(211)	211
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	13	13	(13)
<b>Total Adjustments primarily involving the Capital Grants Unapplied Account</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(198)</b>	<b>(198)</b>	<b>198</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	2,898	8,898	-	(11,796)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	7,066	-	7,066	(7,066)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(38)	(142)	-	179	-	(1)	1
Contribution from the Capital Receipts Reserve to finance payments to Government Capital Receipts pool	(1,072)	-	-	1,072	-	-	-
Transfer from Deferred Capital receipts Reserve upon receipt of cash	-	-	-	(9)	-	(9)	9



# 2018/2019 Notes to the Core Financial Statements



<b>Total Adjustments primarily involving the Capital Receipts Reserve</b>	1,787	8,756	-	(3,487)	-	7,056	(7,056)
<b>Adjustment primarily involving the Major Repairs Reserve:</b> Use of the Major Repairs Reserve to finance new capital expenditure	-	-	12,000	-	-	12,000	(12,000)
<b>Total Adjustment primarily involving the Major Repairs Reserve</b>	-	-	12,000	-	-	12,000	(12,000)
<b>2017-18</b>	<b>General Fund Balanc</b>	<b>Housing Revenue</b>	<b>Major Repairs Reser</b>	<b>Capital receipts</b>	<b>Capital Grants Unappli</b>	<b>Total Usable Reser</b>	<b>Movemen ent in Unusab le</b>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b> Transfer of deferred sale proceed credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-	-
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b> Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(10)	-	-	-	-	(10)	10
<b>Adjustments primarily involving the Pensions Reserve:</b> Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and expenditure Statement	(6,747)	(4)	-	-	-	(6,751)	6,751
Employer's pensions contributions and direct payments to pensioners payable in the year	6,090	3	-	-	-	6,093	(6,093)
<b>Total Adjustments primarily involving the Pensions Reserve</b>	<b>(657)</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(657)</b>	<b>657</b>
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b> Amount by which council tax income and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1,464	-	-	-	-	1,464	(1,464)
<b>Total Adjustments</b>	<b>(202)</b>	<b>(140,131)</b>	<b>(604)</b>	<b>(3,487)</b>	<b>(197)</b>	<b>(144,623)</b>	<b>144,623</b>

**3. TRANSFERS TO / FROM EARMARKED RESERVES**

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2018-19.

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

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## **S106 Contributions**

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

## **Service Related Reserves**

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

## **Strategic Investment Reserve**

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

## **Delivering the Efficiency Plan**

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

## **MTFP Cashflow Reserve**

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

## **Environmental Service Capital Financing**

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

## **Sixfields Recovery Reserve**

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

## **Insurance Reserve**

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

## **Other Technical Reserves**

These reserves are set aside to assist the Council with managing cash flow accounting and new policy, legislative and technical changes across local government.

## **HRA Earmarked Reserves**

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

## **Rates Retention Deficit Funding**

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

4. PROPERTY, PLANT AND EQUIPMENT

a) Movement

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

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

b) Depreciation

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

c) Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations of land and buildings were carried out by GVA, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS).

Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest prices adjusted for the condition of the asset.

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

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

Council Dwellings £'000	Housing Land and Buildings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture, and Equipment £'000	Surplus Assets £'000	Total £'000
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Valued at fair value in:							
2018/19	674,983	12,687	72,309	8,512	3,395	771,886	
2017/18		286	2,329	482		3,097	
2016/17	-	-	1,313	25	-	1,338	
2015/16	-	6,919	4,969	173	-	12,061	
2014/15	-	27	6,201	1,919	-	8,147	
Previous Years	-	-	2	-	-	2	
	<b>674,983</b>	<b>19,919</b>	<b>87,123</b>	<b>11,111</b>	<b>3,395</b>	<b>796,531</b>	

d) Donated Assets

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

e) Commitments under Capital Contracts

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

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



5. HERITAGE ASSETS

Reconciliation of the heritage assets held by the Authority:

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

**Buildings and Statuary**

Historic Buildings that were previously included in Community Assets were valued as part of the five-year rolling programme of valuations undertaken by the Council's internal valuers. Statuary has been valued at market valuations by Art and Antiques Ltd in March 2012. During the valuation in 2018-19, a total impairment of 9.7m was recognised in relation to the Delapre Abbey and the cottage at Delapre Park

**Museum Exhibits**

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

**Mayoral Regalia**

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

**Guildhall Artefacts**

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

**Enhancement of Heritage Assets**

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

## 6. INVESTMENT PROPERTIES

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

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

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal.

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

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

## 7. FINANCIAL INSTRUMENTS

### a) Categories of Financial Instruments

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

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

### b) Reclassifications of Financial Instruments

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

c) Income, Expense, Gains, and Losses

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

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d) Fair Values

Items are split according to the following hierarchy.

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

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

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

**Financial Investments measured at Fair Value**

Items of Fair Value through the Profit and Loss

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

<b>Financial Assets measured at fair value</b>				
<b>Recurring fair value measurements</b>	Input level in fair value hierarchy	Valuation technique used to measure fair value	<b>31-Mar-18</b>	<b>31-Mar-19</b>
			<b>£'000</b>	<b>£'000</b>
Certificate of Deposits	Level 1	Unadjusted quoted prices in active market for identical shares.	34,021	23,119
<b>Total</b>			<b>34,021</b>	<b>23,119</b>

The Council held £23m in Certificates of Deposit at 31 March 2019. The fair value has been calculated by using published price quotations.

The Council holds no other available for sale investments.

**Items Disclosed on the Balance Sheet at their Carrying Amount**

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

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

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

**Financial Instruments – Liabilities**

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

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

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

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional loss (based on economic conditions at 31st March 2019) arising from a commitment to pay interest to lenders above current market rates.

PWLB loans included above have a carrying value of £230.5m and a fair value of £333.2m. This measures the economic effects of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, as the Debt Management Office provides a transparent approach allowing exit cost to be calculated without undertaking a repayment or transfer it is also appropriate to disclose this exit price.

**Financial Instruments – Assets**

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

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

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

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

e) Short Term Borrowing

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



f) Long Term Borrowing

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

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g) Investments

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

h) Soft Loans

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

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

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

**8. CONSTRUCTION CONTRACTS**

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

**9. DEBTOR**

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

**9a Short Term Debtors**

Short Term Debtors	31 March 2018 £'000	31 March 2019 £'000
Trade receivables	11,247	5,845
Prepayments	-	523
Other receivables	11,947	14,837
<b>Total</b>	<b>23,193</b>	<b>21,205</b>

**9b Long Term Debtors**

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

**9c Significant debtors included in the debtors above are:**

Counterparty	Purpose of loan	Start date	End Date	Initial Loan Value £'000	Amount Outstanding at 31 March 2019 £'000
Saints Rugby Club (NTRFC)	To support stadium expansion and associated development	22-Jan-14	22-Jan-39	5,500	3,751
Unity Leisure	To facilitate the purchase a soft play facility in Northampton.	10-Jul-15	10-Jul-20	300	30
University of Northampton	To support the creation of a waterside campus in Northampton.	10-Mar-16	10-Mar-21	28,500	28,500
		10-Mar-16	10-Mar-56	17,500	16,517

10. CASH AND CASH EQUIVALENTS

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

11. CURRENT ASSETS HELD FOR SALE

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

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

12. CREDITORS

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

13. PROVISIONS

Long Term Provisions

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

Short Term Provisions

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

a) Insurance Provision

The provision covers the following risks:

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

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

The estimated cost of outstanding claims is held in the Insurance provision as at 31 March 2019; an actuarial forecast of future valid claims made against 2018-19 and before, is held in the Insurance Reserve.

b) Business Rates Appeals Provision

Following the localisation of the Business Rates Retention Scheme, The Council is now liable for the impact of its share of the effects of any appeals against business rates ratings

assessments decided by the Valuation Office Agency (VOA), including the effects of any backdating. The provision at 31st March 2019 is therefore based on the number of appeals that have been made to the VOA at the balance sheet date, split between long-term and short-term, depending on when the appeals are expected to be settled.

This only includes NBC's share of the Business Rates Appeals provision.

**14. USABLE RESERVES**

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

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

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

**15. UNUSABLE RESERVES**

a) Balances

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

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.

# 2018/2019 Notes to the 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.

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

c) Financial Instruments Adjustment Account

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

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



d) Financial Instruments Revaluation Reserve

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

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

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

e) Capital Adjustment Account

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

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

# 2018/2019 Notes to the Core Financial Statements



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

f) Deferred Capital Receipts Reserve

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

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

g) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require a benefit earned to be financed as the Authority makes employer’s contributions to pension funds or eventually pays any pensions for which it is directly responsible.

The debit balance on the Pensions Reserve therefore shows the shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding has been set aside by the time the benefits come to be paid.

2017-18	Pension Reserve	2018-19
£'000		£'000
142,692	Balance at 1 April	137,385
(5,964)	Remeasurements of the net defined liability/(asset)	6,267
6,750	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of services in the Comprehensive Income and Expenditure Statement	4,825
(6,093)	Employer’s pensions contributions and direct payments to pensioners payable in the year	(6,620)
<b>137,385</b>	<b>Balance at 31 March</b>	<b>141,857</b>

h) Collection Fund Adjustment Account

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

2017-18 £'000	Collection Fund Adjustment Account	2018-19 £'000
171	Balance as at 1 April	(1,293)
132	Amounts by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(60)
(1,596)	Amounts by which NNDR income credited to the Comprehensive Income and Expenditure Statement is different from NNDR income calculated for the year in accordance with statutory requirements	(313)
<b>(1,293)</b>		<b>(1,666)</b>

i) Short Term Compensated Absences Account

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

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

## 16. INTANGIBLE ASSETS

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

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

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

## 17. MEMBERS' ALLOWANCES

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

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

18. OFFICERS' REMUNERATION

a) Senior Officers

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

## Notes:2018-19

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

### b) Officers paid over £50,000

The Council is required, under the Accounts and Audit Regulations 2003 (regulation 7(2)) to disclose

the number of employees whose remuneration was £50,000 or more (excluding employer's pension contributions). This is shown in bands of £5,000 in the table below:

Note: Senior Officers earning in excess of £50k have been excluded from this note as they are disclosed within Note 18a (Senior Officers).

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

### c) Exit Packages

Exit Package cost band (including special payments)	Number of compulsory redundancies		Number of other agreed departures		Total Number of exit packages by cost band		Total cost of exit packages in each band (£'000)	
	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19
£0 - £20,000	2	1	2	-	4	1	18	7
£20,001 - £40,000	-	1	1	1	1	2	35	44
£40,001 - £60,000	-	-	1	-	1	-	47	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £200,000	-	1	-	-	-	1	-	107
£200,001 - £400,000	-	1	-	-	-	1	-	328
<b>Total</b>	<b>2</b>	<b>4</b>	<b>4</b>	<b>1</b>	<b>6</b>	<b>5</b>	<b>100</b>	<b>486</b>



## 19. EXTERNAL AUDIT COSTS

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

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

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

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20. GRANT INCOME

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

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

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

**Current Liabilities**

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

**Long Term Liabilities**

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

## 21. RELATED PARTIES

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

### **Central Government**

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates and provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Grants received from government departments are set in Note 20 Grant Income.

### **Northampton Partnership Homes**

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

### **Members of the Council**

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2018-19 is shown in Note 17.

During 2018-19 expenditure to the value of £1.3m (2017-18 £1.7m) was paid or granted to parties where members had an interest or where they serve as a nominated representative on the outside body. Income to the value of £0.3m (2017-18 £0.3m) was receivable from these parties. Parties with transactions over £1k are shown below:

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

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

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

A number of the Members of Northampton Borough Council are also members of Northamptonshire County Council. Material transactions with Northamptonshire County Council have been disclosed elsewhere in the accounts, see Notes 20 and 26.

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

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

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

### **Senior Officers of the Council**

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

### **Other Public Bodies**

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

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

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**22. CAPITAL EXPENDITURE AND CAPITAL FINANCING**

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

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



23. LEASES

**Authority as Lessee**

Finance Leases

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

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

- b) The Authority is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The present value of the leases and the future minimum lease payments at the balance sheet date are as follows:

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

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

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

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

Operating Leases

e) The Council leases IT equipment, gym equipment and vehicles financed under the terms of operating leases. The future minimum lease payments due under non-cancellable leases in future years are:

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

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

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

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

**Authority as Lessor**

Finance Leases

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

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

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

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

31 March 2018		Leases - Authority as Lessor - Finance Leases	31 March 2019	
Gross investment in leases £'000	NPV of minimum Lease payments receivable £'000		Gross investment in leases £'000	NPV of minimum Lease payments receivable £'000
17	10	Not later than one year	17	11
69	48	Later than one year and not later than five years	69	52
37	33	Later than five years	20	18
<b>123</b>	<b>91</b>	<b>Minimum lease payments receivable</b>	<b>106</b>	<b>81</b>

In respect of pre-existing leases as at 31 March 2010 the Authority has adopted the mitigation contained in The Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 201

**Operating Leases**

- i) The Authority leases out property under operating leases for the following purposes:
- The provision of other land and buildings including shops and industrial units to meet local demand for commercial premises.
  - The provision of community assets to meet residents' community needs.
  - To provide infrastructure enabling current and future construction to service local demand for housing and commercial property.

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

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

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

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

**24. IMPAIRMENT LOSSES**

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

**25. TERMINATION BENEFITS**

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

**26. DEFINED BENEFIT PENSION SCHEMES**

**Participation in Pension Schemes:**

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

The Authority participates in one post-employment scheme: The Local Government Pension Scheme, administered locally by Northamptonshire County Council, is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets

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

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

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

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

**Pension Assets and Liabilities Recognised in the Balance Sheet:**

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements		Total	
	2017-18 £'000	2018-19 £'000	2017-18 £'000	2018-19 £'000	2017-18 £'000	2018-19 £'000
<b>Present value of the defined benefit obligation</b>	326,226	325,877	13,714	13,791	339,940	339,668
Fair value of plan assets	(202,555)	(197,811)	-	-	(202,555)	(197,811)
<b>Net liability arising from defined benefit obligation</b>	<b>123,671</b>	<b>128,066</b>	<b>13,714</b>	<b>13,791</b>	<b>137,385</b>	<b>141,857</b>

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

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

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

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



**Local Government Pension Scheme assets comprised:**

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

**Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2017.

The significant assumptions used by the actuary have been:

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

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

Change in assumptions at 31 March 2019:	Approximate increase to Employer Liability %	Approximate Monetary Amount £'000
0.5% decrease in Real Discount Rate	8%	27,758
0.5% increase in the salary increase rate	0%	1,661
0.5% increase in the Pension Increase Rate	8%	25,807

**Asset and Liability Matching (ALM) Strategy**

The pensions committee of Northamptonshire County Council has agreed to an asset and liability matching strategy (ALM) that matches, to the extent possible, the types of asset invested

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

### **Impact on the Authority's Cash Flows**

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2019.

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

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

## **27. CONTINGENT LIABILITIES**

The Council is potentially liable for the following:

### **Northampton Partnership Homes**

- As set out in the explanatory forward and Group Accounts, NBC set up an Arm's Length Management Organisation on 5th January 2015, Northampton Partnership Homes (NPH). NPH is a company limited by guarantee, and as such, NBC is liable for all losses experienced by NPH, and is also the guarantor for NPH's pension liabilities. See Group Accounts for disclosure of the financial performance of NPH in 2018-19

### **Other – various**

- The Council has received Deposits under Section 106 agreements, which may be repayable if the conditions for each agreement are not met. No provision has been made in the Accounts for any interest that may become repayable under the terms of the individual agreements. If every one of these deposits becomes repayable with interest, the Council's maximum liability for interest payable as at 31st March 2019 is estimated to be £0.7m.
- Employment tribunal claims for discrimination – age, and age related, harassment £0.18m.
- Financial guarantee for Home Group - a Housing Association.  
"Under the 1987 [bond issue] Home Group raised finance to carry out development in a number of local authority areas. In so doing they entered into arrangements with local authorities for the purchase of land in return for nomination rights over 50% of the properties constructed. In addition the local authorities agreed to indemnify bond holders against a fixed percentage of indebtedness under the bonds incurred by Home Group. Home Group in turn gave a counter indemnity to the said local authorities in the same amount. Thus, for so

long as Home Group remains solvent, there is no practical likelihood of a claim under the indemnity being made against a participant local authority.

The NBC proportion is 1.35% of £82.55m representing a value of £1.11m.

- There are a number of outstanding insurance claims that have been received of £1.27m as assessed by our Insurance Actuary. These have been assessed and an estimated provision has been charged to the accounts of £0.39m, therefore the estimated value of the insurance claims outstanding is £0.88m.
- There are a number of small appeals, and claims, estimated at £49k.
- Errors, anomalies and poor record keeping have been identified in the administration of the Council's Empty Homes Scheme (2012-14). The amount of money that the Council can expect to recover from the property owners will need to be recalculated £100k.

## 28. CONTINGENT ASSETS

The Council is currently monitoring the following contingent assets:

- Northampton Waterside Enterprise Zone is funded from Business Rates uplift within its boundaries. Expenditure relating to administration and infrastructure loan costs has exceeded income receipts from business rates uplift, these sums will be reimbursed when the income from the projects exceeds expenditure. To date, the value to be reimbursed from Business rates uplift totals £17k.
- NBC have lodged a court claim for money lent to Northampton Town Football club to the value of £2.79m. The Council acknowledges there is significant risk as to recoverability of this fund.
- There is an obligation upon National Grid (NG) (owners of property) to pay to NBC part of monies advanced by WNDC to NG for remediation of land. Retention payment due to NBC by 2024 is £300k.

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

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

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

The Council's risk management processes consider the unpredictability of financial markets and seek to minimise potential adverse effects on the resources available to fund services. The Local Government Act 2003 places a statutory duty on the Council to have regard to guidance issued or specified by the Secretary of State. This guidance includes the CIPFA Treasury Management Code of Practice. Treasury risk management is undertaken by the LGSS treasury team under policies approved by the Council in its Treasury Management Policy Statement, Treasury Management Practices and accompanying Schedules and the annual Treasury Management Strategy. These contain overall principles for risk management and specific risks which include credit and counterparty risk, liquidity risk, interest rate risk, exchange rate risk, refinancing risk, legal and regulatory risk, and market risk.

## Credit Risk

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

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

The Annual Investment Strategy also imposes value and investment period limits for each category of approved counterparty. In 2018-19 the maximum limits for placements with individual or group counterparties were £20m and 3 years for the UK government and UK nationalised or part nationalised banking institutions, £15m and 3 years for other UK counterparties and overseas counterparties with AAA sovereign ratings, £15m for AAA CNAV Money Market Funds and £10m and 3 years for UK local authorities and overseas counterparties with AA+ sovereign rating. Within this ceiling, lower limits apply in many instances depending on credit ratings and other factors specific to each institution.

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

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

In 2015-16 the Council experienced default on a loan to a third party, however due to the individual circumstances of this default, this does not increase the likelihood of default on other third party loans.

The Council's maximum exposure to credit risk in relation to its investments totalling £47.8m in banks, building societies and other institutions cannot be assessed generally as the risk of any counterparty failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2019 that this was likely to crystallise.

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

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

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

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits. The Council held no investments in the form of bonds during 2018-19.

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

As shown in Table 1, at 31st March there were outstanding loans to third parties of £48.4m. Such loans, by their nature, do carry a degree of risk. However, all are secured according to the terms of the individual loan agreement.

Of the £102.6m total exposure to credit risk £1.6m is past its due date for payment. The past due, but not impaired, amount can be analysed by age as follows:

Amount at 31 March 2018 £'000	Aged Debt Analysis	Amount at 31 March 2019 £'000
89	Less 3 months	0
381	Three to six months	512
470	Six months to one year	512
49,419	More than one year	48,364
50,360		49,388

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

**Liquidity Risk**

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

The maturity analysis of financial liabilities is as follows:



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

Amounts maturing within one year include short-term creditors, short-term grants and Section 106 funding commitments, short-term borrowing, principal due within 12 months on annuity and EIP (Equal Interest Instalment) loans, and long-term loans maturing within the next 12 months. PWLB loans totalling £4.5m are due for maturity during 2019-20(excl amortisation adjustments and EIP/Annuity repayments) per loan schedule. Repayment of these will be funded from internal borrowing, new loans, or a combination of both. Longer-term maturities consist of long-term debt (including finance leases), and long-term grants and Section 106 funding.

**Market Risk**

Interest Rate Risk

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

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

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

The authority has a number of strategies for managing interest rate risk. For example, during periods where interest rates are falling or where economic circumstances are favourable, fixed rate loans may be repaid early to minimise costs.

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

According to this assessment strategy, at 31 March 2018, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

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

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

**Price Risk**

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

**Foreign Exchange Risk**

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



**30. CASH FLOW STATEMENT – Non Cash Movements**

The cash flows for operating activities include the following items:

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

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

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

**31. CASH FLOW STATEMENT – OPERATING ACTIVITIES (INTEREST)**

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

**32. CASH FLOW STATEMENT – INVESTING ACTIVITIES**

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

**33. CASH FLOW STATEMENT – FINANCING ACTIVITIES**

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

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**F1. HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE**

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

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

**F2. MOVEMENT IN HOUSING REVENUE ACCOUNT RESERVE**

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

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

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

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### F3. NOTES TO THE HRA

#### 1. PRIOR YEAR ADJUSTMENTS

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

#### 2. HRA ASSETS AND CAPITAL TRANSACTIONS

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

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

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

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

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

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

d) Capital Receipts

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

e) Capital Expenditure and Financing

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

**3 ARREARS**

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

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

#### 4. VACANT POSSESSION VALUE

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

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

The vacant possession value of dwellings within the HRA as at 31st March 2019 was £1,397m (£1,369m in 2017-18). For the balance sheet, the figure has been reduced to 42% of this value. This reflects the economic cost of providing Council housing at less than open market rents.

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

##### a) Depreciation and Amortisation

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

b) Revaluation Gains and Losses

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

**6. MAJOR REPAIRS RESERVE**

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

The transactions on the Major Repairs Reserve are detailed below:

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



## G1. COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

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

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

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

The scheme allows the Council to retain a proportion of the total NNDR received. The initial Northampton Borough Council share is 40% with the remainder paid to precepting bodies. For NBC, the NNDR precepting bodies are Central Government (50% share) and Northamptonshire County Council (10% share). The NBC share is then subject to a tariff payment to Government, which was £30.1m in 2018-19 (£29.1m in 2017-18). The residual amount is then compared to the assessment in the Local Government Finance Settlement and any growth above the Settlement level is subject to a levy payment to Government.

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

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

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

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

**G2. NOTES TO THE COLLECTION FUND****1. NATIONAL NON DOMESTIC RATES (NNDR)**

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

**2. COUNCIL TAX**

The Council's tax base, i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings for 2012/13, was calculated as follows: -

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

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

**3. ANALYSIS OF IN-YEAR CONTRIBUTIONS TO FUND DEFICITS**

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

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

#### 4. PROVISION FOR BAD AND DOUBTFUL DEBTS

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

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

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

The Collection Fund account also provides for provisions for appeals against the rateable valuation set by the Valuation Office Agency (VOA) not settled as at 31<sup>st</sup> March 2019:

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

## GROUP ACCOUNTS

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

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

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

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

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

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

## H1. GROUP ACCOUNTS CORE STATEMENTS

## GROUP MOVEMENT IN RESERVES STATEMENT

The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Group's services, more details of which are shown in the Group Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council Tax setting and dwellings rent setting purposes

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

**GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

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

## GROUP BALANCE SHEET

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

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



**GROUP CASH FLOW STATEMENT**

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

2017-18 £'000	Group Cashflow Statement	2018-19 £'000
(140,465)	Net surplus or (deficit) on the provision of services	(19,129)
182,433	Adjustment to surplus or deficit on the provision of services for noncash movements	52,533
(3,081)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(12,983)
<b>38,887</b>	<b>Net Cash flows from operating activities</b>	<b>20,421</b>
(31,192)	Net Cash flows from Investing Activities	(14,931)
(3,027)	Net Cash flows from Financing Activities	(10,547)
<b>4,668</b>	<b>Net increase or decrease in cash and cash equivalents</b>	<b>(5,057)</b>
14,314	Cash and cash equivalents at the beginning of the reporting period	18,982
<b>18,982</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>13,925</b>

## H2. NOTES TO THE GROUP ACCOUNTS

### 1. Group boundary

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

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

Both Northampton Partnership Homes and its subsidiary Happy to Help (Northampton) Community Interest Company are subsidiaries of Northampton Borough Council for accounting purposes and have been consolidated into the Council's group accounts.

### 2. Intra-group transactions

During 2018-19 the Council made payments of £51.058m to Northampton Partnership Homes (£49.174m in 2017-18). During 2018-19 the Council received payments of £3.751m from Northampton Partnership Homes (£4.280m in 2017-18). At 31st March 2019 there was a debtor balance of £9.249m (£4.534m in 2017-18), and a creditor balance of £12.065m (£6.607m in 2017-18) with Northampton Partnership Homes.

### 3. Basis of consolidation

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

### 4. Business activities of Northampton Partnership Homes

Northampton Partnership Homes is responsible for the following services:

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

### 5. Accounting policies

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

### 6. Corporation Tax

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

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

## 7. Group Cash Flow Statement – Non Cash Movement

2017-18 £'000		2018-19 £'000
15,365	Depreciation	16,477
178,143	Impairment and downward valuations	25,245
91	Amortisation	337
5,123	Increase/(decrease) in creditors	4,730
1,080	Increase/(decrease) in debtors	(1,173)
2	Increase/(decrease) in inventories	11
994	Movement in pension liability	(1,579)
867	Contributions to/(from) provisions	248
9,717	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	7,929
(28,949)	Other non-cash items charged to the net surplus or deficit on the provision of services	122
<b>182,433</b>		<b>52,347</b>

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

2017-18 £'000		2018-19 £'000
(1,959)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(11,496)
(1,122)	Any other items for which the cash effects are investing or financing cash flows	(1,487)
<b>(3,081)</b>		<b>(12,983)</b>

2017-18 £'000		2018-19 £'000
3,389	Interest received	(1,802)
(9,921)	Interest paid	7,771
0	Dividends received	3,473
<b>(6,532)</b>		<b>9,442</b>

**9. Group Cash Flow Statement – Investing Activities**

2017-18 £'000		2018-19 £'000
(28,773)	Purchase of property, plant and equipment, investment property and intangible assets	(36,420)
(88,000)	Purchase of short-term and long-term investments	(27,494)
1,959	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	11,496
82,500	Proceeds from short-term and long-term investments	36,000
1,122	Capital Grants Received	1,487
<b>(31,192)</b>	<b>Net cash flows from investing activities</b>	<b>(14,931)</b>

**10. Group Cash Flow Statement – Financing Activities**

2017-18 £'000		2018-19 £'000
80	Cash receipts of short- and long-term borrowing	-
(3,007)	Repayments of short- and long-term borrowing	(10,547)
<b>(2,927)</b>	<b>Net cash flows from financing activities</b>	<b>(10,547)</b>

### 11. Group Debtors

31 March 2018	Short Term Debtors	31 March 2019
6,275	Trade receivables	5,863
140	Prepayments	701
12,786	Other receivables	14,837
<b>19,201</b>	<b>Total</b>	<b>21,401</b>

### 12. Group Creditors

31 March 2018	Short Term Creditors	31 March 2019
(10,248)	Central government bodies	(10,585)
(635)	Other local authorities	(948)
(25,680)	Other entities and individuals	(25,895)
<b>(36,563)</b>	<b>Total</b>	<b>(37,428)</b>

### 13. Group defined benefit pension scheme

Northampton Partnership Homes is a fully owned subsidiary of Northampton Borough Council. Therefore details of the Northampton Partnership Homes pension scheme need to be combined with the Northampton Borough Pension scheme to give an understanding of the group pension scheme. Full details of the Northampton Borough Council pension scheme are in note 28 to the core financial statements.

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

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

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

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

	2017-18	2018-19
<b>Cost of Service</b>	<b>£'000</b>	<b>£'000</b>
Current service cost	6,031	6,096
Past service cost (including curtailments)	-	1,273
Effect of settlements	-	(3,361)
Pension contribution adjustment	(134)	0
net interest expense	3,896	4,297
<b>Total post employment benefits charged to the surplus or deficit on the provision of services</b>	<b>9,793</b>	<b>8,305</b>
<b>Other post employment benefits charged to the comprehensive income and expenditure statement</b>		
Return on plan assets (excluding the amount included in the net interest expense)	(711)	(9,551)
Actuarial gains and losses arising on changes in financial assumptions	4,550	14,594
Other expenditure	602	418
<b>Total post-employment benefits charged to the comprehensive income and expenditure statement</b>	<b>14,234</b>	<b>13,766</b>
<b>Movement in reserves statement</b>		
Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the code	(11,919)	1,875
<b>Employers contributions payable to the scheme</b>	<b>6,102</b>	<b>9,430</b>

## Reconciliation of the movements in fair value of scheme assets:

	2017-18	2018-19
	£'000	£'000
<b>Opening fair value of scheme assets</b>	<b>219,032</b>	<b>221,974</b>
Interest income	5,461	5,460
Remeasurement gain/(loss)	0	(12,816)
Return on plan assets excluding the amount included in the net interest expense	(887)	9,551
Contributions from employer	9,067	8,570
Contributions from employees into the scheme	991	1,036
Benefits paid	(12,348)	(11,840)
<b>Closing fair value of scheme assets</b>	<b>221,316</b>	<b>221,935</b>

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

	2017-18	2018-19
	£'000	£'000
<b>Opening present value of scheme liabilities</b>	<b>375,923</b>	<b>373,176</b>
Current service cost	6,031	6,096
Interest cost	9,357	9,303
Contribution from scheme participants	694	1,036
Actuarial gains/losses arising from changes in financial assumptions	(6,162)	19,168
Actuarial gains/losses arising from other experience	(602)	418
Past service cost	-	1,273
Effect of Settlements	-	(17,424)
Unfunded benefit paid	-	(860)
Benefits paid	(12,051)	(12,700)
<b>Closing present value of scheme liabilities</b>	<b>373,190</b>	<b>379,486</b>

## Fair value of plan assets:

	2017-18	2018-19
	£'000	£'000
<b>Equity securities</b>		
Consumer	15,738	24,262
Manufacturing	1,095	8,530
Energy & utilities	12,552	12,620
Financial institutions	16,184	13,759
Health and care	6,877	8,711
Information technology	15,239	11,941
Other	13,150	-
<b>Debt securities</b>		
UK Government	19,259	19,009
<b>Private equity</b>		
All	1,606	4,024
<b>Real Estate</b>		
UK property	17,463	18,226
<b>Investment funds and unit trusts</b>		
Equities	81,561	78,443
Bonds	16,869	16,214
Infrastructure		879
<b>Cash and cash equivalents</b>		
All	4,381	5,319
<b>Total</b>	<b>221,974</b>	<b>221,935</b>

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#### 14. Group External Audit costs

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

<b>Group Auditor Fees</b>	<b>2017-18 £'000</b>	<b>2018-19 £'000</b>
Northampton Borough Council Auditor Fees	309	244
Northampton Partnership Homes Auditor Fees	25	32
<b>Total Group Auditor Fees</b>	<b>334</b>	<b>276</b>

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## I. GLOSSARY OF TERMS

### **Accruals**

Income and expenditure are recognised as they are earned or incurred, not as money is received or paid (see Debtors and Creditors).

### **Actuary**

An independent and appropriately qualified adviser who carries out statutorily required pension fund valuations.

### **Actuarial Basis**

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

### **Actuarial Gains and Losses**

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation or the actuarial assumptions have changed.

### **Actuarial Valuation**

An actuary undertakes valuations by checking what a pension scheme's assets are worth compared to its liabilities. The actuary calculates the funding required from the employer to ensure the scheme is able to meet its pension liabilities as they fall due

### **Admitted Bodies**

Voluntary and charitable bodies whose staff can become members of the Local Government Pension Scheme subject to certain terms and conditions and other organisations to whom Local Government employees have been transferred under the outsourcing of Local Government services.

### **Amortisation**

A charge to the comprehensive income and expenditure statement which spreads the cost of the value of an asset or liability over its useful life in line with the Council's accounting policies.

### **Audit**

From 1 April 2015 the appointment of External Auditors to local Authorities has been undertaken by Public Sector Audit Appointments (PSAA), an independent company incorporated by the Local Government Association. KPMG was the Council's appointed Auditor for 2017-18, Ernst & Young became the appointed auditor with effect from 1 April 2018.

An independent examination of the Authority's financial affairs.

### **Balance Sheet**

The Balance Sheet combines all the accounts of an authority, excluding trust funds, as they are not at the disposal of the council.

It is a statement of the recorded assets, liabilities and other balances as at the end of the accounting period.

### **Capital Adjustment Account**

This account contains the resources set aside to meet the cost of past expenditure. These include capital receipts, released grants and contributions and sums set aside for debt redemption.

### **Capital Expenditure**

Expenditure on acquisition, Improvement or enhancement of either the council's or third-party assets are defined as capital expenditure. Expenditure, which merely maintains the value, e.g. repairs and maintenance is charged to revenue.

**Capital Receipts**

Proceeds from the sale of capital assets such as land or buildings. They are available to finance new capital outlay and to repay existing loan debt. (Subject to the provisions contained within the Local Government Act 2003)

**Cash Equivalents**

Funds invested in call accounts and 30-day notice accounts which are readily available convertible to known amounts of cash with insignificant risk of change in value

**Code**

The rules and regulations governing the information and layout of the council's Statement of Accounts.

**Community Assets**

Assets which are held for the benefit of the community where there is no determinable useful life, such as works of art. These may have restrictions on their disposal.

**Council Tax**

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

**Creditor**

Represents the amount that the Council owes other parties at the balance sheet date.

**Current assets**

An Asset where the value changes because the volume held varies from day to day e.g. Inventories. It is reasonable to expect that these assets will either be consumed or realised during the next accounting period e.g. cash and bank balances, debtors.

**Current Liabilities**

An amount which will become payable or could be called in within the next accounting period e.g. creditor,

**Debtor**

Represents the amounts owed to the Council not received at the balance sheet date.

**Deferred Grants**

Amounts received or receivable that have been used to finance capital expenditure. Under the capital accounting arrangements these amounts will be released to offset depreciation in respect of the fixed assets to which they relate.

**Deferred Capital Receipts**

These represent capital income still to be received after disposals have taken place and wholly consists of principal outstanding from the sale of council houses

**Defined Benefit Scheme**

A pension where the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded

**Depreciation**

The measure of the wearing out, consumption or other reduction in the useful economic life of a long-term asset.

- DRC**  
Depreciated Replacement cost. A method of valuation which provides the current cost of replacing an asset with its modern equivalent
- Earmarked Reserves**  
Reserve balances which have been set aside for future spending in a specific area.
- Fair Value**  
Usually the amount that would be paid for an asset in an active market, however where there is no market for a certain type of asset (such as schools) other methods to determine fair value are used.
- Financial Instruments**  
A financial instrument is any contract that gives rise to a financial asset of one entity and a liability of another, it covers both financial assets and liabilities.
- General Fund (GF)**  
This is the main revenue account of the council. Day to day transactions are conducted through this account, except for those relating to the Housing Revenue Account, Collection Fund or any other trust funds held by the Council.
- Grants**  
Payment towards the cost of local authority services. These are either for purposes or services (specific grants) or in aid of local services generally (formula grant).
- Housing Benefit**  
An allowance to persons receiving little or no income to meet their rent. Benefits can be paid by Local Authorities but refunds in part are received from Central Government.
- Impairment**  
Impairment of an asset is caused either by a consumption of economic benefits, a deterioration in the service provided by an asset, or by a general fall in prices of that particular asset.
- Infrastructure Assets**  
Expenditure on works of construction or improvement but which have no tangible value, such as construction of, or improvement to highways.
- Intangible Assets**  
Non-monetary assets that cannot be seen, touched or physically measured, but can be identified as a separate asset.
- Reporting Standards**  
The Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of a Local Authority. It is based on International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) plus UK Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards (FRS).
- Inventory**  
Fair value of current assets purchased which have not yet been consumed.
- Member**  
A Councillor, a member of the Council.
- Ministry of Housing, Communities and local Government (MHCLG)**  
MHCLG is a Central Government Department with the overriding responsibility for determining the allocation of general resources to Local Authorities.

**Minimum Revenue Provision (MRP)**

This is the amount we have to set aside out of our revenue to repay loans.

**Net Book Value (NBV)**

The value of an asset after depreciation.

**Net Realisable Value**

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

**Non-Current Asset**

A tangible asset with a benefit beyond one financial year, which has a realisable value e.g. land, buildings and plant

**Non-Distributable Costs**

Costs that cannot be specifically applied to a service and are held centrally.

**Non Operational Assets**

Non-current assets held by the council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets would be investment properties and assets that are surplus to requirements, pending sale or redevelopment.

**Officer**

Employee of the Council.

**Operating Leases**

Leases other than a finance Lease

**Operational Assets**

Non-Current Asset held and occupied, used or consumed by the council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

**Payment in Advance**

A charge considered when preparing the financial statements, which are for benefits to be received in a period after the accounting date.

**Precept**

This is an amount we receive from district and borough Councils (for Council Tax collected on our behalf) so that we can cover our expenses less our income. We also pay precepts to authorities such as the Environment Agency.

**Private Finance Initiative (PFI)**

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

**Provision**

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

**Provision for Bad and Doubtful Debts**

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

**Prudential Borrowing**

Borrowing which is financed from the Council's own resources and conforms to the Prudential Code.

**Public Works Loan Board (PWLB)**

A government body set up specifically to lend money to local authorities.

**PVEQ**

Plant, Vehicles and Equipment.

**Reserves**

Amounts earmarked in the accounts for purposes falling outside the definition of provisions can be classified as reserves. The movements in year being charged or generated as an appropriation to the Movement in Reserves Statement rather than directly to Service Revenue Accounts.

**Revaluation Gain**

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

**Revenue Support Grant (RSG)**

Government funding which provides general support for council services.

**Straight Line Basis**

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

**Subsidiary**

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

**Treasury Management Strategy**

A strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the Council.

**Useful Life**

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

