

## **CONTENTS**

- A. Auditor's Report
- B. Explanatory Foreword
- C. Statement Of Accounting Policies
- D. The Consolidated Revenue Account
- E. Notes To The Consolidated Revenue Account
- F. Housing Revenue Account
- G. Notes To The Housing Revenue Account
- H. The Collection Fund
- I. Notes To The Collection Fund
- J. The Consolidated Balance Sheet
- K. Notes To The Consolidated Balance Sheet
- L. Statement Of Total Movement In Reserves
- M. Notes To The Statement Of Total Movement In Reserves
- N. Cash Flow Statement
- O. Notes To The Cash Flow Statement
- P. Statement of Responsibilities for the Statement of Accounts
- Q. Statement of Internal Control



## A. Auditor's Report

## A. Auditor's Report

## B. Explanatory Foreword

### 1. Introduction

The Council has a statutory duty to approve and publish this Statement of Accounts document for the period 1<sup>st</sup> April 2005 to 31<sup>st</sup> March 2006.

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

To comply with the Accounts and Audit Regulation 2003, the Council is required to have received and approved the Statement of Accounts by the end of June 2006. The Council met and approved the accounts at its meeting on 26<sup>th</sup> June 2006 and also approved changes to the accounts made during the audit on 2006.

This foreword outlines the key individual accounts that comprise the Statement of Accounts in addition to highlighting the main activities/variations that took place during 2005/06 in each of the main activity areas.

The details accounts and related information are shown on pages 19 to 72 and consist of the following: -

Consolidated Revenue Account (pages 19 to 28)

Reports the Council's net revenue costs for the year (combining the General Fund Account, Housing Revenue Account and the associated sources of funding). The balances left on this Account, after appropriation of HRA surpluses, relate entirely to the General Fund.

Housing Revenue Account (HRA) pages 29 to 36)

Summarises the transactions relating to the provision and maintenance of Council housing.

Collection Fund (pages 37 to 40)

A separate account showing income collected from Council Tax and Non-Domestic Rates and how this is distributed between Northampton Borough Council and the other precepting bodies (i.e. the County Council and the Police Authority).

Consolidated Balance Sheet (pages 41 to 52)

Given the overall financial position for the Council at 31 March 2006, showing the Council's assets, liabilities, reserves and balances.

Statement of Total Movement in Reserves (pages 53 to 58)

Summarises the movement on revenue and capital reserves.

Cash Flow Statement (pages 59 to 64)

Summarises the overall movements in the Council's cash position during the year.

Statement of Responsibilities for the Statement of Accounts (page 65)

Outlines the Authority's and the Responsible Finance Officer's responsibilities when preparing the accounts.

Statement of Internal Control (pages 67 to 72)

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

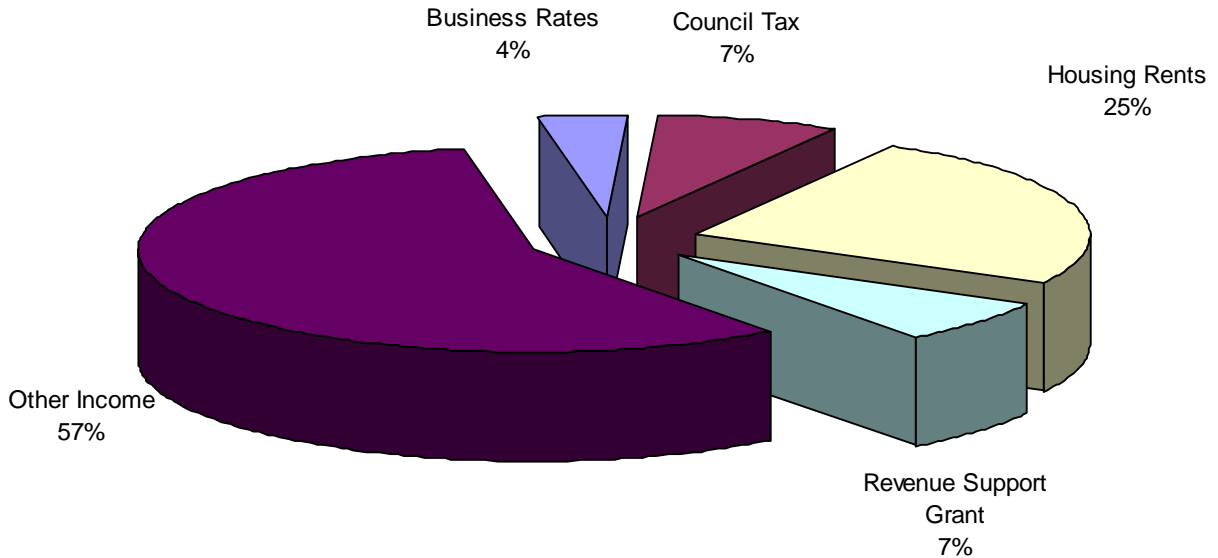
## B. Explanatory Foreword

### 2. Financial Summary 2005/06

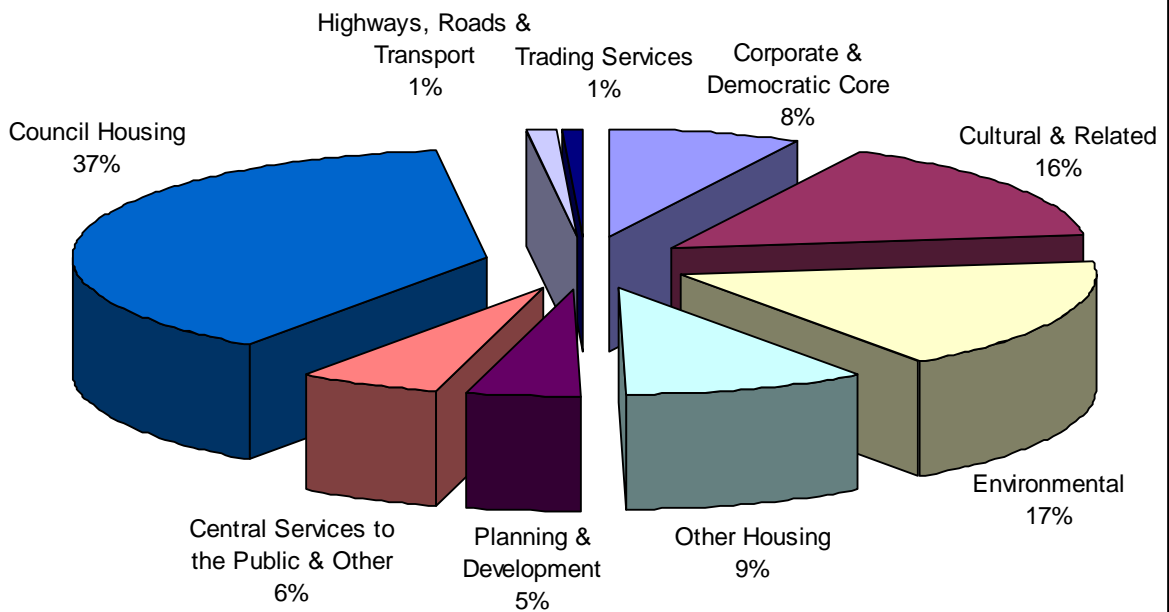
#### a) Revenue Spending and Sources of Income

The following charts outline where the Council's revenue money came from, how it was spent and on which services. The charts show the overall position of the Council's revenue budgets for 2005/06 (i.e. both General Fund and HRA).

#### Where The Money Came From



#### What Services Have Been Provided With The Money



## B. Explanatory Foreword

### b) General Fund Account

The following table summarises the position for the General Fund for 2005/06.

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	£000s	£000s	£000s
<b>Expenditure</b>			
Net Service Expenditure	36,183	38,153	1,970
Capital Financing Adjustments	-8,418	-10,149	-1,731
<b>Total Net Expenditure</b>	<b>27,765</b>	<b>28,004</b>	<b>239</b>
<b>Income</b>			
Business Rates	-5,637	-5,637	0
Revenue Support Grant	-10,584	-10,550	34
Met by local Council Taxpayers	-11,438	-11,438	0
Collection Fund Deficit	9	9	0
<b>Total Income</b>	<b>-27,650</b>	<b>-27,616</b>	<b>34</b>
<b>(Surplus)/Deficit for the year</b>	<b>115</b>	<b>388</b>	<b>273</b>
<b>Balance brought forward</b>	<b>-2,242</b>	<b>-3,288</b>	
<b>Balance carried forward</b>	<b>-2,127</b>	<b>-2,900</b>	

### c) Housing Revenue Account

The following table outlines the outturn position for the Housing Revenue Account for 2005/06.

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	£000s	£000s	£000s
<b>Expenditure</b>			
Net Service Expenditure	21,648	22,253	605
Capital Financing Adjustments	-21,796	-23,540	-1,744
<b>(Surplus)/Deficit for the year</b>	<b>-148</b>	<b>-1,287</b>	<b>-1,139</b>
<b>Balance brought forward</b>	<b>-2,017</b>	<b>-3,555</b>	
<b>Balance carried forward</b>	<b>-2,165</b>	<b>-4,842</b>	

## B. Explanatory Foreword

### d) Capital Expenditure

Capital expenditure relates primarily to spending on Council assets (i.e. an item with an expected life of more than one year). In 2005/06 the Council spent £22.2 million on capital projects, compared with a budget of £27 million.

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	£000s	£000s	£000s
<b>Expenditure</b>			
Housing Revenue Account Schemes	11,571	8,672	-2,899
General Fund Housing Schemes	2,425	2,116	-309
Other General Fund Schemes	12,994	11,500	-1,494
<b>Total Capital Expenditure</b>	<b>26,990</b>	<b>22,288</b>	<b>-4,702</b>
<b>Sources of Financing</b>			
Major Repairs Allowance		7,198	
Revenue Contributions to Capital Expenditure		1,761	
Grants & Contributions		5,531	
Capital Receipts		5,449	
Supported Borrowing		1,653	
Unsupported Borrowing		696	
		<b>22,288</b>	

#### Budget Variations

The spend on the capital programme was approximately £4.7m below the budget for the year. Budget changes will be requested for any schemes that are currently under way or still planned to take place but have effectively "slipped" into the next financial year (i.e. 2006/07).



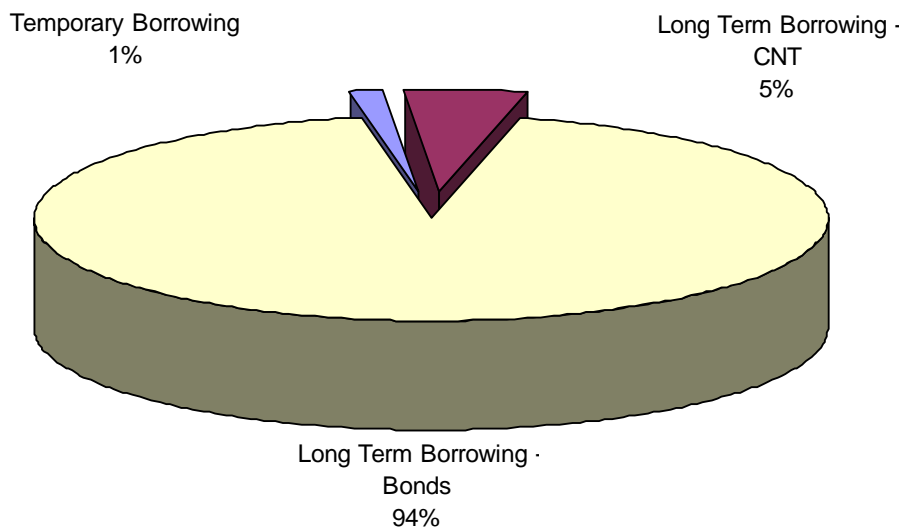
## B. Explanatory Foreword

### e) Current Borrowing Facilities

Current borrowing facilities are as detailed below: -

Description	£000s
Long Term Borrowing - Bonds	24,600
English Partnerships	1,291
Temporary Borrowing	392
	26,283

### Sources of Borrowing



### f) Sources of Capital Finance

The Council's capital expenditure for 2005/06 was £22.288m. This was financed by the use of borrowing (£2.349m), capital receipts (£5.449m), Major Repairs Allowance (£7.198m), other grants and contributions (£5.531m) and internal revenue resources (£1.761m).

## B. Explanatory Foreword

### 3. Major Changes in 2005/06

#### a) Assets acquired or Liabilities incurred

Capital expenditure relates primarily to spending on Council assets (i.e. an item with an expected life of more than one year). In 2005/06 the Council spent £22.288 million on capital projects, compared with a budget of £26.990 million. Prior to 2004/05 the funding of capital expenditure was on a cash basis. The Prudential Framework, which came into force on 1 April 2004, requires financing to be undertaken on an accruals basis. The accounts reflect this change.

<b>Capital Expenditure</b>	£000s
<b>Housing</b>	
Council Housing	8,672
Other Housing	1,829
	10,501
<b>General Fund</b>	
Caspar	448
Royal Theatre - re-roofing work	150
Lake Clearance	168
Kingsthorpe Cemetery Extension	199
Uniclass Upgrade to Enterprise Version	206
Mounts Baths Showers	214
Payroll System Replacement	238
Guildhall IT Recabling Project	259
Upgrade Recycling Facilities	413
Camp Hill Community Centre	614
Housing/Council Tax Replacement System	710
Northampton Theatres Trust Lottery Development	898
One Stop Shop, CRM	902
Far Cotton Resource Centre	1,174
Blueberry Hill Diner & Studio 1 Purchase	1,750
Other	3,444
	11,787
	22,288

#### b) Pensions

The pension fund was subjected to a formal revaluation during 2004 as part of the scheduled three year valuation exercise carried out by the pension fund actuary. The valuation was carried out in accordance with new accounting / valuation rules (including the use of a different discount factor). Like most authorities, this has resulted in the notional pension fund deficit decreasing in the Council's accounts from £75.8m in 2004/05 to £73.2m in 2005/06. The Council has agreed a stepped increase in its pension fund contributions over the next few years to help address the pension funding position in the medium term. Increased contributions have been planned for, and factored into the Council's medium term financial strategy.

## B. Explanatory Foreword

c) Accounting Policies

Developers' contributions unapplied were moved from creditors to a separate place in the accounts for the 2004/05 Statement of Accounts. Clarification on the Statement of Recommended Practice has led to reclassification of these between Grants and Contributions Unapplied, Creditors, and Receipts in Advance (depending on the form of any agreement or conditions and the status of activity). The principle is detailed in the Statement of Accounting Policies and the effect of this is detailed in a separate note to the balance sheet.

d) Statutory Functions

The Licensing Act 2003 replaced the Licensing Act 1964. Under the new Act, the Council now has the powers to grant or refuse licenses for the sale of alcohol. Previously the Magistrates Courts administered this function, although the roles and responsibilities also changed under the same Act so that the licensing requirement has moved from an individual licensee to both individual and premises licenses.

Under the Clean Neighbourhood and Environment Act 2005, the Police are no longer responsible to temporarily kennel animals, with the duty passing to local authorities. This has not been implemented yet as negotiations between the Police and Northampton Borough Council regarding the handover of responsibilities are still taking place.

There has been no other change in the statutory functions of the authority.

e) Unusual charges or credits in the accounts

None.

### 4. Conclusion

The Council is committed to continually improving and strengthening its internal governance arrangements. To this end, improvements to budgetary control and performance management processes have been made during 2005/06 and will continue to be made during 2006/07 as new procedures become fully operational. The Council's budget for 2006/07 was set on the basis of cash limits and placing full responsibility for the delivery of the Council's services within those cash limits to Corporate Managers. Overall, the outturn position reported in these accounts for 2005/06 are in line with the Council's Medium Term Financial Strategy and forecasts.

### 5. Further Information

Further information about these accounts is available from: -

Bill Lewis Technical Finance Manager Northampton Borough Council Cliftonville House, Bedford Road Northampton NN4 7NR	Alison Betts Chief Finance Officer Northampton Borough Council Cliftonville House, Bedford Road Northampton NN4 7NR
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In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed and the availability of the accounts is advertised in the local press.

## **B. Explanatory Foreword**

## C. Statement Of Accounting Policies

### 1. General Principles

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2005, a Statement of Recommended practice (SORP), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the Accounts and Audit Regulations 2003.

### 2. Provisions and Reserves

#### a) Provisions

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

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

#### b) Reserves

The Council maintains reserves to finance expenditure on future projects and to protect the Authority against unexpected events and change in legislation.

In accordance with the Council's Audit Commission's recommended minimum level of working balance, the level of the General Fund working balance should not fall below £2.3m. The Council also holds a small number of earmarked reserves that are held for a specific purpose.

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

- The Fixed Asset Restatement Account (FARA) mainly represents the changes in asset values arising from revaluations.
- The Capital Financing Account (CFA) mainly represents amounts set aside from revenue resources or capital receipts, and used to finance capital expenditure.

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

### 3. Fixed Assets

All expenditure on the acquisition, creation or enhancement of fixed assets if capitalised on an accruals basis. The Council has a general de-minimus limit of £6,000 for capital expenditure purposes, which results in the capitalisation of expenditure, above that limit, as an asset in the balance sheet.

#### a) Intangible Assets

The SORP 2004 introduced a requirement to separately identify Intangible Assets, e.g. software licences, goodwill, brand. Intangible Assets are amortised to revenue over between three and ten years depending on the scale and perceived benefit arising from the asset.

## C. Statement Of Accounting Policies

### b) Valuation methods

Fixed Assets are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institute of Chartered Surveyors (RICS). The basis of valuation for assets is shown below: -

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

### c) Revaluation

All assets, other than those valued at historic cost and Vehicles, Plant and Equipment which are valued at depreciated historic cost, are revalued as part of a 5 year rolling programme. A schedule of properties valued at more than £0.4m is revalued annually. Valuations are undertaken by the Council's retained qualified valuer, Richard Lewis FRICS.

### d) Depreciation

Depreciation is provided for all assets with a useful finite life, which is determined at the time of acquisition or revaluation. Depreciation is calculated using the Straight-Line method over the determined life of the asset.

### e) Charges to Revenue

General Fund service revenue accounts, central support services and trading accounts are charged with a capital charge for the fixed assets used in the provision of their service. The charge covers the annual provision for depreciation plus a capital financing charge determined by applying a specified notional rate of interest (4.95% for historic cost assets and 3.5% for all other assets for 2005/06) to net asset values. The principle applied relating to intangible fixed assets is shown at 3a) above.

Capital charges have a neutral impact on the amount to be raised from local taxation as the income from these charges is credited back to the Asset Management Revenue Account (AMRA).

## 4. Deferred Charges

Deferred charges are payments of a capital nature where no fixed assets are created. They include private sector renewal grants and advances to other parties to finance capital investment.

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

Expenditure relating to deferred charges is written off to revenue in the year the expenditure is incurred.

### **5. Capital Receipts**

Capital receipts from the disposal of fixed assets are accounted for on an accruals basis.

Receipts reserved for the repayment of external debt are included on the balance sheet in the capital financing account.

From 2004/05 75% of receipts from council house sales is payable to the National Housing Pool, administered by the Government.

### **6. Government Grants**

Revenue government grants are accounted for in the year in which they arise. They are credited to the service where the expenditure to which they relate is charged.

Where the acquisition of a fixed asset is financed by a government grant, the amount of grant is credited to the government grants-deferred account. This is then written off to the asset management revenue account over the useful life of the asset to match depreciation of the asset to which it relates. The grant is not written down in the year that it is received.

### **7. Internal Interest**

The figure quoted in the Consolidated Revenue Account is the total interest receivable from third parties, principally due to the investment of capital receipts and revenue balances. Interest on revenue balances is credited to the General Fund and the Housing Revenue Account based on the level of their balances, and using average interest.

### **8. Redemption of Debt**

The required Minimum Revenue Provision for the repayment of debt has been made in the revenue accounts for the General Fund. No minimum Revenue Provision was required for the Housing Revenue Account, and no voluntary provision for the repayment of debt was made in 2005/06.

### **9. Leases**

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

Operating lease rentals are charged to service revenue accounts on a straight line basis. Operating leases are not shown as capital assets.

### **10. Current Assets and Liabilities (Debtors and Creditors)**

The revenue accounts of the Council are maintained on an accruals basis in accordance with the SORP and FRS 18. Sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year.

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

### **11. Stocks and Work in Progress**

The stocks held at the Council's main stores at Westbridge Depot are valued at current prices. This accounting policy does not comply with SSAP 9 (Statement of Standard Accounting Practice 9). Other stocks and stores are valued at the lower of actual cost or net realisable value, in line with the SORP and SSAP9.

Work in progress on uncompleted jobs is valued at cost.

### **12. Cost of Support Services**

The costs of support services are fully allocated to services using the most appropriate basis (i.e. time allocations, activity levels, floor area, etc.). The bases of allocation are continually being refined and developed to accurately reflect the service received.

Following the Comprehensive Performance Assessment (CPA) of the Council, the Council has been involved in a recovery process. Some funding from the Government has been made available to support the costs of this recovery process. The net costs of recovery have been recharged to services to reflect the full cost of the services provided by the Council.

### **13. Pensions**

In accordance with statute, the Council uses the Local Government Pension Scheme (LGPS) administered by Northamptonshire County Council (NCC). The Scheme operates on a defined benefits basis relating to pay and service.

The Financial Reporting Standard 17 (FRS 17) Retirement Benefits was introduced to ensure the financial statements reflect at "fair value" the assets and liabilities from an employer's retirement benefit obligations and any related funding. It does this by requiring employers to recognise an asset or liability based on the balance of assets and actuarial liabilities in the fund. Pension scheme assets are measured at market value at the balance sheet date and scheme liabilities are discounted at the current rate.

The operating costs of providing retirement benefits to employees are recognised in the accounting period(s) in which the benefits are earned by the employees. This is achieved by replacing the contributions paid to the pension fund, used under the previous standard, with a Current Service Cost an actuarial calculation based upon the increase in present value of the scheme's liabilities expected to arise from an employee's service in the current period.

### **14. Investments**

Investments are shown in the Consolidated Balance Sheet at cost.

### **15. Developers' Contributions**

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



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

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

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

## D. The Consolidated Revenue Account

2004/05		2005/06			Note
Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
£000s		£000s	£000s	£000s	
	<b>EXPENDITURE ON SERVICES</b>				
2,937	<b>Central services to the public</b>	15,301	-12,157	3,144	
	<b>Cultural, environmental &amp; planning</b>				
10,230	Cultural & related services	13,893	-4,890	9,003	
9,963	Environmental services	15,620	-5,530	10,090	
2,503	Planning & development services	5,454	-2,825	2,629	
840	<b>Highways, roads &amp; transport</b>	8,256	-7,525	731	
	<b>Housing</b>				
17,866	Housing Revenue Account	55,792	-33,539	22,253	
4,313	General Fund Housing	45,984	-40,626	5,358	
3,965	<b>Corporate &amp; democratic core</b>	4,476	-100	4,376	
875	<b>Non distributed costs</b>		-2,884	-2,884	
28	<b>Other Services</b>	50		50	
-479	(Surplus)/deficit on insurance provision		-406	-406	
53,041	<b>Net Cost of Services</b>	164,826	-110,482	54,344	
521	Parish precepts			563	
-96	Parish grants			-93	
53	(Surplus)/deficit on trading undertakings			435	
-21,319	Asset Management Revenue Account			-27,583	1
-1,891	Interest & investment income			-1,836	
	Contributions to housing pooled capital receipts			6,347	
7,506	Premia on early settlement on borrowing				
	Pension interest & expected return on assets			2,565	
2,606					
40,421	<b>Net Operating Expenditure</b>			34,742	
579	Transfer to HRA balances			1,287	
-1,005	Depreciation Appropriations			-2,849	
351	Capital Financing Account Adjustments			2,715	
-56	Transfers to / (from) earmarked reserves			877	
1,939	Capital expenditure financed from revenue			1,761	
-2,621	Deferred charges			-2,935	
-3,176	Provision for repayment of external loans			-3,504	
-2,112	Appropriations to / from pension reserve			2,257	
	Transfer from UCRR re: housing pooled capital receipts			-6,347	
-7,506					
	<b>Amount to be met from Government Grants &amp; Local Taxation</b>			28,004	
-10,449	Revenue Support Grant			-10,550	
-5,288	Non-domestic rates redistribution			-5,637	
-11,044	Demand on the Collection Fund			-11,438	
115	(Surplus)/deficit on Collection Fund			9	
148	<b>Net General Fund (surplus)/deficit</b>			388	
-3,436	Balance on General Fund b/fwd			-3,288	
-3,288	<b>Balance on General Fund c/fwd</b>			-2,900	

## **D. The Consolidated Revenue Account**

## E. Notes To The Consolidated Revenue Account

### 1. Transactions on the Asset Management Revenue Account

This account enables notional capital charges, used to calculate the Net Cost of Services, to be reversed out and replaced with actual costs for External Interest to produce Net Operating Expenditure.

2004/05		2005/06
£000s		£000s
	<b>Expenditure</b>	
1,683	External Interest payable	1,408
118	Impairments	0
12,041	Depreciation	13,892
13,842		15,300
	<b>Income</b>	
-34,692	Capital charges (Asset Rentals & Depreciation)	-40,168
-469	Grants Deferred	-2,715
-35,161		-42,883
-21,319	<b>(Surplus)/Deficit to Consolidated Revenue Account</b>	-27,583

### 2. Leases

The Council uses equipment financed under the terms of an operating lease. The amount charged to revenue under these arrangements in 2005/06 was £2.1m. The Council no longer has any financing leases.

2004/05		2005/06
£000s		£000s
4	Finance Lease Rentals	0
338	Operating Lease Charges	321
127	IT Operating Lease Charges	0
1,948	Vehicle Operating Lease Charges (including Maintenance)	1,783
2,417		2,104

The Council received £xm in the year from the lease of property to third parties under operating leases.

### 3. Trading Undertakings

The Council operates the following trading undertakings: -

2004/05		2005/06		
		Exp.	Income	Net
£000s		£000s	£000s	£000s
250	Property Management	-1,787	2,341	554
-184	Highways	-4,585	4,466	-119
-30	Electrical Services	0	0	0
16	Consortium Audit	0	0	0
1	Building Cleaning	0	0	0
53	<b>(Surplus)/Deficit to C R A</b>	-6,372	6,807	435

## E. Notes To The Consolidated Revenue Account

During 2005/06 the Council carried out works to the value of £2.938m for WS Atkins. WS Atkins provide the Highways Maintenance service to Northamptonshire County Council with whom the Council previously held a Highways Agency agreement. Of the £2.938m income from WS Atkins, £2.662m relates exclusively to work carried out for them on County Council related work. The remaining £0.276m relates to work carried out on both County Council and third-party related work. The legality of these contracts has been questioned and the Council is currently considering the legal arrangements underpinning all of these contracts in the context of its trading powers.

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

2004/05		2005/06		
Net		Exp.	Income	Net
£000s		£000s	£000s	£000s
758	Trade Refuse	-1,220	1,473	253
-90	Markets	-723	809	86
668	<b>(Surplus)/Deficit to C R A</b>	-1,943	2,282	339

#### 4. Section 137 of the Local Government Act 1972

Section 137 of the Local Government Act 1972, as amended, empowers local authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the United Kingdom and mayoral appeals. This expenditure is limited to £5.30 per head of population for 2005/06.

The Council was permitted to spend £1.034m under this power in 2005/06 (£0.971m in 2004/05). The actual expenditure was nil since all expenditure was undertaken using the Council's well-being powers granted in the Local Government Act (2000). The detail of the amount allowable is shown below: -

2004/05		2005/06
£5.00	Maximum Allowable Expenditure per head	£5.30
194,122	Relevant Population	195,047
970,610	Maximum Allowable Expenditure	1,033,750
0	Actual Expenditure	0

## E. Notes To The Consolidated Revenue Account

### 5. Publicity Expenditure

Within the requirements of section 5(1) of the Local Government Act 1986, the Council's spending on publicity was: -

2004/05		2005/06
£000s		£000s
	<b>Expenditure</b>	
434	Recruitment Advertising	105
278	Other Publicity	71
249	Public Relations	185
106	Publicity Unit	98
1,067	<b>Total</b>	459

### 6. Building Control Trading Account

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

2004/05		2005/06		
		Chargeable	Non-Chargeable	Total
Net				
£000s		£000s	£000s	£000s
	<b>Expenditure</b>			
4	Employees	2	0	2
0	Premises	0	0	0
0	Transport	0	0	0
44	Supplies and services	19	0	19
702	Support service charges	476	270	746
750	<b>Total Expenditure</b>	497	270	767
	<b>Income</b>			
-455	Building Regulation fees	-399	0	-399
-455	<b>Total Income</b>	-399	0	-399
295	<b>(Surplus)/Deficit</b>	98	270	368

## E. Notes To The Consolidated Revenue Account

### 7. Agency Services

A new Agency agreement with the County Council commenced on 1 July 2003, which allows the Council to undertake a much smaller range of functions than under the previous Highways Agency Agreement. The costs for 2005/06 include the residual enquiries for the public and Highways Agreements (section 38s) plus grass cutting on highways land and inspection and maintenance of highways trees.

2004/05		2005/06
£000s		£000s
377	Administration costs and ancillary services	789
-142	Income including transfer fees from NCC	-339
235		450

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

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

2004/05			2005/06	
Exp	Income		Exp	Income
£000s	£000s		£000s	£000s
3	-7	Highways	8	-24
259	-151	Call Care	254	-142
56	-56	Print Services Unit	50	-50
318	-214		312	-216



## E. Notes To The Consolidated Revenue Account

### 9. Pension Costs

The Council's pension scheme is a defined benefit scheme. The following table outlines the cost for 2004/05 and 2005/06: -

2004/05		2005/06
£000s		£000s
	<b>Net Cost of Service</b>	
4,297	Current Service Cost	4,522
302	Past Service Cost	-3,103
556	Gains and losses on settlements or curtailments	
	<b>Net Operating Expenditure</b>	
10,330	Interest Costs	10,755
-7,724	Expected Return on Assets	-8,190
	<b>Amount to be met from Government Grants and Local Taxation</b>	
-2,112	Contribution From Pension Reserve	2,257
	<b>Amount Charged to Council Tax for Pensions</b>	
5,649	Employers Contributions	6,241

Note 6 to the Balance sheet and Note 3 to the Statement of Total Movement in Reserves also consider the effect of pension costs on the Council.

The information included for all of the pension disclosures is provided by Mercers, the Actuary for the Pension Fund. Further information can be found in the County Council's Pension Fund's Annual Report which is available on request from the Pensions Section, Resources Directorate, PO Box 136, County Hall, Guildhall Road, Northampton, NN1 1AT.

### 10. Members' Allowances and Officers' Emoluments

The total amount of members' allowances paid in the year ending 2005/06 was £0.332m Detailed allowances are listed below:-

2004/05		2005/06
£000s		£000s
	<b>Expenditure</b>	
25	Mayor/Deputy Mayor Allowance	25
253	Members' Allowances	332
30	Expenses	32
308	<b>Total</b>	389

## E. Notes To The Consolidated Revenue Account

The number of employees whose remuneration (excluding pension contributions, including election fees) was £50,000 or more in bands of £10,000 were: -

2004/05 No. of Employees	Remuneration Band	2005/06 No. of Employees
9	£50,000 - £59,999	10
5	£60,000 - £69,999	10
2	£70,000 - £79,999	2
0	£80,000 - £89,999	0
0	£90,000 - £99,999	0
0	£100,000 - £109,999	1
0	£110,000 - £119,999	0
0	£120,000 - £129,999	0
1	£130,000 - £139,999	0

### 11. Minimum Revenue Provision

The Authority is required by Section 63 of the Local Government and Housing Act 1989 to set aside a Minimum Revenue Provision ((MRP) for the redemption of debt. The method of calculating the provision is defined by statute.

The minimum revenue provision for 2004/05 was £0.419m and £0.340m in 2005/06.

### 12. Contributions to Earmarked Reserves

The net contributions to earmarked reserves in 2005/06 was £0.877m (£0.056m contribution from in 2004/05) leaving an overall balance of £4.087m at 31 March 2006. The movement and purpose of the reserves is set out in detail in the notes to the movement on reserves on page 53.

### 13. Related Party Transactions

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

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

*Members of the Council* have direct control over the Council's financial and operating policies. During 2005/06 grants to the value of £0.945m were made to parties where Members had an interest. Contracts were entered into in full compliance with the Council's Standing Orders. All transactions are recorded in the Register of Members' Interest, open to public inspection at The Guildhall, Northampton.

*Officers of the Council* – no material disclosures.

## E. Notes To The Consolidated Revenue Account

*Other Public Bodies* – there were no grants paid to Parish or Town Councils in 2005/06.

*Pension Fund* – in 2005/06 the contributions paid to Northamptonshire County Council in respect of employers' contributions, added years' contributions and lump sum payments were

*Assisted Organisations* – no material disclosures.

### 14. External Audit Fees

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

2004/05		2005/06
<b>£000s</b>		<b>£000s</b>
215	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor (Section 5 Audit Commission Act 1998)	292
18	Fees payable to the Audit Commission in respect of statutory inspection (Section 10 Local Government Act 1999)	13
46	Fees payable to the Audit Commission for the certification of Grant Claims and Returns (Section 28 Audit Commission Act 1998)	26
1	Fees payable in respect of other services provided by the appointed auditor	0
280		331

## **E. Notes To The Consolidated Revenue Account**

## F. Housing Revenue Account

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

Net Expenditure 2004/05		Net Expenditure 2005/06	Note
£000s		£000s	
	<b>INCOME</b>		
-36,138	Dwelling Rents	-36,825	
-1,128	Non Dwelling Rents	-1,130	
-1,530	Charges for services & facilities	-1,646	
-762	Contributions Towards Expenditure	-636	
-7	Housing Revenue account subsidy receivable	-7	
-39,565	<b>Total Income</b>	-40,244	
	<b>EXPENDITURE</b>		
9,062	Repairs & Maintenance	10,548	
	Supervision & Management		
4,710	General Management	5,027	
4,657	Special Services	4,703	
195	Rent, Rates, Taxes & other charges	71	
8,104	Negative Subsidy	7,071	7
332	Increased provision for bad/doubtful debts	124	
18,786	Cost of Capital Charge	22,594	5
8,136	Depreciation	10,048	6
16	Deferred Charges	0	
	Sums directed by the Secretary of State		
3,433	Rent Rebates transfer to General Fund	2,310	9
57,431	<b>Total Expenditure</b>	62,496	
17,866	<b>Net Cost of Services</b>	22,252	
-18,790	Net Income on Asset Management Revenue Account	-22,594	5
186	Amortised Premiums & Discounts	186	
-616	HRA Investment Income	-586	
-1,354	<b>Net Operating Expenditure</b>	-742	
1,845	Revenue Contribution to Capital Expenditure	1,761	4
-65	Transfers to / (from) Reserves	544	
-1,005	Transfer to Major Repairs Reserve	-2,849	3
-579	<b>(Surplus)/deficit for the year</b>	-1,286	
-2,976	Balance on HRA b/fwd	-3,555	
-3,555	<b>Balance on HRA c/fwd</b>	-4,841	

## F. Housing Revenue Account

## G. Notes To The Housing Revenue Account

### 1. Housing Stock

- a) At 31 March 2006 the Council was responsible for managing units of accommodation: -

Type of Property	Number of Bedrooms				Total
	One	Two	Three	Four+	
Flats-Low Rise	1,418	352	2	1	1,773
Flats-Medium Rise	1,942	919	124	3	2,988
Flats-High Rise	399	85	22	0	506
Houses & Bungalows	879	2,637	3,302	347	7,165
<b>Totals</b>	4,638	3,993	3,450	351	12,432

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

Type of Property	Stock at 01/04/2005	Stock Movements			Stock at 01/04/2006
		Sales	Transfers	Additions	
Flats	5,310	-43			5,267
Houses & Bungalows	7,246	-81			7,165
Dwellings (excl. Shared)	12,556	-124	0	0	12,432
Shared Ownership	103	-4			99
<b>Totals</b>	12,659	-128	0	0	12,531

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

2004/05	Gross Balance Sheet Value	2005/06
£000s		£000s
	Operational Assets	
196,068	Land	159,871
448,380	Dwellings	373,031
8,295	Other Property	15,777
652,743	Total Operational Assets	548,679
348	Non Operational Assets	540
653,091	<b>TOTAL</b>	549,219
1,027,897	Vacant Possession Value as at 1st April	1,064,478

### 2. Vacant Possession Value

## G. Notes To The Housing Revenue Account

The Vacant Possession value of dwellings within the HRA as at 1 April was £1,064m. For the balance sheet, the figure has been reduced to 50% of this value, i.e. £532.9m. This shows the economic cost of providing Council housing at less than open market rents.

### 3. Major Repairs Reserve

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

Council dwelling depreciation is lower than MRA, therefore an adjustment is required to ensure there is no bottom line impact on the HRA. The transactions on the MRR are detailed below:-

Major Repairs Reserve	£000s
Balance at 1 April 2005	0
HRA Depreciation	-10,048
Depreciation adjustment to agree to MRA	2,850
	-7,198
Amount used to finance Capital Expenditure	
Dwellings	7,198
Other Property	0
	7,198
<b>Balance at 31 March 2006</b>	<b>0</b>

### 4. Capital Expenditure, Financing and Receipts

a) Housing capital receipts in 2005/06 were as follows:-

2004/05	Housing Capital Receipts	2005/06
£000		£000
41	Land Sales	147
9,633	Dwelling Sales	7,452
730	Other Property Sales	320
10,404	<b>Total</b>	<b>7,919</b>



## G. Notes To The Housing Revenue Account

- b) A summary of Housing Revenue Account capital expenditure and how it was financed in 2005/06 is shown below: -

2004/05	HRA Capital Expenditure and Financing	2005/06
£000s		£000s
	<b>Expenditure</b>	
0	Land Purchase	0
10,548	Dwellings	8,365
269	Other Property	594
10,817	<b>Total Expenditure</b>	8,959
	<b>Financing</b>	
	Dwellings	
1,841	Borrowing	0
0	Useable Capital Receipts	0
1,624	Revenue Contributions	1,167
7,083	Major Repairs Reserve	7,198
10,548		8,365
	Other Property	
0	Borrowing	0
0	Useable Capital Receipts	0
221	Revenue Contributions	594
48	Major Repairs Reserve	0
269		594
10,817	<b>Total Financing</b>	8,959

### 5. Cost of Capital and Asset Management Revenue Account

Resource accounting in the HRA requires that a charge is made to the HRA for the use of fixed assets. The charge is determined by applying a specified notional rate of interest, 3.5% for 2005/06 to the net valuation of fixed assets in the Balance Sheet. This charge is included in the expenditure section of the HRA within net cost of services and reversed out via the Asset Management Revenue Account (AMRA). It is replaced by the 'actual' interest payable by the HRA, calculated in accordance with the Item 8 Determination (Local Government and Housing Act 1989), to ensure that the new cost of capital does not have a cost implication to Council tenants. The HRA AMRA transactions are shown below: -

2004/05	HRA Asset Management Revenue Account (AMRA)	2005/06
£000s		£000s
18,786	Cost of Capital Charges	22,594
	Less:	
0	Item 8 Interest calculation	0
18,786	<b>Total transfer from AMRA</b>	22,594

## G. Notes To The Housing Revenue Account

### 6. Depreciation and Impairment of Fixed Assets

- a) The total charge for depreciation of HRA fixed assets is shown below split into asset type: -

2004/05	Depreciation	2005/06
£000s		£000s
	Operational Assets	
0	Land	0
7,896	Dwellings	9,749
239	Other Property	245
8,135	Total Operational Assets	9,994
	Non Operational Assets	
0		54
8,135	<b>TOTAL</b>	10,048

- b) The Council's Valuation Officer, a member of FRICS, has advised that there were no impairments in 2005/06.

### 7. Housing Subsidy

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

2004/05	Housing Subsidy	2005/06
£000s		£000s
5	Prior Year Adjustment	0
-15,282	Management and Maintenance Allowance	-16,577
-7,131	Major Repairs Allowance	-7,198
-842	Charges for Capital	-949
-91	Other Allowances	-60
31,434	Notional Rent	31,847
11	Interest on Receipts	8
8,104	<b>Total Amount to be paid to Government</b>	7,071

## G. Notes To The Housing Revenue Account

### 8. Rent Arrears

During 2005/06 rent arrears as a proportion of gross rent income was 7.5%. This represents a reduction of 0.1% since 2004/05 when the proportion was 7.6%. The figures for rent arrears are detailed below: -

2004/05	Rent Arrears	2005/06
£000		£000
3,257	Gross Rent Arrears at 31 March	2,804
-480	Prepayments of Rent	-600
2,777	Net Rent Arrears at 31 March	2,204
1,861	Provision for bad debts at 31 March	1,505

The reduction in rent arrears has been achieved following the implementation of a rent arrears action plan. Measures taken include the establishment of a specialist team of officers, a review and update of rent arrears' procedures, a campaign to promote greater take up of direct debit payments, more efficient processing of Housing Benefit applications, the introduction of improved performance monitoring systems and the provision of advice and assistance to tenants with financial difficulties.

### 9. Sums Directed by the Secretary of State

Since rent rebates transferred to the General Fund, any authorities who had rent rebate subsidy limited have had to, under a special determination, transfer an amount equivalent amount from the HRA to the General Fund. There is a further transfer relating to incentive area costs which will only apply for 2004/05 and 2005/06 as a transitional measure.

2004/05	Secretary of State Determinations	2005/06
£000		£000
3,006	Rent Rebate Subsidy Limitation	2,096
427	Rent Rebate Transitional Measures	214
3,433	Total Effect of Special Directions	2,310

**G. Notes To The Housing Revenue Account**

## H. The Collection Fund

### Income and Expenditure Account

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

2004/05		2005/06	Note
£000s		£000s	
	<b>INCOME</b>		
-64,261	Council Tax (net of benefits, discounts & transitional relief)	-67,176	2
	Transfers from General Fund		
-9,134	Council Tax benefits	-9,195	
-81,956	Income collectable from business ratepayers	-92,095	
	Contributions		
-750	Towards previous years' Collection Fund deficit	-60	3
-156,101		-168,526	
	<b>EXPENDITURE</b>		
	Precepts & demands:-		
52,513	Northamptonshire County Council	54,355	
9,417	Northamptonshire Police Authority	9,794	
11,044	Northampton Borough Council	11,438	
	Business Rates		
81,635	Payments to national pool	91,780	
321	Cost of collection	315	
	Bad & Doubtful Debts / Appeals		
701	Write-offs	474	
150	Provisions	643	
	Contributions		
0	Towards previous years' Collection Fund surplus	0	
-301	Prior Year Adjustments		
155,480		168,799	
-621	<b>(Surplus)/deficit for the year</b>	273	
1,387	Fund balance b/fwd	766	
766	<b>Fund Balance c/fwd</b>	1,039	

## H. The Collection Fund

# I. Notes To The Collection Fund

## 1. National Non Domestic Rates (NDR)

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

The total non-domestic rateable value as at 31 March 2006 was £247.974m and the equivalent figure for 2004/05 was £209.729m.

The National Domestic Rate multiplier for 2005/06 was 42.2p and the equivalent figure for 2004/05 was 45.6.

## 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 2005/06 calculated as follows: -

2004/05 Band D Equivalents	Band	Estimated number of taxable properties 2005/06 after discounts	Ratio	2005/06 Band D Equivalents
20.1	A(-)	34.5	5/9	19.2
15,937.9	A	23,886.6	6/9	15,924.4
13,266.9	B	17,108.6	7/9	13,306.7
15,754.1	C	18,147.8	8/9	16,131.4
8,382.6	D	8,491.6	9/9	8,491.6
5,656.8	E	4,727.4	11/9	5,777.9
2,885.9	F	2,034.7	13/9	2,939.0
1,666.9	G	1,025.5	15/9	1,709.2
86.5	H	46.8	18/9	93.6
63,657.7				64,393.0
636.6	Non-collection provision			965.9
<b>63,021</b>	<b>Council Tax Base</b>			<b>63,427</b>

The provision for non-collection was set at 1.5% for 2005/06 (1% for 2004/05).

# I. Notes To The Collection Fund

## 3. Analysis Of In-year Contributions To Fund Deficits

The in-year end contributions to collection fund deficits from the precepting authorities is detailed below: -

<b>2004/05</b>	<b>Allocation Of Collection Fund Deficits</b>	<b>2005/06</b>
<b>£000s</b>		<b>£000s</b>
115	Northampton Borough Council	9
546	Northamptonshire County Council	43
89	Northamptonshire Police Authority	8
750	<b>Total Deficit Recovered</b>	60



## J. The Consolidated Balance Sheet

2004/05		2005/06		Note
£000s	<b>Fixed Assets</b>	£000s	£000s	
1,420	<b>Intangible Fixed Assets</b>		3,615	1
	<b>Tangible Fixed Assets</b>			1
	Operational Assets			
643,929	Council dwellings	547,317		
64,581	Other land and buildings	67,805		
6,472	Vehicles, plant, furniture & equipment	4,927		
366	Infrastructure	351		
2,904	Community Assets	3,138		
	Non-operational Assets			
31,285	Investment Properties	37,099		
283	Assets Under Construction	2,456		
1,017	Surplus Assets Held for Disposal	973		
750,837			664,066	
752,257			667,681	
5,505	<b>Long-term Debtors</b>		4,982	
757,762	<b>Total long-term Assets</b>		672,663	
	<b>Current Assets</b>			2
398	Stocks & work in progress	393		
21,775	Debtors	27,554		
33,336	Investments	22,078		
718	Cash and bank	3,654		
56,227		53,679		
	<b>Current Liabilities</b>			3
-1,361	Borrowing repayable within 12 months	-392		
-27,330	Creditors	-32,260		12
-28,691		-32,652		
27,536	<b>Net Current Assets</b>		21,027	
785,298	<b>Total Assets less Current Liabilities</b>		693,690	
-25,893	Long-term borrowing	-25,881		4
-833	Provisions	-920		
-75,847	Pension Liability	-73,180		6
-102,573			-99,981	
682,725	<b>Total Assets less Liabilities</b>		593,709	
	<b>Financed by</b>			
506,034	Fixed asset restatement account	416,289		
234,968	Capital financing account	235,288		
6,470	Grants & contributions – unapplied	163		9,12
2,968	Grants & contributions – deferred	5,491		
-1,492	Deferred premiums	-1,305		
125	Deferred credits	93		
125	Usable capital receipts reserve	80		
-75,847	Pension reserve	-73,180		6
3,297	Earmarked reserves	4,088		
3,288	General fund balance	2,900		
3,555	Housing revenue account balance	4,841		
-766	Collection fund balance	-1,039		
682,725	<b>Total Equity</b>		593,709	

## **J. The Consolidated Balance Sheet**

## K. Notes To The Consolidated Balance Sheet

### 1. Long-Term Assets

#### a) Movements on Fixed Assets Operational Assets

	Council Dwellings	Other land & buildings	Vehicles plant, etc.	Infra-structure	Com-munity Assets	Total
	£000s	£000s	£000s	£000s	£000s	£000s
<b>Certified Valuation 31st March 2005</b>	652,046	65,390	9,066	514	2,926	729,942
Accumulated depreciation & impairment	-8,117	-809	-2,594	-148	-22	-11,690
<b>Net book value 31st March 2005</b>	643,929	64,581	6,472	366	2,904	718,252
<b>Movement in 2005/06</b>						
Additions	7,198		340		244	7,782
Disposal	-5,306	-185				-5,491
Revaluations	-106,551	3,116				-103,435
Depreciation	-9,999	-1,700	-1,855	-15	-10	-13,579
Depreciation Written Back	17,983	1,599				19,582
Impairments						0
Adjustments/Transfers	63	394				457
<b>Net book value 31st March 2006</b>	547,317	67,805	4,957	351	3,138	623,568
Gross Valuation at 31st March 2006	539,333	67,906	6,812	366	3,148	617,565
Impairments at 31st March 2006	0	0				0
Depreciation at 31st March 2006	7,984	-101	-1,855	-15	-10	6,003
<b>Net Book Value 31st March 2006</b>	547,317	67,805	4,957	351	3,138	623,568

#### Non-Operational Assets

	Works In Investment & Surplus Progress Commercial Assets			Total	Intangible Assets
	£000s	£000s	£000s	£000s	£000s
<b>Certified Valuation 31st March 2005</b>	283	31,287	1,019	32,589	1,835
Accumulated depreciation & impairment			-2	-4	-415
<b>Net book value 31st March 2005</b>	283	31,285	1,017	32,585	1,420
<b>Movement in 2005/06</b>					
Additions	2,172	116		2,288	2,456
Disposal				0	
Revaluations		6,161	-44	6,117	
Depreciation		-21		-21	-261
Depreciation Written Back		15		15	
Impairments				0	
Adjustments/Transfers	1	-457		-456	
<b>Net book value of assets 31st March 2006</b>	2,456	37,099	973	40,528	3,615
Gross Valuation at 31st March 2006	2,456	37,105	973	40,534	3,876
Impairments at 31st March 2006	0	0	0	0	0
Depreciation at 31st March 2006	0	-6	0	-6	-261
<b>Net Book Value 31st March 2006</b>	2,456	37,099	973	40,528	3,615

## K. Notes To The Consolidated Balance Sheet

### b) Movements on Deferred Charges

	<b>Balance at 1st April 2005</b>	<b>Expenditure</b>	<b>Written off</b>	<b>Balance at 31st March 2006</b>
	£000s	£000s	£000s	£000s
Improvement Grants	0	1,732	-1,732	0
Other deferred charges	0	1,492	-1,492	0
<b>Total</b>	<b>0</b>	<b>3,224</b>	<b>-3,224</b>	<b>0</b>

### c) Capital Expenditure & Financing

<b>2004/05</b>		<b>2005/06</b>
£000s		£000s
	<b>Capital Investment</b>	
1,175	Intangible Assets	2,456
	Tangible Assets	
17,279	Operational Assets	14,436
301	Non-operational Assets	2,172
3,040	Deferred Charges	3,224
<b>21,795</b>		<b>22,288</b>
	<b>Sources of Finance</b>	
1,609	Supported Borrowing	1,653
0	Unsupported Borrowing	696
9,211	Capital Receipts	5,449
8,042	Government Grants	8,563
1,939	Revenue Contributions	1,761
994	Other Contributions	4,166
<b>21,795</b>		<b>22,288</b>

## K. Notes To The Consolidated Balance Sheet

### d) Fixed Assets Held

31/03/2005		31/03/2006
<b>Number</b>	<b>Operational Assets</b>	<b>Number</b>
12,556	Council Dwellings	12417
30	Council Houses not used as dwellings	26
103	Shared Ownership Properties	99
3,076	Council Garages	3049
26	Other Housing Properties	26
69	Operational Shops	69
194	Other Garages	194
1	Guildhall	1
4	Local Area Offices	4
5	Central Administrative Offices	5
1	Depots	1
18	Sub-Depots	18
5	Multi-Storey Pay & Display Car Parks	5
15	Surface Pay & Display Car Parks	16
4	Sports & Leisure Centres	4
2	Museums, Art Galleries	2
6	Pavilions	6
2	Theatres *	1
24	Community Centres	24
	Markets	
1	Open	1
1	Indoor	1
6	Cemeteries	6
1	Bus Station	1
331	Commercial Property (Units)	276
26	Public Conveniences	24
1	Golf Course	1
1	Gypsy Site	1
<b>Hectares</b>		<b>Hectares</b>
63.42	Allotments	62.88
754.00	Parks and Open Spaces	887.45
65.97	Agricultural Land	65.97

\* Royal Theatre and Derngate now merged into one asset

## K. Notes To The Consolidated Balance Sheet

### e) Valuation Information

Net Assets are shown in the Council's Consolidated Balance Sheet at Asset Valuation less depreciation (where applicable), in accordance with the Capital Accounting Regulations.

The various valuation bases are as stated in the Accounting Policies section. The statements below show the progress of the Council's valuation programme for Fixed Assets, which includes the annual valuation of the top properties, plus the continual valuation of enhancements and work in progress. Valuations are to be carried out by the Council's retained valuation officer, namely Richard Lewis, FRICS.

#### Operational Assets

	<b>Council Dwellings</b>	<b>Other Land &amp; Build.</b>	<b>Vehicles Plant &amp; Equip.</b>	<b>Infra-Structure Assets</b>	<b>Comm. Assets</b>	<b>Total</b>
	£000s	£000s	£000s	£000s	£000s	£000s
Valued at Historic Cost	0	0	0	292	2,423	2,715
Valued at Current Value in: -						
2005/06	545,394	57,578	120	0	0	603,092
2004/05	266	3,686	1,541	0	169	5,662
2003/04	435	2,465	2,350	59	368	5,677
2002/03	228	3,910	892	0	178	5,208
2001/02	994	13	21	0	0	1,028
Previous Years	0	153	3	0	0	156
<b>Total</b>	<b>547,317</b>	<b>67,805</b>	<b>4,927</b>	<b>351</b>	<b>3,138</b>	<b>623,538</b>

#### Non-Operational and Intangible Assets

	<b>Non-Operational Assets</b>			<b>Total Assets</b>	<b>Intangible Assets</b>
	<b>Works in Progress</b>	<b>Investment Property</b>	<b>Surplus Property</b>		
	£000s	£000s	£000s	£000s	£000s
Valued at Historic Cost	2,254	0	0	2,254	0
Valued at Current Value in: -					
2005/06	0	27,638	276	27,914	3,615
2004/05	202	3,632	408	4,242	0
2003/04	0	1,665	289	1,954	0
2002/03	0	1,546	0	1,546	0
2001/02	0	2,346	0	2,346	0
Previous Years	0	272	0	272	0
<b>Total</b>	<b>2,456</b>	<b>37,099</b>	<b>973</b>	<b>40,528</b>	<b>3,615</b>

## K. Notes To The Consolidated Balance Sheet

f) Capital Contracts

There were no significant capital contracts committed at 31 March 2006.

g) Finance Leases

The Council has no ongoing Finance Leases.

h) Operating Leases

The authority was committed as at 31<sup>st</sup> March 2006 to make payments of £0.2m under operating leases in 2006/07 comprising the following: -

	<b>31/03/2006</b>
	£000s
<b>Plant and Equipment</b>	
Leases Expiring within 1 year	21
2 – 5 years	54
Exceeding 5 years	129
	204

### 2. Current Assets

a) Stocks & Work in Progress

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

<b>31/03/2005</b>		<b>31/03/2006</b>
£000s		£000s
147	Westbridge Depot Main Stores	230
65	Sub Stores	59
186	Other Stores	104
398	Total	393

## K. Notes To The Consolidated Balance Sheet

### b) Debtors

31/03/2005		31/03/2006
£000s		£000s
7,079	Sundry Debtors	7,003
5,641	Government Departments	9,487
3,069	Other Local and Public Authorities	3,772
8,406	Local Taxpayers	9,825
2,681	Housing Tenants	2,734
145	Loans to Employees	85
27,021		32,906
	Provisions for Bad Debts	
-2,052	Local Taxpayers	-2,581
-2,680	Housing Tenants	-1,504
-514	Other	-1,267
-5,246	Total Provision for Bad Debts	-5,352
21,775		27,554

### c) Investments

31/03/2005	Investment Type	31/03/2006
£000s		£000s
292	Gilts	0
100	UK Equities	3,547
18,020	Building Societies	5,520
18	Cash On Deposit	54
14,906	Banks	12,957
33,336	Total	22,078

## 3. Current Liabilities

### a) Short-term Borrowing

31/03/2005	Funded by	Period Invested	31/03/2006
£000			£000
620	Eastern Orchestral Board	7 day	200
500	Eastern Orchestral Board	364 days	0
75	Billing Parish Council	7 day	3
52	Billing Parish Council	3 Month	75
114	Northampton Volunteer Bureau	7 day	114
1,361			392



## K. Notes To The Consolidated Balance Sheet

### b) Creditors

31/03/2005		31/03/2006
£000s		£000s
9,319	Sundry Creditors	12,417
5,873	Government Departments	3,929
5,616	Other Local and Public Authorities	5,485
4,543	Local Taxpayers	3,313
725	Tenants	705
	Developer's Contributions	5,662
1,254	Deposits	749
27,330		32,260

## 4. Long-term Liabilities

### a) Borrowing

31/03/2005	Source of Loan	Range of Interest Rates (%)	31/03/2006
£000			£000
0	Public Works Loans Board	-	0
24,600	Money Markets	4.85 - 7.03	24,600
1,293	New Towns Commission	9.75	1,281
25,893			25,881
	An analysis of loans by maturity date		
11	Maturing in 1-2 years		12
39	Maturing in 2-5 years		43
94	Maturing in 5-10 years		15,703
25,749	Maturing in over 10 years		10,123
25,893			25,881

## 5. Financed by

### a) Movement on Reserves

For details of movements on reserves see the Statement of Total Movements on Reserves (page 53).

### b) Deferred Credits

These deferred capital receipts are amounts derived from sales of assets that will be received in instalments over agreed periods of time. They arise principally from mortgages on sales of council houses that form the main part of mortgages under long-term debtors.

## K. Notes To The Consolidated Balance Sheet

### 6. FRS 17 Retirement Benefits

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

#### a) Main Assumptions

The main financial assumptions adopted as at 31 March 2006 were:-

31/03/2005		31/03/2006
% pa		% pa
2.9	The inflation assumption	2.9
4.4	The rate of increase in salaries	4.4
2.9	The rate of increase for pensions	2.9
5.4	The rate used to discount scheme liabilities	5.4

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

31/03/2005			Asset	31/03/2006		
Market Value	Expected Rate of Return (%)	Proportion Of Assets (%)		Market Value	Expected Rate of Return (%)	Proportion Of Assets (%)
91,911	7.5	74.4	Equities	108,425	7.0	70.1
4,571	4.7	3.7	Gilts	17,478	4.3	11.3
17,542	5.4	14.2	Other bonds	14,385	4.9	9.3
4,941	6.5	4.0	Property	8,043	6.0	5.2
4,571	4.8	3.7	Cash	6,342	4.5	4.1
123,536		100.0	Total	154,673		100.0

#### c) Reconciliation to the Balance Sheet

31/03/2005		31/03/2006
£000s		£000s
-199,423	Funded benefits under the LGPS regulations	-227,855
123,576	Market Value of Fund Assets	154,673
-75,847	Surplus/(deficit) in the Fund	-73,182

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

## K. Notes To The Consolidated Balance Sheet

### 7. Contingent Liabilities

- a) The Council has received Deposits under Section 106 agreements, which may be repayable if the conditions for each agreement are not met. No provision has been made in the Accounts for any interest that may become repayable under the terms of the individual agreements. In the event that every one of these deposits becomes repayable with interest, the Council's maximum liability for interest payable as at 31<sup>st</sup> March 2006 was estimated to be £0.813m (£0. 547m as at 31<sup>st</sup> March 2005).
- b) The Council has an outstanding loan with the Roadmender, which went into liquidation during 2005/06, of £63,980. The liability for the loan now rests with the Roadmender trustees and it may transpire that the loan is not repaid.

### 8. The Euro

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

### 9. Provisions

#### a) Insurance Provision

The provision covers the following risks :-

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

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

The estimated cost of outstanding claims on the Insurance provision as at 31 March 2006 is shown below. These sums represent the balance on the Insurance Provision, with any surplus being transferred to the Insurance Reserve.

2004/05		2005/06
£000s		£000s
-727	Ongoing Liability Claims under the policy excess	-741
-3	Motor Vehicle Claims over the "paid locally" figure, but under the policy excess	-8
0	Car Loan Accounts for employees who died in service	0
-4	Housing Stock Claims under the policy excess	-7
-734		-756

## K. Notes To The Consolidated Balance Sheet

b) Utilities

The provision was written back to revenue during the year and is netted off against payments to utilities.

c) DWP Grants

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

d) Other

The balance represents small provisions in respect of the Rent assistance and Rent Guarantee Schemes.

A summary of the transactions on the Provisions for the year is shown below.

Provisions	Balance 01/04/2005	Costs	Income	Balance 31/03/2006
	£000s	£000s	£000s	£000s
Insurance	-734	714	-736	-756
DWP Grants			-160	-160
Utilities	-96	96		0
Other	-3			-3
	-833	810	-23	-919

### 10 Trust Funds

The Council acts as sole trustee in respect of two Trust Funds for the Northamptonshire Regiment and the Northamptonshire Yeomanry Museum Collections. The Trust funds are used to finance expenditure on the museum collections, which are housed at Abington Museum. Surplus funds are invested externally and no money is expended unless there are funds to do so.

### 11. Developers' Contributions

Contributions received from developers have been classified for 2005/06 depending on whether the contribution is repayable and whether the contribution is for a revenue or capital purpose, in line with the treatment described in the Statement of Accounting Policies.

2004/05		2005/06
£000s		£000s
	0 Creditors	-3,525
	0 Receipts in advance	-2,136
-382	Grants & Contributions - Unapplied (Government Grants)	0
-6,088	Grants & Contributions - Unapplied (Developers)	-163
-6,470		-5,824

L. Statement Of Total Movement In Reserves

	Balance As At 1 April 2005	General Move- ments	Unrealised Gains & Losses	Impair- ment Losses	Effects of Disposals	Housing Capital Receipts Pooling	Financing of Fixed Assets	Surplus / Deficit In Year	Balance As At 31 March 2006
	£000s	£000s	£000s	£000s	£000s	£000s	£000s		£000s
<b>Capital Reserves</b>									
Fixed Asset Restatement	506,034		-84,439		-5,306			-89,745	416,289
Capital Financing Account	234,968	-17,222					17,542	320	235,288
Developers' Contributions Deferred	1,039	-2,041					4,166	2,125	3,164
Government Grants Deferred	1,929	-674					1,072	398	2,327
Deferred Premium	-1,492	186						186	-1,306
Useable Capital Receipts	43				10,842	-6,347	-4,457	38	81
Developers' Contributions Unapplied	0	163						163	163
Government Grants Unapplied	464	3,295					-3,759	-464	0
Major Repairs Reserve (HRA)	0	7,198					-7,198	0	0
	742,985	-9,095	-84,439	0	5,536	-6,347	7,366	-86,979	656,006
<b>Revenue Reserves</b>									
General Fund Balance	3,288	-388						-388	2,900
General Fund Earmarked Reserves								0	0
Insurance Reserve	2,243	406						406	2,649
Capital Reserve	87	-87						-87	0
New Technology Reserve	240							0	240
Building Maintenance Reserve	388	-60						-60	328
General Reserve	231							0	231
Arts Reserve	41	-13						-13	28
Collection Fund Balance	-766	-273						-273	-1,039
HRA Balance	3,555	1,286						1,286	4,841
HRA Earmarked Reserve	67	544						544	611
Pensions Reserve	-75,846	2,666						2,666	-73,180
Deferred Credits - Mortgages	125	-32						-32	93
	-66,347	4,049	0	0	0	0	0	4,049	-62,298
<b>Balance at 31/03/06</b>	<b>676,638</b>	<b>-5,046</b>	<b>-84,439</b>	<b>0</b>	<b>5,536</b>	<b>-6,347</b>	<b>7,366</b>	<b>-82,930</b>	<b>593,708</b>



## M. Notes To The Statement Of Total Movement In Reserves

### 1. Analysis of Fixed Asset Restatement Account movements between General Fund and HRA

	General Fund	Housing Revenue Account	Total
			£000s
Balance at 01/04/05			506,034
	£000	£000	
Revaluation adjustments	5,780	-90,219	-84,439
Disposals of fixed assets		-5,306	-5,306
			0
	5,780	-95,525	-89,745
<b>Balance at 31/03/06</b>			<b>416,289</b>

### 2. Analysis of Capital Financing Account movements

	General Fund	Housing Revenue Account	Total
			£000s
Balance at 01/04/05			234,968
	£000	£000	
Depreciation	-3,583	-10,048	-13,631
Write down of Deferred Charges	-2,935	0	-2,935
Amortisation of Intangible Assets	-261	0	-261
Other	-316	0	-316
MRP	340	0	340
Financing of Fixed Assets	8,164	8,959	17,123
	1,409	-1,089	320
<b>Balance at 31/03/06</b>			<b>235,288</b>

## M. Notes To The Statement Of Total Movement In Reserves

### 3. Pension Disclosures

#### a) Components of Defined Benefit Cost

	<b>31/03/2006</b>
	£000s
Analysis of amounts recognised in the Statement of Recognised Gains & Losses (STRGL)	
Gain and (Losses) on Assets	21,709
Experienced (gain)/loss on liabilities	-4,102
(Gain)/loss on change of assumptions (financial and demographic)	-17,198
Total (gain)/loss recognised in STRGL before adjustment for tax	409
Contribution to CRA	2,257
<b>Movement on Pension Reserve</b>	<b>2,666</b>

#### b) History of Experienced Gains and Losses

	<b>31/03/2006</b>
	£000s
Gain/(Loss) on Fund assets	21,709
% of fund assets at end of period	14%
Experienced (gain)/loss on scheme liabilities	-4,102
% of fund liabilities at end of period	1.80%
(Gains)/loss on scheme liabilities from changes in demographic and financial assumptions	-17,198
% of fund liabilities at end of period	7.50%

### 4. Revenue Earmarked Reserves

#### a) Insurance Reserve

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

#### b) Capital Reserve

The Capital Reserve exists to enhance the Authority's ability to finance capital expenditure. It is made up of contributions from surpluses on the General Fund revenue account.

#### c) New Technology Reserve



## **M. Notes To The Statement Of Total Movement In Reserves**

The New Technology Reserve was set up to encourage departments, through the use of technology, to obtain reductions in expenditure and to streamline the administrative processes, in order to preserve or improve the level of services.

- d) **Building Maintenance Reserve**  
This consists of balances set aside from revenue accounts for major maintenance projects.
- e) **General Reserve**  
The General Reserve allows the Council to commit funding to individual projects which may spread across more than one year.
- f) **Arts Reserve**  
This is used to finance the purchase of exhibits for the Museum and Art Gallery.
- g) **HRA Earmarked Reserve**  
This reserve contains amounts specifically set aside to finance HRA revenue projects. The money in this reserve must be used on the Housing Revenue Account.

## **M. Notes To The Statement Of Total Movement In Reserves**

## N. Cashflow Statement

The cashflow statement is supposed to demonstrate the movements in cash for the year for various purposes including a split between revenue and capital.

2004/05		2005/06		Note
£000		£000	£000	
	<b>Revenue Activities</b>			
	<b>Cash Outflows</b>			
-38,097	Cash paid to & on behalf of employees	-38,827		
-81,107	Other operating cash payments	-69,306		
-12,274	Housing benefits paid out	-14,877		
-8,142	Negative Housing Subsidy	-7,081		
-77,342	Non-domestic rate payments to national pool	-91,566		
-61,720	Precepts paid over	-64,568		
-5,466	Payments to capital receipts pool	-5,609		
-284,148			-291,834	
	<b>Cash Inflows</b>			
15,509	Rents (after rebates)	16,016		
63,975	Council Tax receipts	65,047		
5,288	Non-domestic rate receipts from national pool	5,637		
86,347	Non-domestic rate receipts	90,753		
10,449	Revenue Support Grant	10,550		
41,590	DWP grant for benefits	43,001		
119	Other government grants	283		
65,175	Other operating cash receipts	61,938		
288,452			293,225	
4,304	<b>Revenue Activities Net Cash Flow</b>		1,391	1
	<b>Return on Investments &amp; Servicing of Finance</b>			
	<b>Cash Outflows</b>			
-1,453	Interest paid	-1,252		
	<b>Cash Inflows</b>			
1,735	Interest received	2,108		
282	<b>Net Interest</b>		856	2
	<b>Capital Activities</b>			
	<b>Cash Outflows</b>			
-18,756	Purchase of fixed assets	-19,698		
-7,639	Other capital cash payments	-3,224		
-26,395		-22,922		
	<b>Cash Inflows</b>			
10,414	Sale of fixed assets	2,690		
1,955	Capital grants	8,298		
16,270	Other capital cash receipts	2,335		
28,639		13,323		
2,244			-9,599	3
6,830	<b>Net Cash (Inflow)/Outflow before financing</b>		-7,352	
	<b>Management of Liquid Resources</b>			
-8,380	Net increase / decrease in short term deposits		11,258	4
	<b>Financing</b>			
	<b>Cash Outflows</b>			
-1,460	Repayments of amounts borrowed	-6,424		
	<b>Cash Inflows</b>			
1,405	New loans raised	5,453		
-55	<b>Financing Net Cash Flow</b>		-971	6
-1,605	<b>Net(Increase)/Decrease in cash</b>		2,935	

## N. Cashflow Statement

## O. Notes To The Cashflow Statement

### 1. Reconciliation Revenue Activities Net Cash Flow to Surplus on Revenue Account

2004/05		2005/06	
£000		£000	£000
	<b>(Surplus)/deficit for the year</b>		
-148	Consolidated Revenue Account	-388	
579	Housing Revenue Account	1,286	
621	Collection Fund	-273	
1,052			625
	<b>Non-Cash Transactions</b>		
36	Contribution to provisions	-38	
-6,694	Financing Transactions	-1,733	
-57	Transfers to Reserves	790	
-6,715			-981
	<b>Items classified elsewhere in the Cash Flow Statement</b>		
-1,735	Interest received	-2,108	
1,453	Interest paid	1,252	
-282			-856
	<b>Items accrued</b>		
-117	Increase/(decrease) of stock & work in progress	5	
-1,491	Increase/(decrease) in debtors	1,181	
11,857	(Increase)/decrease in creditors	1,417	
10,249			2,603
4,304	<b>Revenue Activities Net Cash Flow</b>		1,391

### 2. Reconciliation Movement in Cash to the Movement in Net Debt

For the purposes of the Cash Flow statement, the Management of Liquid Resources is limited to Short Term Investments, i.e. Investments of less than 1 year.

2004/05		2005/06
£000s		£000s
-1,605	Increase in Cash in the Period	2,935
55	Cash to Repurchase Debt	971
8,380	Cash to Reduce Liquid Resources	-11,258
6,830	Change in Net Debt	-7,352
-30	Net Debt as at 1 April	6,800
6,800	Net Debt as at 31 March	-552

## O. Notes To The Cashflow Statement

### 3. Analysis of Changes in Net Debt

	Balance 1 April 2005	Cashflows	Other Changes	Balance 31 March 2006
	£000s	£000s	£000s	£000s
Cash in Hand and at Bank	718	2,935	0	3,653
Debt due within one year	-1,361	971	-2	-392
Debt due after one year	-25,893	0	2	-25,891
Current Asset Investments	33,336	-11,258	0	22,078
Net Debt	6,800	-7,352	0	-552

### 4. Management of Liquid Resources

For the Purposes of the Cash Flow statement, the Management of Liquid Resources is limited to Short Term Investments, i.e. Investments of less than 1 year.

2004/05		2005/06
£000s		£000s
	<b>Short Term Investments</b>	
24,956	Balance Brought Forward 1 April	33,336
33,336	Balance Carried Forward 31 March	22,078
-8,380		11,258

### 5. Analysis of other Government Grants

2004/05		2005/06
£000s		£000s
-139	Rent Allowances	4,063
36	Non-HRA Rebates	-15
-601	Rent Rebates	291
462	Council Tax Benefit	257
25	Benefit Administration	-388
-30	Challenge Funding	-30
-18	Housing Subsidy	0
-6	Homelessness Funding	-6
-271	<b>Net Cash (In)/outflow</b>	4,172

## O. Notes To The Cashflow Statement

### 6. Financing Reconciliation

2004/05		2005/06
£000s		£000s
	<b>Balances Brought Forward</b>	
25,903	Long Term Borrowing	25,893
1,406	Temporary Borrowing	1,361
27,309		27,254
	<b>Balances Carried Forward</b>	
25,893	Long Term Borrowing	25,891
1,361	Temporary Borrowing	392
27,254		26,283
-55	<b>Net Cash (In)/outflow</b>	-971

## O. Notes To The Cashflow Statement



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

### The Authority's Responsibilities

The Authority is required to:-

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

### The S.151 Officer

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

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

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

The Section 151 Officer has also:

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

I certify that this Statement of Accounts presents fairly the position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2006.

Alison Betts Section 151 Officer	Councillor Timothy Hadland Leader of Northampton Borough Council
Date	Date

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

**NORTHAMPTON BOROUGH COUNCIL'S STATEMENT OF INTERNAL CONTROL (2005/06)**

**1. Scope and Responsibility**

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

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control that facilitates the effective exercise of the Council's functions (including arrangements for effective risk management).

**2. The Purpose of the System of Internal Control**

The system of internal control is designed to manage risk to a reasonable level rather than eliminating risk altogether; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control have been in place at the Council for the year ended 31 March 2006 and up to the date of approval of the statement of accounts.

**3. The Internal Control Environment**

The following table outlines the key elements of the internal control environment:

INTERNAL CONTROL ENVIRONMENT	
Key Element:	Comments:
Establishing and monitoring the achievements of the Council's objectives.	<p>The Council set out its objectives for 2005/2006 in both its Corporate Plan and its Recovery Plan. An Interim Medium Term Financial Strategy was also produced in 2005/2006.</p> <p>The Council will continue to develop its planning processes to ensure that it sets clear objectives with measurable targets for achievement.</p>
The facilitation of policy and decision-making.	<p>The Council has arrangements in place to facilitate effective policy decision-making.</p> <p>These include:</p> <ul style="list-style-type: none"> <li>- Political arrangements based on the Cabinet and leader (as reflected in the Council's constitution)</li> <li>- A cross-party Improvement Board to</li> </ul>

	<p>drive forward the Council's improvement.</p> <ul style="list-style-type: none"> <li>- Revised Overview and Scrutiny arrangements to provide for focussed working in support of the Councils objectives.</li> <li>- Improved mechanisms to support the process of decision-making, including legal financial and performance management arrangements.</li> </ul>
<p>Ensuring compliance with established policies, procedures, laws and regulations.</p>	<p>The Council's constitution outlines the policies, procedures and regulations that must be adhered to by Officers and Members of the Council. These have recently been reviewed and updated.</p> <p>The Council has three statutory officers ( Head of Paid Service, Monitoring Officer, Responsible Insurance Officer) who have specific duties to ensure that the proper controls are in place and that there is compliance with the roles and regulation that exist.</p> <p>The Council has investigated some previous decisions during the year to ensure that these comply with legislation.</p>
<p>Ensuing the efficient, effective and economic use of resources.</p>	<p>Significant steps were taken in 2004/05 largely through a "Root and Branch Review" of its senior staff structure, to improve efficiency. Presently the Annual Efficiency Statement returns to the Government highlight the extent to which the Council is meeting and exceeding national targets.</p> <p>The Council remains a partner of the joint procurement consortium with Kettering and Wellingborough Councils. Together, continuous improvements in procurement practices are developed and implemented.</p> <p>The Council has recently held a two-day workshop with leading Councillors from all political parties to look for savings from its non-priority areas to allow for re-investment in its priorities. In addition the Council has started a three year Service Review Programme to help drive value for money and service improvement.</p>
<p>Ensuring adequate arrangements for Financial Management</p>	<p>The Council has recognised the need to improve its financial management and set out it strategy in its Recovery Plan</p>

<p>and Financial Reporting.</p>	<p>starting with the Medium Term Financial Strategy. During 2004/2005 the Council carried out a Zero-base Budget review of the General Fund staffing budgets and set up revised budget management arrangements for 2006/2007.</p> <p>A similar zero-base budget exercise is currently underway for the Housing revenue account.</p>
<p>Ensuing adequate arrangements for Performance Management and Reporting.</p>	<p>The Council has established performance management arrangements to ensure that performance is regularly reported and monitored. The arrangements in place ensure that performance reports are regularly considered by the Councils Management Team and Improvement Board.</p>
<p>Ensuring that the Council has an adequate Risk Management programme in place and is taking steps to embed this into the mainstream activities of the Authority.</p>	<p>The Council has established a Risk Management Strategy and a corporate Risk Register detailing the key strategic risks that the Council faces. The Council is currently working with its Internal Auditor's PricewaterhouseCoopers to develop risk registers throughout the organisation and embed risk management throughout the organisation including the establishment of a Corporate Risk Management Group.</p>

**4 Review of Effectiveness**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The work of internal audit, senior managers of the Council and the external auditors inform the review.

The key processes that the Council uses / will use to continuously review its systems of internal control are outlined in the following table;

<p><b>CONTINUOUS PROCESS ON INTERNAL CONTROL REVIEW</b></p>	
<p><b>Body:</b></p>	<p><b>Comments:</b></p>
<p>Internal Audit (via the Consortium Audit and Price Waterhouse Coopers arrangements)</p>	<p>Undertakes an annual audit plan that has been constructed using a "risk based" approach to help the Council's statutory finance officer discharged their duties.</p> <p>Audit reports contain an action plan agreed by management split between priority "High, Medium and Low" together with an assessment of the internal control</p>

## Q. Statement Of Internal Control

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	<p>environment pre and post the implementation of the agreed recommendations. Audit reports will then be followed up to ensure agreed action has been taken.</p>
External Audit	<p>Undertakes an annual review and inspection based upon the agreed audit plan for the year (to meet statutory requirements).</p> <p>The resultant Annual Audit letter identifies any areas of internal control that require action together with identifying any continuing trends from the previous year.</p> <p>Provides an audit opinion on the Councils Accounts.</p>
Management Team:	<p>Reviews and advises the Council on issues of strategy and policy and also receives regular reports of performance.</p> <p>Collectively reviews performance information on a regular basis in addition to dealing with individual audit reports for their area.</p> <p>Responsible for the updating and ongoing monitoring of delivering key Recovery and Improvement targets in line with the Recovery Plan and Corporate Priorities.</p>
<p>Statutory Officers:</p> <p>Head of Paid Service</p> <p>Monitoring Officer</p> <p>Responsible Finance Officer</p>	<p>The Council's Chief Executive is the Authority's Statutory Head of Paid Service.</p> <p>The Council has a qualified solicitor who acts as the Council's Monitoring Officer. The key role of this post is to ensure that the Council always acts within the law and takes reasonable measures to properly protect itself from possible litigation issues.</p> <p>In accordance with s151 of the Local Government Act 1972 the Council has a suitably qualified officer in place that is responsible for the overall financial affairs of the Council.</p>
<p>Committee/ Member Arrangements:</p> <p>Full Council</p>	<p>Has overall responsibility for the approval of policy and strategy changes (new and existing) together with the Councils budgets, Statement of Accounts and Corporate Plan.</p>

Executive Committee	Receives policy and strategy information (incl. Budget) together with any issues that need to be referred to it as per the Council’s Constitution ( incl. Financial Regulations).
Audit Committee	Receives periodic information on the work of Internal and External Audit (and any significant issues), the performance framework, risk management and also the Annual Audit Letter and Audit Plan.
Standards Committee	Responsible for things such as the Council’s “whistle blowing policy”, Members and Officer protocols and Conduct.

5 Internal Control Action Plan

The following table outlines the actions proposed to deal with any outstanding material internal control issues that have been identified during the year:

ACTION PLAN – INTERNAL CONTROL ISSUES	
Issue:	Action:
BVPIs	The Council recognises that it needs to improve the accuracy and collection processes for a number of its BVPIs, as highlighted early in the financial year as a result of work carried out by PricewaterhouseCoopers on the Council’s behalf. Work has been on-going to address systematic weaknesses throughout the year and internal audit has been asked to review progresss in the first quarter of 2006/2007.
Westbridge Depot	The Council’s Internal Auditors have highlighted some weaknesses in the procurement arrangements of the Council’s DSO. An action plan will be put into place by management to address these concerns by the end of July 2006.
Core Financial Systems	Weaknesses have been identified in the administration of some core financial systems, in particular sundry debtors. The Council is addressing these weaknesses and is looking to implement a new debtors system by the end of 2006/2007.
Risk Management	Although risk management techniques and processes have existed in the organisation for a number of years, they require recording more formally. To this

	<p>end a new Risk Management Strategy was approved and an action plan approved that included the establishment of risk registers within each area by the end of June 2006.</p> <p>The Council is also currently looking at its Business Continuity Arrangements and will be refreshing these during 2006.</p>
<p>Internal Audit</p>	<p>Internal Audit coverage was provided via consortium arrangements with neighbouring authorities. During 2005/2006 the Council withdrew from this arrangement and appointed PricewaterhouseCoopers as Internal Auditors. The Council is currently out to tender for a long-term provider. The new arrangements are due to commence in October 2006.</p>
<p>The Improvement Agenda</p>	<p>As a poor rated Council, there is an on-going need to make improvements across overall control environment of the Council. This is reflected in the number of systems and process that have been identified as needing improvement. This year has seen the bedding down of the corporate manager structure which should enable control improvements to be implemented going forward. Responses to internal audit reports need to be timely, and then a process put in place to track implementation of agreed actions. Internal Audit will be implementing a web-based tracking system for 2006/2007 to allow easier monitoring of this.</p>

**Declarations**

I confirm that the information contained within this Statement of Internal Control presents a true and fair reflection of Northampton Borough Council for the Financial Year 2005/06.

Name	Position	Signature	Date
A Betts	Responsible Finance Officer		Jun - 06
M McLean	Chief Executive		Jun - 06
Cllr T Hadland	Leader of the Council		Jun - 06