



**NORTHAMPTON**  
BOROUGH COUNCIL

# Statement of Accounts

# 2006/2007

Council Meeting 27<sup>th</sup> September 2007

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

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## B. Explanatory Foreword

### 1. Introduction

The Council has a statutory duty to approve and publish this Statement of Accounts document for the period 1<sup>st</sup> April 2006 to 31<sup>st</sup> March 2007.

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

To comply with the Accounts and Audit Regulation 2003 (subsequently updated by the Accounts and Audit Regulations 2006), the Council is required to have received and approved the Statement of Accounts by the end of June 2007. The Audit Committee met and approved the accounts at its meeting on 26<sup>th</sup> June 2007.

This foreword outlines the key individual statements that comprise the Statement of Accounts, including a description of the relationship between them. It also highlights the main activities/variations that took place during 2006/07 in each of the main activity areas.

The detailed accounts and related information are shown on pages 15 to 82 and consist of the following: -

#### **Core Financial Statements**

##### Income and Expenditure Account (page 25)

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

##### Statement of Movements on the General Fund Balance (pages 27 to 29)

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

##### Statement of Total Recognised Gains & Losses (page 31)

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

##### Balance Sheet (page 33)

The Balance Sheet is fundamental to the understanding of an authority's financial position at the year end and shows balances as at 31<sup>st</sup> March 2007. It shows the council's balances and reserves, summarised information on the fixed assets held, net current assets employed in its operations, its long -term indebtedness, and net assets

## **B. Explanatory Foreword**

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

### Cash Flow Statement (page 35)

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

### Notes to the Core Financial Statements (pages 37 to 66)

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

### **Supplementary Financial Statements**

#### Housing Revenue Account (HRA) Income and Expenditure Account (page 67)

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

#### Statement of Movements on the Housing Revenue Account Balance (pages 69 to 71)

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

#### Collection Fund (page 79)

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

#### Statement of Responsibilities for the Statement of Accounts (page 83)

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

#### Statement on Internal Control (pages 85 to 94)

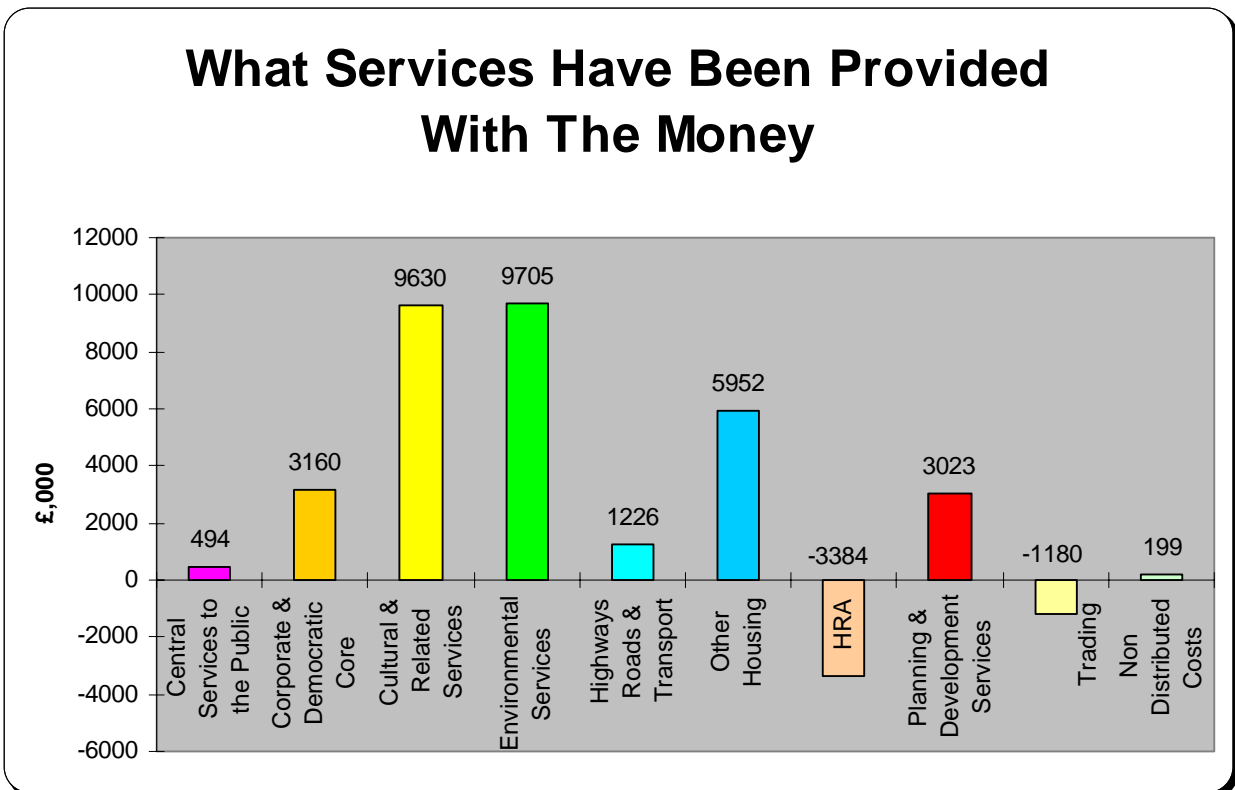
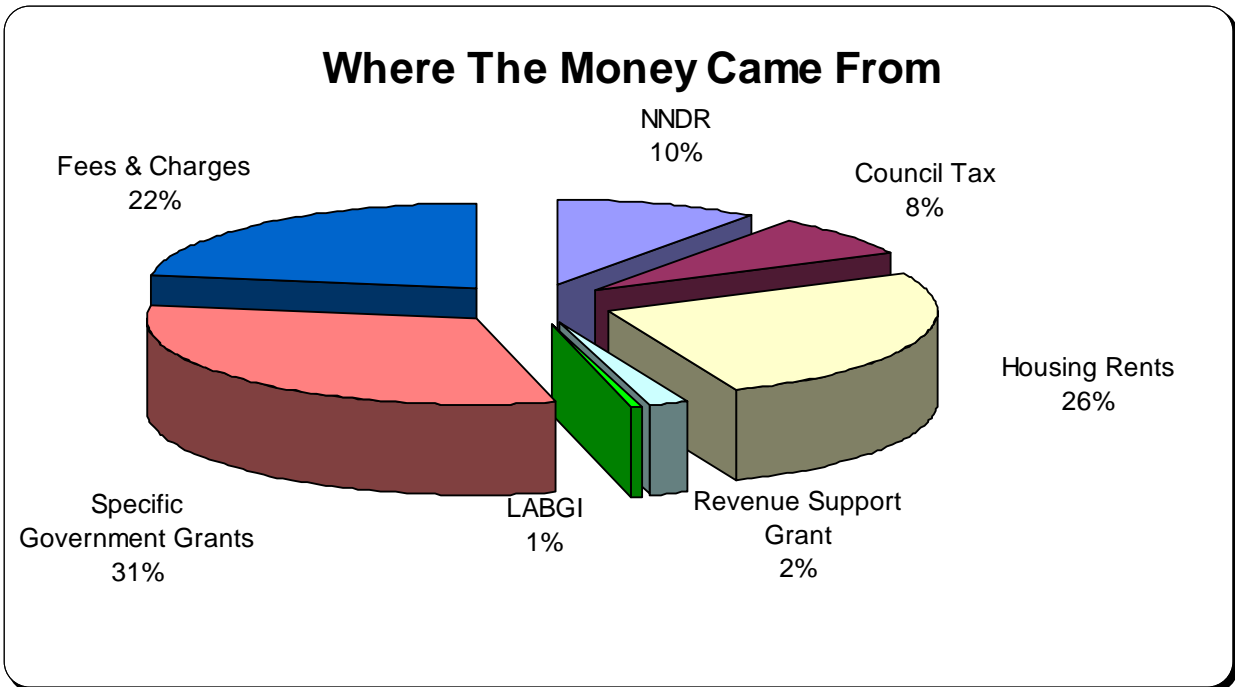
This statement outlines the Council's main systems of internal control and any resultant actions arising for next year.

## B. Explanatory Foreword

### 2. Financial Summary 2006/07

#### 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 2006/07 (i.e. both General Fund and HRA).



## B. Explanatory Foreword

### b) General Fund Account

The following table summarises the position for the General Fund for 2006/07. Some notes are included following the table to explain the main variations to the budget for the year.

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	£000s	£000s	£000s
<b>Expenditure</b>			
Net Service Expenditure	33,731	34,199	468
Interest & Capital Financing Adjustments	-3,784	-3,241	543
<b>Total Net Expenditure</b>	<b>29,947</b>	<b>30,958</b>	<b>1,011</b>
<b>Income</b>			
National Non Domestic Rates	-15,046	-15,062	-16
Revenue Support Grant	-2,905	-2,828	77
Local Authority Business Growth Incentive	0	-861	-861
Met by local Council Taxpayers	-12,143	-12,143	0
Collection Fund Deficit	147	147	0
<b>Total Income</b>	<b>-29,947</b>	<b>-30,747</b>	<b>-800</b>
<b>(Surplus)/Deficit for the year</b>	<b>0</b>	<b>211</b>	<b>211</b>
<b>Balance brought forward</b>	<b>-2,127</b>	<b>-3,104</b>	
<b>Balance carried forward</b>	<b>-2,127</b>	<b>-2,893</b>	

#### Variations to Budget

After taking account of contributions to reserves and balances, the Council's General Fund working balance was reduced by £211,000 more than budgeted for. This is after making a net contribution to General Fund earmarked reserves of £2.395m to mitigate some specific business risks.

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

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

When setting the Council's budget, LABGI funding was treated as 'outside' of the Council's base budget due to its uncertain and unsustainable nature. To comply with recommended practice, the £861,000 that the Council has been awarded to date for 2006/07 been shown within the accounts as a general government grant.

## B. Explanatory Foreword

### ii) Other Variations

<b>Under (-) / Over spends</b>	<b>£000s</b>
Concessionary Fares	922
Car Parking	534
Recycling	-441
Benefits	-555
Targeted Dwellings	-306
Financing Costs	-380

### c) Housing Revenue Account

The following table outlines the outturn position for the Housing Revenue Account for 2006/07. Some notes are included following the table to explain the main variations to the budget for the year.

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	£000s	£000s	£000s
<b>Expenditure</b>			
Net Service Expenditure	-3,453	-3,385	68
Interest & Capital Financing Adjustments	2,791	2,219	-572
<b>(Surplus)/Deficit for the year</b>	-662	-1,166	-504
<b>Balance brought forward</b>	-3,555	-4,637	
<b>Balance carried forward</b>	-4,217	-5,803	

#### Variations to Budget

After taking account of contributions to reserves and balances, the Council's Housing Revenue Account working balance was increased by £504,000 more than budgeted for. This is after making a net contribution to HRA earmarked reserves of £2.389m to equalise capital financing between years and funding sources.

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

<b>Under (-) / Over spends</b>	<b>£000s</b>
Subsidy	600
Rent Rebate Subsidy Limitation	-500
Interest Charges	-275
Revenue Contributions to Capital Expenditure	-2,900

## 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 2006/07 the Council spent £15.7 million on capital projects, compared with a budget of £19.7 million.

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	£000s	£000s	£000s
<b>Expenditure</b>			
Housing Revenue Account Schemes	9,614	8,434	-1,180
General Fund Housing Schemes	2,126	1,142	-984
Other General Fund Schemes	7,973	6,183	-1,790
<b>Total Capital Expenditure</b>	<b>19,713</b>	<b>15,759</b>	<b>-3,954</b>
<b>Sources of Financing</b>			
Major Repairs Allowance		7,488	
Revenue Contributions to Capital Expenditure		1,144	
Grants & Contributions		2,427	
Capital Receipts		3,325	
Supported Borrowing		500	
Unsupported Borrowing		875	
		<b>15,759</b>	

### Capital Variations to Budget

The spend on the capital programme was approximately £3.9m below the budget for the year. Approximately £3.1m of this variance relates to schemes that are currently underway or are still planned to take place but have effectively "slipped" into the next financial year (i.e. 2007/08). Budget changes will be requested for these schemes.

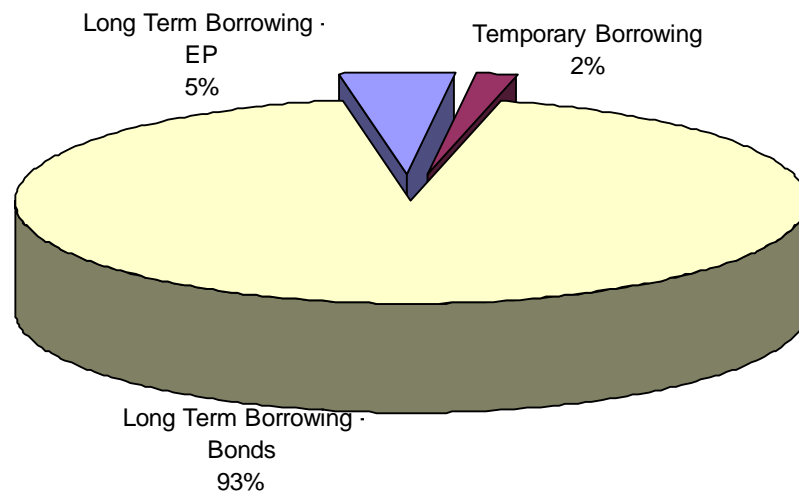
## B. Explanatory Foreword

### e) Current Borrowing Facilities

Current borrowing facilities are as detailed below: -

Description	£000s
Long Term Borrowing - Bonds	24,600
English Partnerships	1,269
Temporary Borrowing	432
	26,301

### Sources of Borrowing



## B. Explanatory Foreword

### 3. Major Changes in 2006/07

#### 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).

<b>Capital Expenditure</b>	
	£000s
<b>Housing</b>	
Council Housing	8,434
Other Housing	1,142
	9,576
<b>General Fund</b>	
Corporate Buildings	1,435
Changing Room Improvements	476
Far Cotton Resource Centre	417
Safer Cleaner Greener	1,127
CASPAR	105
82 Derngate	200
Breathing Spaces	134
IT Projects	925
CCTV Installation	272
Royal & Derngate Theatres	339
Royal Theatre - re-roofing work	150
Blueberry Hill Diner & Studio 1 Purchase	138
Market Square Refurbishment	170
Other	295
	6,183
	15,759

#### b) Accounting Policies

A new Statement of Recommended Practice (SoRP) applies for the production of the 2006/07 accounts. This brings accounting treatments closer into line with UK Generally Accepted Accounting Practice (UK GAAP) and entails some changes to accounting treatments and the presentation of the accounts. In order to provide comparable figures for 2005/06, these have been restated on the new basis for inclusion in these accounts. Details of the changes are included in the section on accounting policies but the main differences are outlined below.

#### Removal of Capital Financing Charges

Notional Interest is no longer charged to Service Revenue Accounts.

#### Income and Expenditure Account

The Consolidated Revenue Account has been replaced with an Income and Expenditure Account and a Statement of Movement on the General Fund Balance. The Income and



## B. Explanatory Foreword

Expenditure Account brings local authority accounting more into line with UK Generally Accepted Accounting Practice (UK GAAP). Adjustments, however, have to be made to the resulting surplus or deficit in the Income and Expenditure Account to show the effect on the Council Tax and council balances since there are a number of transactions which do not follow UK GAAP but which are necessary for compliance with legislation. These adjustments are detailed in the Statement of Movement on the General Fund Balance.

### Statement of Total Recognised Gains and Losses (STRGL)

The STRGL along with an additional note to the accounts replaces the Statement of Total Movement on Reserves that has been produced in previous years. The production of the STRGL is more prescriptive and therefore provides a check that proper accounting treatment has been followed for various transactions.

### The Order of the Statement of Accounts

The order of the Statement of Accounts is now prescribed. It is now a requirement to group the “core” single entity financial statements together followed by the notes to those statements. The supplementary statements (which for Northampton Borough Council are the Collection Fund and Housing Revenue Account) then follow the core statements along with their own notes. This is done in order to make the accounts of different authorities more comparable.

#### c) Statutory Functions

The provisions of section 147 of the Transport Act 2000 applied from April 2006. This means that persons over 60 and people with disabilities have free travel within the area of the local authority where they live. The Government increased the amount available through general government grants at a national level. There have been varied impacts of this on individual local authorities dependent upon costs and take-up.

For most of 2006/07, the Council administered major planning applications on behalf of the West Northamptonshire Development Corporation (WNDC). From January 2007, WNDC have administered the service in-house.

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

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

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

#### 4. **Conclusion**

The Council’s General Fund Working Balance stood at £2.9m at the end of 2006/07. The working balance was reduced by £0.2m due to transactions in the year. The reasons for this are outlined in section 2b. Together with the contributions to reserves, the Council’s financial position has strengthened and is more robust as a result. In general terms, the Council’s Medium-Term Financial Strategy is providing a solid platform from which to consolidate the Council’s financial position and help provide a degree of protection from the many unknowns that exist in the national financing arena including the Government spending review 2007, Planning Delivery Grant, Local Authority Business Growth Incentive funding, and the level of planning fees (especially with the setting up of the West Northamptonshire Development Corporation). The improved overall position of the working balance and reserves should provide some short to medium term flexibility for the Council to assess and deal with the potential unknowns in the national context over the next year or two and to deal with aligning local services with local priorities.

## B. Explanatory Foreword

The out-turn for the Housing Revenue Account shows an increase in the level of balances, however much of this relates to the phasing of the capital programme and related financing.

The under-spend on the Capital Programme has been the result of a number of schemes not completing within the year.

The Council is committed to continually improving and strengthening its internal governance arrangements. To this end, improvements to budgetary control and performance management processes were made during 2006/07 and lessons learnt from the 2006/07 financial year will be implemented for 2007/08. The Council's budget for 2007/08 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. Emerging issues from the 2006/07 budget monitoring processes were factored into the budget setting process for 2007/08.

### 5. Further Information

Further information about these accounts is available from: -

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

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

### **1. General Principles**

The Statement of Accounts summarises the council's transactions for the 2006/07 financial year and its position at the year-end of 31 March 2007. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2006* (the SoRP), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the Accounts and Audit Regulations 2003. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

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

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

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

### **3. Provisions**

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

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

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

Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

## C. Statement Of Accounting Policies

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

### 4. Reserves

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

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

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

The Audit Commission has previously recommended that the level of the General Fund working balance should not fall below £2.3m. This level of general working balance is still considered reasonable due to the mitigation of risks through the holding of earmarked reserves.

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

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) which mainly represents the changes in asset values arising from revaluations.
- The Capital Financing Account (CFA) which 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.

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

Government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant/contribution. This applies whether paid on account, by instalments, or in arrears, as long as there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate.

## C. Statement Of Accounting Policies

Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

### 6. Retirement Benefits

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

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

Liabilities are discounted to their value at current prices, using the redemption yield on the iBoxx Sterling AA corporate bond over 15 years index. This is a relatively long-dated index, and our actuaries believe that it should therefore be broadly appropriate for the majority of employers.

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

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

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

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

## C. Statement Of Accounting Policies

- contributions paid to the Northamptonshire County Council pension fund – cash paid as employer’s contributions to the pension fund.

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

### **Discretionary Benefits**

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

## 7. VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from them.

## 8. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2006*. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the council’s status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

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

## 9. Intangible Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the council (e.g. software licences) is capitalised when it will bring benefits to the council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits. Intangible Assets are amortised to revenue over between three and ten years depending on the scale and perceived benefit arising from the asset.

## 10. Fixed Assets

All expenditure on the acquisition, creation or enhancement of fixed assets is 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.

### **Tangible Assets**

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

## C. Statement Of Accounting Policies

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

**Measurement:** Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the basis recommended by CIPFA and in accordance with the 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 in note 23 to the core statements. Intangible Assets, Infrastructure Assets, Community Assets, and Assets under Construction, are valued at historic cost. Vehicles, Plant, & Equipment are valued at depreciated historic cost. All other assets 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.

Changes in valuations are matched by credits and debits to the Fixed Asset Restatement Account to recognise unrealised gains.

**Impairment:** the values of each category of asset and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
- otherwise – written off against the Fixed Asset Restatement Reserve.

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

Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Financing Account from the Statement of Movement on the General Fund Balance.

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

Depreciation is calculated using the Straight-Line method over the determined life of the asset. The Council does not depreciate assets in the year of acquisition. This is not in

## C. Statement Of Accounting Policies

accordance with FRS15, however this does not materially affect the pattern of consumption. Where an asset has major components with different estimated useful lives, these are depreciated separately.

**Grants and contributions:** where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

### 11. Charges to Revenue for Fixed Assets

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

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

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

### 12. Deferred Charges

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

### 13. Leases

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

#### **Finance Leases**

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

- a charge for the acquisition of the interest in the property (recognised as a liability in the balance sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable) and



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

- a finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

### **Operating Leases**

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

### **14. Repurchase of Borrowing**

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio with substantially the same overall effect when viewed as a whole, gains and losses are recognised on the balance sheet and written down to revenue on a straight-line basis over the term of the replacement loans.

### **15. Investments**

Investments are carried at cost. If the value of an investment falls below its cost, the investment is written down to market value and a provision for the unrealised loss made in the Income and Expenditure Account if this is unlikely to be a temporary fall.

### **16. Interest Receivable**

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

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

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

Work in progress on uncompleted jobs is valued at cost.

### **18. Insurance Provision**

In previous years any surplus on the insurance provision was treated as a credit on the face of the consolidated revenue account and in 2005/06 was shown as a single line within net cost of services. This was not in compliance with the SoRP. For 2006/07 and onwards, any surpluses or deficits are charged or credited back to individual services.

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

### **19. 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.

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.

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

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

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

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

### **22. Changes in Accounting Treatment**

In the 2006/07 Statement of Accounts, the Council has adopted a number of significant new accounting policies that impact on the comparative figures for 2005/06 in the Income & Expenditure Account. These changes have been adopted to enable compliance with the latest Statement of Recommended Practice (SoRP).

The items below result in a restatement of the accounts for 2005/06. The effect of this restatement is shown in the relevant accounting statements and related policies.

- a) Capital financing charges for the use of fixed assets are no longer made to service revenue accounts, and trading accounts;
  - b) Credits for government grants deferred are now posted to service revenue accounts, support services and trading accounts, rather than credited as a corporate item;
  - c) Revaluation of Assets;
  - d) Gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure Account
  - e) Collection Fund balances are split within the balance sheet
  - f) Insurance Provision / Reserve
- a) Capital charges

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 services. Previously, the charge covered the annual provision for depreciation plus a capital

## C. Statement Of Accounting Policies

financing charge determined by applying a specified notional rate of interest to opening net asset values. Notional interest is no longer charged to revenue accounts.

This change has a neutral impact on the amounts held in balances and the amount to be raised from local taxation since capital charges continue to be neutralised in the revenue accounts. From 2006/07 this is through adjusting transfers made within the statement of movements on General Fund and HRA balances.

### b) Government Grants

Previously Government Grants used for financing capital expenditure were written back to revenue as a global sum to the Consolidated Revenue Account. Additionally, Northampton Borough Council wrote these back over the anticipated life of the asset starting in the year the grant was used for financing. This was not in line with the way that other capital charges are reflected in the accounts and so is being corrected for future years. In order to realign the amortisation with depreciation, there are no amortisations in 2006/07.

Government Grants Deferred relate to grants used to finance capital expenditure. The benefit of these is considered to be received over the life of the asset and so they are recognised in revenue over the life of that asset. In the past these have been seen as a corporate benefit and therefore have appeared in the revenue accounts as a lump sum. In compliance with the SoRP these will be written off to the service to which the capital asset relates. An adjustment will then be made in the Statements of Movement on balances so that there is no impact on levels of Council Tax or Housing Rents.

In compliance with the new SoRP, Government Grants will be written back to service revenue accounts where specific services can be identified.

### c) Revaluation of Assets

In order to properly reflect the profit or loss on disposal of an asset, assets which are being disposed of will be revalued at an unencumbered market value at the date of disposal. This revaluation will be outside the 5 year rolling programme adopted by the Council.

### d) Gains and losses on the disposal of fixed assets

The revalued assets are compared to the sale value to reflect the profit or loss to be shown in revenue. This will then enable transparency over the effects of any covenants or restrictive deeds which are placed on assets at the time of sale and therefore will show the financial effect of that policy decision. An adjustment will then be made in the Statements of Movement on balances so that there is no impact on levels of Council Tax or Housing Rents.

### e) Collection Fund

There are three options for dealing with the collection fund that have been identified in the guidance notes to the SoRP. The preferred option (although this does not fully recognise the ring fenced nature of the collection fund) according to the guidance notes is to split the balance on the collection fund by recording the precepting authorities as debtors or creditors in the top half of the balance sheet and the residual balance attributable to NBC in the bottom half. The movement on the amount attributable to NBC then forms part of the Statement of Recognised Gains and Losses. A note

## C. Statement Of Accounting Policies

reconciling this treatment to the ring-fenced Collection Fund balance is included in the notes to the Accounts.

### f) Insurance Provisions / Reserve

The accounting for the insurance provision and reserve has not been in accordance with proper accounting practice in the past. At the year-end surpluses and deficits on the insurance provision were aggregated onto the face of the consolidated revenue account. For 2005/06 this line was moved into the net cost of services as the information to allocate directly back to the individual services was not available. From 2006/07 the surpluses / deficits will be reflected directly against services.

## D. Core Financial Statements

### D1 Income & Expenditure Account

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

2005/06		2006/07			Note
Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
£000s		£000s	£000s	£000s	
	<b>EXPENDITURE ON SERVICES</b>				
2,754	<b>Central services to the public</b>	13,363	-12,869	494	
	<b>Cultural, environmental &amp; planning</b>				
7,768	Cultural & related services	13,333	-3,703	9,630	
8,962	Environmental services	14,879	-5,174	9,705	
1,944	Planning & development services	6,122	-3,099	3,023	2
-159	<b>Highways, roads &amp; transport</b>	8,436	-7,210	1,226	3
	<b>Housing</b>				
-137	Housing Revenue Account	36,714	-40,098	-3,384	
4,712	General Fund Housing	51,397	-45,445	5,952	
4,082	<b>Corporate &amp; democratic core</b>	3,226	-66	3,160	4, 5
-2,900	<b>Non distributed costs</b>	199		199	
39	<b>Other Services</b>			0	
-249	Surplus (-) / Deficit on insurance provision			0	
26,816	<b>Net Cost of Services</b>	147,669	-117,664	30,005	6-10
29	Loss on the Disposal of Fixed Assets			209	
563	Parish Council precepts			617	
-93	Parish grants			-102	
	Surpluses (-) / Deficits on trading undertakings not included in Net Cost of				
-871	Services			-1,180	11
1,212	Interest payable and similar charges			1,545	
5,683	Contributions to housing pooled capital receipts			5,299	
186	Premia			186	
-1,993	Interest & investment income			-2,608	
2,565	Pensions interest cost & expected return on pensions assets			1,840	12
34,097	<b>Net Operating Expenditure</b>			35,811	
-11,438	Demand on the Collection Fund			-12,143	
9	Distributed Surplus (-) / Deficit on Collection Fund			147	
-10,550	General Government Grants (Revenue Support Grant)			-2,828	
-5,637	Non-domestic rates redistribution			-15,062	
	Local Authority Business Growth Incentive			-861	
6,481	<b>Surplus (-) / Deficit for the Year</b>			5,064	

## **D. Core Financial Statements**

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## D. Core Financial Statements

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

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

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

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

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

2005/06		2006/07
£000s		£000s
6,481	Surplus (-) / Deficit for the year on the Income and Expenditure Account	5,064
-6,297	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	-4,853
184	<b>Increase (-) / Decrease in the General Fund Balance for the Year</b>	211
-3,288	General Fund Balance brought forward	-3,104
-3,104	<b>General Fund Balance carried forward</b>	-2,893

## **D. Core Financial Statements**

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## D. Core Financial Statements

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

2005/06		2006/07	Note
£000s		£000s	
	<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>		
-261	Amortisation of intangible fixed assets	-544	
-3,583	Depreciation and Impairment of fixed assets	-4,140	
2,715	Government Grants Deferred amortisation	0	
-2,935	Write down of deferred charges to be financed from capital resources	-764	
-9	Net loss on sale of fixed assets	-94	
-3,944	Net charges made for retirement benefits in accordance with FRS 17	-6,187	12
-8,017		-11,729	
	<b>Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the General Fund Balance for the year</b>		
301	Minimum Revenue Provision for capital financing	307	
0	Capital expenditure charged in-year to the General Fund Balance	0	
-5,683	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	-5,299	
6,201	Employer's contributions payable to the Northamptonshire County Council Pension Fund and retirement benefits payable direct to pensioners	6,183	12
819		1,191	
	<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>		
519	Housing Revenue Account Balance	3,290	
49	Voluntary Revenue Provision for capital financing	0	
333	Net transfers to / from (-) earmarked reserves	2,395	
901		5,685	
-6,297	<b>Net additional amount required to be credited to the General Fund balance for the year</b>	-4,853	

## D. Core Financial Statements

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## D. Core Financial Statements

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

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

2005/06		2006/07	Note
£000s		£000s	
6,481	Surplus (-) / Deficit for the year on the Income and Expenditure Account	5,064	I&E
76,939	Surplus (-) / Deficit arising on revaluation of fixed assets	-46,071	
-409	Actuarial gains (-) / losses on pension fund assets and liabilities	-9,040	12
	Any other gains and losses required to be included in the STRGL		
42	Surplus (-) / Deficit for the year on Collection Fund balance due to Northampton Borough Council	-158	14
83,053	<b>Total recognised gains (-) / losses for the year</b>	-50,205	

## **D. Core Financial Statements**

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## D. Core Financial Statements

### D4 Balance Sheet

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

2005/06		2006/07		Note
£000s	<b>Fixed Assets</b>	£000s	£000s	15,16
3,615	<b>Intangible Fixed Assets</b>		3,663	17
	<b>Tangible Fixed Assets</b>			18 - 24
	Operational Assets			
532,902	Council dwellings	565,857		
82,220	Other land and buildings	83,293		
4,927	Vehicles, plant, furniture & equipment	3,938		
351	Infrastructure Assets	335		
3,138	Community Assets	4,484		
	Non-operational Assets			
37,099	Investment Properties	41,706		
3,032	Assets Under Construction	3,179		
973	Surplus Assets Held for Disposal	865		
664,642			703,657	
668,257			707,320	
	Long-term Investments			25
4,982	Long-term Debtors		4,399	
1,305	Deferred premia on the early repayment of debt		1,119	
674,544	<b>Total Long-term Assets</b>		712,838	
	Stocks & work in progress	342		26
393	Debtors	25,840		27
29,688	Investments	39,520		25
22,078	Cash and bank	29		28
29				
52,188	<b>Total Current Assets</b>		65,731	
726,732	<b>Total Assets</b>		778,569	
	Short-term Borrowing	-432		29
-392	Creditors	-34,568		30,31
-29,468	Bank Overdraft	-1,333		28
-29,860	<b>Total Current Liabilities</b>		-36,333	
696,872	<b>Total Assets less Current Liabilities</b>		742,236	
	Long-term borrowing	-25,869		32
-25,881	Provisions	-1,110		33
-920	Grants & contributions – deferred	-7,630		
-4,317	Grants & contributions – unapplied	-988		31
-284	Liability relating to defined benefit pension scheme	-64,144		12
-73,180				
-104,582	<b>Total Long-term Liabilities</b>		-99,741	
592,290	<b>Total Assets less Liabilities</b>		642,495	34
	<b>Financed by</b>			
418,039	Fixed Asset Restatement Account	454,688		
235,288	Capital Financing Account	234,312		
378	Usable capital receipts reserve	0		
93	Deferred capital receipts	71		
-73,180	Pension reserve	-64,144		12
3,104	General fund balance	2,893		
-157	Collection fund balance	1		
4,637	Housing Revenue Account balance	5,803		
	Housing Repairs Account balance			
0	Major Repairs Reserve			
4,088	Earmarked reserves	8,871		
592,290	<b>Total Net Worth</b>		642,495	34,35

## D. Core Financial Statements

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## D. Core Financial Statements

### D5 Cash Flow Statement

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

2005/06		2006/07		Note
£000s		£000s	£000s	
	<b>Revenue Activities</b>			
	<b>Cash Outflows</b>			
-47,840	Cash paid to & on behalf of employees	-46,218		
-45,206	Other operating cash payments	-46,072		
-15,836	Housing benefits paid out	-17,483		
-7,071	Negative Housing Subsidy	-7,155		
-91,566	National non-domestic rate payments to national pool	-97,136		
-64,661	Precepts paid	-66,858		
-5,683	Payments to the Capital Receipts Pool	-3,861		
-277,863			-284,783	
	<b>Cash Inflows</b>			
15,982	Rents (after rebates)	15,860		
64,947	Council Tax receipts	69,603		
5,637	Non-domestic rate receipts from national pool	21,231		
90,375	Non-domestic rate receipts	91,727		
10,550	Revenue Support Grant	2,828		
10,062	DWP grant for benefits	18,802		
32,267	Other government grants	39,474		
45,897	Other operating cash receipts	35,506		
275,717			295,031	
-2,146	<b>Revenue Activities Net Cash Flow</b>		10,248	36
	<b>Return on Investments &amp; Servicing of Finance</b>			
-1,408	<b>Cash Outflows</b> - Interest paid	-1,155		
1,993	<b>Cash Inflows</b> - Interest received	2,218		
585	<b>Net Interest</b>		1,063	36
	<b>Capital Activities</b>			
	<b>Cash Outflows</b>			
-19,698	Purchase of fixed assets	-14,633		
0	Purchase of long-term investments			
-3,224	Other capital cash payments	-1,053		
-22,922		-15,686		
	<b>Cash Inflows</b>			
7,725	Sale of fixed assets	11,435		
908	Capital grants received	2,834		
4,166	Other capital cash receipts	575		
12,799		14,844		
-10,123			-842	
-11,684	<b>Net Cash (Inflow)/Outflow before financing</b>		10,469	
	<b>Management of Liquid Resources</b>			36
11,258	Net increase / decrease in short term deposits	-17,443		
707	Net increase / decrease in other liquid resources	5,613		
11,965			-11,830	
	<b>Financing</b>			36
-6,424	<b>Cash Outflows</b> - Repayments of amounts borrowed	-1,557		
5,453	<b>Cash Inflows</b> - New loans raised	1,585		
-971	<b>Financing Net Cash Flow</b>		28	
-690	<b>Net Increase (-) / Decrease in cash</b>		-1,333	36

## **D. Core Financial Statements**

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## E. Notes To The Core Financial Statements

### 1. Prior Period Adjustments

There are no prior year adjustments which have an effect on the overall position of the Council. A number of adjustments have been made to restate the accounts for previous years for comparative purposes. The major changes are detailed below.

	Consolidated Revenue Account	Removal of Capital Charges a	Reallocation of Government Grants b	Reallocation of Support Services Cap Chg c	Income & Expenditure Account
	£000s	£000s	£000s	£000s	£000s
<b>Central services to the public</b>	3,144	0	0	-390	2,754
<b>Cultural, environmental &amp; planning</b>					
Cultural & related services	9,003	-920	0	-315	7,768
Environmental services	10,090	-122	-606	-400	8,962
Planning & development services	2,629	-170	-185	-330	1,944
<b>Highways, roads &amp; transport</b>	731	-633	-16	-241	-159
<b>Housing</b>					
Housing Revenue Account	22,457	-22,594	0	0	-137
General Fund Housing	5,154	-14	-73	-355	4,712
<b>Corporate &amp; democratic core</b>	4,376	-3	0	-291	4,082
<b>Non distributed costs</b>	-2,884	0	0	-16	-2,900
<b>Other Services</b>	38	-787	-1,835	2,623	39
Surplus (-) / Deficit on insurance provision	-249	0	0	0	-249
<b>Net Cost of Services</b>	54,489	-25,243	-2,715	285	26,816
Surpluses (-) / Deficits on trading undertakings not included in Net Cost of Services	447	-1,033	0	-285	-871
		-26,276	-2,715	0	
Asset Management Revenue Account		26,276	2,715	0	

a) Notional Interest

Charges for notional interest no longer apply. These have been removed from service costs and the amounts removed are shown below.

b) Government Grants Deferred

Government Grants Deferred are now amortised directly to the services consuming the assets financed by the grants. These have been allocated to the services in the amounts shown below.

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

### c) Reallocation of balance

The changes affecting 'Other Services' arising from the removal of notional interest and addition of Government Grants Deferred have then been allocated over service areas.

### d) Collection Fund

The Collection Fund balance on the balance sheet has been split between debtors and creditors with only the balances owing to / from Northampton Borough Council showing in the bottom part of the balance sheet. This is shown in note 14b.

## **2. Building Control Trading Account**

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

The Building Control chargeable services has, for the three-year period to March 2007, made an operating deficit of £339k on a turnover of £1,681k. In the previous three-year period to March 2006, there was a deficit of £99k against a turnover of £1,490k.

## E. Notes To The Core Financial Statements

	2006/07		
	Chargeable	Non-Chargeable	Total
	£000s	£000s	£000s
<b>Expenditure</b>			
Employees	314	122	436
Premises	0	0	0
Transport	9	4	13
Supplies and services	8	3	11
Support service charges	223	5	228
Capital Charges	2	1	3
<b>Total Expenditure</b>	556	135	691
<b>Income</b>			
Building Regulation fees	-474	0	-474
Other Income	-12	0	-12
<b>Total Income</b>	-486	0	-486
<b>Surplus (-) / Deficit for Year</b>	70	135	205
	2005/06		
<b>Comparatives for 2005/06</b>	<b>Chargeable</b>	<b>Non-Chargeable</b>	<b>Total</b>
	£000s	£000s	£000s
Expenditure	497	270	767
Income	-399	0	-399
<b>Surplus (-) / Deficit for Year</b>	98	270	368

### 3. Agency Services

An Agency agreement with the County Council commenced on 1 July 2003 which allows the Council to undertake a much smaller range of functions than under the previous Highways Agency Agreement. The costs for 2006/07 include residual enquiries from the public, plus grass cutting on highways land and inspection and maintenance of highways trees.

2005/06		2006/07
£000s		£000s
789	Administration costs and ancillary services	423
-339	Income including transfer fees from NCC	-223
450		200

## E. Notes To The Core Financial Statements

### 4. Members' Allowances

The total amount of members' allowances paid in the year ending 2006/07 was £387k. Detailed allowances are listed below:-

2005/06		2006/07
£000s		£000s
	<b>Expenditure</b>	
25	Mayor/Deputy Mayor Allowance	27
332	Members' Allowances	356
32	Expenses	4
389	<b>Total</b>	387

### 5. Audit Fees

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

2005/06		2006/07
£000s		£000s
242	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor (Section 5 Audit Commission Act 1998)	211
13	Fees payable to the Audit Commission in respect of statutory inspection (Section 10 Local Government Act 1999)	14
45	Fees payable to the Audit Commission for the certification of Grant Claims and Returns (Section 28 Audit Commission Act 1998)	49
32	Fees payable in respect of other services provided by the appointed auditor	0
332		274

### 6. Discretionary Expenditure

Under the Local Government Act 2000, the maximum amounts in respect of discretionary expenditure were repealed. Councils now have powers under that act to promote wellbeing in their area. There is still a requirement to disclose any expenditure made under section 137(3), e.g. donations to charities, not-for profit bodies and mayoral appeals. Expenditure made under this section was £0 in 2006/07 (£0 in 2005/06).

## E. Notes To The Core Financial Statements

### 7. Publicity Expenditure

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

2005/06		2006/07
£000s		£000s
	<b>Expenditure</b>	
105	Recruitment Advertising	294
-	Other Advertising	-
-	Information relating to regional government	-
185	Public Relations	-
98	Publicity Unit	423
71	Other Publicity	104
459	<b>Total</b>	821

### 8. Officers' Remuneration

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

2005/06		2006/07
No. of Employees	Remuneration Band	No. of Employees
10	£50,000 - £59,999	2
10	£60,000 - £69,999	10
2	£70,000 - £79,999	0
0	£80,000 - £89,999	1
0	£90,000 - £99,999	2
1	£100,000 - £109,999	0
0	£110,000 - £119,999	0
0	£120,000 - £129,999	0
0	£130,000 - £139,999	0
0	£140,000 - £149,999	0
0	£150,000 - £159,999	0
0	£160,000 - £169,999	0
0	£170,000 - £179,999	0
0	£180,000 - £189,999	0
0	£190,000 - £199,999	0
0	£200,000 - £209,999	1

### 9. Related Party Transactions

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

## E. Notes To The Core Financial Statements

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 2006/07 expenditure to the value of £2.326m (£0.945m in 2005/06) was paid to parties where Members had an interest or where they serve as a nominated representative on outside bodies and income to the value of £35k was receivable from those bodies. Contracts were entered into in full compliance with the Council's Standing Orders. All transactions are recorded in the Register of Members' Interest, open to public inspection at The Guildhall, Northampton.

*Officers of the Council* – no material disclosures.

*Other Public Bodies* – no disclosures.

*Pension Fund* – in 2006/07 the contributions paid to Northamptonshire County Council in respect of employers' contributions, added years' contributions and lump sum payments were £7.695m (£6.242m in 2005/06)

*Assisted Organisations* – no material disclosures.

*Management Contracts* – no disclosures.

*Companies and Joint Ventures* – no disclosures.

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

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

2005/06			2006/07	
Exp	Income		Exp	Income
£000s	£000s		£000s	£000s
8	-24	Highways	34	-56
254	-142	Call Care	346	-128
50	-50	Print Services Unit	21	-21
312	-216		401	-205

## E. Notes To The Core Financial Statements

### 11. Trading Undertakings

The Council operates the following trading undertakings: -

2005/06		2006/07		
Net		Income	Exp.	Net
£000s		£000s	£000s	£000s
-764	Property Management	-1,648	640	-1,008
-119	Highways	-4,491	4,319	-172
12	Consortium Audit	-	-	-
-871	<b>(Surplus)/Deficit to I &amp; E</b>	-6,139	4,959	-1,180

The financial statements include income of £2.360m (£2.938m in 2005/06) and expenditure of £1.539m (£1.860m in 2005/06) in respect of the provision of highways related work undertaken by the Council for W S Atkins plc.

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

The Council has also considered the implications of withdrawing from the arrangement and has determined it can rely on its well-being powers to follow a phased withdrawal until June 2007 when no further work will be undertaken.

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

2005/06		2006/07		
Net		Income	Exp.	Net
£000s		£000s	£000s	£000s
253	Trade Refuse	-1,244	1,210	-34
-67	Markets	-674	519	-155
186	<b>(Surplus)/Deficit to I &amp; E</b>	-1,918	1,729	-189

### 12 Accounting for Pensions

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

#### a) Cost of Pensions

The following table outlines the cost for 2005/06 and 2006/07: -

## E. Notes To The Core Financial Statements

2005/06		2006/07
£000s		£000s
	<b>Net Cost of Service</b>	
4,522	Current Service Cost	5,079
-3,103	Past Service Cost	0
	Gains and losses on settlements or curtailments	781
	<b>Net Operating Expenditure</b>	
10,755	Interest Costs	11,117
-8,190	Expected Return on Assets	-9,277
	<b>Amount to be met from Government Grants and Local Taxation</b>	
2,257	Contribution From Pension Reserve	-3
	<b>Amount Charged to Council Tax for Pensions</b>	
6,241	Employer's Contributions	7,697

The expected return on assets was £9,277k but the actual return on assets was £1,871k less at £7,406k, a loss of 0.8%. Employer's contributions were £7,697k for 2006/07 (£6,241 for 2005/06).

### b) Main Assumptions

The main financial assumptions adopted as at 31 March 2007 were:-

31/03/2006		31/03/2007
% pa		% pa
2.9	The inflation assumption	3.1
4.4	The rate of increase in salaries	4.6
2.9	The rate of increase for pensions	3.1
4.9	The rate used to discount scheme liabilities	5.4

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



## E. Notes To The Core Financial Statements

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

31/03/2006			Asset	31/03/2007		
Market Value	Expected Rate of Return (%)	Proportion Of Assets (%)		Market Value	Expected Rate of Return (%)	Proportion Of Assets (%)
108,425	7.0	70.1	Equities	114,413	7.5	70.3
17,478	4.3	11.3	Gilts	20,506	4.7	12.6
14,385	4.9	9.3	Other bonds	11,555	5.4	7.1
8,043	6.0	5.2	Property	11,555	6.5	7.1
6,342	4.5	4.1	Cash	4,720	5.3	2.9
154,673		100.0	Total	162,749		100.0

### d) Reconciliation to the Balance Sheet

31/03/2006		31/03/2007
£000s		£000s
-227,855	Funded benefits under the LGPS regulations	-226,893
154,673	Market Value of Fund Assets	162,749
-73,182	Surplus/deficit(-) in the Fund	-64,144

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

### e) Components of Defined Benefit Cost

	31/03/2007
	£000s
Analysis of amounts recognised in the Statement of Recognised Gains & Losses (STRGL)	
Gain and Losses(-) on Assets	-1,871
Experienced gain(-)/loss on liabilities	0
Gain(-)/loss on change of assumptions (financial and demographic)	10,911
Total gain/loss(-) recognised in STRGL before adjustment for tax	9,040
Contribution to CRA	-2
Movement on Pension Reserve	9,038

## E. Notes To The Core Financial Statements

### f) History of Experienced Gains and Losses

31st March	2003	2004	2005	2006	2007
	£000s	£000s	£000s	£000s	£000s
Gain/Loss(-) on Fund assets	-32,612	16,687	6,822	21,709	-1,871
% of fund assets at end of period	-36.90%	14.80%	5.50%	14.00%	1.1%
Experienced gain(-)/loss on scheme liabilities	0	0	-3,031	-4,102	0
% of fund liabilities at end of period	0%	0%	1.50%	1.80%	0%
Gains(-)/loss on scheme liabilities from changes in demographic and financial assumptions	0	0	-30,689	-17,198	10,912
% of fund liabilities at end of period	0%	0%	15.40%	7.50%	4.80%

The information included for all of the pension disclosures is provided by Mercer's, 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.

### 13. Minimum Revenue Provision

The Council 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 2005/06 was £0.301m and £0.307m in 2006/07.

### 14 Collection Fund

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

## E. Notes To The Core Financial Statements

### a) Precept Split

The split of these precepts is shown below:

Precept 2005/06	Percentage of Total Precepts		Precept 2006/07	Percentage of Total Precepts
<b>£000s</b>		<b>Precepting Authorities</b>	<b>£000s</b>	
54,355	72%	Northamptonshire County Council	56,662	72%
9,794	13%	Northamptonshire Police Authority	10,406	13%
11,438	15%	Northampton Borough Council	12,143	15%
75,587	100%	<b>Total Precepts for the year</b>	79,211	100%

### b) Allocation of surplus / deficit

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

Collection Fund Balance 2005/06	Treatment	Collection Fund Balance 2006/07
<b>£000s</b>		<b>£000s</b>
	<b>Creditors / Debtors</b>	
747	Northamptonshire County Council	-4
135	Northamptonshire Police Authority	0
	<b>Reserve</b>	
157	Northampton Borough Council	-1
1,039	<b>Collection Fund Balance</b>	-5

## E. Notes To The Core Financial Statements

### 15 Capital Expenditure and Financing

Total 2005/06		Total 2006/07
£000s		£000s
	<b>Capital Investment</b>	
2,456	Intangible Assets	641
	Tangible Assets	
14,436	Operational Assets	12,761
2,172	Non-operational Assets	1,304
3,224	Deferred Charges	1,053
22,288		15,759
	<b>Sources of Finance</b>	
1,653	Supported Borrowing	500
696	Unsupported Borrowing	875
5,449	Capital Receipts	3,325
8,563	Government Grants	7,982
1,761	Revenue Contributions	1,144
4,166	Other Contributions	1,933
22,288		15,759
7,699	Opening Capital Financing Requirement	9,698
1,653	Supported Borrowing	500
696	Unsupported Borrowing	875
-301	Minimum Revenue Provision	-307
-49	Voluntary set-aside	0
9,698	Closing Capital Financing Requirement	10,766

### 16 Commitments Under Capital Contracts

Contract	Contractor	2007/08	2008/09	2009/10	2010/11
		£000s	£000s	£000s	£000s
Far Cotton Resource Centre	Watson & Cox	283	0	0	0
Ecton Lane	Westgate Managed Services Ltd	103	0	0	0
Racecourse Changing Rooms	Steele & Bray	531	0	0	0
Housing Management System	IBS	600	0	0	0
Decent Homes Assistance	GOEM	104	0	0	0
Solid Wall Insulation	GOEM	175	0	0	0
Roofing & Electrical	GOEM	75	0	0	0
Warm Front Top-up	GOEM	30	0	0	0
Falls on Level	GOEM	30	0	0	0
<b>Total</b>		1,931	0	0	0

## E. Notes To The Core Financial Statements

### 17 Movement in Intangible Assets

	Purchased Software Licenses	Licenses, Trademarks and Artistic Originals	Patents	Total
	£000s	£000s	£000s	£000s
<b>Original Cost</b>	4,291	0	0	4,291
Amortisations to 1 April 2006	-676	0	0	-676
<b>Net book value 31st March 2006</b>	3,615	0	0	3,615
Expenditure in Year	642	0	0	642
Written Off to Revenue in Year	-594	0	0	-594
<b>Net book value of assets 31st March 2007</b>	3,663	0	0	3,663

### 18 Movement in Tangible Fixed Assets

#### a) Operational Assets

	Council Dwellings	Other Housing Property	Other land & buildings	Vehicles plant, etc.	Infra-structure	Com-munity Assets	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Certified Valuation 31st March 2006</b>	532,902	15,523	67,623	9,406	514	3,170	629,138
Accumulated dep'n & impairment	0	-8	-917	-4,479	-163	-32	-5,599
<b>Net book value 31st March 2006</b>	532,902	15,515	66,706	4,927	351	3,138	623,539
<b>Movement in 2006/07</b>							
Additions	7,392		2,405	939	826	1,199	12,761
Disposal	-7,668	-905	-260				-8,833
Revaluations	41,521	1,043	-37		-826	-167	41,534
Depreciation	-8,290	-264	-2,347	-1,928	-16	-13	-12,858
Depreciation Written Back	0	0	450				450
Impairments							0
Adjustments/Transfers	0		942			337	1,279
Depreciation Adj/Transfers			45			-10	35
<b>Net book value 31st March 2007</b>	565,857	15,389	67,904	3,938	335	4,484	657,907
Gross Valuation at 31st March 2007	574,147	15,661	70,673	10,345	514	4,539	675,879
Impairments at 31st March 2007	0	0	0	0	0	0	0
Depreciation at 31st March 2007	-8,290	-272	-2,769	-6,407	-179	-55	-17,972
<b>Net Book Value 31st March 2006</b>	565,857	15,389	67,904	3,938	335	4,484	657,907

## E. Notes To The Core Financial Statements

### b) Non-Operational Assets

	<b>Works In Progress</b>	<b>Investment &amp; Commercial</b>	<b>Surplus Assets</b>	<b>Total</b>
	£000s	£000s	£000s	£000s
<b>Certified Valuation 31st March 2006</b>	4,205	37,107	975	42,287
Accumulated depreciation & impairment		-8	-2	-10
<b>Net book value 31st March 2006</b>	4,205	37,099	973	42,277
<b>Movement in 2006/07</b>				
Additions	1,163	141		1,304
Disposal		-589		-589
Revaluations		4,159	-110	4,049
Depreciation		-15		-15
Depreciation Written Back		36	2	38
Impairments				0
Adjustments/Transfers	-2,189	910		-1,279
Depreciation Adjustments/Transfers		-35		-35
<b>Net book value of assets 31st March 2007</b>	3,179	41,706	865	45,750
Gross Valuation at 31st March 2007	3,179	41,728	865	45,772
Impairments at 31st March 2007	0	0	0	0
Depreciation at 31st March 2007	0	-22	0	-22
<b>Net Book Value 31st March 2007</b>	3,179	41,706	865	45,750

## E. Notes To The Core Financial Statements

### 19 Information on Assets Held

31/03/2006		31/03/2007
<b>Number</b>	<b>Operational Assets</b>	<b>Number</b>
12,417	<b>Council Dwellings</b>	12,334
	<b>Other Land and Buildings</b>	
26	Council Houses not used as dwellings	26
99	Shared Ownership Properties	98
3,049	Council Garages	3,024
26	Other Housing Properties	21
69	Operational Shops	69
194	Other Garages	194
1	Guildhall	1
4	Sports & Leisure Centres	4
24	Community Centres	26
2	Museums, Art Galleries	2
1	Open Markets	1
24	Public Conveniences	26
5	Multi-Storey Pay & Display Car Parks	5
4	Local Area Offices	4
5	Central Administrative Offices	5
1	Theatres	1
1	Gypsy Site	1
1	Bus Station	1
16	Surface Pay & Display Car Parks	17
1	Depots	1
18	Sub-Depots	15
276	Commercial Property (Units)	275
1	Golf Course	1
74	<b>Infrastructure</b>	74
162	<b>Vehicles, Plant, Furniture and Equipment</b>	162
	<b>Community Assets</b>	
62.88ha	Allotments	62.88ha
887.45ha	Parks and Open Spaces	887.45ha
65.97ha	Agricultural Land	65.97ha
2	Historical Buildings	4
33	Monuments/Memorials/Exhibitions	33
6	Pavilions	6
6	Cemeteries	6
1	Civic/Mayoral Regalia	1
	<b>Non-operational Assets</b>	
1	Indoor Market/Arts Venue	1
70	<b>Intangible Assets</b>	70

## E. Notes To The Core Financial Statements

### 20 Assets Held Under Leases

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

#### a) Cost

2005/06		2006/07
£000s		£000s
0	Finance Lease Rentals	0
321	Operating Lease Charges	252
0	IT Operating Lease Charges	0
1,783	Vehicle Operating Lease Charges (including Maintenance)	2,014
2,104		2,266

#### b) Periods & Commitment

	31/03/2007
	£000s
<b>Plant and Equipment</b>	
Leases Expiring within 1 year	0
2 – 5 years	186
Exceeding 5 years	129
	315

### 21 Assets Held For Leases

The Council received £2.653m (£2.659m in 2005/06) in the year from the lease of property to third parties under operating leases for which £1.697m accumulated depreciation has been charged to revenue.

### 22 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.



## E. Notes To The Core Financial Statements

### a) Tangible Operational

	<b>Council Dwellings</b>	<b>Other Land &amp; Build.</b>	<b>Vehicles Plant &amp; Equip.</b>	<b>Infra-Structure Assets</b>	<b>Comm. Assets</b>	<b>Total</b>
	£000s	£000s	£000s	£000s	£000s	£000s
Valued at Historic Cost	0	10	0	278	3,779	4,067
Valued at Current Value in: -						
2006/07	565,857	72,059	937	0	0	638,853
2005/06	0	1,494	90	0	0	1,584
2004/05	0	3,611	835	0	169	4,615
2003/04	0	2,299	1,737	57	368	4,461
2002/03	0	3,808	339	0	168	4,315
Previous Years	0	12	0	0	0	12
<b>Total</b>	<b>565,857</b>	<b>83,293</b>	<b>3,938</b>	<b>335</b>	<b>4,484</b>	<b>657,907</b>

### b) Tangible Non-Operational

	<b>Non-Operational Assets</b>			<b>Total</b>
	<b>Works in Progress</b>	<b>Investment Property</b>	<b>Surplus Property</b>	
	£000s	£000s	£000s	£000s
Valued at Historic Cost	2,977	100	0	3,077
Valued at Current Value in: -				
2006/07	0	32,042	250	32,292
2005/06	0	4,031	276	4,307
2004/05	202	3,129	50	3,381
2003/04	0	858	289	1,147
2002/03	0	1,546	0	1,546
Previous Years	0	0	0	0
<b>Total</b>	<b>3,179</b>	<b>41,706</b>	<b>865</b>	<b>45,750</b>

## E. Notes To The Core Financial Statements

### 23 Valuation Methodologies

<b>Intangible Assets</b>	Historic Cost
<b>Operational Assets</b>	
Council Housing	Existing Use Value - Social Housing
Other Land & Buildings	Existing Use Value
	Depreciated Replacement Cost
Vehicles, Plant & Equipment	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	Market Value
Surplus Properties	Market Value
Assets Under Construction	Historic Cost

### 24 Changes in Valuation Methodologies Used

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

### 25 Investments

31/03/2006	Investment Type	31/03/2007
£000s		£000s
	<b>Short Term - Under 1 Year</b>	
0	Gilts	0
3,547	UK Equities	0
5,520	Building Societies	21,020
54	Cash On Deposit	0
12,957	Banks	18,500
22,078		39,520
	<b>Long Term - Over 1 Year</b>	
0	Gilts	0
0	UK Equities	0
0	Building Societies	0
0	Cash On Deposit	0
0	Banks	0
0	Total	0

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

## E. Notes To The Core Financial Statements

### 26 Stocks & Work In Progress

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

31/03/2006		31/03/2007
£000s		£000s
230	Westbridge Depot Main Stores	182
59	Sub Stores	37
104	Other Stores	123
393	Total	342

### 27 Current Assets – Debtors

31/03/2006		31/03/2007
£000s		£000s
7,003	Sundry Debtors	6,038
9,487	Government Departments	9,834
5,079	Other Local and Public Authorities	1,827
9,603	Local Taxpayers	10,910
2,901	Housing Tenants	3,516
85	Loans to Employees	36
882	Collection Fund Balance owed	0
35,040		32,161
	Provisions for Bad Debts	
-2,581	Local Taxpayers	-3,595
-1,504	Housing Tenants	-1,504
-1,267	Other	-1,222
-5,352	Total Provision for Bad Debts	-6,321
29,688	Net Debtors	25,840

## E. Notes To The Core Financial Statements

### 28 Current Assets – Cash & Bank

31/03/2006		31/03/2007
£000s		£000s
	1 Co-operative Bank	-
	13 Imprests	13
	7 Floats	8
	8 Girobank	8
	29 Cash & Bank	29
	0 Overdraft	-1,333

### 29 Current Liabilities – Short Term Borrowing

31/03/2006	Funded by	Period Invested	31/03/2007
£000			£000
200	Eastern Orchestral Board	7 day	270
3	Billing Parish Council	7 day	18
75	Billing Parish Council	3 Month	50
114	Northampton Volunteer Bureau	7 day	94
392			432

### 30 Current Liabilities – Creditors

31/03/2006		31/03/2007
£000s		£000s
8,792	Sundry Creditors	9,411
3,929	Government Departments	4,827
6,659	Other Local and Public Authorities	6,890
3,091	Local Taxpayers	3,730
705	Tenants	862
5,543	Developer's Contributions	8,301
749	Deposits	543
0	Collection Fund Balance owed	4
29,468		34,568

## E. Notes To The Core Financial Statements

### 31 Government Grants and Developers' Contributions

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

2005/06		2006/07
£000s		£000s
3,406	Creditors	5,913
2,136	Receipts in advance	2,388
2	Grants & Contributions - Unapplied (Government Grants)	409
-300	Grants & Contributions - Unapplied (Non-Government Grants)	292
282	Grants & Contributions - Unapplied (Developers)	287
5,526		9,289

### 32 Long Term Borrowing

31/03/2006	Source of Loan	Range of Interest Rates (%)	31/03/2007
£000			£000
0	Analysis of loans by type		0
	Public Works Loans Board	-	
24,600	Money Markets	4.85 - 7.03	24,600
1,281	New Towns Commission	9.25	1,269
25,881			25,869
	Analysis of loans by maturity		
12	Maturing in 1-2 years		13
43	Maturing in 2-5 years		47
15,703	Maturing in 5-10 years incl Lobo £4.1 - 2015; Lobo £11.5m -2015		15,712
10,123	Maturing in over 10 years incl Lobo £9m -2066		10,097
25,881			25,869

### 33 Provisions

#### a) Insurance Provision

The provision covers the following risks :-

- Liability claims under the policy excess arising from 1992/93 onwards.
- Claims under the policy excess on the Council's own dwellings.

## E. Notes To The Core Financial Statements

- 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 2007 is shown below. These sums represent the balance on the Insurance Provision, with any surplus being transferred to the Insurance Reserve.

2005/06		2006/07
£000s		£000s
-742	Ongoing Liability Claims under the policy excess	-942
-8	Motor Vehicle Claims over the “paid locally” figure, but under the policy excess	-5
0	Car Loan Accounts for employees who died in service	0
-7	Housing Stock Claims under the policy excess	0
-757		-947

### b) Overall Provisions

Provisions	Balance 01/04/2006	Costs	Income	Balance 31/03/2007
	£000s	£000s	£000s	£000s
Insurance	-757	383	-573	-947
DWP Grants	-160	0	0	-160
Other	-3	0	0	-3
	-920	383	-573	-1,110

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

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

#### Other

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

## E. Notes To The Core Financial Statements

### 34 Analysis of Net Assets Employed

	31 March 2006	31 March 2007
	£000s	£000s
General Fund	7,412	16,358
Housing Revenue Account	548,818	587,647
Trading Operations	36,060	38,490
Total	592,290	642,495

## E. Notes To The Core Financial Statements

### 35 Reserve Movement

#### a) Overall Summary

Reserve	Balance 01/04/2006	Net Movement in Year	Balance 31/03/2007	Purpose of Reserve	Further Details of Movements
	£000s	£000s	£000s		
Fixed Asset Restatement Account	418,039	47,249	465,288	Store of gains on revaluation of fixed assets	Note 35 b below
Capital Financing Account	235,288	-976	234,312	Store of capital resources set aside to meet past expenditure	Note 35 c below
Usable Capital Receipts Reserve	378	-378	0	Proceeds of fixed asset sales available to meet future capital investment	Note 35 d below
Deferred capital receipts	93	-22	71	Future Capital Receipts from mortgaged property	
Pension Reserve	-73,180	9,036	-64,144	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 12 to the Core Financial Statements
General Fund Balance	3,104	-211	2,893	Resources available to meet future running costs for non-housing services	Statement of Movement on the General Fund Balance (D2)
Collection Fund Balance	-157	158	1	Resources available to be paid to the Council in the future from the collection fund	Collection Fund Statements and Note 14 to the Core Financial Statements
Housing Revenue Account Balance	4,637	1,166	5,803	Resources available to meet future running costs for council houses	HRA Statements
Major Repairs Reserve	0	0	0	Resources available to meet capital investment in council housing	HRA Statements
Earmarked Reserves	4,088	4,783	8,871	Reserves set aside for specific purposes	Note 35 e below
<b>Total</b>	<b>592,290</b>	<b>60,805</b>	<b>653,095</b>		



## E. Notes To The Core Financial Statements

### b) Fixed Asset Restatement Account

	General Fund	Housing Revenue Account	Total
Balance at 01/04/2006			£000s 418,039
	£000	£000	
Revaluation adjustments	3,258	42,813	46,071
Disposals of fixed assets	-735	-8,687	-9,422
	2,523	34,126	36,649
<b>Balance at 31/03/06</b>			454,688

### c) Capital Financing Account

	General Fund	Housing Revenue Account	Total
Balance at 01/04/2006			£000s 235,288
	£000s	£000s	
Depreciation	-4,140	-8,732	-12,872
Write down of Deferred Charges	-1,053	0	-1,053
Amortisation of Intangible Assets	-544	-49	-593
Other	990	0	990
MRP	307	0	307
Financing of Fixed Assets	3,613	8,632	12,245
	-827	-149	-976
<b>Balance at 31/03/2007</b>			234,312

## E. Notes To The Core Financial Statements

### d) Useable Capital Receipts Reserve

2005/06		2006/07
£000s		£000s
38	Balance as at 1 April	378
11,472	Effects of Disposals	9,235
-5,683	Housing Capital Receipts Pooling	-5,299
-5,449	Capital Programme Financing	-3,324
	Other	-990
378	Balance as at 31 March	0

### e) Earmarked Reserves

Reserve	Balance 01/04/2006	Additions to Reserve	Use Of Reserve	Balance 31/03/2007
	£000s	£000s	£000s	£000s
Insurance	2,649	326	-1,753	1,222
Benefits Clawback	0	1,300	0	1,300
Subsidy Equalisation	0	550	0	550
Core Business Systems	240	260	0	500
Building Maintenance	328	348	0	676
Corporate Initiatives	0	860	0	860
Service Improvements	0	500	0	500
General	231	212	-208	235
Arts	28	0	0	28
HRA	611	3,000	-611	3,000
	4,087	7,356	-2,572	8,871

#### i) Insurance Reserve

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

#### ii) Benefits Clawback Reserve

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

#### iii) Subsidy Equalisation Reserve

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

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

- iv) **Core Business Systems Reserve**  
The Core Business Systems Reserve will be used to improvement the main financial and subsidiary systems of the council to streamline administrative processes and improve the quality of information and controls.
- v) **Building Maintenance Reserve**  
The base budgets for revenue and capital include an allowance for ongoing building maintenance / enhancement. This reserve consists of balances set aside from revenue accounts for major unanticipated maintenance projects.
- vi) **Corporate Initiatives Reserve**  
In 2006/07, £861,000 of general government grant was received relating to the Local Authority Business Growth Incentive Scheme. Due to the volatile nature of this grant and the unknowns around how much will eventually become due to the Council, it was not included within base budgets. This income has been moved into an earmarked reserve for use on corporate initiatives in the future.
- vii) **Service Improvements Reserve**  
This reserve has been created to provide funding for improving services and to improve the performance of the Council.
- viii) **General Reserve**  
The General Reserve allows the Council to commit funding to individual projects which may spread across more than one year.
- ix) **Arts Reserve**  
This is used to finance the purchase of exhibits for the Museum and Art Gallery.
- x) **HRA Earmarked Reserve**  
This reserve contains amounts specifically set aside to finance HRA projects. The money in this reserve must be used on the Housing Revenue Account.

## E. Notes To The Core Financial Statements

### 36 Cash Flow Notes

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

2005/06		2006/07	
£000		£000	£000
	<b>(Surplus)/deficit for the year</b>		
-184	General Fund	-211	
1,082	Housing Revenue Account	1,166	
-273	Collection Fund	1,044	
625			1,999
	<b>Non-Cash Transactions</b>		
87	Contribution to provisions	190	
3,616	Financing Transactions	4,932	
877	Transfers to Reserves	3,492	
4,580			8,614
	<b>Items classified elsewhere in the Cash Flow Statement</b>		
-1,993	Interest received	-2,218	
1,408	Interest paid	1,155	
-585			-1,063
	<b>Items accrued</b>		
5	Increase/(decrease) of stock & work in progress	51	
-2,291	Increase/(decrease) in debtors	633	
-4,480	(Increase)/decrease in creditors	14	
-6,766			698
-2,146	<b>Revenue Activities Net Cash Flow</b>		10,248

#### b) Reconciliation Movement in Cash to the Movement in Net Debt

2005/06		2006/07
£000s		£000s
-690	Decrease in Cash in the Period	-1,333
971	Cash to Repurchase Debt	-28
-11,965	Cash to Reduce Liquid Resources	11,830
-11,684	Change in Net Debt	10,469
13,804	Net Debt as at 1 April	2,120
2,120	Net Debt as at 31 March	12,589

## E. Notes To The Core Financial Statements

### c) Analysis of Changes in Net Debt

	<b>Balance 1 April 2006</b>	<b>Cashflows</b>	<b>Other Changes</b>	<b>Balance 31 March 2007</b>
	£000s	£000s	£000s	£000s
Cash in Hand and at Bank	28	-1,333	0	-1,305
Debt due within one year	-392	-40	0	-432
Debt due after one year	-25,881	12	0	-25,869
Current Asset Investments	22,078	17,442	0	39,520
Long Term Loans	6,287	-769	0	5,518
Advanced Repayment of Loans (shown in creditors)		-4,843	0	-4,843
<b>Net Debt</b>	<b>2,120</b>	<b>10,469</b>	<b>0</b>	<b>12,589</b>

### d) Management of Liquid Resources

<b>2005/06</b>		<b>2006/07</b>
£000s		£000s
	<b>Short Term Investments</b>	
33,336	Balance Brought Forward 1 April	22,078
22,078	Balance Carried Forward 31 March	39,520
11,258	Net Cash Inflow / Outflow (-)	-17,442

### e) Analysis of Other Government Grants

<b>2005/06</b>		<b>2006/07</b>
£000s		£000s
531	Planning	616
253	Regeneration	351
463	Council Tax administration	651
64	Recycling	146
304	Crime Reduction	181
110	Customer Services	67
167	Training and Capacity Development	0
30,375	DWP Grants	37,462
32,267	<b>Net Cash (In)/outflow</b>	<b>39,474</b>

## E. Notes To The Core Financial Statements

### f) Financing Reconciliation

2005/06		2006/07
£000s		£000s
	<b>Balances Brought Forward</b>	
25,883	Long Term Borrowing	25,881
1,361	Temporary Borrowing	392
27,244		26,273
	<b>Balances Carried Forward</b>	
25,881	Long Term Borrowing	25,869
392	Temporary Borrowing	432
26,273		26,301
-971	<b>Net Cash (In)/outflow</b>	28

### 37 Contingent Liabilities

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 2007 was estimated to be £0.813m (£0. 547m as at 31<sup>st</sup> March 2006).

### 38 The Euro

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

### 39 Trust Funds

The Council acts as sole trustee in respect of two Trust Funds for the Northamptonshire Regiment (balances of £1k) and the Northamptonshire Yeomanry Museum Collections (balances of £23k). The Trust funds are used to finance expenditure on the museum collections, which are housed at Abington Museum. Surplus funds are invested and accounted for separately to the Council's funds and no money is expended unless there are funds to do so.

## F. Housing Revenue Account

### F1 Income & Expenditure Account

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

2005/06		2006/07		Notes
£000s		£000s	£000s	
	<b>Income</b>			
-36,825	Dwelling Rents	-37,480		HRA2-4
-1,130	Non Dwelling Rents	-1,150		
-1,646	Charges for services & facilities	-1,395		
-636	Contributions Towards Expenditure	-551		
-7	Housing Revenue Account subsidy receivable	0		
0	Sums Directed by the Secretary of State that are income in accordance with UK GAAP	0		
-40,244	<b>Total Income</b>		-40,576	
	<b>Expenditure</b>			
10,548	Repairs & Maintenance	9,792		HRA5
	Supervision & Management			
5,027	General Management	4,364		
4,703	Special Services	4,515		
71	Rent, Rates, Taxes & other charges	82		
7,071	Negative Housing Revenue Account subsidy payable	7,218		HRA6
10,048	Depreciation and Impairment of Fixed Assets	8,780		HRA7
0	Debt Management Costs	0		
328	Increased in provision for bad/doubtful debts	438		
0	Sums Directed by the Secretary of State that are expenditure in accordance with UK GAAP	0		
2,310	Rent Rebates transfer to General Fund	1,976		HRA8
40,106	<b>Total Expenditure</b>		37,165	
-138	<b>Net Cost of Services</b>		-3,411	
0	HRA Services share of Corporate and Democratic Core		26	
0	HRA share of other amounts included in the whole authority			
0	Net Cost of Services but not allocated to specific services		0	
-138	<b>Net Cost of HRA Services</b>		-3,385	
20	Gain (-) or Loss on sale of HRA Fixed Assets		115	
	Interest Payable and other similar charges			
186	Amortisation of Premiums & Discounts		186	
-586	Interest and Investment Income		-569	
0	Pensions interest cost and expected return on pensions assets		362	
-518	<b>Surplus (-) or Deficit for the year on HRA services</b>		-3,291	

## **F. Housing Revenue Account**

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## F. Housing Revenue Account

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

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

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

2005/06		2006/07
£000s		£000s
-518	Surplus (-) / Deficit for the year on the HRA Income and Expenditure Account	-3,291
-564	Net additional amount required by statute to be debited or credited to the HRA Balance for the year	2,125
-1,082	<b>Increase (-) / Decrease in the HRA Balance for the Year</b>	-1,166
-3,555	HRA Balance brought forward	-4,637
-4,637	<b>HRA Balance carried forward</b>	-5,803

## **F. Housing Revenue Account**

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## F. Housing Revenue Account

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

2005/06		2006/07	Note
£000s		£000s	
	<b>Amounts included in the HRA Income and Expenditure Account but required by statute to be excluded when determining the Movement on the HRA Balance for the year</b>		
	Difference between amounts charged to Income and Expenditure for amortisation of premiums and discounts and the charge for the year determined in accordance with statute	0	
	Difference between any other item of income and expenditure determined in accordance with the SoRP and determined in accordance with statutory HRA requirements (if any)	0	
-20	Gain or Loss on sale of HRA fixed assets	-115	
0	Net charges made for retirement benefits in accordance with FRS 17	-1,515	
	Sums directed by the Secretary of State to be debited or credited to the HRA that are not income or expenditure in accordance with UK GAAP	0	
-20		-1,630	
	<b>Amounts not included in the HRA Income and Expenditure Account but required by statute to be included when determining the Movement on the HRA Balance for the year</b>		
-2,849	Transfer to / from (-) Major Repairs Reserve	-1,292	HRA9
0	Transfers to / from (-) Housing Repairs Account	0	HRA5
	Employer's contributions payable to the Northamptonshire County Council Pension Fund and retirement benefits payable direct to pensioners	1,514	
0	Voluntary set aside for debt repayment	0	
1,761	Capital expenditure charged in-year to the HRA Balance	1,144	
544	Net transfers to / from (-) earmarked reserves	2,389	
-544		3,755	
-564	<b>Net additional amount required to be credited or debited to the HRA balance for the year</b>	2,125	

## **F. Housing Revenue Account**

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## G. Notes To The Housing Revenue Account

### 1 Prior Year Adjustments

Resource Accounting in the HRA required that until 2005/06, a charge was made to the HRA for the use of fixed assets. This charge was included in the expenditure section of the HRA within net cost of services and reversed out via the Asset Management Revenue Account (AMRA). These transactions have ceased for 2006/07 onwards and the 2005/06 figures have been adjusted accordingly.

### 2 HRA Assets and Capital Transactions

- a) At 31 March 2006 the Council was responsible for managing 12,334 units of accommodation: -

Type of Property	Number of Bedrooms				Total
	One	Two	Three	Four+	
Flats-Low Rise	1,409	351	2	1	1,763
Flats-Medium Rise	1,919	924	123	4	2,970
Flats-High Rise	399	85	22	0	506
Houses & Bungalows	879	2,603	3,267	346	7,095
<b>Totals</b>	4,606	3,963	3,414	351	12,334

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

Type of Property	Stock at 01/04/2006	Stock Movements			Stock at 01/04/2007
		Sales	Transfers	Additions	
Flats	5,267	-28	-18	18	5,239
Houses & Bungalows	7,165	-82		12	7,095
Dwellings (excl. Shared)	12,432	-110	-18	30	12,334
Shared Ownership	99	-1			98
<b>Totals</b>	12,531	-111	-18	30	12,432

## G. Notes To The Housing Revenue Account

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

2005/06	Gross Balance Sheet Value	2006/07
£000s		£000s
	Operational Assets	
159,871	Land	177,915
373,031	Dwellings	393,613
15,777	Other Capital Assets	10,519
548,679	Total Operational Assets	582,047
540	Non Operational Assets	1,242
549,219	<b>TOTAL</b>	583,289
1,064,478	Vacant Possession Value as at 1st April	1,146,860

d) Capital Receipts

2005/06	Housing Capital Receipts	2006/07
£000		£000
147	Land Sales	985
7,452	Dwelling Sales	7,667
319	Other Property Sales	49
7,918	<b>Total</b>	8,701
-5,683	Payable to the Secretary of State	-5,299
2,235	Useable Capital Receipts	3,402

## G. Notes To The Housing Revenue Account

### e) Capital Expenditure & Financing

2005/06	HRA Capital Expenditure and Financing	2006/07
£000s		£000s
	<b>Expenditure</b>	
0	Land Purchase	0
8,365	Dwellings	7,392
594	Other Property	1,042
8,959	<b>Total Expenditure</b>	8,434
	<b>Financing</b>	
	Dwellings	
0	Borrowing	0
0	Useable Capital Receipts	0
1,167	Revenue Contributions	0
7,198	Major Repairs Reserve	7,392
8,365		7,392
	Other Property	
0	Borrowing	0
0	Useable Capital Receipts	-198
594	Revenue Contributions	1,144
0	Major Repairs Reserve	96
594		1,042
8,959	<b>Total Financing</b>	8,434

### 3 Rent Arrears

During 2006/07 rent arrears as a proportion of gross rent income was 7.1%. This represents a reduction of 0.4% since 2005/06 when the proportion was 7.5%. The figures for rent arrears are detailed below: -

2005/06	Rent Arrears	2006/07
£000s		£000s
2,901	Gross Rent Arrears at 31 March	2,860
-600	Prepayments of Rent	-621
2,301	Net Rent Arrears at 31 March	2,239
1,505	Provision for bad debts at 31 March	1,504

During 2006/07, the process for analysing outstanding debt and establishing a bad debt provision was reviewed and adjusted to reflect recent experience. The bad debt position for the HRA is based upon an aged debt analysis of all arrears and the size of the provision reflects the probability of the arrears being collected.

## G. Notes To The Housing Revenue Account

### 4 Vacant Possession Value

The Vacant Possession value of dwellings within the HRA as at 1 April was £1,147m (£1,064m in 2005/06). For the balance sheet, the figure has been reduced to 50% of this value, i.e. £574m (£533m in 2005/06). This shows the economic cost of providing Council housing at less than open market rents.

### 5 Housing Repairs Account

The Council did not operate a Housing Repairs Account in 2005/06 but constituted one from 2006/07. The transactions on the Housing Repairs Account for 2006/07 balanced to nil for the year, although this may not always be the case.

2005/06	Housing Repairs Account	2006/07
£000s		£000s
	-Balance B/f	0
	-Expenditure in the Year	9,792
	Contributions to the Housing Repairs Account	-9,792
	Increase (-) / Decrease in the Housing Repairs Account Balance for the year	0
	<b>-Balance c/f</b>	0

### 6 Housing Subsidy

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

2005/06	Housing Subsidy	2006/07
£000s		£000s
0	Prior Year Adjustment	6
-16,577	Management and Maintenance Allowance	-18,818
-7,198	Major Repairs Allowance	-7,488
-949	Charges for Capital	-960
-60	Other Allowances	-30
31,847	Notional Rent	34,501
8	Interest on Receipts	7
7,071	<b>Total Amount to be paid to Government</b>	7,218



## G. Notes To The Housing Revenue Account

### 7 Depreciation and Impairment

#### a) Depreciation

2005/06	Depreciation	2006/07
£000s		£000s
	Operational Assets	
9,749	Dwellings	8,290
0	Intangible Assets	49
245	Other Property	264
9,994	Total Operational Assets	8,603
54	Non Operational Assets	177
10,048	<b>TOTAL</b>	8,780

#### b) Impairment

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

### 8 Secretary of State Determinations

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

For 2004/05 and 2005/06 only there is a further transfer relating to Incentive Area costs which will only apply as a transitional measure.

2005/06	Secretary of State Determinations	2006/07
£000s		£000s
2,096	Rent Rebate Subsidy Limitation	1,976
214	Rent Rebate Transitional Measures	0
2,310	Total Effect of Special Directions	1,976

### 9 Major Repairs Reserve

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

## G. Notes To The Housing Revenue Account

represents the estimated annual cost of maintaining an Authority's stock at its existing level.

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

<b>Major Repairs Reserve</b>	<b>£000s</b>
Balance at 1 April 2006	0
HRA Depreciation	-8,780
Depreciation adjustment to agree to MRA	1,292
	-7,488
Amount used to finance Capital Expenditure	
Dwellings	7,488
Other Property	0
	7,488
<b>Balance at 31 March 2007</b>	<b>0</b>

## H. The Collection Fund

### Income and Expenditure Account

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

2005/06		2006/07	Note
£000s		£000s	
	<b>INCOME</b>		
-66,557	Council Tax (net of benefits, discounts & transitional relief)	-69,903	CF2
-9,814	Transfers from General Fund Council Tax benefits	-10,369	
-92,095	Income collectable from business ratepayers	-91,727	
-60	Contributions Towards previous years' Collection Fund deficit	-974	CF3
-168,526		-172,973	
	<b>EXPENDITURE</b>		
	Precepts & demands:-		
54,355	Northamptonshire County Council	56,662	14
9,794	Northamptonshire Police Authority	10,406	14
11,438	Northampton Borough Council	12,143	14
	National Non-Domestic Rates		
91,780	Payments to national pool	91,413	
315	Cost of collection	315	
	Bad & Doubtful Debts / Appeals		CF4
474	Write-offs	89	
643	Provisions	901	
	Contributions		
0	Towards previous years' Collection Fund surplus	0	
	Prior Year Adjustments		
168,799		171,929	
273	<b>(Surplus)/deficit for the year</b>	-1,044	
766	Fund balance b/fwd	1,039	
1,039	<b>Fund Balance c/fwd</b>	-5	

## **H. The Collection Fund**

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# I. Notes To The Collection Fund

## 1. National Non Domestic Rates (NNDR)

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

The total non-domestic rateable value as at 31 March 2007 was £246.4m and the equivalent figure for 2005/06 was £247.97m. The National Non-Domestic Rate multiplier for 2006/07 was 43.3p and the equivalent figure for 2005/06 was 42.2p. The small business non-domestic rating multiplier for 2006/07 was 42.6p.

## 2. Council Tax

The Council's tax base, i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings for 2006/07 calculated as follows: -

2005/06 Band D Equivalents	Band	Estimated number of taxable properties 2006/07 after discounts	Ratio	2006/07 Band D Equivalents
19.2	A(-)	32.8	5/9	18.2
15,924.4	A	24,089.5	6/9	16,059.7
13,306.7	B	17,460.2	7/9	13,580.1
16,131.4	C	18,197.6	8/9	16,175.6
8,491.6	D	8,619.9	9/9	8,619.9
5,777.9	E	4,849.6	11/9	5,927.3
2,939.0	F	2,054.6	13/9	2,967.7
1,709.2	G	1,036.9	15/9	1,728.2
93.6	H	47.0	18/9	94.0
64,393.0	Gross Council Tax Base			65,170.7
965.9	Non-collection provision			977.6
<b>63,427</b>	<b>Council Tax Base Used for setting the Precept</b>			<b>64,193</b>

The provision for non-collection was set at 1.5% for 2006/07 (1.5% for 2005/06).

# I. Notes To The Collection Fund

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

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

<b>2005/06</b>	<b>Allocation Of Collection Fund Deficits</b>	<b>2006/07</b>
<b>£000s</b>		<b>£000s</b>
9	Northampton Borough Council	147
43	Northamptonshire County Council	701
8	Northamptonshire Police Authority	126
60	<b>Total Deficit Recovered</b>	974

## 4. Bad and Doubtful Debts

<b>2005/06</b>	<b>Bad and Doubtful Debts</b>	<b>2006/07</b>
<b>£000s</b>		<b>£000s</b>
1,696	Bad Debt Provision B/f	2,339
643	Provision Made in Year	901
2,339	<b>Bad Debt Provision c/f</b>	3,240

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

### The Authority's Responsibilities

The Authority is required to:-

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is Isabell Procter (Director of Finance), however during 2006/07 there were also interim arrangements in place;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- approve the Statement of Accounts

### The Section 151 Officer

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

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

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

The Section 151 Officer has also:

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

I certify that this Statement of Accounts presents fairly the position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2007.

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

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

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## **K. Statement On Internal Control**

### **NORTHAMPTON BOROUGH COUNCIL'S STATEMENT ON INTERNAL CONTROL (2006/07)**

#### **1 STANDARDS OF GOVERNANCE**

- 1.1 The Council expects all of its Members, officers and contractors to adhere to the highest standards of public service with particular reference to the Constitution, formally adopted Codes of Conduct and protocols and policies of the Council as well as the applicable statutory requirements.

#### **2 RESPONSIBILITIES**

- 2.1 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, and used economically, efficiently and effectively. The Council 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 value for money.
- 2.2 In discharging this overall responsibility, the Council (elected Members and officers) is responsible for ensuring there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

#### **3 PURPOSE OF THE SYSTEM OF INTERNAL CONTROL**

- 3.1 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance. 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
- Evaluate the likelihood of those risks being realised
- Assess the impact should they be realised, and
- Manage risks efficiently, effectively and economically

#### **4 THE INTERNAL CONTROL ENVIRONMENT**

- 4.1 The policy and procedural guidance to support the Council's governance includes:

- Council Constitution
- Codes of Conduct for Members and officers
- Governance arrangements and processes have been further refined and clarified i.e. the decision-making roles and responsibilities of Management Board and the various decision-making structures of the Council
- Financial Regulations, Contract Procedure Rules and other Procedure Rules

## **K. Statement On Internal Control**

- Officers and Executive Scheme of Delegations
- Registers of Officer and Member's Interests
- Specific corporate policies, for example, whistle blowing policy, confidential reporting policy, anti-fraud and prosecution policy
- Medium Term Service Planning and organisational priorities
- Measures to establish and monitor the Council's organisational objectives. These include the application of the performance management system. In addition we track recommendations for improvement arising from audit and inspection reports are tracked in order to ensure that actions are taken. Results of audits are reported to the Audit Committee
- Owing to this Council's status as a 'poor' Council following the Comprehensive Performance Assessment (CPA) in 2004, a detailed Strategic Improvement Plan is in place. This sets out the key areas of organisational weakness and the actions identified to strengthen performance. This plan is closely monitored by Management Board, Cabinet and political leaders who specifically lead on performance and improvement. A joint political statement agreeing to collaborative working on improvement matters has been signed, with each groups support, by leaders of each group.
- A range of programme boards are in place to ensure the delivery of projects related to service delivery. These include the Customer Services Board and the Housing Implementation Boards. A new IT Governance Board is being implemented from July 2007 to ensure proper governance and procurement of IT equipment, services and applications
- Housing Service improvement plan where there are 12 key objectives. Specific projects include the estate services review, IBS implementation, choice lettings schemes etc.

### **4.2 Facilitation of policy and decision making**

The Council operates a Strong Leader and Cabinet model of policy and decision-making. The Cabinet is comprised of 6 portfolio holders and the Leader. The Leader is able to appoint and remove portfolio holders subject to legislative limits only and is able to choose portfolios. Accountabilities for decision-making within the Cabinet are clear and transparent. For part of the 2006/07 financial year there was one Overview and Scrutiny body with a series of task and finish groups reporting into it. Currently, changes to the constitution have resulted in 3 Overview and Scrutiny Committees, which mirror executive portfolios. The work of the 3 Overview and Scrutiny Committee are coordinated through an Overview and Scrutiny Management Committee. The Agendas and Minutes of these bodies demonstrate the process to properly control the development and adoption of policy and decision-making. A formal Scheme of Officer Delegations is in place to govern the operational decisions in line with agreed policy.

Following the recent local elections changes were made to the constitution to facilitate clear, effective, efficient and accountable decision-making. A more in depth review is planned, including changes to the financial regulations to strengthen financial governance.

## **K. Statement On Internal Control**

### **Ensuring compliance with policies, procedures, laws and regulations**

- The Council's Monitoring Officer is the Solicitor to the Council
- All Key decisions of the Cabinet must be approved by both the Monitoring Officer and Director of Finance. Other reports need to ensure that proper legal and financial advice has been sought
- Legal Services are available to all managers for advice and support and service all the main decision-making structures i.e. a Solicitor is in attendance.
- Internal Audit delivered an operational plan for 2006/07 designed to provide assurance on key risks within the Council. The plan covered all core financial systems and other operational systems according to risk profile. Internal Audit work is designed to review compliance with policies, procedures, laws and regulations
- Council procedures are reviewed as appropriate (usually annually) to ensure ongoing compliance with policies, procedures, laws and regulations. Control arrangements during 2006/07 identified other policies that would benefit from review. Examples of procedures/policies already reviewed and improved include the mobile phone policy, the internet and acceptable use of IT policy, disciplinary policy, probation policy sickness and absence controls and allocation of training budget / post entry training.
- Monitoring compliance and briefing notes are produced as appropriate.
- The Council is audited by appointed external auditors (KPMG LLP), on behalf of the Audit Commission.
- The Council is subject to formal inspection in many areas by external bodies. These include Housing Inspectorate and Benefits Fraud Inspectorate (BFI). Such inspections are reported to Cabinet and Overview as appropriate.
- The Audit Commission has the power to inspect any or all of our activity. Planned inspections over the next twelve months include the Use of Resources assessment, the Direction of Travel assessment, Housing progress assessment and Streetscene and Waste Management inspection.
- The Council also operates a formal training programme to support staff in ensuring that the Council's services comply with controls and regulations. Where specific specialist service knowledge is required relevant training is available. For example all fraud investigation officers are fully trained in PINS, with the exception of a new trainee who is working towards that qualification. Financial training and governance training and support are also available.

## K. Statement On Internal Control

### 4.3 Risk Management

The council runs a number of risk management courses including risk assessment and basic personal safety, basic health and safety, asbestos awareness, manual handling and fire marshalling. Personal safety training started in January 2006.

Risk workshops were held in the first few months of 2006/07 for each Corporate Manager and their managers. These provided training in basic risk management and produced initial registers. The Risk Manager also attended departmental management team meetings to help and advise as necessary.

#### **Risk Management is addressed in a number of ways:**

- **Strategic Risk Register**

The Council has maintained a corporate strategic risk register since 2000. After wide-ranging changes in senior management, a new register was compiled through a two-day risk workshop in January 2006 involving Corporate Managers, Directors and Members. Monitoring reports were taken to Management Board in May and August 2006 and to the Audit Committee. The Risk Management Group also reviewed the register at its meeting on 13<sup>th</sup> September 2006.

- **Service Level Risk Registers**

Corporate Managers maintain a risk register for their service areas. These were originally produced through workshop sessions with the respective management teams and, in some cases, portfolio holders. These registers are owned by, and the responsibility of, each Corporate Manager. In addition Legal Services have implemented a comprehensive and enhanced Risk Management System that follows LEXCEL standards.

- **Risk Co-ordinator**

Each area has a risk co-ordinator whose main purpose is to ensure that registers are reviewed and updated monthly by the Corporate Manager(s) and their team. Some registers are also held for specific projects.

- **Reporting Arrangements**

Risk Management is a standing Audit Committee agenda item. The Risk Manager reports to each committee and Corporate Managers are invited to explain how they manage significant risks in their service areas.

The Risk Manager reported quarterly to the Senior Corporate Management Team (Chief Executive, Directors and Corporate Managers)

The Chief Executive reviews Corporate Manager registers as part of the Quarterly Performance Review process (now bi-monthly from May 2007).

Quarterly reports are issued to each portfolio holder showing the significant risks relevant to their service areas.

The registers were quality reviewed by Pricewaterhouse Coopers (PWC) in December 2006.

- **Risk Management Group**

A Corporate Risk Management Group, chaired by the Corporate Manager Performance and Improvement was recently formed to review and improve risk

## K. Statement On Internal Control

processes within the Council. An outcome from the group is the intention to strengthen the reporting and monitoring processes in this area.

- Risk Management Software

All risk registers are maintained on Risgen – a dedicated risk management software system. This was originally purchased in June 2002 and was networked across the Council in June 2003. Risgen enables registers to be monitored and updated locally and centrally. Over sixty managers have been trained in its use.

All risks and actions are allocated to a responsible manager. Automatic e-mail notifications are sent to managers when they are given responsibility for specific risks or actions, and when completion dates are imminent. The system enables reports to be produced across any or all registers in the system.

- Business Continuity

The Council's Business Continuity Group is chaired by the Corporate Manager Community Safety, Leisure and Town Centre Operations. It is currently reviewing and rewriting the Council's Business Continuity Plan.

### 4.4 The processes to ensure value for money and continuous improvement are achieved including Best Value

We recognise our obligations under the Local Government Act 1999 to implement arrangements to achieve continuous improvement and to secure effective use of resources.

There is a clear line of sight from service plan objectives to the Corporate Plan and Local Area Agreement (LAA) priorities. We focus service delivery on achieving high-level priorities and all front line service plans contain Value for Money (VFM) Cost/Performance profiles as well as recording proposed Gershon efficiencies.

We have established a corporate cost/performance matrix that positions all the council's front line services for VFM and this approach is to be extended to central support functions. In this way, we are able to target higher cost/lower performance services for improvement action. We have implemented corporate moderation to ensure the VFM profiling by services is to a consistently high standard.

A Strategic VFM framework is being adopted from 2007/08 onwards that will communicate our VFM workstreams and establish the mechanism by which we will evidence and report VFM achievements. This will also lead to a revised medium term VFM review timetable that will cover both service and cross cutting areas. We will also consider more innovative techniques for improving VFM such as the systems thinking approach.

The Medium Term Planning process is currently being revised to mainstream VFM and efficiency planning and integrate service-planning cycle with the budget cycle. This will also include an annual update of Value for Money Cost/Performance profiles and an assessment of the significance of each service to achievement of our Corporate Priorities. This approach will help us shift resources to the highest priority areas to address customer needs as identified in our annual budget consultation.

Specific examples of improved VFM in 2006/07 include:

- Street Cleansing, Sports & Recreation, Environmental Health, Waste Collection, Culture & Heritage, and Parks & Open Spaces have all been projected to achieve

## **K. Statement On Internal Control**

top quartile overall performance in 2006/07. This has been achieved at middle quartile costs for many of the services.

- We have targeted resource and improvement action on our 4 lowest performing services and there is already significant trend improvement in a number of key PI's e.g. Housing benefits
- Entered into a three-year partnership with Kendrick Ash to improve revenue and benefits and attain long term sustainability within the service
- Leisure and Sports Development have achieved a range of Quality Accreditations and award nominations over the past three years, including Charter Mark Accreditation for all three Leisure Centres with best practice rating in several categories including Partnership Working and making changes to help minority groups to access facilities. The entire service block is currently undertaking TAES (Towards an Excellent Service) for the whole of Cultural Services with validation taking place 5/6 June 2007
- Customer Services are entering into an Institute of Customer Services (ICS) partnership with five other authorities. This has enabled the council to strengthen its existing relationships with other authorities and also gain benefits such as; joint training of coaches and practitioners as part of the professional awards programme, shared resource to support each authority, access to ICS members regionally and nationally, access to latest research and benchmarking, learning information exchange and best practice.
- Ongoing discussions with NCC and other local authorities to develop a partnership approach to mystery shopping, citizens panel, customer service standards and customer service academy.
- A fundamental review of the DSO, with particular focus on housing repairs, will be undertaken in 2007/08 utilising APSE benchmarking

### **4.5 The proper financial management and reporting of the Council's affairs**

There have been significant changes in the senior management board during 2006/07. This included the departure of the Chief Executive, the appointment of a Director of Finance and interim Chief Executive. The Management Board, as it is now known, meets weekly and comprises of the Interim Chief Executive, Director of Customer Service and Delivery, Director of People, Planning and Regeneration and the Director of Finance. The Monitoring Officer and Head of Human Resources support the board at all meetings.

The Director of Finance joined the authority in March 2007 and therefore signs up to this statement with the knowledge of the organisation and controls within that she has gained to date.

In 2006/07, budget monitoring was reported to management, however there wasn't regular reporting to Cabinet. During 2007/08 improvements will be made to the financial management and monitoring of the council. This reporting process will include monthly budget monitoring reports to Corporate Managers, the Management Board and Cabinet. The reports will include the General Fund, the Housing Revenue Account, Capital and reserves monitoring.

## **K. Statement On Internal Control**

### **4.6 The performance management arrangements**

The council has in place a clear framework for managing performance. This framework includes:

- Weekly and monthly collection and publication of Best Value Performance Indicators and local performance indicators
- Four-tier reporting each month of key issues and performance matters within services
- Performance Reviews, chaired by the Chief Executive and comprise Senior Councillors and Directors. These reviews use a balanced scorecard to undertake high-level assessment of performance across service areas. In place since April 2006 on a quarterly basis, these have now been increased in frequency to bi-monthly.
- The development of a schema, which sets out, the golden thread of the council's corporate objectives through to service plans and the review and assessment process.
- Our Appraisal and Personal Development process
- Service Plans – the council has implemented a new approach to service planning, incorporating use of resources and specifically, value for money profiles. The service plan sets out the key corporate objectives and priorities and how departments deliver these.
- Political Governance – two Cabinet members have specific responsibility for performance management and the improvement agenda for the Council. The portfolio holder for performance meets weekly with the Corporate Manager for Performance and Improvement, the purpose of which is to assess progress, identify risks and plan for the continued strengthening of the performance across the Council. The Leader of the Council has responsibility for leading the overall Improvement agenda, meeting regularly with the Chief Executive and portfolio holders to ensure the improvement programme is delivered.
- As part of the new arrangements for significantly strengthening our performance management arrangements, Management Board now has performance as a regular item on their agenda. Cabinet will also receive regular reports on performance and finance.

## **5 REVIEW OF EFFECTIVENESS**

**5.1** The council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. That review is informed by the work of Internal Audit, External Audit and other review agencies. Specific areas covered by the council's review includes:

- The council maintains the strategic systems of control through the formal review and adoption of the council's Constitution. The council, in accordance with the Local Government Act 2000 has a formal scheme of delegation in place for all decisions.

## **K. Statement On Internal Control**

- The Cabinet is the key decision making body at member level. The Cabinet takes all executive decisions except those properly delegated in accordance with the Constitution or those decisions reserved by legislation for others, for example Development Control.
- Revised overview and scrutiny arrangements were implemented in 2006/07 to reflect more effective and robust arrangements in scrutinising corporate governance arrangements, services and decisions made throughout the Council.
- The Council has adopted an Audit Committee. The Terms of Reference for that function is a formal part of the Council's Constitution.

**5.2** Internal Audit is provided through an external contract with PWC and Risk Management internally with the Risk Manager post located in Finance.

**5.3** The Council's Financial Regulations set out the powers and responsibilities of the Internal Audit service in line with best practice.

**5.4** Audit strategy, plans and resourcing are reported to the Audit Committee as well as regular reports highlighting progress by management in implementing agreed recommendations and matters of serious concern. This includes:

- An Annual Audit Plan for each financial year that is prepared in consultation with the Chief Executive, Director of Finance and other Corporate Directors and Managers
- A progress report to each Audit Committee summarising the results of internal audit work and actions agreed by management in response to issues raised, and
- An annual report for consideration by the Council's Audit Committee. This provides PWC's professional and formal opinion on the adequacy of the Council's systems of internal control.
- From 2007/08 an audit-tracking tool will be used to ensure that all internal audit recommendations are implemented. External audit recommendations will also be tracked.

### **5.5 The Prevention of Fraud and Corruption**

The Council maintains an Anti-Fraud and Corruption Policy together with a formal Whistleblowing Policy. The Director of Finance is responsible for ensuring that suspected benefit and the Anti-fraud unit investigates other fraud. As well as re-active fraud work the authority undertook a number of fraud initiatives including:

- "Mrs Barker" project looking at sharing of fraud services within Northamptonshire.
- Work with Internal Audit in relation to the National Fraud Initiative
- No "ifs" no "buts" poster campaign.
- HBMS benefits matching service through central government
- Joint working with FIS, DWP fraud section.



## **K. Statement On Internal Control**

- Local working with the media to ensure reporting of all successful prosecutions, national initiatives etc.
- DWP Mail Shot.
- Maintaining effective liaison with other bodies such as Police and DWP.

The Council investigates all allegations of fraud and corruption and where necessary appropriate action is taken to protect the Council's interests. There were no incidents during 2006/07 to investigate.

### **5.6 Conclusion from our review**

The system of internal control has been in place for the year ended 31st March 2007 and up to the date of approval of the annual accounts. With the exception of those significant internal control issues referred to in section 6, the system of internal control has operated as intended. Action plans are in place to address internal control weaknesses identified through our comprehensive performance assessment, internal audit and external audit reviews.

## **6 SIGNIFICANT INTERNAL CONTROL ISSUES**

**6.1** Northampton Borough Council has implemented risk management arrangements to identify and manage risk. An annual risk management report is presented to the Audit Committee representing those areas with the highest residual risks. The report provides assurance that the Council's services and their control are kept under constant review and all areas are subject to continual improvements wherever possible.

**6.2** Given the nature of the Council's services it must be recognised that the Council cannot control or eliminate all risk. The Risk Register provides evidence across the Council of how Risk Management is being embedded throughout services including:

- Risk reports to members and senior managers
- Risk Management workshops and training
- Reviews of Risk Registers by Internal Audit
- Networked risk management system.

**6.3** A number of significant control issues have been identified during the course of the year ended 31st March 2007.

Internal Audit concluded in their Annual Internal Audit Report that they could only provide limited assurance on the effectiveness of our system of internal control. They identified significant control issues within the core financial systems, with regard to the implementation of single status pay and procurement of goods and services. No assurance was given following reviews on Sundry Debtors and Fixed Assets. Work is being undertaken to address these areas.

External audit raised the following concerns:

- DSO Trading with WS Atkins – In 2004, the Council was categorised as poor. Council's with such a categorisation cannot use trading powers under Section 95 of

## **K. Statement On Internal Control**

the Local Government Act 2003. The operation ceased at the end of June 2006, following the use of wellbeing powers.

- Far Cotton community centre – Concerns were raised about contract procedures and the release of an advanced payment against an interim certificate. Extensive improvements to contract procedures are being undertaken through an action plan.
- Ecton Lane refurbishment.- There were also contract failings at Ecton Lane and as above the contract procedures are being improved.

Our Comprehensive Performance Assessment (CPA) rating continues to be “poor” and the Audit Commission expressed concern that overall the Council is not consistently and sustainably improving its most poorly performing services, namely finance, housing and planning.

### **6.4 The Council has plans to address these weaknesses:**

- Core financial systems – A new Finance Director has been appointed and work has begun to restructure the finance team, with several senior financial posts already appointed to. There will be an increase in the proportion of qualified accountants within the team. Action plans are in place to address the weaknesses identified which will be monitored by the Finance Director and the Audit Committee
- Implementation of single status pay – the Council has plans to implement single status pay by 1<sup>st</sup> April 2008. The key issue has been affordability which will be addressed through a number of measures, strict budgetary control, implementation of a new pay scheme and an application to Communities & Local Government (CLG) to capitalise back pay. A panel, chaired by the Director of Finance is currently being formed to address these issues.
- Procurement of goods and services – the Council is in the process of appointing a Director of Purchasing who will manage the consortium arrangement that the Council has with neighbouring boroughs. The consortium will be utilised to improve value obtained from purchasing going forward across all services of the Council and their partners.
- Housing - Our Housing Services Improvement Plan has been developed and ratified via the Government Monitoring Board (GMB) sub groups and encompasses wide-ranging structural improvements across all elements of the Housing services. Clear evidence of improvements in housing standards, voids performance, gas servicing for example have been delivered. In Revenues & Benefits the rate of improvement is ahead of other services in terms of sustainable service delivery. The service was assessed as “fair” in the autumn of 2006 and the current GMB sub group is now discussing disengagement criteria.

## **7 CONCLUSION**

**7.1** We have been advised on the implications of the review of the effectiveness of the system of internal control and a plan to address weaknesses and ensure continuous improvement of the system is in place.

**7.2** The Council is committed to delivering high quality services, which focus on the needs of individuals in Northampton Borough. It welcomes feedback on how it is achieving against that aim and wishes to involve people in improving services further.

## K. Statement On Internal Control

### 8 DECLARATIONS

I confirm that the information contained within this Statement of Internal Control is a true and fair reflection for Northampton Borough Council for the Financial Year 2006/07.

Name	Position	Signature	Date
Cllr Anthony Woods	Leader of the Council		
John Edwards	Interim Chief Executive		
Isabell Procter	Director of Finance		