



**NORTHAMPTON**  
BOROUGH COUNCIL

# Draft Statement of Accounts 2008/2009

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

### **Independent auditor's report to the members of Northampton Borough Council**

The report will be included here after the audit for the publication of the audited accounts.

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

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

### **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

The report will be included here after the audit.

## **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 2008 to 31<sup>st</sup> March 2009.

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 2009.

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 2008/09 in each of the main activity areas.

The detailed accounts and related information are shown on pages 27 to 94 and consist of the following: -

#### **Core Financial Statements**

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

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

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

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

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

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

##### Balance Sheet (page 35)

The Balance Sheet is fundamental to the understanding of an authority's financial position at the year end and shows balances as at 31<sup>st</sup> March 2009. 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 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.

## **B. Explanatory Foreword**

### Cash Flow Statement (page 37)

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

### Notes to the Core Financial Statements (pages 39 to 77)

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

### **Supplementary Financial Statements**

Housing Revenue Account (HRA) Income and Expenditure Account (page 79)The transactions on this statement are included in the whole authority Income and Expenditure Account but cannot be individually identified within that statement. This statement shows the income and expenditure on HRA services which relate to the provision and maintenance of Council housing.

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

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

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

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

### Collection Fund (page 91)

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

### Notes to the Collection Fund (pages 93 to 94)

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

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

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

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

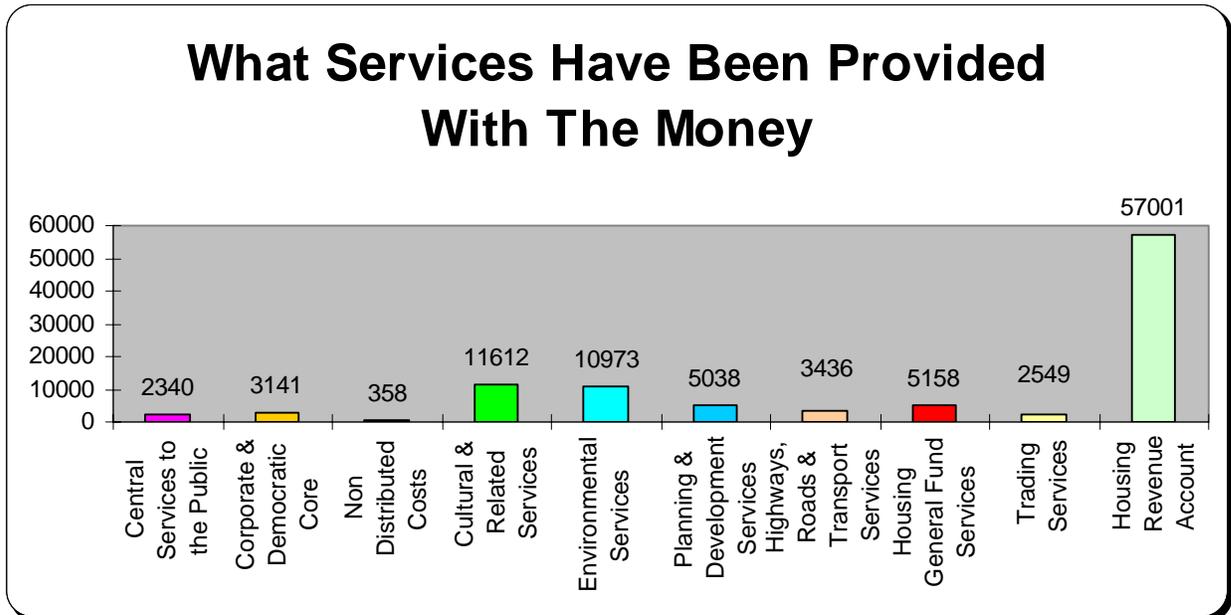
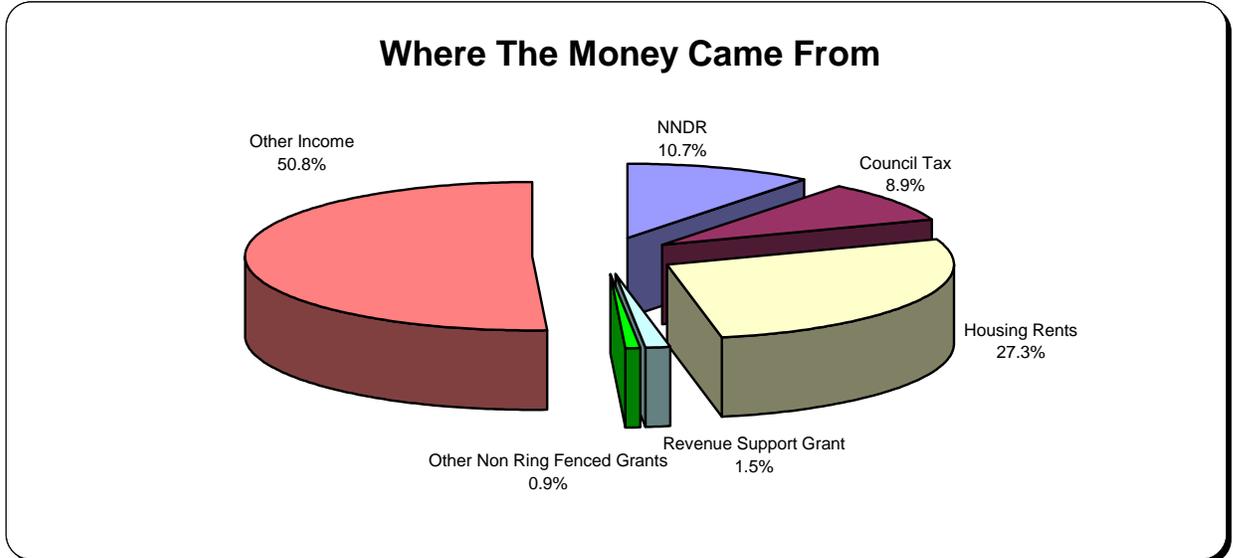
This statement outlines the Council's main systems of internal control and governance arrangements and notes any resultant actions arising for next year.

## B. Explanatory Foreword

### 2. Financial Summary 2008/09

#### 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 2008/09 (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 2008/09. 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	45,088	47,238	2,150
Interest & Capital Financing Adjustments	-11,816	-12,736	-920
<b>Total Net Expenditure</b>	<b>33,272</b>	<b>34,502</b>	<b>1,230</b>
<b>Income</b>			
National Non Domestic Rates	-16,453	-16,453	0
Revenue Support Grant	-2,290	-2,290	0
Local Authority Business Growth Incentive	-832	-1,377	-545
Met by local Council Taxpayers	-13,719	-13,719	0
Collection Fund Deficit	22	22	0
<b>Total Income</b>	<b>-33,272</b>	<b>-33,817</b>	<b>-545</b>
<b>(Surplus)/Deficit for the year</b>		<b>685</b>	
<b>Balance brought forward</b>		<b>-2,691</b>	
<b>Balance carried forward</b>		<b>-2,006</b>	

#### Variations to Budget

After taking account of contributions to reserves and balances, the Council's General Fund working balance was reduced by £685k. This is after making a net contribution to General Fund earmarked reserves of £329k 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 £83k that the Council has been awarded to date for 2008/09 has been shown within the accounts as a general government grant.

## B. Explanatory Foreword

### ii) Other Variations

<b>Under (-) / Over spends</b>	<b>£000s</b>
Financial Instruments	-463
Interest and Debt Management Costs	-323
IT	-152
Benefits	233
Targeted Dwellings	-172
Domestic Refuse	-151
Construction Services	-216
Community Safety	-228
Car Parking	873
Regeneration	-138
Planning	-227
Asset Management	-308
Finance	-704
Non Distributed Costs	-222
Concessionary Fares	175
Provisions for Bad Debt and Insurance	-384
Support Services	2,048

### c) Housing Revenue Account

The following table outlines the outturn position for the Housing Revenue Account for 2008/09. 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	354	-806	-1,160
Interest & Capital Financing Adjustments	-528	314	842
<b>(Surplus)/Deficit for the year</b>	-174	-492	-318
<b>Balance brought forward</b>		-5,631	
<b>Balance carried forward</b>		-6,123	

#### Variations to Budget

After taking account of contributions to reserves and balances, the Council's Housing Revenue Account working balance was increased by £492k. This is after making a net contribution to HRA earmarked reserves of £2.175m to fund the capital programme in future years (£2m) and to set up a reserve for anticipated PFI Setup costs (£175k).

## B. Explanatory Foreword

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>
Rents - dwellings only	-515
Repairs & Maintenance	2,091
Revenue Contributions to Capital	-2,000
Contribution to Earmarked Reserves	2,175
Net Recharges for Support Services	-1,338
Rent Rebate Subsidy Limitation	-503

### d) Capital Expenditure

Capital expenditure relates to spending on new and improved assets (primarily Council owned) such as land, buildings, infrastructure, equipment, and information technology. In 2008/09 the Council spent £11.1 million on capital projects, compared with a budget of £15.1 million.

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	£000s	£000s	£000s
<b>Expenditure</b>			
Housing Revenue Account Schemes	10,079	7,925	-2,154
General Fund Housing Schemes	4,848	3,055	-1,793
Other General Fund Schemes	224	136	-88
<b>Total Capital Expenditure</b>	<b>15,151</b>	<b>11,116</b>	<b>-4,035</b>
<b>Sources of Financing</b>			
Major Repairs Allowance		7,336	
Revenue Contributions to Capital Expenditure		519	
Grants & Contributions		1,029	
Capital Receipts		124	
Supported Borrowing		500	
Prudential Borrowing		1,608	
		<b>11,116</b>	

### Capital Variations to Budget

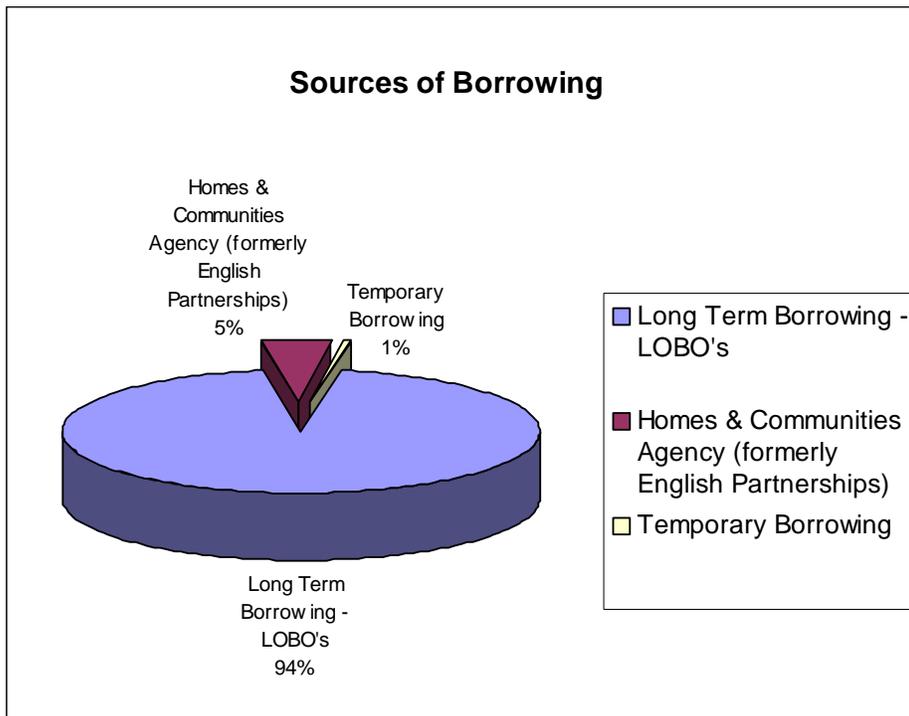
The spend on the capital programme was approximately £4m below budget for the year. Approximately £3.8m of this variance relates to schemes that are currently underway or still planned to take place, but have effectively "slipped " into the next financial year (i.e. 2009/10).

## B. Explanatory Foreword

### e) Current Borrowing Facilities

Current borrowing facilities are as detailed below: -

Description	£000s
Long Term Borrowing - Bonds	24,785
English Partnerships	1,242
Temporary Borrowing	159
	26,186



## B. Explanatory Foreword

### 3. Major Changes in 2008/09

#### a) Assets acquired or enhanced

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

<b>Capital Expenditure</b>	
	£000s
<b>Housing</b>	
Council Housing	7,460
Other Housing	464
	7,924
<b>General Fund</b>	
Information Technology	882
Corporate Buildings	628
Leisure and Community Facilities	452
Market Square	381
CCTV Installation	357
Community Safety Schemes	233
Recycling Facilities	154
Other Capital Works	105
	3,192
	11,116

#### b) Accounting Policies

A new Statement of Recommended Practice (SoRP) applies for the production of the 2008/09 accounts. This brings accounting treatments closer into line with UK Generally Accepted Accounting Practice (UK GAAP) and entails some minor changes to accounting treatments and the presentation of the accounts. Details of any changes are included in the section on accounting policies and the note on Prior Period Adjustments and Adjustments Relating to Previous Years.

#### c) Statutory Functions

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

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

## B. Explanatory Foreword

d) Unusual charges or credits in the accounts

As indicated earlier, the Council is in receipt of an additional general government grant in 2008/09 called Local Authority Business Growth Incentive (LABGI) (as it was in 2007/08). This grant will not be ongoing and so the use of this grant is not being built into base budgets.

### 4. Conclusion

The Council is committed to continuous improvement in the delivery of services to the public whilst maintaining and developing strong internal control arrangements and improving the efficiency of back office functions. This is against a backdrop of an increasingly challenging funding regime which presupposes continuing efficiency savings from council services. To this end a programme of strategic business reviews is being instigated.

During this period of change and improvement, it is important to keep the Council's finances under tight control. The Council has succeeded in maintaining the levels of General Fund reserves at over £2m, which is considered the prudent level of reserves following a risk based analysis. The Council's budgets and the delivery of services within those budgets are the responsibility of service managers with support from a strong finance function and the Council continues to improve service delivery whilst controlling net expenditure.

The Capital Programme is under-spent in 2008/09 against budget but the position has improved compared to previous years. The Council is committed to further improving project management and to bring the capital spend closer to the budget in the future.

The out-turn for the Housing Revenue Account (HRA) shows an increase in the level of working balances and earmarked reserves. The revenue position of the HRA continues to be healthy with challenges facing the Council in delivering the capital improvements necessary to deliver good quality homes at an affordable price to its tenants.

The Council's General Fund Working Balance stood at £2.7m at the end of 2007/08. The working balance was reduced by £0.7m due to transactions in the year. The reasons for this are outlined in section 2b. The Council has adjusted its earmarked reserves to mitigate against emerging risks and against a re-assessment of existing risks together with maintaining its level of balances at the level indicated by risk-based analysis. The Council continues to consolidate and strengthen its financial position to enable a sound platform from which to maintain and improve essential services within available resources. This is demonstrated by the improvements in the Council's Comprehensive Performance Assessment score and the disengagement from close Government scrutiny. The level of working balance and the risk mitigation provided by reserves should enable the Council to concentrate on improving its services in line with priorities and improving the overall efficiency of the Council.

### 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 Director of Finance & Support Northampton Borough Council Cliftonville House, Bedford Road Northampton NN4 7NR
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## **B. Explanatory Foreword**

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 2008/09 financial year and its position at the year-end of 31 March 2009. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice 2008* (the SoRP), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the Accounts and Audit Regulations 2003 (as amended). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets and certain categories of financial instrument.

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

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

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

### **3. Provisions**

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

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

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

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

## C. Statement Of Accounting Policies

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

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

### 4. Reserves

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

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

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

The Council's risk-based assessment of the required level of General Fund working balance is £2m. This level of general working balance is considered reasonable due to the mitigation of some risks through the holding of earmarked reserves.

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

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

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

### 5. Specific Accounting Adjustment Reserves

#### **Capital Accounts**

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

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

## C. Statement Of Accounting Policies

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

The **Capital Adjustment Account** mainly represents

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

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

### **Pensions Reserve**

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

### **Financial Instruments Accounts**

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

- **Financial Instruments Adjustment Account (FIAA)**

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

- **Available-for-sale Financial Instruments Reserve (AFIR)**

The AFIR is used in accounting for gains and losses arising from a change in value of an available-for-sale financial asset, excluding impairment losses and any foreign exchange losses, which are recognised in the Income and Expenditure Account. These gains and losses are recognised as a separate item within the Statement of Total Recognised Gains and Losses. There are no such adjustments necessary for 2008/09.

## 6. Collection Fund Balances

The treatment of the collection fund balance is to split the balance on the collection fund by recording the precepting authorities as debtors or creditors in the top half of the balance sheet and the residual balance attributable to NBC in the bottom half. The movement on the amount attributable to NBC then forms part of the Statement of Recognised Gains and Losses. A note reconciling this treatment to the ring-fenced Collection Fund balance is included in the notes to the Accounts. This treatment is consistent with the requirements of the SoRP.

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

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

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

### **8. Retirement Benefits**

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

The Local Government Pensions Scheme is accounted for as a defined benefits scheme in compliance with FRS 17 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.

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

New: Liabilities are discounted to their value at current prices, calculating the discount rate based on the indicative return on high quality corporate bond(s) (ibox x Sterling Corporates Index). Our actuaries believe that it should therefore be broadly appropriate for Local Government Employers. The previous valuation methodology as used in 2007/08 was on a weighted average of "spot yields" on 'AA rated' corporate bonds. This change does not represent a material effect to the accounts of the Council, however an analysis of the effect that this would have had on the 2007/08 financial year is shown in note 1.

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 – current bid price (was: mid-market value)
- unquoted securities – professional estimate
- unitised securities – current bid price (was: 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

## C. Statement Of Accounting Policies

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
- 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. 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 which appear in the Statement of Movement on the General Fund Balance.

### **Discretionary Benefits**

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

### **9. VAT**

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

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

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice (BVACOP) 2008*. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

## C. Statement Of Accounting Policies

### 11. Capital Expenditure

All expenditure on the acquisition, creation or enhancement of capital assets is capitalised on an accruals basis. The Council has a general de-minimus limit of £6k for capital projects for capital expenditure purposes, which results in the capitalisation of expenditure that complies with the definition of capital expenditure, above that limit, as an asset in the balance sheet. Where an asset has been acquired for less than £6k but has been funded by ring fenced capital funding, this will be treated as capital and will result in an asset in the balance sheet if appropriate.

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

### 12. Intangible Fixed Assets

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

### 13. Tangible Fixed Assets

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

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

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

## C. Statement Of Accounting Policies

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

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

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

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

Amounts in excess of £10k 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 Useable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the Statements of Movement on the General Fund Balance and the Statement of Movement on the Housing Revenue Account Balance.

The carrying value of the assets are compared to the sale value to reflect the profit or loss to be shown in revenue. The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance and the Statement of Movement on the Housing Revenue Account Balance so that there is no impact on the General Fund or Housing Revenue Account balances.

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

Depreciation is calculated using the Straight-Line method over the determined life of the asset. The Council does not depreciate assets in the year of acquisition. This is not in accordance with Financial Reporting Standard 15, 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. The difference between actual depreciation and historic cost depreciation on revalued assets is charged to the Revaluation Reserve to ensure that the current value is reflected.

**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

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

Government Grants Deferred Account. The balance is then written down to service revenue accounts, where specific services can be identified, in line with the SoRP, according to the depreciation policy applied to the assets. This will partially offset depreciation charges made for the related assets in the relevant service revenue account, in order that the net impact is charged to services over the useful life of the assets. An adjustment will then be made in the Statements of Movement on balances so that there is no impact on levels of Council Tax or Housing Rents.

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

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

- depreciation attributable to the assets used by the relevant service
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve which they can be written off against
- amortisation of intangible fixed assets attributable to the service
- Government Grants and other contributions used for the financing of capital expenditure amortised to the service to balance off against depreciation charges

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

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

This represents expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. This expenditure has been charged 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 decided to meet the cost of the deferred charges from existing capital resources or by borrowing, a transfer to the Capital Financing Account is used to reverse out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

### **16. Leases**

Leases have been assessed under the requirements of Statement of Standard Accounting Practice 21 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, including the general de-minimus of £6k for capital expenditure, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

### Operating Leases

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

## 17. Financial Instruments

### Assessment of Fair Value of Assets or Liabilities

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

- Estimated interest rates at 31<sup>st</sup> March 2009 have been used where applicable based on the rate most appropriate to each type of investment. These have been based on rates for that date including Bank of England base rate (0.5%), PWLB rates and LOBO rates for example;
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next twelve months, the carrying amount is assumed to approximate fair value;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

### Financial Liabilities

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account on an amortised cost basis in the year of repurchase / settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments with substantially the same overall effect when viewed as a whole, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and written down to the Income and Expenditure Account on a straight-line basis over the term of the replacement loan by an adjustment to the effective interest rate. Where premiums and discounts are to be charged to the General Fund or Housing Revenue Account Balance, regulations allow the impact on the Balances to be spread over future years. In the case of premiums and discounts attributable to the HRA, the Council spreads the gain / loss over the term that was remaining on the loan against which the premium was payable or

## C. Statement Of Accounting Policies

discount receivable when it was repaid up to a maximum of ten years. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statements of Movement on Balances. Where there is not a direct replacement of loans, the gains and losses must be derecognised from the balance sheet. Where there is a legal requirement to charge these to revenue over a different period, an adjusting transaction is made to the Statement of Movements on Balances.

### Financial Assets

Financial assets are classified into three types:

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

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

However, the Council has made a number of loans at less than market rates (for example repayable training fees). These are termed 'soft loans'. The soft loans made by the Council have been assessed as non-material following discussions with the auditors and are therefore being accounted for as revenue expenditure and not financial instruments.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

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

- b) **Available-for-sale assets** are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g., dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council. Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

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

## C. Statement Of Accounting Policies

- equity shares with no quoted market prices – independent appraisal of company valuations.

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

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

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

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

### 18. Interest Receivable

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

### 19. Stocks and Work in Progress

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

Work in progress on uncompleted jobs is valued at cost.

### 20. Developers' Contributions

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

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

is credited to the service accounts to support the revenue expenditure. Any capital contribution is treated as a Contribution Unapplied and is written down when the contribution is used to finance a relevant capital project. This treatment is in compliance with the SoRP.

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

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

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

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

### **23. Cash flow**

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

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

#### **FRS17 Retirement Benefits**

Under the 2008 SORP the council has adopted the amendment to FRS17 Retirement Benefits. As a result, quoted securities held as assets in the defined pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of the scheme assets at 31<sup>st</sup> March 2008 has decreased from £142.1m to £141.5m, a decrease of £587k, resulting in an increase in the pension deficit of £587k. The Council has elected not to restate the accounts for 2007/08 to reflect this change, as it is immaterial.

#### **Soft Loans**

Following discussions with the auditors, the Council's soft loans relating to training fees which are repayable in certain circumstances, have been determined to be de minimus. These costs are therefore being treated as revenue expenditure and not financial instruments. The balance sheet item has been written out accordingly.

## 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.

2007/08		2008/09			Note
Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
£000s		£000s	£000s	£000s	
	<b>EXPENDITURE ON SERVICES</b>				
2,016	<b>Central services to the public</b>	15,695	-13,355	2,340	
	<b>Cultural, environmental &amp; planning</b>				
7,809	Cultural & related services	15,757	-4,145	11,612	
11,224	Environmental services	15,610	-4,637	10,973	
4,100	Planning & development services	6,618	-1,580	5,038	2
2,921	<b>Highways, roads &amp; transport</b>	8,175	-4,739	3,436	3
	<b>Housing</b>				
252	Housing Revenue Account	104,102	-47,100	57,002	
4,689	General Fund Housing	58,795	-53,638	5,157	
2,310	<b>Corporate &amp; democratic core</b>	3,207	-66	3,141	4, 5
1,499	<b>Non distributed costs</b>	358		358	
-450	<b>Other Services</b>	0		0	
36,370	<b>Net Cost of Services</b>	228,317	-129,260	99,057	6-10
1,397	Loss on the Disposal of Fixed Assets			-1,213	
825	Parish Council precepts			832	
-59	Parish grants			-21	
	Surpluses (-) / Deficits on trading undertakings not included in Net Cost of				
86	Services			2,549	11
1,548	Interest payable and similar charges			1,503	
-799	Premia			0	
4,292	Contributions to housing pooled capital receipts			755	35d
-3,263	Interest & investment income			-3,664	
1,655	Pensions interest cost & expected return on pensions assets			4,679	12
42,052	<b>Net Operating Expenditure</b>			104,477	
-13,045	Demand on the Collection Fund			-13,719	
10	Distributed Surplus (-) / Deficit on Collection Fund			22	
	General Government Grants:				
-2,645	Revenue Support Grant			-2,290	
-15,760	Non-domestic rates redistribution			-16,453	
-451	Local Authority Business Growth Incentive Area Based Grant			-83	
	Concessionary Travel Scheme			-617	
				-677	
10,161	<b>Surplus (-) / Deficit for the Year</b>			70,660	

## 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.

2007/08		2008/09	Note
£000s		£000s	
10,161	Surplus (-) / Deficit for the year on the Income and Expenditure Account	70,660	
-9,959	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	-69,975	13
202	<b>Increase (-) / Decrease in the General Fund Balance for the Year</b>	685	
-2,893	General Fund Balance brought forward	-2,691	
-2,691	<b>General Fund Balance carried forward</b>	-2,006	

## D. Core Financial Statements

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## D. Core Financial Statements

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

2007/08		2008/09	Note
<b>£000s</b>		<b>£000s</b>	
	<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>		
-503	Amortisation of intangible fixed assets	-484	
-7,757	Depreciation and Impairment of fixed assets	-10,688	
2,373	Government Grants Deferred amortisation	741	
-667	Revenue Expenditure Funded from Capital Under Statute	-1,850	
-1,450	Net loss on sale of fixed assets	1,105	
	Differences between amounts debited / credited to the Income and Expenditure Account and amounts payable / receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early repayment of debt	-3	
-187		-3	
-5,959	Net charges made for retirement benefits in accordance with FRS 17	-7,880	12
-14,150		-19,059	
	<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>		
350	Minimum Revenue Provision for capital financing	438	
23	Capital expenditure charged in-year to the General Fund Balance	515	
-4,292	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	-755	
5,523	Employer's contributions payable to the Northamptonshire County Council Pension Fund and retirement benefits payable direct to pensioners	5,980	12
1,604		6,178	
	<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>		
-62	Housing Revenue Account Balance	-56,746	
2,649	Net transfers to / from (-) earmarked reserves	-330	
1,900	Adjustments to opening Financial Instrument Balances	-	
-1,900	Adjustments to opening Financial Instrument Balances Reversed to the Financial Instruments Adjustment Account	-18	
2,587		-57,094	
-9,959	<b>Net additional amount required to be credited to the General Fund balance for the year</b>	-69,975	

## 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.

2007/08		2008/09	Note
<b>£000s</b>		<b>£000s</b>	
10,161	Surplus (-) / Deficit for the year on the Income and Expenditure Account	70,660	I&E
-52,632	Surplus (-) / Deficit arising on revaluation of fixed assets	14,769	
36,515	Actuarial gains (-) / losses on pension fund assets and liabilities	-6,475	12
	Any other gains and losses required to be included in the STRGL		
149	Surplus (-) / Deficit for the year on Collection Fund balance due to Northampton Borough Council	-23	14
1,710	Financial Instruments Restatement Adjustment (2007/08 Only)	-	
-4,097	<b>Total recognised gains (-) / losses for the year</b>	<b>78,931</b>	

## **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<sup>st</sup> March.

2007/08		2008/09		Note
£000s	<b>Fixed Assets</b>	£000s	£000s	15,16
3,540	<b>Intangible Fixed Assets</b>		3,734	17
	<b>Tangible Fixed Assets</b>			18 - 24
	Operational Assets			
596,169	Council dwellings	517,077		
90,141	Other land and buildings	87,051		
911	Vehicles, plant, furniture & equipment	2,788		
1,249	Infrastructure Assets	1,415		
6,026	Community Assets	5,924		
	Non-operational Assets			
43,555	Investment Properties	39,841		
3,050	Assets Under Construction	3,514		
796	Surplus Assets Held for Disposal	1,169		
741,897			658,779	
745,437			662,513	
109	Long-term Debtors		40	
0	Long-term Investments		0	
745,546	<b>Total Long-term Assets</b>		662,553	
379	Stocks & work in progress	441		26
22,732	Debtors	15,662		27
52,503	Investments	53,019		25
29	Cash and bank	49		28
75,643	<b>Total Current Assets</b>		69,171	
821,189	<b>Total Assets</b>		731,724	
-154	Short-term Borrowing	-159		29
-35,597	Creditors	-28,801		30,31
-1,111	Bank Overdraft	-629		28
-36,862	<b>Total Current Liabilities</b>		-29,589	
784,327	<b>Total Assets less Current Liabilities</b>		702,135	
-26,047	Long-term borrowing	-26,027		32
-1,218	Provisions	-1,063		33
-8,145	Grants & contributions – deferred	-8,419		
-1,110	Grants & contributions – unapplied	-1,846		31
-101,215	Liability relating to defined benefit pension scheme	-97,118		12
-137,735	<b>Total Long-term Liabilities</b>		-134,473	
646,592	<b>Total Assets less Liabilities</b>		567,662	34
	<b>Financed by</b>			
50,489	Revaluation Reserve	15,564		
673,402	Capital Adjustment Account	622,581		
-1,582	Financial Instruments Adjustment Account	-1,288		
131	Capital Receipts Reserve	395		
54	Deferred capital receipts	44		
-101,215	Pension reserve	-97,118		12
2,691	General fund balance	2,006		
-148	Collection fund balance	-125		14b
5,631	Housing Revenue Account balance	6,124		
2,617	Major Repairs Reserve	3,113		
14,522	Earmarked reserves	16,366		
646,592	<b>Total Net Worth</b>		567,662	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.

2007/08		2008/09		Note
£000s		£000s	£000s	
11,473	<b>Revenue Activities Net Cash Flow</b>		0	36
	<b>Return on Investments &amp; Servicing of Finance</b>			
-1,357	<b>Cash Outflows</b> - Interest paid	0		
2,847	<b>Cash Inflows</b> - Interest received	0		
1,490	<b>Net Interest</b>		0	36
	<b>Capital Activities</b>			
	<b>Cash Outflows</b>			
-12,819	Purchase of fixed assets	0		
0	Purchase of long-term investments	0		
-667	Other capital cash payments	0		
-13,486		0		
	<b>Cash Inflows</b>			
5,899	Sale of fixed assets	0		
2,916	Capital grants received	0		
39	Other capital cash receipts	0		
8,854		0		
-4,632			0	
8,331	<b>Net Cash (Inflow)/Outflow before financing</b>		0	
	<b>Management of Liquid Resources</b>			36
-7,943	Net increase / decrease in short term deposits	0		
0	Net increase / decrease in other liquid resources	0		
-7,943			0	
	<b>Financing</b>			36
537	<b>Cash Outflows</b> - Repayments of amounts borrowed	0		
-828	<b>Cash Inflows</b> - New loans raised	0		
-291	<b>Financing Net Cash Flow</b>		0	
97	<b>Net Increase / Decrease (-) in cash</b>		0	36

## D. Core Financial Statements

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

### **1. Prior Period Adjustments and Adjustments relating to Previous Years**

#### **Prior Period Adjustments**

There are no prior period adjustments which have an effect on the overall position of the Council.

#### **Adjustments relating to Previous Years**

There is an adjustment relating to changes in valuation for the pension funds (FRS17). This has been processed in 2008/09 and not reflected in the figures for 2007/08 because it does not give rise to a material change.

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

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

The Building Control chargeable services has, for the three-year period to 31<sup>st</sup> March 2009, made an operating deficit of £210k on a turnover of £1,090k. In the previous three-year period to 31<sup>st</sup> March 2008, there was a deficit of £25k against a turnover of £1,681k.

Continued...

## E. Notes To The Core Financial Statements

	2008/09		
	Chargeable	Non-Chargeable	Total
	£000s	£000s	£000s
<b>Expenditure</b>			
Employees	219	172	391
Premises	0	0	0
Transport	7	5	12
Supplies and services	13	10	23
Support service charges	144	113	257
Capital Charges	0	0	0
<b>Total Expenditure</b>	383	300	683
<b>Income</b>			
Building Regulation fees	-280	0	-280
Other Income	0	0	0
<b>Total Income</b>	-280	0	-280
<b>Surplus (-) / Deficit for Year</b>	103	300	403
Comparatives for 2007/08	2007/08		
	Chargeable	Non-Chargeable	Total
	£000s	£000s	£000s
Expenditure	424	290	714
Income	-324	0	-324
<b>Surplus (-) / Deficit for Year</b>	100	290	390

### 3. Agency Services

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

2007/08		2008/09
£000s		£000s
446	Administration costs and ancillary services	431
-239	Income including transfer fees from NCC	-246
207		185

## E. Notes To The Core Financial Statements

### 4. Members' Allowances

The total amount of members' allowances paid in the year ending 2008/09 was £445k. Detailed allowances are listed below:-

2007/08		2008/09
£000s		£000s
	<b>Expenditure</b>	
27	Mayor/Deputy Mayor Allowance	27
330	Members' Allowances	410
7	Expenses	8
364	<b>Total</b>	445

### 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: -

2007/08		2008/09
£000s		£000s
234	Fees payable with regard to external audit services carried out by the appointed auditor (Section 5 Audit Commission Act 1998)	268
21	Fees payable in respect of statutory inspection (Section 10 Local Government Act 1999)	0
50	Fees payable for the certification of Grant Claims and Returns (Section 28 Audit Commission Act 1998)	59
32	Fees payable in respect of other services provided by the appointed auditor	0
337		327

### 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 £239k in 2008/09 (£219k in 2007/08). The spend was mainly on grants to the voluntary sector and community groups working in the Northampton.

## 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: -

2007/08		2008/09
£000s		£000s
	<b>Expenditure</b>	
152	Recruitment Advertising	261
426	Publicity Unit	428
118	Other Publicity	201
696	<b>Total</b>	890

### 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 £50k or more. This is shown in bands of £10k in the table below:

2007/08		2008/09
No. of Employees	Remuneration Band	No. of Employees
5	£50,000 - £59,999	16
13	£60,000 - £69,999	10
1	£70,000 - £79,999	2
0	£80,000 - £89,999	2
3	£90,000 - £99,999	0
0	£100,000 - £109,999	1
0	£110,000 - £119,999	0
0	£120,000 - £129,999	0
0	£130,000 - £139,999	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 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.

## E. Notes To The Core Financial Statements

*Members of the Council* have direct control over the Council's financial and operating policies. During 2008/09 expenditure to the value of £1.061m (£1.343m in 2007/08) 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 £67k (£39k in 2007/08) 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 2008/09 the contributions paid to Northamptonshire County Council in respect of employers' contributions, added years' contributions and lump sum payments were £7.518m (£6.974m in 2007/08)

*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: -

2007/08			2008/09	
Exp	Income		Exp	Income
£000s	£000s		£000s	£000s
2	-9	Highways	200	-500
315	-155	Call Care	331	-206
32	-32	Print Services Unit	38	-38
349	-196		569	-744

### 11. Trading Undertakings

The Council operates the following trading undertakings: -

2007/08		2008/09		
Net		Income	Exp.	Net
£000s		£000s	£000s	£000s
-62	Property Management	-1,542	3,597	2,055
-	Construction Services	-551	1,045	494
148	Highways	0	0	0
86	<b>(Surplus)/Deficit to I &amp; E</b>	-2,093	4,642	2,549

## E. Notes To The Core Financial Statements

The financial statements include income of £0.488m and expenditure of £0.541m in 2007/08 in respect of the provision of highways related work undertaken by the Council for W S Atkins plc.

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

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

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

2007/08		2008/09		
Net		Income	Exp.	Net
£000s		£000s	£000s	£000s
28	Trade Refuse	-105	222	117
-106	Markets	-558	1,352	794
-78	<b>(Surplus)/Deficit to I &amp; E</b>	-663	1,574	911

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

### 12 Accounting for Pensions

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that the employees earn their future entitlement. The council participates in the Local Government Pension Scheme that is administered locally by Northamptonshire County Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The date of the last actuarial valuation was 31<sup>st</sup> March 2007.

#### a) Transactions Relating to Retirement Benefits

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movements in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and the Statement of Movement in the General Fund Balance during the year:

## E. Notes To The Core Financial Statements

2007/08		2008/09
£000s		£000s
	<b>Net Cost of Service</b>	
4,065	Current Service Cost	4,826
1,830	Past Service Cost / Curtailment	349
-20	Correction of Pension Contributions	42
	<b>Net Operating Expenditure</b>	
12,178	Interest Costs	14,806
-10,523	Expected Return on Assets	-10,127
7,530	Net charge to the Income and Expenditure Account	9,896
	<b>Statement of Movement on the General Fund Balance</b>	
-7,530	Reversal of Net Charges made for Retirement Benefits in accordance with FRS17	-9,896
6,974	Actual amount charged to the General Fund Balance for pensions in the year	7,517

In addition to recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £7.062m were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses is £40.839m.

### b) Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

2007/08		2008/09
£000s		£000s
-226,893	<b>Opening Balance</b>	-243,307
-4,065	Current Service Cost	-4,826
-12,178	Interest Cost	-14,806
-1,471	Contribution by Scheme Participants	-1,638
-4,503	Actuarial Gains/(Losses)	48,306
-1,460	Past Service Gains/(Costs)	0
-370	Curtailment Gains/(Losses)	-349
7,633	Benefits Paid	8,022
-243,307	<b>Closing Balance</b>	-208,598

## E. Notes To The Core Financial Statements

Reconciliation of Fair Value of the scheme assets:

2007/08		2008/09
£000s		£000s
162,077	<b>Opening Balance</b>	141,505
10,523	Expected Return on Assets	10,127
1,471	Contribution by Scheme Participants	1,638
6,183	Contributions by the Employer	6,652
811	Contributions in respect of Unfunded Benefits	824
-31,927	Actuarial Gains/(Losses)	-41,244
-7,633	Benefits Paid	-8,022
141,505	<b>Closing Balance</b>	111,480

The expected return on assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year 2008/09 was £31.242m and in 2007/08 was £8.227m.

### c) Scheme History

31st March	2005	2006	2007	2008	2009
	£000s	£000s	£000s	£000s	£000s
Present Value of Scheme Liabilities	-199,423	-227,855	-226,893	-243,307	-208,598
Fair Value of Assets	123,026	154,034	162,077	141,505	111,480
Surplus / (Deficit) in the Scheme	-76,397	-73,821	-64,816	-101,802	-97,118

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £97m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a positive overall balance of £567.662m

However statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

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

The total contributions expected to be made to the scheme by the Council in the year to 31 March 2010 is £6.5m.

### d) Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions

## E. Notes To The Core Financial Statements

about mortality rates, salary levels, etc. The scheme liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 1 April 2007.

The principal assumptions used by the actuary have been:

31/03/2008		31/03/2009
	Long Term Expected Rate of Return on Assets in the Scheme	
7.5%	Equity Investments	7.0%
5.3%	Bonds	5.4%
6.5%	Property	4.9%
5.3%	Other	4.0%
	Mortality Assumptions	
	Longevity at 65 for Current Pensioners:	
21.1	- Men	21.1
24.0	- Women	24.0
	Longevity at 65 for Future Pensioners:	
22.5	- Men	22.2
25.0	- Women	25.0
3.6%	Rate of Inflation	3.1%
5.1%	Rate of Increase in Salaries	4.6%
3.6%	Rate of Increase in Pensions	3.1%
6.1%	Rate for Discounting Scheme Liabilities	6.9%
50.0%	Take-up of Option to Convert Annual Pension into Retirement Lump Sum	50.0%

The Local Government Pension Schemes assets consist of the following categories, by proportion of the total assets held:

31/03/2008		31/03/2009
70.0%	Equities	70.0%
17.0%	Bonds	19.0%
7.0%	Property	7.0%
6.0%	Cash	4.0%
100.0%		100.0%

### e) History of Experienced Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31<sup>st</sup> March 2009:

## E. Notes To The Core Financial Statements

31st March	2005	2006	2007	2008	2009
	£000s	£000s	£000s	£000s	£000s
Fair Value of Employer Assets	123,026	154,034	162,077	141,506	111,482
Experienced Gain/Loss(-) on Assets	6,822	21,709	-1,871	-31,927	-41,244
Gain/Loss(-) as % of Asset Fair Value	5.55%	14.09%	-1.15%	-22.56%	-37.00%
Present Value of Liabilities	-199,423	-227,855	-226,893	-243,308	-208,600
Experienced Gain/Loss(-) on Liabilities	3,031	-4,102	0	6,529	-739
Gain/Loss(-) as % of Total Liabilities	-1.52%	1.80%	0.00%	-2.68%	0.35%

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

The Council approved the Council's Annual MRP statement for 2008/09, which is required by the guidance issued by CLG, on 26th Feb 2009.

The MRP charged to the 2008-09 accounts relates to the historic debt liability incurred for years up to and including 2007-08. This has been calculated at the rate of 4% on the reducing balance, in accordance with option 1 of the guidance, the "regulatory method".

The Council's Minimum Revenue Provision for 2008-09 was £438k. This compares to £350k in 2007-08.

### 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:

<b>Precept 2007/08</b>	<b>Percentage of Total Precepts</b>		<b>Precept 2008/09</b>	<b>Percentage of Total Precepts</b>
<b>£000s</b>		<b>Precepting Authorities</b>	<b>£000s</b>	
59,497	71%	Northamptonshire County Council	62,567	71%
11,037	13%	Northamptonshire Police Authority	11,689	13%
13,045	16%	Northampton Borough Council	13,719	16%
83,579	100%	<b>Total Precepts for the year</b>	87,975	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: -

<b>Collection Fund Balance 2007/08</b>	<b>Treatment</b>	<b>Collection Fund Balance 2008/09</b>
<b>£000s</b>		<b>£000s</b>
	<b>Creditors / Debtors</b>	
673	Northamptonshire County Council	571
125	Northamptonshire Police Authority	107
	<b>Reserve</b>	
148	Northampton Borough Council	125
946	<b>Collection Fund Balance</b>	803

## E. Notes To The Core Financial Statements

### 15 Capital Expenditure and Financing

#### a) Capital Expenditure

<b>Total 2007/08</b>		<b>Total 2008/09</b>
£000s		£000s
	<b>Capital Investment</b>	
497	Intangible Assets	628
	Tangible Assets	
10,894	Operational Assets	9,894
384	Non-operational Assets	594
1,331	Deferred Charges	0
13,106		11,116
	<b>Sources of Finance</b>	
500	Supported Borrowing	500
2,559	Prudential Borrowing	1,608
1,477	Capital Receipts	124
7,940	Government Grants	8,182
23	Revenue Contributions	519
607	Other Contributions	183
13,106		11,116

#### b) Revenue Expenditure Funded from Capital Under Statute

<b>Total 2007/08</b>		<b>Total 2008/09</b>
£000s		£000s
	<b>Capital Investment</b>	
0	Revenue Expenditure funded from Capital	3,140
0		3,140
	<b>Sources of Finance</b>	
0	Supported Borrowing	0
0	Prudential Borrowing	856
0	Capital Receipts	1,010
0	Government Grants	1,194
0	Revenue Contributions	0
0	Other Contributions	80
0		3,140

## E. Notes To The Core Financial Statements

### c) Capital Financing Requirement

<b>Total 2007/08</b>		<b>Total 2008/09</b>
10,766	Opening Capital Financing Requirement	13,475
500	Supported Borrowing	500
2,559	Prudential Borrowing	2,463
-350	Minimum Revenue Provision	-438
13,475	Closing Capital Financing Requirement	16,000

### 16 Commitments Under Capital Contracts

<b>Contract</b>	<b>Contractor</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
		<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Complete Roofs	Warkton Roofing Ltd	638	23	0	0
Heating Replacement Planned	Wheldon Contracts & Services Ltd	315	12	0	0
Kitchen Replacement Backlog 2008-09 Contract	A Ainge & Sons	163	0	0	0
Door and Ad-hoc Window Replacement (Relating to Hardingstone)	Graham Holmes Astraseal	74	2	0	0
Housing Management System (IBS Open Housing)	IBS Open Housing	61	0	0	0
Complete Roofs	Oakleaf Roofing Ltd	59	4	0	0
Complete Roofs	Ladderbridge Roofing Ltd	22	0	0	0
Door and Ad-hoc Window Replacement	Graham Holmes Astraseal	13	0	0	0
Kitchen Replacement Backlog 2007-08 Contract	Mears	12	0	0	0
Kitchen Replacement Backlog 2007-08 Contract	A Ainge & Sons	5	0	0	0
Spring Lane Victorian School Annexe	Chris Smith Developments	3	0	0	0
<b>Total</b>		1,365	41	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>	5,373	0	0	5,373
Amortisations to 1 April 2008	-1,833	0	0	-1,833
<b>Net book value 31st March 2008</b>	3,540	0	0	3,540
Expenditure in Year	628	0	0	628
Adjustments in Year	-510	0	0	-510
Amortisations written back on Disposal	1,307	0	0	1,307
Adjustments in Year - Amortisation	510	0	0	510
Written Off to Revenue in Year - Impairment	-1,203	0	0	-1,203
Written Off to Revenue in Year - Amortisation	-538	0	0	-538
<b>Net book value of assets 31st March 2009</b>	3,734	0	0	3,734

### 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 2008</b>	614,482	16,805	80,616	10,062	1,444	6,092	729,501
Accumulated impairment	-948	-382	-1,664	-2,771	0	0	-5,765
Accumulated depreciation	-17,365	-341	-4,893	-6,380	-195	-66	-29,240
<b>Net book value 31st March 2008</b>	596,169	16,082	74,059	911	1,249	6,026	694,496
<b>Movement in 2008/09</b>							
Additions	7,575	0	750	823	180	579	9,907
Disposal	0	0	0	0	0	0	0
Revaluations	10,513	363	1,322	1,176	0	0	13,374
Depreciation	-9,849	-250	-1,876	-466	-15	-21	-12,477
Depreciation Written Back	17,365	254	4,722	6,404	0	0	28,745
Impairments	-104,031	-547	-7,680	-6,062	0	-660	-118,980
Adjustments/Transfers	-665	20	-174	2	1	0	-816
Depreciation Adj/Transfers	0	-3	9	0	0	0	6
<b>Net book value 31st March 2009</b>	517,077	15,919	71,132	2,788	1,415	5,924	614,255
Gross Valuation at 31st March 2009	631,905	17,188	82,514	12,063	1,625	6,671	751,966
Impairments at 31st March 2009	-104,979	-929	-9,344	-8,833	0	-660	-124,745
Depreciation at 31st March 2009	-9,849	-340	-2,038	-442	-210	-87	-12,966
<b>Net Book Value 31st March 2009</b>	517,077	15,919	71,132	2,788	1,415	5,924	614,255

## E. Notes To The Core Financial Statements

### b) Non-Operational Assets

	Works In Progress	Investment & Commercial	Surplus Assets	Total
	£000s	£000s	£000s	£000s
<b>Certified Valuation 31st March 2008</b>	3,050	44,195	796	48,041
Accumulated impairment	0	-588	0	-588
Accumulated depreciation	0	-52	0	-52
<b>Net book value 31st March 2008</b>	3,050	43,555	796	47,401
<b>Movement in 2008/09</b>				
Additions	465	129	0	594
Disposal	0	0	-1,046	-1,046
Revaluations	0	727	0	727
Depreciation	0	0	-19	-19
Depreciation Written Back	0	0	120	120
Impairments	0	-3,988	-104	-4,092
Adjustments/Transfers	-1	-590	1,550	959
Depreciation Adjustments/Transfers	0	8	-128	-120
<b>Net book value of assets 31st March 2009</b>	3,514	39,841	1,169	44,524
Gross Valuation at 31st March 2009	3,514	44,461	1,300	49,275
Impairments at 31st March 2009	0	-4,576	-104	-4,680
Depreciation at 31st March 2009	0	-44	-27	-71
<b>Net Book Value 31st March 2009</b>	3,514	39,841	1,169	44,524

## E. Notes To The Core Financial Statements

### 19 Information on Assets Held

31/03/2008		31/03/2009
<b>Number</b>	<b>Operational Assets</b>	<b>Number</b>
12,262	<b>Council Dwellings</b>	12,209
	<b>Other Land and Buildings</b>	
27	Council Houses not used as dwellings	27
95	Shared Ownership Properties	94
3,005	Council Garages	3,002
20	Other Housing Properties	19
67	Operational Shops	67
194	Other Garages	194
1	Guildhall	1
62.88ha	Allotments	62.88ha
4	Sports & Leisure Centres	5
27	Community Centres	27
2	Museums, Art Galleries	2
1	Open Markets	1
15	Public Conveniences	14
5	Multi-Storey Pay & Display Car Parks	5
4	Local Area Offices	4
4	Central Administrative Offices	4
1	Gypsy Site	1
1	Bus Station	1
17	Surface Pay & Display Car Parks	18
1	Depots	1
15	Sub-Depots	15
284	Commercial Property (Units)	289
1	Golf Course	1
74	<b>Infrastructure</b>	75
164	<b>Vehicles, Plant, Furniture and Equipment</b>	163
	<b>Community Assets</b>	
887.45ha	Parks and Open Spaces	887.45ha
4	Historical Buildings	4
33	Monuments/Memorials/Exhibitions	35
6	Pavilions	6
6	Cemeteries	8
1	Civic/Mayoral Regalia	1
	<b>Non-operational Assets</b>	
284	Commercial Property (Units)	289
65.97ha	Agricultural Land	65.97ha
1	Theatres	1
1	Indoor Market/Arts Venue	1
78	<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 operating leases. The amount charged to revenue under these arrangements in 2008/09 was £2.53m (£2.48m for 2007/08). The Council has one financing lease above the de-minimus level which was entered into in 2008/09. The amount charged to revenue in 2008/09 was £8k.

#### a) Cost

2007/08		2008/09
£000s		£000s
0	Finance Lease Rentals	4
314	Operating Lease Charges	339
2,162	Vehicle Operating Lease Charges (including Maintenance)	2,193
2,476		2,536

#### b) Periods & Commitment

Commitments in 2009/10 for Assets Held Under Operating Leases in 2008/09	31/03/2009
	£000s
<b>Leases Expiring</b>	
Within 1 year	0
2 – 5 years	222
Exceeding 5 years	153
	375

Future Year Obligations for Assets Held Under Finance Leases in 2008/09	31/03/2009
	£000s
<b>Obligations Due</b>	
Within 1 year	7
2 – 5 years	6
Exceeding 5 years	0
	13

### 21 Assets Held For Leases

The Council received £2.419m (£2.435m in 2007/08) in the year from the lease of property to third parties under operating leases. As at 31<sup>st</sup> March 2009, the gross value of the assets was £40.309m for which £2.338m accumulated depreciation has been charged to revenue.

## E. Notes To The Core Financial Statements

### 22 Valuation Information

Assets are carried in the Council's balance sheet at current value in accordance with the proper practices as set out in the CIPFA 2008 SoRP (Statement of Recommended Practice).

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

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

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

#### a) Tangible Operational

	<b>Council Dwellings</b>	<b>Other HRA Land &amp; Build.</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	£000s
Valued at Historic Cost	0	0	33	0	1,362	5,202	6,597
Valued at Current Value in: -							
2008/09	517,077	15,793	65,625	2,139	0	0	600,634
2007/08	0	126	262	649	0	184	1,221
2006/07	0	0	487	0	0	0	487
2005/06	0	0	550	0	0	0	550
2004/05	0	0	3,561	0	53	170	3,784
Previous Years	0	0	614	0	0	368	982
<b>Total</b>	<b>517,077</b>	<b>15,919</b>	<b>71,132</b>	<b>2,788</b>	<b>1,415</b>	<b>5,924</b>	<b>614,255</b>

## E. Notes To The Core Financial Statements

### b) Tangible Non-Operational

	Non-Operational Assets			Total
	Works in Progress	Investment Property	Surplus Property	
	£000s	£000s	£000s	£000s
Valued at Historic Cost	3,513	0	0	3,513
Valued at Current Value in: -				
2008/09	0	24,767	115	24,882
2007/08	0	3,193	554	3,747
2006/07	0	4,698	0	4,698
2005/06	0	3,714	277	3,991
2004/05	0	3,219	50	3,269
Previous Years	0	250	174	424
<b>Total</b>	<b>3,513</b>	<b>39,841</b>	<b>1,170</b>	<b>44,524</b>

### 23 Valuation Methodologies

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

### 24 Changes in Valuation Methodologies Used

There have been no changes to valuation methodologies used in 2008/09 compared with the previous year.

## E. Notes To The Core Financial Statements

### 25 Investments

31/03/2008	Investment Type	31/03/2009
£000s		£000s
	<b>Short Term - Under 1 Year</b>	
0	Gilts	0
100	UK Equities	0
47,303	Building Societies	9,959
5,100	Cash On Deposit	11,280
0	Banks	25,477
52,503		46,716
	<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	6,303
0	Total	6,303

### 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.

31/03/2008		31/03/2009
£000s		£000s
183	Westbridge Depot Main Stores	259
68	Sub Stores	90
128	Other Stores	92
379	Total	441

## E. Notes To The Core Financial Statements

### 27 Current Assets – Debtors

31/03/2008		31/03/2009
£000s		£000s
4,588	Sundry Debtors	5,275
9,968	Government Departments	3,634
1,949	Other Local and Public Authorities	569
10,554	Local Taxpayers	10,988
4,291	Housing Tenants	3,386
15	Loans to Employees	21
798	Collection Fund Balance owed	677
32,163		24,550
	Provisions for Bad Debts	
-3,809	Local Taxpayers	-3,953
-2,376	Housing Tenants	-1,933
-3,246	Other	-3,002
-9,431	Total Provision for Bad Debts	-8,888
22,732	Net Debtors	15,662

### 28 Current Assets – Cash & Bank

31/03/2008		31/03/2009
£000s		£000s
0	Co-operative Bank	0
5	Imprests	5
16	Floats	36
8	Girobank	8
29	Cash & Bank	49
-1,111	Overdraft	-629

## E. Notes To The Core Financial Statements

### 29 Current Liabilities – Short Term Borrowing

31/03/2008	Funded by	Period Invested	31/03/2009
£000			£000
50	Billing Parish Council	Fixed Deposit	50
10	Billing Parish Council	7 day Notice	15
94	Northampton Volunteer Bureau	7 day Notice	94
154			159

### 30 Current Liabilities – Creditors

31/03/2008		31/03/2009
£000s		£000s
10,402	Sundry Creditors	6,385
7,385	Government Departments	6,860
4,136	Other Local and Public Authorities	2,600
4,204	Local Taxpayers	4,515
890	Tenants	540
8,005	Developer's Contributions	7,730
575	Deposits	171
0	Collection Fund Balance owed	0
35,597		28,801

### 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.

2007/08		2008/09
£000s		£000s
6,598	Creditors	6,332
1,407	Receipts in advance	1,399
948	Grants & Contributions - Unapplied (Government Grants)	1,361
21	Grants & Contributions - Unapplied (Non-Government Grants)	376
141	Grants & Contributions - Unapplied (Developers)	110
9,115		9,578

## E. Notes To The Core Financial Statements

### 32 Long Term Borrowing

31/03/2008	Source of Loan	Range of Interest Rates (%)	31/03/2009
£000			£000
	Analysis of loans by type		
24,791	Money Markets	4.85 - 7.03	24,785
1,256	English Partnerships	9.25	1,242
26,047			26,027
	Analysis of loans by maturity		
14	Maturing in 1-2 years		16
51	Maturing in 2-5 years		56
15,845	Maturing in 5-10 years		15,820
10,137	Maturing in over 10 years		10,135
26,047			26,027

### 33 Provisions

#### a) Insurance Provision

The provision covers the following risks :-

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

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

The estimated cost of outstanding claims on the Insurance provision as at 31<sup>st</sup> March 2009 is shown below. These sums represent the balance on the Insurance Provision, with any surplus being transferred to the Insurance Reserve.

2007/08		2008/09
£000s		£000s
-982	Ongoing Liability Claims under the policy excess	-992
-7	Motor Vehicle Claims over the "paid locally" figure, but under the policy excess	-1
-989		-993

## E. Notes To The Core Financial Statements

### b) Overall Provisions

<b>Provisions</b>	<b>Balance 31/03/2008</b>	<b>Costs</b>	<b>Income</b>	<b>Balance 31/03/2009</b>
	£000s	£000s	£000s	£000s
Insurance	-989	1,228	-1,231	-992
DWP Grants	-160	160	0	0
Other	-69	0	-2	-71
	-1,218	1,388	-1,233	-1,063

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

The provision of £160k that had been made in relation to prior year subsidy claims is no longer required. Therefore this provision has been written back to revenue in 2008/09.

#### Other

The balance represents small provisions of £5k in respect of the Rent Assistance and Rent Guarantee Schemes and a provision of £66k relating to electricity payments due on leisure centres.

### 34 Analysis of Net Assets Employed

	31 March 2008	31 March 2009
	£000s	£000s
General Fund	-11,241	-9,932
Housing Revenue Account	617,853	539,860
Trading Operations	40,216	37,734
<b>Total</b>	<b>646,828</b>	<b>567,662</b>

## E. Notes To The Core Financial Statements

### 35 Reserve Movement

#### a) Overall Summary

<b>Reserve</b>	<b>Balance 31/03/2008</b>	<b>Net Movement in Year</b>	<b>Balance 31/03/2009</b>	<b>Purpose of Reserve</b>	<b>Further Details of Movements</b>
	£000s	£000s	£000s		
Revaluation Reserve	50,489	-34,925	15,564	Store of gains on revaluation of fixed assets	Note 35 b below
Capital Financing Account	673,402	-50,821	622,581	Store of capital resources set aside to meet past expenditure	Note 35 c below
Financial Instruments Adjustment Account	-1,582	294	-1,288	Adjustments for Financial Instruments transactions to properly reflect the impact on revenue balances in the correct year	Note 35 f below
Capital Receipts Reserve	131	264	395	Proceeds of fixed asset sales available to meet future capital investment	Note 35 d below
Deferred capital receipts	54	-10	44	Future Capital Receipts from mortgaged property	
Pension Reserve	-101,215	4,097	-97,118	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 12 to the Core Financial Statements
General Fund Balance	2,691	-685	2,006	Resources available to meet future running costs for non-housing services	Statement of Movement on the General Fund Balance (D2)
Collection Fund Balance	-148	23	-125	Resources available to be paid to the Council in the future from the collection fund	Collection Fund Statements and Note 14 to the Core Financial Statements
Housing Revenue Account Balance	5,631	493	6,124	Resources available to meet future running costs for council houses	HRA Statements
Major Repairs Reserve	2,617	496	3,113	Resources available to meet capital investment in council housing	HRA Statements
Earmarked Reserves	14,522	1,844	16,366	Reserves set aside for specific purposes	Note 35 e below
<b>Total</b>	<b>646,592</b>	<b>-78,930</b>	<b>567,662</b>		

## E. Notes To The Core Financial Statements

### b) Revaluation Reserve

	General Fund	Housing Revenue Account	Total
	£000s	£000s	£000s
Balance at 01/04/2008	8,611	41,878	50,489
Revaluation adjustments	8,144	8,960	17,104
Market Factors Impairment Adjustments	-975	-38,524	-39,499
Historic Cost Depreciation Adjustment	-1,098	-9,430	-10,528
Revaluations on Disposal	-1,694	-308	-2,002
<b>Balance at 31/03/08</b>	<b>12,988</b>	<b>2,576</b>	<b>15,564</b>

## E. Notes To The Core Financial Statements

### c) Capital Adjustment Account

	General Fund	Housing Revenue Account	Total
	£000s	£000s	£000s
Balance at 01/04/2008	92,345	581,061	673,406
Capital Financing			
MRR	0	7,336	7,336
Capital Receipts	1,124	11	1,135
Revenue Contributions	519	0	519
	1,643	7,347	8,990
MRP	438	0	438
Revenue Expenditure Funded from Capital	-1,850	-27	-1,877
Depreciation - General	-2,378	-10,119	-12,497
Depreiated Historic Cost Adjustment	1,098	9,430	10,528
Impairment - Economic Benefits	-2,759	-190	-2,949
Impairment - Market Factors	-6,077	-48,670	-54,747
Amortisation - Intangibles	-484	-53	-537
Amortisation - 3rd Party Contributions	301	0	301
Amortisation - Grants Deferred	440	15	455
	-9,859	-49,587	-59,446
Revaluations			
Disposals	1,479	-409	1,070
	1,479	-409	1,070
<b>Balance at 31/03/2009</b>	<b>84,196</b>	<b>538,385</b>	<b>622,581</b>

## E. Notes To The Core Financial Statements

### d) Capital Receipts Reserve

2007/08		2008/09
£000s		£000s
0	Balance as at 1 April	131
5,900	Effects of Disposals	2,154
-4,403	Housing Capital Receipts Pooling	-749
-1,477	Capital Programme Financing	-1,135
111	Other	-6
131	Balance as at 31 March	395

### e) Earmarked Reserves

Reserve	Balance 31/03/2008	Additions to Reserve	Use Of Reserve	Balance 31/03/2009
	£000s	£000s	£000s	£000s
Insurance	2,236	-208	-52	1,976
Benefits Clawback	1,300	-496	-804	0
Subsidy Equalisation	550	0	-50	500
Core Business Systems	500	1	-332	169
Building Maintenance	676	0	-176	500
Corporate Initiatives	886	0	-535	351
Service Improvements	215	1,000	-215	1,000
Debt Financing	0	460	0	460
General	2,136	370	706	3,212
Arts	23	0	0	23
HRA	6,000	2,175	0	8,175
	14,522	3,302	-1,458	16,366

#### i) Insurance Reserve

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

#### ii) Benefits Clawback Reserve

Housing benefits subsidy claims from prior years have been closed and there the risk of significant clawback from the Department for Work and Pensions has been removed. This reserve has therefore now been closed.

#### iii) Subsidy Equalisation Reserve

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

## E. Notes To The Core Financial Statements

- iv) **Core Business Systems Reserve**  
The Core Business Systems Reserve will be used to improve the main financial and subsidiary financial systems of the Council to streamline administrative processes and improve the quality of information and controls.
- v) **Building Maintenance Reserve**  
The base budgets for revenue and capital include an allowance for ongoing building maintenance / enhancement. This reserve consists of balances set aside from revenue to finance any major unanticipated maintenance projects.
- vi) **Corporate Initiatives Reserve**  
In 2007/08 and 2008/09, general government grant was received relating to the Local Authority Business Growth Incentive Scheme. Due to the volatile nature of this grant, it is not included within base budgets. This income has been moved added into an earmarked reserve to be used on corporate initiatives.
- vii) **Service Improvements Reserve**  
This reserve will be used to support strategic business reviews which will improve the performance of the Council.
- viii) **Debt Financing Reserve**  
This reserve has been set up to mitigate the additional market risks inherent in treasury management transactions during this period of world-wide economic uncertainty.
- viii) **General Reserve**  
The General Reserve allows the Council to commit funding to individual projects which may spread across more than one year. This reserve is also used for any contingency sums set aside during budget setting to mitigate risks within the budget.
- 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.
- f) **Financial Instruments Adjustment Account**

<b>2007/08</b>		<b>2008/09</b>
£000s		£000s
0	Balance as at 1 April	1,582
1,603	Transitional Arrangements - Unattached Premia	-315
-18	Transitional Arrangements - Recognition of Financial Instruments	18
-3	Effective Interest Rate Adjustments	3
1,582	Balance as at 31 March	1,288

## E. Notes To The Core Financial Statements

### 36 Cash Flow Notes

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

2007/08		2008/09	
£000		£000	£000
	<b>Surplus/deficit (-) for the year</b>		
-10,309	Income & Expenditure		0
	<b>Non-Cash Transactions</b>		
19,809	Depreciation / Impairment	0	
-442	Deferred Grants Amortised	0	
-1,932	Grants Funding Deferred Charges	0	
555	Pension Fund Adjustments	0	
-46	Reductions in fair value of soft loans	0	
256	Other non-cash Adjustments	0	
70	Increase / Decrease in Provisions re loans & advances	0	
433	Transfers to Reserves	0	
18,703			0
	<b>Items classified elsewhere in the Cash Flow Statement</b>		
-3,453	Interest received	0	
1,547	Interest paid	0	
667	Deferred Charges	0	
-47	Fixed Assets Gain / Loss	0	
-1,286			0
	<b>Items accrued</b>		
-37	Increase (-) /decrease of stock & work in progress	0	
2,030	Increase (-) /decrease in debtors	0	
2,372	Increase/decrease (-) in creditors	0	
4,365			0
11,473	<b>Revenue Activities Net Cash In-Flow</b>		0

## E. Notes To The Core Financial Statements

### b) Analysis of Net Debt

	Cash	Temporary Investments & Short Term Deposits	Total	Loans Due within one year	Loans due after more than one year	Deferred Liabilities	Net Debt
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1st April 2008	-1,207	52,503	51,296	-154	-25,862	0	25,280
Cashflow / changes in year	0	0	0	0	0	0	0
Other Non Cash changes	0	0	0	0	-6	0	-6
Balance at 31 March 2009	-1,207	52,503	51,296	-154	-25,868	0	25,274

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

2007/08		2008/09
£000s		£000s
98	Increase / Decrease (-) in Cash in Year	0
12,983	Cash Inflow / Outflow (-) from Management of Liquid Resources	0
828	Cash Inflow from Loans Raised	0
-537	Cash Outflow from Loans Repaid	0
-6	Net Adjustments for differences between EIR and actual interest	0
11,914	Net Debt B/f	0
25,280		0

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

	2007/08	2008/09	Change in Year
	£000s	£000s	
Temporary Investments	52,503	0	-52,503
Short Term Deposits	0	0	0
Cash	29	0	-29
Bank Overdraft	-1,235	0	1,235
Net Cash Inflow / Outflow (-)	51,297	0	-51,297

## E. Notes To The Core Financial Statements

### e) Analysis of Other Government Grants

2007/08		2008/09
£000s		£000s
627	Planning	0
0	Regeneration	0
1,168	Administration Grant	0
143	Recycling	0
0	Crime Reduction	0
0	Customer Services	0
115	Training and Capacity Development	0
37,344	DWP Grants	0
39,397	<b>Net Cash (In)/outflow</b>	0

### 37 Contingent Assets and Liabilities

#### Assets

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

- Historic Costs associated with the redevelopment of Grosvenor / Greyfriars may be reimbursed by the developer depending on agreement of contract terms and the timing of that agreement.
- A number of claims for reimbursement of VAT and associated interest were submitted to HMRC in March 2009. These were in the areas of sports tuition, sports services, domestic waste, excess charges levied in car parks and cultural services. We await to hear back from the HMRC on their validation of these and as such, the figures are not yet quantifiable to report as they could vary significantly.

#### Liabilities

The Council is potentially liable for the following payments: -

- The Council has received Deposits under Section 106 agreements, which may be repayable if the conditions for each agreement are not met. No provision has been made in the Accounts for any interest that may become repayable under the terms of the individual agreements. In the event that every one of these deposits becomes repayable with interest, the Council's maximum liability for interest payable as at 31<sup>st</sup> March 2009 was estimated to be £1.350m (£1.439m as at 31<sup>st</sup> March 2008).
- A capital grant was received from East Midlands Development Agency (EMDA) for site clearance of the Blueberry Diner. The grant was awarded on condition of scheme completion within a fixed time period and, due to that time period not having been complied with, up to the full amount of the grant of £2m may be clawed back by EMDA. The Council is making endeavours to secure a development partner for this site and is keeping EMDA fully updated of the progress. To date they have continued to be supportive.
- The Council is currently in negotiations about potential equal pay claims. If there are cases where the Council loses at a tribunal, the Council may be liable to pay back pay.

## E. Notes To The Core Financial Statements

- Three employees are currently taking the Council to an industrial tribunal for unfair dismissal. The tribunal proceedings to quantify compensation have not been finalised so an assessment of the compensation figure at this stage is difficult.
- The Council has not yet implemented a full pay and grading review. This is planned to be completed for implementation in April 2010. The impact of this review is unknown at present and in any case will be reflected in budgets for the 2010/11 financial year.

### 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 museum (balances of £72k) and the other the Northamptonshire Yeomanry Museums Trust (balances of £1k). The Trust funds are used to finance expenditure on the exhibits donated by the Regiments at their disbandment, which are housed at Abington Museum. Surplus funds are invested and accounted for separately to the Council's funds and no money is expended unless there are funds to do so.

### 40 Financial Instruments Disclosures

#### a) Financial Instruments Balances

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

	Long-Term		Current	
	31 March 2008	31 March 2009	31 March 2008	31 March 2009
	£000s	£000s	£000s	£000s
Financial Liabilities at amortised cost	-25,862	-26,027	-36,798	-29,589
Financial liabilities at fair value through income and expenditure	0	0	0	0
<b>Total borrowings</b>	<b>-25,862</b>	<b>-26,027</b>	<b>-36,798</b>	<b>-29,589</b>
Loans and Receivables	119	40	69,654	68,053
Available-for-sale financial assets	0	0	0	0
Financial assets at fair value through income and expenditure	0	0	5,040	0
<b>Total Investments</b>	<b>119</b>	<b>40</b>	<b>74,694</b>	<b>68,053</b>

#### b) Financial Instruments Gains and Losses

The gains and losses recognised in the Income and Expenditure Account are made up as follows:

## E. Notes To The Core Financial Statements

2007/08				
	Financial Liabilities	Financial Assets		Total
	Liabilities measured at amortised cost	Loans and Receivables	Available for sale assets	
	£000s	£000s	£000s	£000s
Interest expenditure	-1,363	0	0	-1,363
Gains / Losses on derecognition	0	0	0	0
Impairment losses	0	-4,351	0	-4,351
<b>Interest Payable and similar charges</b>	<b>-1,363</b>	<b>-4,351</b>	<b>0</b>	<b>-5,714</b>
Interest income	0	3,454	0	3,454
Gains / Losses on derecognition	0	0	0	0
<b>Interest and Investment Income</b>	<b>0</b>	<b>3,454</b>	<b>0</b>	<b>3,454</b>
<b>Net gain/(loss) for the year</b>	<b>-1,363</b>	<b>-897</b>	<b>0</b>	<b>-2,260</b>

2008/09				
	Financial Liabilities	Financial Assets		Total
	Liabilities measured at amortised cost	Loans and Receivables	Available for sale assets	
	£000s	£000s	£000s	£000s
Interest expenditure	-1,502	0	0	-1,502
Gains / Losses on derecognition	0	0	0	0
Impairment losses	0	-1,984	0	-1,984
<b>Interest Payable and similar charges</b>	<b>-1,502</b>	<b>-1,984</b>	<b>0</b>	<b>-3,486</b>
Interest income	0	3,664	0	3,664
Gains / Losses on derecognition	0	0	0	0
<b>Interest and Investment Income</b>	<b>0</b>	<b>3,664</b>	<b>0</b>	<b>3,664</b>
Gains on Revaluation			0	
Losses on Revaluation			0	
Amounts recycled to the I+E Account after impairment			0	
<b>Surplus arising on revaluation of financial assets</b>			<b>0</b>	
<b>Net gain/(loss) for the year</b>	<b>-1,502</b>	<b>1,680</b>	<b>0</b>	<b>178</b>

## E. Notes To The Core Financial Statements

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

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

	31 March 2008		31 March 2009	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000s	£000s	£000s	£000s
Financial Liabilities at amortised cost	-61,131	-65,710	-55,617	-61,056
Loans and Receivables	68,234	68,225	68,093	68,594

The fair value of Financial Liabilities at amortised cost at 31<sup>st</sup> March 2008 and 31<sup>st</sup> March 2009 is more than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest payable is higher than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest below current market rates increases the amount that the Authority would have to pay if the lender requested or agreed to early repayment of the loans.

The fair value of Loans and Receivables at 31<sup>st</sup> March 2008 is less than the carrying amount because the authority's portfolio of investments included a number of fixed rate loans where the interest receivable was lower than the rates available for similar loans at the Balance sheet date. This commitment to receive interest below current market rates decreases the amount that the authority would receive if it agreed to early repayment of the loans.

The fair value of Loans and Receivables at 31<sup>st</sup> March 2009 is higher than the carrying amount because the authority's portfolio of investments includes a number of fixed rate loans where the interest receivable is higher than the rates available for similar loans at the Balance sheet date. This guarantee to receive interest above current market rates increases the amount that the authority would receive if it agreed to early repayment of the loans.

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

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

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

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

## E. Notes To The Core Financial Statements

### Credit Risk

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

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

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

	Amount at 31 March 2009	Historical Experience of Default	Historical Experience Adjusted for Market Conditions at 31 March 2009	Estimated Maximum Exposure to Default and Uncollectability
	£000s	%	%	£000s
Long Term Debtors - Mortgages	40	0.00	0.00	0
Customers: Council Tax	10,138	4.08	4.08	414
Customers: NNDR	850	0.67	0.67	6
Customers: Rent	2,476	3.10	3.10	77
Customers: Sundry *	3,559	24.60	24.60	876
Deposits with Banks and Financial Institutions	53,019	0.00	0.00	0
	53,019			1,373

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

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits. The Council held no investments in the form of bonds during 2008-09.

## E. Notes To The Core Financial Statements

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

	Amount at 31 March 2009
	£000s
Less than three months	0
Three to six months	0
Six months to one year	0
More than one year	0
	0

Impairment on the debtors financial asset has been identified, standing at a total of £9.4m at the end of 2008-09.

### Collateral

The Council holds collateral against a number of mortgages. The balance sheet value of these is currently £45.5k (£54.8k in 2007/08).

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

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

### **Liquidity Risk**

As the Council has ready access to borrowings from the Public Works Loan Board (PWLB), there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The strategy is to manage loans that are due to mature within any rolling three-year period through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments.

## E. Notes To The Core Financial Statements

The maturity analysis of financial liabilities is as follows: -

<b>Maturity Profiles of Financial Liabilities</b>	<b>Amount at 31 March 2009</b>
	£000s
Less than one year	29,589
One to two years	16
two to five years	56
More than five years	25,955
	55,616

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

### **Market Risk**

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

#### Interest Rate Risk

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

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

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

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

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

## E. Notes To The Core Financial Statements

According to this assessment strategy, at March 2009, if interest rates had been 1% higher with all other variables held constant, the financial effect would be: -

	<b>Amount at 31 March 2009</b>
	£000s
Increase in interest payable on variable rate borrowing	0
Increase in interest receivable on variable rate investments	0
Impact on I & E Account	0
Share of overall impact credited to the HRA	0
Impact remaining on General Fund	0
Impact on GF I & E Account	0
Increase in fair value of fixed rate investment assets	0
Impact on STRGL	0
Decrease in fair value of fixed rate borrowing liabilities (no impact on I & E Account or STRGL)	0

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

### Price Risk

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

### Foreign Exchange Risk

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

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

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## 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.

2007/08		2008/09		Notes
£000s		£000s	£000s	
	<b>Income</b>			
-40,461	Dwelling Rents	-41,091		HRA2-4
-1,126	Non Dwelling Rents	-906		
-1,527	Charges for services & facilities	-1,522		
-160	Contributions Towards Expenditure	-266		
0	Housing Revenue Account subsidy receivable	0		
0	Sums Directed by the Secretary of State that are income in accordance with UK GAAP	0		
-43,274	<b>Total Income</b>		-43,785	
	<b>Expenditure</b>			
12,227	Repairs & Maintenance	13,065		HRA5
	Supervision & Management			
5,760	General Management	6,195		
3,653	Special Services	3,739		
53	Rent, Rates, Taxes & other charges	62		
8,483	Negative Housing Revenue Account subsidy payable	9,031		HRA6
10,721	Depreciation and Impairment of Fixed Assets	67,168		HRA7
0	Debt Management Costs	0		
1,275	Increased in provision for bad/doubtful debts	430		
0	Sums Directed by the Secretary of State that are expenditure in accordance with UK GAAP	0		
1,354	Rent Rebates transfer to General Fund	1,097		HRA8
43,526	<b>Total Expenditure</b>		100,787	
252	<b>Net Cost of Services</b>		57,002	
0	HRA Services share of Corporate and Democratic Core		0	
0	HRA share of other amounts included in the whole authority		0	
0	Net Cost of Services but not allocated to specific services		0	
252	<b>Net Cost of HRA Services</b>		57,002	
-52	Gain (-) or Loss on sale of HRA Fixed Assets		-89	
	Interest Payable and other similar charges			
480	Amortisation of Premiums & Discounts		0	
-961	Interest and Investment Income		-1,104	
344	Pensions interest cost and expected return on pensions assets		957	
63	<b>Surplus (-) or Deficit for the year on HRA services</b>		56,766	

## **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.

2007/08		2008/09	Note
£000s		£000s	
63	Surplus (-) / Deficit for the year on the HRA Income and Expenditure Account	56,766	
109	Net additional amount required by statute to be debited or credited to the HRA Balance for the year	-57,258	
172	<b>Increase (-) / Decrease in the HRA Balance for the Year</b>	-492	
-5,803	HRA Balance brought forward	-5,631	
-5,631	<b>HRA Balance carried forward</b>	-6,123	

## **F. Housing Revenue Account**

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## F. Housing Revenue Account

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

2007/08		2008/09	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	
	Revenue Expenditure Funded from Capital (Deferred Charges)	-27	
	Grants Deferred Written Off	15	
-1,405	Impairment of Fixed Assets	-57,011	
-53	Amortisation of intangible fixed assets	-53	
52	Gain or Loss on sale of HRA fixed assets	89	
-1,571	Net charges made for retirement benefits in accordance with FRS 17	-2,015	
	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	
-2,977		-59,002	
	<b>Amounts not included in the HRA Income and Expenditure Account but required by statute to be included when determining the Movement on the HRA Balance for the year</b>		
-1,680	Transfer to / from (-) Major Repairs Reserve	-2,287	HRA9
0	Transfers to / from (-) Housing Repairs Account	0	HRA5
1,451	Employer's contributions payable to the Northamptonshire County Council Pension Fund and retirement benefits payable direct to pensioners	1,537	
315	Financial Instruments Adjustments	315	
0	Voluntary set aside for debt repayment	4	
0	Capital expenditure charged in-year to the HRA Balance	0	
3,000	Net transfers to / from (-) earmarked reserves	2,175	
3,086		1,744	
109	<b>Net additional amount required to be credited or debited to the HRA balance for the year</b>	-57,258	

## **F. Housing Revenue Account**

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## G. Notes To The Housing Revenue Account

### 1 Prior Year Adjustments

None

### 2 HRA Assets and Capital Transactions

- a) At 31<sup>st</sup> March 2009 the Council was responsible for managing 12,238 units of accommodation: -

Type of Property	Number of Bedrooms				Total
	One	Two	Three	Four+	
Flats-Low Rise	1,468	389	2	1	1,860
Flats-Medium Rise	1,837	879	121	4	2,841
Flats-High Rise	398	83	22	0	503
Houses & Bungalows	879	2,582	3,233	340	7,034
<b>Totals</b>	4,582	3,933	3,378	345	12,238

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

Type of Property	Stock at 01/04/2008	Stock Movements			Stock at 01/04/2009
		Sales	Transfers	Additions	
Flats	5,208	-4	0	0	5,204
Houses & Bungalows	7,039	-5	0	0	7,034
Dwellings (excl. Shared)	12,247	-9	0	0	12,238
Shared Ownership	95	-1	0	0	94
<b>Totals</b>	12,342	-10	0	0	12,332

## G. Notes To The Housing Revenue Account

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

2007/08	Gross Balance Sheet Value	2008/09
£000s		£000s
	Operational Assets	
184,307	Land	155,123
418,087	Dwellings	361,954
12,768	Other Capital Assets	16,435
615,162	Total Operational Assets	533,512
1,129	Non Operational Assets	1,944
616,291	<b>TOTAL</b>	535,456
1,206,554	Vacant Possession Value as at 1st April	1,156,025

d) Capital Receipts

2007/08	Housing Capital Receipts	2008/09
£000		£000
365	Land Sales	13
5,465	Dwelling Sales	1,011
0	Other Property Sales	0
5,830	<b>Total</b>	1,024
-3,986	Payable to the Secretary of State	-755
110	Adjustment to amounts payable	0
-3,876	Net cost of Payments to CLG	-755
1,954	Useable Capital Receipts	269

The adjustment to amounts payable of £110k for 2007/08 in the above note relates to the balance of an amount that was being held to pay the Secretary of State for prior years' pooling payments. The settlement amount was £110k less than anticipated.

## G. Notes To The Housing Revenue Account

### e) Capital Expenditure & Financing

2007/08	HRA Capital Expenditure and Financing	2008/09
£000s		£000s
	<b>Expenditure</b>	
0	Land Purchase	0
5,141	Dwellings	7,460
354	Other Property	464
5,495	<b>Total Expenditure</b>	7,924
	<b>Financing</b>	
	Dwellings	
500	Borrowing	500
0	Useable Capital Receipts	0
0	Revenue Contributions	0
4,641	Major Repairs Reserve	6,871
0	Third Party Contributions	89
5,141		7,460
	Other Property	
0	Borrowing	0
0	Useable Capital Receipts	0
0	Revenue Contributions	0
354	Major Repairs Reserve	464
354		464
5,495	<b>Total Financing</b>	7,924

### 3 Arrears

During 2008/09, arrears as a proportion of gross income was 8.2%. This represents a decrease of 1.7% since 2007/08 when the proportion was 9.9%. The figures for rent arrears are detailed below: -

2007/08	Arrears	2008/09
£000s		£000s
3,990	Gross Arrears at 31 March	3,386
-588	Prepayments	-540
3,402	Net Arrears at 31 March	2,846
2,293	Provision for bad debts at 31 March	1,933

## G. Notes To The Housing Revenue Account

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

### 4 Vacant Possession Value

The Vacant Possession value of dwellings within the HRA as at 1<sup>st</sup> April was £1,156m (£1,207m in 2007/08). For the balance sheet, the figure has been reduced to 50% of this value, i.e. £579m (£604m in 2007/08). This shows the economic cost of providing Council housing at less than open market rents.

### 5 Housing Repairs Account

The transactions on the Housing Repairs Account for 2008/09 balanced to nil for the year, although this may not always be the case.

2007/08	Housing Repairs Account	2008/09
£000s		£000s
0	Balance B/f	0
12,227	Expenditure in the Year	13,065
-12,227	Contributions to the Housing Repairs Account	-13,065
	Increase (-) / Decrease in the Housing Repairs Account Balance for the year	0
0	<b>Balance c/f</b>	0

### 6 Housing Subsidy

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

2007/08	Housing Subsidy	2008/09
£000s		£000s
-161	Prior Year Adjustment	-25
-19,241	Management and Maintenance Allowance	-20,270
-7,611	Major Repairs Allowance	-7,831
-1,126	Charges for Capital	-1,182
0	Other Allowances	0
36,617	Notional Rent	38,335
5	Interest on Receipts	4
8,483	<b>Total Amount to be paid to Government</b>	9,031

## G. Notes To The Housing Revenue Account

### 7 Depreciation and Impairment

#### a) Depreciation

2007/08	Depreciation	2008/09
£000s		£000s
	Operational Assets	
9,047	Dwellings	9,849
49	Intangible Assets	53
269	Other Property	253
0	Vehicles, Plant & Equipment	17
9,365	Total Operational Assets	10,172
0	Non Operational Assets	0
9,365	<b>TOTAL</b>	10,172

#### b) Impairment

2007/08	Impairment	2008/09
£000s		£000s
	Operational Assets	
948	Dwellings	104,025
6	Intangible Assets	36
382	Other Property	354
20	Vehicles, Plant & Equipment	25
1,356	Total Operational Assets	104,440
0	Non Operational Assets	0
1,356	<b>TOTAL</b>	104,440

### 8 Secretary of State Determinations

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

## G. Notes To The Housing Revenue Account

2007/08	Secretary of State Determinations	2008/09
£000s		£000s
1,354	Rent Rebate Subsidy Limitation	1,097
1,354	Total Effect of Special Directions	1,097

### 9 Major Repairs Reserve

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

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

Major Repairs Reserve	£000s
Balance at 1 April 2008	-2,617
HRA Depreciation	-10,119
Depreciation adjustment to agree to MRA	2,287
	-7,832
Amount used to finance Capital Expenditure	
Dwellings	6,871
Other Property	464
	7,335
<b>Balance at 31 March 2009</b>	<b>-3,114</b>

### 10 Rental Income

53 week years occur from time to time due to the number of days in a year not being exactly divisible by 7. 2007/08 was such a 53 week rent year. This means that the HRA is showing additional income in 2007/08 relating to that extra week.

## 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).

2007/08		2008/09	Note
£000s		£000s	
	<b>INCOME</b>		
-72,884	Council Tax (net of benefits, discounts & transitional relief)	-77,284	CF2
	Transfers from General Fund		
-10,858	Council Tax benefits	-11,866	
-91,922	Income collectable from business ratepayers	-99,609	
	Contributions		
-120	Towards previous years' Collection Fund deficit	-141	CF3
-175,784		-188,900	
	<b>EXPENDITURE</b>		
	Precepts & demands:-		
59,497	Northamptonshire County Council	62,567	14
11,037	Northamptonshire Police Authority	11,689	14
13,045	Northampton Borough Council	13,719	14
	National Non-Domestic Rates		
91,610	Payments to national pool	99,292	
312	Cost of collection	317	
	Bad & Doubtful Debts / Appeals		CF4
1,101	Write-offs	1,129	
133	Provisions	44	
	Contributions		
0	Towards previous years' Collection Fund surplus	0	
176,735		188,757	
951	<b>(Surplus)/deficit for the year</b>	-143	
-5	Fund balance b/fwd	946	
946	<b>Fund Balance c/fwd</b>	803	

## **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<sup>st</sup> March 2009 was £244.3m and the equivalent figure for 2007/08 was £243.7m. The National Non-Domestic Rate multiplier for 2008/09 was 46.2p and the equivalent figure for 2007/08 was 44.4p. The small business non-domestic rating multiplier for 2008/09 was 45.8p and the equivalent figure for 2007/08 was 44.1p.

## 2. Council Tax

The Council's tax base, i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings for 2008/09 calculated as follows: -

2007/08 Band D Equivalents	Band	Estimated number of taxable properties 2006/07 after discounts	Ratio	2008/09 Band D Equivalents
19.0	A(-)	36.0	5/9	20.3
16,103.9	A	24,659.2	6/9	16,302.3
13,607.2	B	17,876.5	7/9	13,660.7
16,432.2	C	19,456.8	8/9	16,651.7
8,794.9	D	9,127.8	9/9	8,907.8
5,977.6	E	4,966.8	11/9	6,011.0
3,020.3	F	2,142.5	13/9	3,018.1
1,775.6	G	1,085.0	15/9	1,773.5
100.9	H	51.3	18/9	94.5
65,831.6	Gross Council Tax Base			66,439.9
987.5	Non-collection provision			996.6
<b>64,844</b>	<b>Council Tax Base Used for setting the Precept</b>			<b>65,443</b>

The provision for non-collection was set at 1.5% for 2008/09 (1.5% for 2007/08).

# I. Notes To The Collection Fund

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

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

<b>2007/08</b>	<b>Allocation Of Collection Fund Deficits</b>	<b>2007/08</b>
<b>£000s</b>		<b>£000s</b>
-10	Northampton Borough Council	-22
-93	Northamptonshire County Council	-100
-17	Northamptonshire Police Authority	-19
-120	<b>Total Deficit Recovered</b>	-141

## 4. Bad and Doubtful Debts

<b>2007/08</b>	<b>Bad and Doubtful Debts</b>	<b>2008/09</b>
<b>£000s</b>		<b>£000s</b>
3,240	Bad Debt Provision B/f	3,373
133	Provision Made in Year	44
3,373	<b>Bad Debt Provision c/f</b>	3,417

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

### The Authority's Responsibilities

The Authority is required to:-

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

### The Section 151 Officer

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

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

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

The Section 151 Officer has also:

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

I certify that this Statement of Accounts presents fairly the position of the Authority at the accounting date and its income and expenditure for the year ended 31<sup>st</sup> March 2009.

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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