

Northampton Borough Council
Draft Statement Of Accounts 2019-20

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Introduction

This Statement of Accounts presents the statutory financial statements for Northampton Borough Council (the Council) for the period 1 April 2019 to 31 March 2020 and gives a comprehensive summary of the overall financial position of the Council, providing a true and fair view.

The Council has a statutory duty to approve and publish this document, which sets out to ensure that the accounts of the authority provide comparable information through complying with International Financial Reporting Standards. The accounts are presented in the format recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA), as set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code). Our core financial statements use this format and meet the conditions of the Code.

This draft Statement of Accounts will be approved by Audit Committee at its meeting on 26 October 2020.

The Statements

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

Core Financial Statements

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

Supplementary Financial Statements

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

Group Accounts

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

The Council's Strategic / Corporate Priorities

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

The Corporate Plan 2019-2021 is relevant to the period of these accounts and can be found on the Council's website using this link:

<https://www.northampton.gov.uk/downloads/file/11771/corporate-plan-2019---2021>

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

- A stronger economy – creating a cleaner, greener town; creating a thriving, vibrant town; and driving growth whilst preserving the town's heritage.
- Resilient communities – keeping the town and people safe; empowering local people; improving the health and wellbeing of local people; and more homes, better homes.
- Exceptional services to be proud of – putting the customer first; using public resources effectively; and improving our governance.

The Council's 2019/20 Performance

In order to provide an overview of the Council's performance during the 2019/20 financial year and the position as at 31 March 2020, significant matters and variances are summarised in this section and supported by the detail included in the statement of accounts and the core financial statements.

Financial Performance

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

The Council set a balanced budget for 2019/20. The main budgeted sources for funding of the 2019/20 **General Fund budget** were as follows:

- Business Rates Retention Scheme £8.8m;
- New Homes Bonus £2.6m;
- Council Tax £16.0m.

At the end of the 2019/20 year, the General Fund outturn for controllable service budgets shows an overspend of £0.4m as detailed below:

Service area	Revised budget (£m)	Outturn (£m)	Variance (£m)
Customers & Communities	11.9	12.1	0.2
Chief Executive	2.2	2.2	0.0
Chief Finance Officer	10.5	11.0	0.5
Economy, Assets & Culture	0.9	0.3	-0.6
Housing & Wellbeing	2.0	3.0	1.0
Borough Secretary	2.1	2.0	-0.1
Planning	0.7	0.3	-0.4
Debt Financing	-0.3	-0.4	-0.2
Total	30.2	30.6	0.4

The main variations were as follows:

Within the Customers & Communities area there was an overall overspend of £0.165m. This overspend was predominantly in the environmental services area which had a net overspend of £0.207m and was due to costs coming out of the recycling risk share pay mechanism. These higher costs were caused by prices for recyclable material continuing to fall. There were other smaller savings and overspends across the Customers and Communities area coming to a net underspend of £0.042m, mainly due to posts being kept vacant in order to offset the overall overspend position. Within the Chief Executive area there was an overall underspend of less than £0.010m.

Within the Chief Finance Officer area there was an overall overspend of £0.506m. This was partly due to an overspend of £0.513m in the benefits area that related to the recovery of housing benefit overpayments from on-going benefits for rent rebates (HRA tenants) and rent allowances. Other overspends were linked to homelessness and temporary accommodation, which manifested itself in the benefits area due to the higher cost of temporary accommodation leading to a loss of subsidy. There was also an overspend due to additional costs for those in supported and exempt accommodation. In addition to the benefits overspend, there was also an overspend of £0.152m on the Audit budget. The scale fee for the 2018/19 external audit of the statement of accounts was £0.062m, and the Council had estimated that the overrun costs would be in the region of £0.200m, but an estimate from the external auditors was that the overspend was likely to be around £0.445m. These overspends are offset by an underspend on the LGSS contract (£0.158m), the IT budget (£0.072m) and other variances which come to a net overspend of £0.071m.

Within the Economy, Assets and Culture area there was an overall underspend of (£0.567m). The main underspends in this area were on Programmes & Enterprise (£0.210m) and Head of Economic Development and Regeneration (£0.129m) due to in year vacancies. In addition, there were smaller underspends on Property Maintenance (£0.083m); Museums and Arts (£0.052m), Car Parking (£0.051m) and Facilities Management (£0.044m). This was partially offset by an overspend in the markets area £0.067m due to a reduction in income due to lower market stall occupancy. Other smaller variances came to a net underspend of (£0.065m).

Within the Housing & Wellbeing area there was an overall overspend of £1.008m. This mainly relate to an increased demand in temporary accommodation and associated increased charge in the bad debt provision totalling £0.778m. The TA Implementation Group which meets fortnightly is monitoring the use and cost of temporary accommodation with the aim of reducing through a series of measures. There was also an under achievement of targeted income across the service of £0.580 predominantly relating to Civil Penalties. These overspends were forecast during the year and have been partially mitigated by savings on staffing budgets and the utilisation of Housing Reserves.

Within the Borough Secretary area there was an overall underspend of (£0.134m), made up of vacancies within the Legal Team (£0.043m) and the Democratic Services Team (£0.042m); a reduction in the cost of the annual canvass in Electoral Services (£0.056m); and other smaller variances net £0.009m overspend .

Within the Planning area there was an overall underspend of (£0.416m). This was partly due to an underspend in the Planning Policy & Heritage area (£0.222m) mainly due to vacant posts. There was also an underspend on Development Control (£0.101m) due to additional income and some vacancies. Other smaller underspends totalled (£0.093m).

On the Corporate budget there was an underspend of (£0.170m) due to greater interest income generated from cash balances due to the authority having to take out less borrowing than originally forecast due to a strong cash position.

The Council's final approved budget for **general fund capital expenditure** in 2019/20 was £52.5m. The budgeted funding of the 2019/20 capital programme was as follows:

- Self funded schemes £23.3m
- Borrowing £7.0m
- Capital Receipts £5.5m
- Grant and developer contributions £16.6m

In-year changes to the general fund capital budget meant that the final capital budget at the end of 2019/20 was £30.1m, reflecting carry forwards from 2018/19, in year changes and re-profiling approved as part of the setting of the 2020/21 capital programme in February.

Capital expenditure for 2019/20 totalled £24.4m against the final approved budget of £30.1m, a net variance of £5.7m (19%). A large proportion relates to schemes that were currently underway or still planned to take place and these budgets are carried forward into the next financial year (2020/21). The majority of the carry forward is due to the timing of approvals and the timescales for letting contracts and funding agreements.

The provisional HRA outturn position shows an underspend on controllable spending of £0.049m. This reduced the required net contribution to reserves from the budgeted amount of £4.743m to £4.694m, while the HRA working balance remained unchanged at £5m.

The Council's final approved budget for the HRA capital programme expenditure in 2019/20 was £73.096m, a net increase of £30.770m from the original budget of £42.326m. The budget increased due to carry-forwards from 2018/19 of £0.375m and the approval of 2 new schemes totalling £30.395m, these were:

- £5.395m Specialist homes (form of supported living) in support of Social Care outcomes
- £25m Developer Affordable Home Opportunities

HRA capital expenditure for 2019/20 totalled £43.828m against the final approved budget of £73.096m, a net underspend of £29.267m. This underspend relates mainly to the capital programme

being re-profiled for the Developer Affordable Home Opportunities (£22.100m) and NPH managed New Build Schemes of £9.286m. The re-profiling of the New Build Schemes is for various reasons which includes: protracted tender negotiations; site clearance and service installation delays; and the relocation of retail tenants.

Further details of the budget that was set for 2019/20 can be found on the Council's website here (items 6 and 7 on the agenda):

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

Further details of the Council's outturn position for 2019/20 can be found on the Council's website here (item 7 on the agenda):

<http://www.northamptonboroughcouncil.com/councillors/ieListDocuments.aspx?CId=528&MId=9137>

Non-Financial Performance

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

Performance Status	2018/2019	2019/2020			Q4
	Q4	Q1	Q2	Q3	
Blue (Exceptional or over performance)	14.71%	32.35%	25.00%	20.59%	17.65%
Green	32.35%	41.18%	56.25%	47.06%	44.12%
Amber (Within agreed tolerance)	14.71%	11.76%	6.25%	11.76%	14.71
Rounded total	61.77%	85.29%	87.50	79.41	76.48%
Red (Outside agreed tolerances)	38.24%	14.71%	12.50%	20.59%	23.52%

The percentage of performance measures, where data was available, that reached their target or performed within agreed tolerances or above for the Corporate Plan priorities ranged from 85.29% in quarter 1 of 2019/20 to 76.48% in quarter 4. Blue (or exceptional) has seen a drop through the year, and green has risen then dropped. There has been a rise on the number of ambers and reds in the second half of the year. COVID-19 has some effect on these in the final quarter of the year, but this would only account for a small loss of performance towards the end of the final quarter, as the Council reacted swiftly to the call for lock down, and moved a large number of staff over to home working as quickly as possible.

Full details of the performance outturn report can be found here (item 8 on the agenda):

<http://www.northamptonboroughcouncil.com/councillors/ieListDocuments.aspx?CId=528&MId=9137>

THE 2019/20 ACCOUNTS

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

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

- The headline figure for the CIES is an overall income figure of £28.980m which includes all accounting adjustments.
- The Net Cost of Services for the year totalled £48.158m to which Other Operating Expenditure and Income and Financing and Investment Expenditure and Income are added. This is then offset by £43.282m of Council Tax Funding and non-specific grants to provide the Overall Deficit on the Provision of Services for the year of £15.261m.
- The Other Comprehensive Income and Expenditure category includes technical items that are not reflected in the Surplus or Deficit on the Provision of Services. This category on the CIES is a £44.241m surplus.

Expenditure and Funding Analysis – produced to provide further context to the CIES, and shows the difference between the net expenditure chargeable to the Council's General Fund and earmarked reserves and the income and expenditure in the CIES. The analysis also demonstrates how the Council's resources are allocated between directorates.

For 2019/20, the net expenditure chargeable to the Council's General Fund is £1.714m. This differs from the income and expenditure shown in the CIES due to a number of technical accounting adjustments which the Council is required to make by the Code. These include capital charges such as depreciation, actuarial pension adjustments and adjustments to the Collection Fund, and are shown in the supporting note to the EFA.

Balance Sheet – setting out the assets and liabilities recognised by the Council at the balance sheet date, the bottom line is effectively the net worth of the organisation at that date. The net assets of the Council (the assets less the liabilities) are matched by the Reserves held by the Council – net assets increased over the year by £28.980m.

Movement in Reserves Statement – analyses the movements on reserves held by the Council during the financial year, split between 'usable reserves', which are those that can be applied to fund expenditure or reduce local taxation and 'unusable' reserves. The 'surplus or (deficit) on provision of services' line shows the true economic cost of providing the Council's services, more details of which are shown in the CIES. This cost is different from the amounts required to be charged to the General Fund balance for Council Tax setting purposes. The 'net increase/decrease before transfers to earmarked reserves' line shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

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

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

RISK MANAGEMENT

The Council takes a proactive approach to risk management. The management of risk and governance is the responsibility of senior management, officers and members. Service risk registers are reviewed for escalation to the Corporate Risk Register should the impact be Council wide. The Corporate Risk Register is reviewed and updated on a quarterly basis by senior managers and presented to the Corporate Management Board and Audit Committee. The registers identify key risks together with any existing or planned measures to mitigate them. This analysis is then interpreted through an assessment based on a combination of impact and likelihood of occurrence, changes in movement from the previous quarter are shown on a risk matrix. Member involvement is through Cabinet, Audit Committee and Council approval of policies and review of risk areas.

GOVERNANCE

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

THE 2020/21 BUDGET AND MEDIUM TERM OUTLOOK

Economic Context

At the time of setting the 2020/21 budget there continued to be uncertainty around the national and global economic outlook, caused by various factors including the UK's planned withdrawal from the European Union. Therefore the draft budget was built on prudent assumptions around inflation, interest rates, business rates growth and growth in the tax base. At the start of the 2020/21 financial year the COVID-19 pandemic became a significant factor in the budget, and has continued to impact the Council's finances during the year.

Medium Term Financial Strategy

In September 2019 Cabinet approved the Medium Term Financial Strategy, which provides the framework and context for the development of the detailed budget and Medium Term Financial Plan. The Medium Term Financial Strategy included the following strategic principles:

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

The 2020/21 Budget

The Council's 2020/21 budget was agreed on 24 February 2020 and included the following headlines:

- An annual council tax increase of £5.00 (2.21%) per band D property and an indicative increase at the same level for planning purpose in future years;
- A general fund budget of £27.770m, excluding parish precepts.

The agreed general fund net budget for 2020/21 is summarised in the table below:

Description	2020/21 £m
Service base budget	30.400
Proposed growth	(1.387)
Proposed savings	0.320
Corporate budgets*	(1.161)
Contribution from reserves	0.834
Net budget	29.006
Business rates	(9.306)
New homes bonus	(2.424)
Council tax	(17.251)
Collection fund surplus	(0.025)
Total funding	(29.006)
Savings to be identified	0

* This figure includes £1.236m of parish precepts

The value of the proposed general fund capital programme for 2020/21 is £47.6m. Proposed new schemes include enhancements to parks and sports facilities, car park improvements, replacement of footbridges and upgrade of IT assets.

The table below summarises the general fund capital programme and funding for 2020/21:

Description	2020/21 budget £m
Ongoing schemes in the current approved capital programme	7.050
Schemes in the current development pool awaiting formal approval	37.900
New proposals	2.621
Total general fund capital programme	47.571
Funding source:	
Grants and contributions	3.589
S106 funded schemes	0.318
Self-funded schemes	12.150
Borrowing	31.514
Total Funding	47.571

The headlines for the 2020/21 Housing Revenue Account budget are as follows:

- An average rent increase of 2.7% per dwelling, in line with the legislation and the government's national rent policy, to take effect from 6 April 2020;
- HRA budget for 2020/21 of £53.7m expenditure.

The HRA capital programme has been developed within the context of the 30 year business plan and the existing Asset Management Plan. The HRA capital programme has a direct impact on the revenue position of the HRA and is summarised below:

HRA CAPITAL PROGRAMME	2020-21
	£m
External Improvements	9.300
Internal Works	4.600
Environmental Improvements	0.600
Disabled Adaptations	0.650
Structural Works and Compliance	3.000
IT Development	0.300
New Build Programme/Major Projects	20.900
Buybacks and Spot Purchases	0.500
Total	39.850

FINANCING:	
Major Repairs Reserve/Depreciation	12.000
Capital Receipts - RTB (excl 1-4-1)	2.845
Capital Receipts - RTB 1-4-1 Receipts	4.893
Revenue/Earmarked Reserve	6.891
Borrowing / CFR	13.221
Total Financing	39.850

Full details of the medium term financial plan and the budgets that have been set for 2020/21 can be found on the council's website here (particularly items 7, 8, 9 and 10):

<http://www.northamptonboroughcouncil.com/councillors/ieListDocuments.aspx?CId=242&MId=8985>

IMPACT OF COVID-19 PANDEMIC

The budget for 2020/21 was set before the impact of the global COVID-19 pandemic were known about. This has clearly had a significant impact on the financial situation of the Council and the wider borough in 2020/21, although it did not have a material impact on the Council's finances for 2019/20. In 2020/21, businesses in the borough have been supported through the provision of business rate reliefs and grants, funded by central government. Residents have been supported through an integrated team effort involving the County Council, District and Borough Councils, health and the voluntary sector. The Council is supporting the national response through multi-agency working at a local level. The COVID-19 response is, out of necessity, taking priority over the delivery of day to day services. Service delivery is facing ongoing review and capacity is needed to be found to deliver additional work such as the processing of government grants. The majority of Officers are working from home which in itself poses challenges in accessing systems and relevant information. Working from home is likely to continue for significant numbers of Officers for the foreseeable future and requires additional IT support. Governance arrangements, in particular, holding Council and Committee meetings have been reviewed and are now being held virtually/remotely.

VALUE FOR MONEY STATEMENT

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

- Delivering services that are fit for purpose and meeting statutory requirements;
- Applying cost effective delivery models for services, be they provided directly, in partnership or commissioned through a third party;
- Holding a clear understanding of costs and what drives them;
- Applying changes and investment to reduce costs and overheads, improving efficiency and the customer experience; and

- Delivering improved outcomes and value for money for local people, through a framework of strategic and local partnerships which cooperate effectively to meet shared goals.

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

- An Efficiency Strategy approved as part of the Medium Term Financial Strategy
- Performance Management reporting
- Procurement rules that ensure VfM is delivered through the Councils procurement of goods and services
- A Governance Action Plan to ensure that proper and effective governance happens in practice at all times.

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

FURTHER INFORMATION

For information please contact:

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

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

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

The Authority's Responsibilities

The Authority is required to:

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

The Chief Financial Officer

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

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

Certificate

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Authority at the reporting date and of its income and expenditure for the year ended 31st March 2020.

Stuart McGregor. CPFA ACMA Chief Finance Officer (Section 151 Officer).
Date:

Approval by Audit Committee

I confirm that these audited accounts were approved by the Audit Committee at the meeting held on xxth 2020.

Ian Orrell CPFA – Independent Chair of Audit Committee
Date:

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

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Core Financial Statements

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

D1 MOVEMENT IN RESERVES STATEMENT

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

Movement in Reserves Statement

	General Fund	Earmarked GF Reserves	Housing Revenue Account	Earmarked HRA Reserves	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1-Apr-19	(5,498)	(26,956)	(5,000)	(8,771)	(616)	(15,993)	(3,505)	(66,339)	(366,401)	(432,741)
Movement in Reserves during 2018-19										
Total comprehensive income and expenditure	2,672		11,864					14,536	(13,144)	1,391
Adjustments between accounting and funding basis under regulations (note 2)	(2,677)		(12,190)		616	(2,294)	(246)	(16,790)	16,790	-
Transfer to/from Earmarked Reserves	1,503	(1,503)	326	(326)						
(Increase)/decrease in 2018-19	1,498	(1,503)	-	(326)	616	(2,294)	(246)	(2,255)	3,646	1,391
Balance at 31 March 2019 carried forward	(4,000)	(28,459)	(5,000)	(9,097)	-	(18,287)	(3,751)	(68,594)	(362,755)	(431,351)
Movement in Reserves during 2019-20										
Total comprehensive income and expenditure	(5,812)		21,073					15,261	(44,241)	(28,980)
Adjustments between accounting and funding basis under regulations (note 2)	2,845		(16,391)			6,022	544	(6,980)	6,980	-
Transfer to/from Earmarked Reserves	2,967	(2,967)	(4,681)	4,681						
(Increase)/Decrease 2019-20	-	(2,967)	-	4,681	-	6,022	544	8,281	(37,261)	(28,980)
Balance at 31 March 2020 carried forward	(4,000)	(31,426)	(5,000)	(4,416)	-	(12,265)	(3,206)	(60,313)	(400,016)	(460,329)

Core Financial Statements

D2 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

The statement is shown on the next page.

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Core Financial Statements

Comprehensive Income and Expenditure Statement

Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
2018-19	2018-19	2018-19		2019-20	2019-20	2019-20
£'000	£'000	£'000		£'000	£'000	£'000
5,210	(196)	5,014	Chief Executive	2,247	(68)	2,179
58,748	(58,310)	438	Housing	75,609	(57,463)	18,146
2,106	(330)	1,776	Borough Secretary	2,273	(892)	1,381
34,011	(5,457)	28,554	Customers & Communities	19,612	(4,624)	14,988
69,915	(67,384)	2,531	Chief Finance Officer	64,792	(58,845)	5,947
7,798	(5,594)	2,204	Planning	2,578	(1,900)	678
2,632	(2,203)	429	Economy Assets and Culture	11,529	(6,690)	4,839
180,420	(139,474)	40,946	Cost of Services	178,640	(130,482)	48,158
15,462	(16,796)	(1,335)	Other Operating Expenditure (1c)	15,494	(12,073)	3,421
31,863	(23,368)	8,495	Financing and Investment Income (1d)	60,616	(53,651)	6,965
45,738	(79,309)	(33,571)	Taxation and Non Specific Grants	42,242	(85,524)	(43,282)
273,482	(258,947)	14,536	Surplus(-) or Deficit on Provision of Services	296,992	(281,730)	15,261
		(20,788)	(Surplus) or Deficit on Revaluation of Non Current Assets (1b)			(29,254)
		1,377	Deficit on financial assets measured at fair value through other comprehensive income			338
		6,267	Actuarial gains/(losses) on pension assets and liabilities			(15,325)
		(13,144)	Other Comprehensive Income and Expenditure (1b)			(44,241)
		1,392	Total Comprehensive Income(-) and Expenditure			(28,980)

Core Financial Statements

BALANCE SHEET

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

Balance Sheet

31 March 2019		31 March 2020	
£'000	Note	£'000	
719,603	Property, Plant and Equipment	4	748,114
28,220	Heritage Assets	5	33,636
13,794	Investment Property	6	24,672
388	Intangible Assets	16	762
7,586	Long Term Investments	7g	7,247
48,494	Long Term Debtors	9	19,905
818,085	Long Term Assets		834,336
28,144	Short Term Investments	7g	5,023
23	Inventories		41
30,551	Short Term Debtors	9	54,988
11,162	Cash and Cash Equivalents	10	33,081
69,880	Current Assets		93,133
(5,506)	Short Term Borrowing	7e	(14,449)
(44,549)	Short Term Creditors	12	(58,335)
(6,170)	Provisions	13	(7,833)
(56,225)	Current Liabilities		(80,617)
(16,599)	Receipts in Advance	20	(11,119)
(60)	Provisions	13	(211)
(241,874)	Long Term Borrowing	7f	(247,637)
(141,857)	Other Long Term Liabilities	15	(127,556)
(400,390)	Long Term Liabilities		(386,523)
431,349	Net Assets		460,329
(68,593)	Usuable Reserves	14	(60,313)
(362,756)	Unusuable Reserves	15	(400,016)
(431,349)	Total Reserves		(460,329)

Core Financial Statements

D4 CASH FLOW STATEMENT

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

Cashflow Statement

2018-19 £'000		2019-20 £'000
(14,536)	Net Surplus or (deficit) on the provision of services (Notes D2/D5a)	(15,261)
39,370	Adjustment to surplus or deficit on the provision of services for noncash movements (Note 30)	62,534
(2,822)	Adjustment for items included in the net surplus/deficit on the provision of services that are investing and financing activities (Note 30)	(9,403)
22,011	Net Cashflows from Operating Activities	37,869
(17,603)	Net Cashflows from Investing Activities (Note 32)	(30,574)
(10,547)	Net Cashflows from Financing Activities (Note 33)	14,623
(6,139)	Net increase or decrease in cash and cash equivalents	21,918
17,300	Cash and Cash Equivalents at the Beginning of the Reporting Period (Note 10)	11,162
11,162	Cash and Cash Equivalents at the End of the Reporting Period	33,081

Core Financial Statements

D5. EXPENDITURE AND FUNDING ANALYSIS (EFA)

The Expenditure and Funding Analysis demonstrates how the funding available to the Council for the year 2019-20 (i.e. government grants, rents, Council Tax and Business Rates) has been used to provide services in comparison with those resources consumed or earned under generally accepted accounting practice (GAAP). The Expenditure and Funding analysis also shows how this expenditure is allocated for decision-making purposes between the Council's directorates. Income and expenditure accounted for under GAAP is presented more fully in the Comprehensive Income and Expenditure Statement.

Expenditure and Funding Analysis

Net expenditure chargeable to the General Fund and Earmarked Reserves	Adjustments between Funding and Accounting Basis	2018-19 Net Expenditure in the CIES		Net expenditure chargeable to the General Fund and Earmarked Reserves	Adjustments between Funding and Accounting Basis	2019-20 Net Expenditure in the CIES
£'000	£'000	£'000		£'000	£'000	£'000
3,699	1,315	5,014	Chief Executive	1,960	219	2,179
323	115	438	Housing	4,038	14,108	18,146
1,310	466	1,776	Borough Secretary	1,092	289	1,381
21,064	7,490	28,554	Customers & Communities	11,825	3,163	14,988
1,867	664	2,531	Chief Finance Officer	5,436	511	5,947
1,626	578	2,204	Economy Assets and Culture	1,885	2,954	4,839
316	113	429	Planning	73	605	678
30,205	10,741	40,946	Net Cost of Services	26,308	21,850	48,158
(30,537)	4,127	(26,410)	Other Income and Expenditure	(24,594)	(8,303)	(32,897)
(332)	14,867	14,536	(Surplus) or Deficit on Provision of Services	1,714	13,547	15,261
(46,225)			Opening General Fund Balance at 31 March	(46,557)		
(332)			Plus: Surplus on General Fund Balance In Year	1,714		
(46,557)			Closing General Fund Balance at 31 March	(44,843)		

Core Financial Statements

Notes to Expenditure and Funding Analysis

2018-19					2019-20			
PENSIONS	CAPITAL	OTHER	TOTAL	Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement	PENSIONS	CAPITAL	OTHER	TOTAL
Retirement Benefits	Total Capital Adjustments	Financial Instruments & Collection Fund	Total Adjustments in year		Retirement Benefits	Total Capital Adjustments	Financial Instruments & Collection Fund	Total Adjustments in year
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
(645)	2,106	-	1,461	Chief Executive	220	(1)	-	219
(326)	1,063	-	737	Chief Finance Officer	198	313	-	511
(56)	184	-	128	Housing	651	13,457	-	14,108
(228)	746	-	517	Borough Secretary	283	7	-	289
(3,673)	11,992	-	8,319	Customers & Communities	1,528	1,635	-	3,163
(55)	180	-	125	Planning	592	13	-	605
(284)	926	-	642	Economy, Assets & Culture	386	2,567	-	2,954
8,495	104	(5,660)	2,939	Other Income and Expenditure	(2,833)	(6,858)	1,389	(8,303)
3,227	17,300	(5,660)	14,867	Total	1,024	11,133	1,389	13,547

Adjustments for Capital purposes

In the service lines this column records adjustments in respect of depreciation, impairment, movements in fair value of investment properties, revenue expenditure funded from capital under statute (REFCUS) and revaluation gains/losses

- For *Other Operating expenditure* – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- For *Financing and investment income and expenditure* – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure, as these are not chargeable under generally accepted accounting practices.
- For *Taxation and non-specific grant income and expenditure* – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for Pensions Adjustments

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

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

Other Adjustments

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

- For services, this comprises the accrual made in respect of accumulated absences.
- The charge under *Taxation and non-specific grant income and expenditure* represents the difference between what is chargeable under statutory regulations for Council Tax and NNDR

Core Financial Statements

that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing issue, as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

Expenditure and Income Analysed by Nature

The Authority's expenditure and income is analysed as follows:

2018-19		2019-20
£'000		£'000
	Expenditure	
13,645	Employee Benefits expenses	17,114
179,737	Other Services expenses	172,748
(1,487)	(Gains)/Loss on the disposal of non current asset	1,749
7,663	Support Services Recharges	4,322
77,935	Depreciation, Amortisation, Impairment	26,703
11,363	Interest Payments	11,185
1,111	Precepts and Levies	1,237
(16,237)	Payments to Housing Capital Receipts Pool	1,072
-	(Gain)/Loss on revaluations	(638)
273,730	Total Expenditure	235,493
	Income	
(92,298)	Fees, charges and other service income	(74,009)
(1,599)	Interest and investment income	(4,221)
(100,522)	Taxation and Non -Specific Grants	(85,524)
(64,775)	Government grants and contributions	(56,479)
(259,193)	Total Income	(220,233)
14,536	(Surplus) or Deficit on the Provision of Services	15,261

Notes to the Core Financial Statements

1a. MATERIAL ITEMS OF INCOME AND EXPENSE

For the financial year the Council has 3 material items disclosed in the accounts.

- The first item relates to a contract to carry out the councils Environmental Services (Waste Collection, Street Cleaning, Parks). The contract cost in relation to this item in 2019-20 was £11m (2018-19 £10m);
- A contract with LGSS to cover the majority of the councils back office functions (H.R., Finance, ICT and HR etc). The contract cost in relation to this item in 2019-20 was £5m (2018-19 £5m); and
- The following expenditure on Housing Benefit has also been made:

Rent Allowance of £29.8m (2018-19 £34.9m)

Rent Rebates £24.9m (2018-19 £28.3m)

1b. OTHER COMPREHENSIVE INCOME AND EXPENDITURE

2018-19 £'000	Other Comprehensive Income & Expenditure	2019-20 £'000
(7,160)	General Fund Revaluation Gains	(19,839)
553	General Fund Revaluation Losses	2,706
1,377	General Fund Financial Instrument	338
(17,031)	HRA Revaluation Gains	(14,549)
2,850	HRA Revaluation Losses	2,428
(19,411)	Total	(28,916)
6,267	Actuarial Gains & Losses to the Pensions Reserve	(15,325)
(13,144)	Other Comprehensive Expenditure and Income	(44,241)

1c. OTHER OPERATING EXPENDITURE

2018-19 £'000	Other Operating Expenditure	2019-20 £'000
1,111	Parish council precepts	1,237
1,072	Payments to the Government Housing Capital Receipts Pool	1,072
-	Other Operating Gains/Losses	(638)
(3,518)	Gains/Losses on the disposal of non- current assets	1,749
(1,335)	Total	3,421

1d. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2018-19 £'000	Financing and Investment Income	2019-20 £'000
7,890	Interest payable and similar charges	7,800
3,473	Pensions interest cost and expected return on pension assets	3,385
(1,802)	Interest receivable and similar charges	(2,005)
(1,066)	Income and expenditure in relation to investment properties and changes in their fair value	(2,215)
8,495	Total	6,964

1e TAXATION AND NON-SPECIFIC GRANT INCOME

2018-19 £'000	Taxation And Non Specific Grant Income	2019-20 £'000
(16,237)	Council tax income	(16,728)
(39,828)	Retained Rates	(40,259)
(1,487)	Capital grants and contributions	(8,011)
(886)	Revenue Support Grant	-
(3,082)	Non-ring fenced government grants	(2,595)
(2,274)	Section 31 grants	(3,196)
(2,026)	Other NNDR related transactions	(680)
30,079	Tariff Payment	30,682
(14)	Section 106 and HRA Homes Funding	(1,634)
2,184	Levy Payment	-
-	Donated Assets	(860)
(34,279)	Total	(43,282)

2. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATION

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

2019-20	General Fund Balance £'000	Housing Revenue Account £'000	Earmarked Reserves £'000	Major Repairs Reserve £'000	Capital receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account:								
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:								
Charges for depreciation and impairment of non-current assets	(2,363)	(35,557)	-	-	-	-	(37,920)	37,920
Amounts of non-current assets written off on Disposal or sale	(97)	(10,579)	-	-	-	-	(10,676)	10,676
Movements in the market value of Investment properties	1,198	5	-	-	-	-	1,203	(1,203)
Amortisation of Intangible assets	(63)	-	-	-	-	-	(63)	63
Capital Grants & contributions applied (if any)	9,270	1,634	-	-	-	(10,904)	-	-
Income in relation to donated assets if any	860	-	-	-	-	-	860	(860)
Revenue expenditure funded from capital under statute	(4,322)	-	-	-	-	-	(4,322)	4,322
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure statement	(163)	-	-	-	-	-	(163)	163
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement								
Statutory provision for the financing of capital investment	1,978	-	-	-	-	-	1,978	(1,978)
Posting of HRA resources from revenue to the major repairs reserve		13,207		(13,207)			-	-
Total Adjustments primarily involving the Capital Adjustment Account	6,298	(31,291)	-	(13,207)	-	(10,904)	(49,103)	49,103

2019-20	General Fund Balance £'000	Housing Revenue Account £'000	Earmarked Reserves £'000	Major Repairs Reserve £'000	Capital receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Grants Unapplied Account:								
Application of grants to capital financing transferred to the Capital Adjustment Account	-	5,841	-	-	-	11,449	17,289	(17,289)
Total Adjustments primarily involving the Capital Grants Unapplied Account	-	5841	-	-	-	11,449	17,289	(17,289)
Adjustments primarily involving the Capital Receipts Reserve:								
Transfer of non-current asset sale proceeds from revenue to the capital receipts reserve	31	9,059	-	-	(9,089)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	13,889	-	13,889	(13,889)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	-	-	-	163	-	163	(163)
Contribution from the Capital Receipts Reserve to finance payments to Government Capital Receipts pool	(1,072)	-	-	-	1,072	-	-	-
Transfer from Deferred Capital receipts Reserve upon receipt of cash	-	-	-	-	(12)	-	(12)	12
Total Adjustments primarily involving the Capital Receipts Reserve	(1,042)	9,059	-	-	6,022	-	14,039	(14,039)
Adjustment primarily involving the Major Repairs Reserve:								
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	13,207	-	-	13,207	(13,207)
Total Adjustment primarily involving the Major Repairs Reserve	-	-	-	13,207	-	-	13,207	(13,207)

2019-20	General Fund Balance £'000	Housing Revenue Account £'000	Earmarked Reserves £'000	Major Repairs Reserve £'000	Capital receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Deferred Capital Receipts Reserve: Adjustments primarily involving the Financial Instruments Adjustment Account: Adjustments primarily involving the Pensions Reserve: Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and expenditure Statement Employer's pensions contributions and direct payments to pensioners payable in the year Financial instruments (transferred to the financial instruments adjustments account)	6,360		-	-	-	-	6,360	(6,360)
	(7,384)		-	-	-	-	(7,384)	7,384
	27						27	(27)
Total Adjustments primarily involving the Pensions Reserve	(997)	-	-	-	-	-	(997)	997
Adjustments primarily involving the Collection Fund Adjustment Account: Amount by which council tax income and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1,415)	-	-	-	-	-	(1,415)	1,415
Total Adjustments	2,845	(16,390)	-	-	6,022	544	(6,981)	6,981

2018/19	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Major Repairs Reserve	Capital receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Movement in Unusable Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Adjustments primarily involving the Capital Adjustment Account:								
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:								
Charges for depreciation and impairment of non-current assets	(18,451)	(5,495)	-	(12,998)	-	-	(36,944)	36,944
Impairment - Long Term Debtor	-	-	-	-	-	-	-	-
Revaluation gains on PPE	1,574	9,350	-	-	-	-	10,924	(10,924)
Revaluation losses on Property Plant and equipment	(1,273)	(10,644)	-	-	-	-	(11,917)	11,917
Movements in the market value of Investment properties	(40)	5	-	-	-	-	(35)	35
Amortisation of Intangible assets	(92)	-	-	-	-	-	(92)	92
Capital Grants & contributions applied (if any)	3,162	-	-	-	-	-	3,162	(3,162)
Income in relation to donated assets if any	14	-	-	-	-	-	14	(14)
Revenue expenditure funded from capital under statute	(1,439)	-	-	-	-	-	(1,439)	1,439
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure statement	(107)	(7,871)	-	-	-	-	(7,978)	7,978
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement								
Statutory provision for the financing of capital investment	1,375	-	-	-	-	-	1,375	(1,375)
Capital expenditure charged against the General Fund and HRA balances	-	-	-	-	-	-	-	-
Balance of MRA	-	-	-	-	-	-	-	-
	(15,277)	(14,655)	-	(12,998)	-	-	(42,930)	42,930

2018/19	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Major Repairs Reserve	Capital receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Movement in Unusable Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Adjustments primarily involving the Capital Grants Unapplied Account:								
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	2466	-	-	-	19	2,485	(2,485)
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	(265)	(265)	265
Total Adjustments primarily involving the Capital Grants Unapplied Account	-	2466	-	-	-	(246)	2,220	(2,220)
Adjustments primarily involving the Capital Receipts Reserve:								
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	11658	-	-	-	(11,658)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	8,110	-	8,110	(8,110)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(163)	-	-	-	163	-	-	-
Contribution from the Capital Receipts Reserve to finance payments to Government Capital Receipts pool	(1,072)	-	-	-	1,072	-	-	-
Transfer from Deferred Capital receipts Reserve upon receipt of cash	(19)	-	-	-	19	-	-	-
Total Adjustments primarily involving the Capital Receipts Reserve	10,404	-	-	-	(2,294)	-	8110	-8110
Adjustment primarily involving the Major Repairs Reserve:								
Reversal of major Repairs Allowance credited to the HRA	-	-	-	-	-	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	13,614	-	-	13,614	(13,614)
Total Adjustment primarily involving the Major Repairs Reserve	-	-	-	13,614	-	-	13,614	(13,614)

2018/19	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Major Repairs Reserve	Capital receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Movement in Unusable Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Adjustments primarily involving the Deferred Capital Receipts Reserve: Adjustments primarily involving the Pensions Reserve: Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and expenditure Statement Employer's pensions contributions and direct payments to pensioners payable in the year	6,619	-	-	-	-	-	6,620	(6,620)
Employer's pensions contributions and direct payments to pensioners payable in the year	(4,823)	(2)	-	-	-	-	(4,825)	4,825
Total Adjustments primarily involving the Pensions Reserve	1,796	(1)	-	-	-	-	1,795	(1,795)
Adjustments primarily involving the Collection Fund Adjustment Account: Amount by which council tax income and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	373	-	-	-	-	-	373	(373)
Adjustment primarily involving Unequal Pay Back Pay Adjustment Account Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlement chargeable in the year in accordance with statutory requirements	27	-	-	-	-	-	27	(27)
Total Adjustments	(2,677)	(12,190)	-	616	(2,294)	(246)	(16,790)	16,790

Notes to the Core Financial Statements

3. TRANSFERS TO / FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2019-20.

Earmarked Reserve	Balance at 31 March 2018	Realigned 2018-19	Additions to Reserve 2018-19	Use Of Reserve 2018-19	Balance at 31 March 2019	Realigned 2019-20	Additions to Reserve 2019-20	Use Of Reserve 2019-20	Balance at 31 March 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund									
Customers and Communities Reserves	682	(484)	-	(102)	96	(43)	-	(45)	7
Economy, Assets & Culture Reserves	543	(97)	164	(133)	477	-	300	(188)	590
Planning Reserves	-	314	120	(8)	426	-	12	(40)	398
Housing & Wellbeing Reserves	600	190	-	(140)	650	-	317	(212)	755
Total Service Related Reserves	1,825	(77)	284	(383)	1,649	(43)	628	(484)	1,750
Delivering the Efficiency Plan Reserve	2,000	-	-	(217)	1,783	(1,281)	-	(502)	-
MTFP Cashflow Reserve	4,750	(3,179)	869	(1,186)	1,254	788	657	(516)	2,183
Strategic Investment Reserve	(3)	3	-	-	-	-	-	-	-
Environmental Services Capital Financing	10,000	-	-	(1,000)	9,000	(2,300)	-	(1,000)	5,700
Sixfields Recovery Reserve	-	5,000	-	-	5,000	4,500	-	(200)	9,300
Other Corporate Reserves	1,410	-	1,502	(267)	2,645	(1,664)	1,767	(250)	2,498
Total Corporate Reserves	18,157	1,824	2,371	(2,670)	19,682	43	2,423	(2,467)	19,681
Insurance Reserve	1,179	-	-	(302)	877	-	-	(124)	753
Rates Retention Deficit Funding	3,412	-	759	-	4,170	-	3,066	-	7,236
Other Technical Reserves	247	(247)	-	-	-	-	-	-	-
Total Technical Reserves	4,838	(247)	759	(302)	5,048	-	3,066	(124)	7,989
Section 106 Contributions	2,137	-	-	(57)	2,080	-	104	(179)	2,005
Total General Fund	26,957	1,500	3,414	(3,412)	28,459	-	6,222	(3,255)	31,426
HRA									
HRA Reserves	6,968	-	328	-	7,296	-	-	(4,681)	2,615
HRA Leaseholder Reserve	500	-	0	-	500	-	-	-	500
HRA Service Improvement Reserve	1,000	-	0	-	1,000	-	-	-	1,000
HRA Insurance Reserve	300	-	0	-	300	-	-	-	300
Total HRA	8,770	-	328	-	9,096	-	-	(4,681)	4,415
Total Earmarked Reserves	35,727	1,500	3,742	(3,412)	37,554	-	6,222	(7,935)	35,841

Notes to the Core Financial Statements

Service Related Reserves

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

Delivering the Efficiency Plan

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

MTFP Cashflow Reserve

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

Environmental Service Capital Financing

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

Sixfields Recovery Reserve

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

Other Corporate Reserves

These include reserves to cover things such as monies generated by the Enterprise Zone, and specific project carry forwards.

Insurance Reserve

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

Rates Retention Deficit Funding

This reserve is set aside to manage timing differences in the payments of Non Domestic Rates.

S106 Contributions

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

HRA Earmarked Reserves

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

4. PROPERTY, PLANT AND EQUIPMENT

a) Movement date

Movements in 2019-20	Council Dwellings	Housing Land and Buildings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infra-structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
At 1st April 2019	674,977	16,027	86,008	11,112	2,616	14,610	2,308	18,642	826,300
Additions	22,385	339	1,438	1,284	870	133	-	30,806	57,255
Donations	-	-	-	-	-	-	-	-	-
Revaluation increases / (decreases) recognised in the Revaluation Reserve	3,869	(216)	10,891	(725)	-	-	253	-	14,072
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(16,942)	117	864	(1,196)	-	-	20	-	(17,137)
Derecognition – disposals	(7,157)	(90)	(178)	-	-	-	-	-	(7,425)
Derecognition – other	(2,944)	(499)	-	(80)	-	-	(5)	-	(3,528)
Assets reclassified (to) / from Held for sale	-	-	-	-	-	-	-	-	-
Assets reclassified (to) / from Investment	-	-	(4,961)	-	-	-	-	-	(4,961)
Assets reclassified to / (from) PPE	9,318	(115)	-	53	-	-	(1,804)	(7,850)	(398)
At 31 March 2020	683,506	15,563	94,062	10,448	3,486	14,743	772	41,598	864,178
Accumulated Depreciation and Impairment									
At 1 April 2019	(88,080)	(847)	(13,428)	(2,364)	(719)	(725)	(536)	-	(106,699)
Depreciation Charge	(12,859)	(317)	(1,913)	(1,197)	(74)	(157)	(7)	-	(16,524)
Depreciation written out to the revaluation reserve	8,285	80	1,657	839	-	-	1	-	10,862
Depreciation written out to the Surplus/Deficit on the Provision of Services	4,309	49	753	653	-	-	-	-	5,764
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(9,904)	-	-	-	-	-	-	-	(9,904)
Derecognition – Disposals	99	1	30	-	-	-	-	-	130
Derecognition – other	72	10	-	68	-	-	5	-	155
Other Movements	(5)	-	128	4	-	-	25	-	152
At 31 March 2020	(98,083)	(1,024)	(12,773)	(1,997)	(793)	(882)	(512)	-	(116,064)
Net Book Value									
At 31 March 2019	586,897	15,180	72,580	8,748	1,897	13,885	1,772	18,642	719,603
At 31 March 2020	585,423	14,539	81,289	8,451	2,693	13,861	260	41,598	748,114

Notes to the Core Financial Statements

Movements in 2018-19	Council Dwellings	Housing Land and Buildings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infra-structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
At 1st April 2018	657,355	16,617	80,505	2,595	2,585	14,530	1,835	17,925	793,947
Additions	18,541	236	811	8,518	-	80	-	8,072	36,258
Revaluation increases / (decreases) recognised in the Revaluation Reserve	5,979	(266)	5,410	-	-	-	11	-	11,134
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(5,974)	(117)	(1,103)	-	-	-	587	-	(6,607)
Derecognition – disposals	(6,782)	(79)	(47)	-	-	-	(144)	-	(7,052)
Derecognition – other	(785)	(229)	(96)	-	-	-	-	-	(1,110)
Assets reclassified to / (from) PPE	6,643	(138)	532	-	32	-	19	(7,355)	(267)
Other Movements	-	4	(2)	-	-	-	-	-	2
At 31 March 2019	674,977	16,028	86,010	11,113	2,617	14,610	2,308	18,642	826,303
Accumulated Depreciation and Impairment									
At 1 April 2018	(82,565)	(721)	(6,707)	(1,309)	(641)	(569)	(533)	-	(93,045)
Depreciation Charge	(12,628)	(323)	(2,139)	(1,055)	(74)	(157)	(24)	-	(16,400)
Depreciation written out to the revaluation reserve	8,333	84	1,199	-	-	-	15	-	9,631
Depreciation written out to the Surplus/Deficit on the Provision of Services	4,159	49	780	-	-	-	3	-	4,991
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	(524)	-	-	-	-	-	(524)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(5,495)	-	(6,085)	-	-	-	-	-	(11,580)
Derecognition – Disposals	95	1	3	-	-	-	5	-	104
Derecognition – other	26	22	33	-	-	-	-	-	81
Other Movements	(4)	43	11	-	(6)	-	(2)	-	42
At 31 March 2019	(88,079)	(845)	(13,429)	(2,364)	(721)	(726)	(536)	-	(106,700)
Net Book Value									
At 31 March 2018	574,790	15,896	73,798	1,286	1,944	13,961	1,302	17,925	700,902
At 31 March 2019	586,898	15,183	72,581	8,749	1,896	13,884	1,772	18,642	719,603

b) Depreciation

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

c) Revaluations

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

Council Dwellings have been valued as at 1st April 2019 and 31st March 2020 based on a desk top review carried out by Bruton Knowles.

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

Notes to the Core Financial Statements

	Council Dwellings	Housing Land and Buildings	Other Land and Buildings	Vehicles, Plant, Furniture, and Equipment	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Valued at fair value in:						
2019/20	683,507	1,994	72,507	1,741	771	760,520
2018/19	-	6,365	12,933	8,358	-	27,656
2017/18	-	286	2,329	99	-	2,714
2016/17	-	-	1,325	-	-	1,325
2015/16	-	6,919	4,969	173	-	12,061
Previous Years	-	-	-	76	-	76
	683,507	15,564	94,063	10,447	771	804,352

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d) Information on Asset

31 March 2019 Number	Information on Assets Held	31 March 2020 Number
11,472	Council Dwellings	11,358
	Housing Land and Building	
2,877	Council Garages	2,778
75	Shared Ownership Properties	68
66	Operational Shops	66
18	Council Houses not used as dwellings - Community Rooms	16
29	Commercial Property (Units)	28
	Other Land and Buildings	
26	Community Centres	25
21	Other Operational Properties	21
17	Surface Pay & Display Car Parks	16
5	Multi-Storey Pay & Display Car Parks	5
1	Bus Station	1
1	Depots	1
14	Sub-Depots	14
3	Central Administrative Offices	2
1	Local Area Offices	1
1	Open Markets	1
1	Museums	1
3	Theatres, Cinepod	3
1	Golf Course	1
7	Sports & Leisure Facilities	8
7	Pavilions	7
1	Travellers Site	1
8	Public Conveniences	6
92	Commercial Property (Units)	87
65.97ha	Agricultural Land	65.97ha
62.88ha	Allotments	62.88ha
84	Infrastructure	93
147	Vehicles, Plant and Equipment	181
	Community Assets	
8	Cemeteries	9
2	Monuments/Memorials/Exhibitions	2
1	Guildhall	1
1	Historical Buildings	1
1	Commercial Property (Units)	1
925.53ha	Parks and Open Spaces	925.36ha
	Heritage Assets	
164	Museum Exhibits	169
123	Guildhall Contents	123
37	Buildings & Statuary	36
1	Museum	1
15	Mayoral Regalia	14
	Investment Assets	-
16	Land	16
17	Properties	22
41	Units	41
	Surplus Assets	
99	Residential Land/Units held for Development	-
5	Public Conveniences	5
1	Other Surplus Asset	2
58	Intangible Assets	72

Notes to the Core Financial Statements

e) Donated Assets

No donated assets were received during 2019-20 or 2018-19.

f) Commitments under Capital Contracts

Project	Capital Contract Commitment	Contractor	Actual Expenditure to end Mar 2020	Outstanding Capital Commitment
Vulcan Works	£10,299,998	Stepnell Ltd	£3,211,088	£7,088,910
Northampton Museum	£6,350,190	Wildgoose Ltd	£6,279,265	£70,925
Environmental Services Vehicles	£1,618,834	Veolia Ltd	£467,326	£1,151,508
North West relief road	£4,200,000	Northamptonshire County Council	£3,059,577	£1,140,423

5. HERITAGE ASSETS

Reconciliation of the heritage assets held by the Authority:

Movements in 2019-20	Historic Buildings & Statuary £'000	Museum Exhibits £'000	Mayoral Regalia £'000	Guildhall Artefacts £'000	Total Heritage Assets £'000
Cost or Valuation					
At 1 April 2019	14,362	21,732	48	1,932	38,074
Additions	129	-	-	-	129
Donations	-	860	-	-	860
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,262	2,248	35	(227)	4,318
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(44)	-	-	(44)
Derecognition – other	-	-	(4)	-	(4)
Assets reclassified (to) / from PPE	231	-	-	-	231
Cost at 31 March 2020	16,984	24,796	79	1,706	43,565
Accumulated Depreciation and Impairment					
At 1 April 2019	(9,854)	-	-	-	(9,854)
Depreciation Charge	(76)	-	-	-	(76)
Depreciation written out to the revaluation reserve	-	1	-	-	1
Acc Depreciation and Impairment as at 31 March 2020	(9,931)	1	-	-	(9,929)
Net Book Value at 31 March 2019	4,508	21,732	48	1,932	28,220
Net Book Value at 31 March 2020	7,054	24,797	79	1,706	33,636

Buildings and Statuary

Historic Buildings that were previously included in Community Assets were valued as part of the five-year rolling programme of valuations undertaken by the Council's internal valuers. Statuary has been valued at market valuations by Art and Antiques Ltd in March 2012. No impairment in 2019-20 (£9.7m 2018-19).

Museum Exhibits

Museum Exhibits were valued by Coram James Ltd for insurance purposes in September 2019. Of particular interest is the shoe collection, which is the largest collection of shoe heritage in the world and it has been designated as being of national importance. During the valuation, several items received after the last valuation in 2010 were identified and added to asset.

They were additions to the Museum's shoe collection and an oil painting of £691k. Museum also received donation of a collection of artworks and books during the financial year £169k.

Mayoral Regalia

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

Notes to the Core Financial Statements

Guildhall Artefacts

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

Enhancement of Heritage Assets

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

6. INVESTMENT PROPERTIES

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

2018-19 £'000	Investment Properties	2019-20 £'000
1,331	Rental income from investment property	2,079
(371)	Direct operating expenses arising from investment property	(1,143)
960	Net gain / (loss)	936

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

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

2018-19 £'000	Investment Property Valuations	2019-20 £'000
13,830	Balance at start of the year	13,794
	Additions:	
-	: Purchases	5,198
1	: Subsequent expenditure	-
(35)	Net gains/(losses) from fair value adjustments	1,203
	Transfers:	
-	: to/from Property, Plant and Equipment	4,478
(2)	Other Changes	-
13,794	Balance at end of year	24,673

7. FINANCIAL INSTRUMENTS

a) Categories of Financial Instruments

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

	31-Mar-19 £'000	31-Mar-20 £'000	31-Mar-19 £'000	31-Mar-20 £'000
Investments				
Loans and receivables	-	-	16,173	33,071
Certificate of Deposits	-	-	23,119	5,023
Unquoted equity investments at cost	7,586	7,247	-	-
Total Investments	7,586	7,247	39,292	38,094
Debtors				
Loans and receivables	48,494	19,905	30,551	54,988
Total Debtors	48,494	19,905	30,551	54,988
Borrowings				
Financial Liabilities at amortised cost	(241,874)	(247,637)	(5,506)	(14,449)
Total Borrowings	(241,874)	(247,637)	(5,506)	(14,449)
Creditors				
Receipts in Advance and Short Term Creditors	(16,599)	(11,119)	(44,550)	(58,335)
Total Creditors	(16,599)	(11,119)	(44,550)	(58,335)

b) Reclassifications

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

c) Income, Expense, Gains, and Losses

	2018-19					2019-20				
	Financial liabilities measured at amortised cost	Financial assets: loans and receivables	Financial assets: available for sale	Assets and liabilities at fair value through profit and loss	Total	Financial liabilities measured at amortised cost	Financial assets: loans and receivables	Financial assets: available for sale	Assets and liabilities at fair value through profit and loss	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Interest expense	7,890	-	-	-	7,890	7,777	-	-	-	7,777
Losses on derecognition	-	-	26	-	26	-	-	-	-	-
Reductions in fair value	-	-	33	-	33	-	-	484	-	484
Impairment losses	-	1,146	-	-	1,146	-	551	-	-	551
Total expense in Surplus or Deficit on the Provision of Services	7,890	1,146	60	-	9,096	7,777	551	484	-	8,813
Interest income	-	(1,900)	-	(99)	(1,999)	-	(2,326)	-	(99)	(2,425)
Increases in fair value	-	-	-	-	-	-	-	-	-	-
Total income in Surplus or Deficit on the Provision of Services	-	(1,900)	-	(99)	(1,999)	-	(2,326)	-	(99)	(2,425)
Gains on revaluation	-	-	-	(22)	(22)	-	-	-	-	-
Losses on revaluation	-	-	-	506	506	-	-	-	-	-
Surplus/(Deficit) arising on revaluation of financial assets in other Comprehensive Income and Expenditure	-	-	-	484	484	-	-	-	-	-
Net Gain/(Loss) for the year	7,890	(754)	60	386	7,581	7,777	(1,775)	484	(99)	6,388

Notes to the Core Financial Statements

d) Fair Values

Items are split according to the following hierarchy.

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

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

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

Items Available for Short Term Investments through the Profit and Loss

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

Financial assets measured at fair value				
Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair	31-Mar-19	31-Mar-20
			£'000	£'000
Certificate of Deposits	Level 1	Unadjusted quoted prices in active market for identical	23,119	5,016
Total			23,119	5,016

The Council held £5m in Certificates of Deposit at 31 March 2020. The fair value has been calculated by using published price quotations.

The Council holds no other available for sale investments.

Items Disclosed on the Balance Sheet at their Carrying Amount

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

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

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

Financial Instruments – Liabilities

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

- For loans from the PWLB payable, new borrowing rates from the PWLB have been applied to provide the fair value.
- For non-PWLB market loans payable, prevailing market rates have been applied to provide the fair value.

Notes to the Core Financial Statements

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

Financial Instruments - Assets

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

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

The fair values are as follows:

Financial Instruments - Liabilities	31 March 2019		31 March 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Short Term				
Borrowing	(5,506)	(10,543)	(14,449)	(15,010)
Creditors & Receipts in Advance	(44,593)	(44,593)	(40,466)	(40,466)
Long Term				
Borrowing	(241,874)	(302,858)	(247,637)	(289,353)
Creditors & Receipts in Advance	(15,907)	(15,907)	(10,495)	(10,495)
Financial liabilities	(307,881)	(373,901)	(313,047)	(355,323)

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional loss (based on economic conditions at 31st March 2020) arising from a commitment to pay interest to lenders above current market rates.

PWLB loans included above have a carrying value of £245.4m and a fair value of £287.6m.

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

However, as the Debt Management Office provides a transparent approach allowing exit cost to be calculated without undertaking a repayment or transfer it is also appropriate to disclose this exit price. The exit price reflects the fair value of PWLB loans calculated using early redemptions rates instead of new loan rates. If a value is calculated on this basis the carrying amount of £245.4m would be valued at £286.3m.

Notes to the Core Financial Statements

Financial Instruments – Assets

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

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

The fair value of the assets at 31 March 2020 is the same as the carrying value at the Balance Sheet date.

Financial Instruments - Assets	31 March 2019		31 March 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Short Term				
Fixed Term Investments	5,025	5,025	7	7
Cash and Cash Equivalents	11,148	11,148	39,421	39,421
Debtors	17,059	17,059	38,104	38,104
Long Term				
Long Term Investments	7,586	7,586	7,247	7,247
Long Term Debtors	48,494	48,494	29,197	29,197
TOTAL	89,311	89,311	113,977	113,977

e) Short Term Borrowing

31 March 2019		31 March 2020
£'000		£'000
35	HCA principal due within 1 year	38
5,128	PWLB Loans principal due within 1 year	14,114
344	Growing Places Fund principal due within 1 year	297
5,506		14,449

f) Long Term Borrowing

31 March 2019	Long Term Borrowing	31 March 2020
£'000		£'000
	Analysis of loans by type	
225,350	Public Works Loan Board	231,256
9,067	Fixed term rate loan	9,069
1,002	Homes & Communities Agency	964
5,307	Growing Places Fund	5,136
1,148	Local Infrastructure Fund	1,212
241,874		247,637
	Analysis of loans by maturity	
34,307	Maturing in 1-2 years	1,507
15,673	Maturing in 2-5 years	19,426
40,565	Maturing in 5-10 years	32,212
7,256	Maturing in 10-20 years	3,973
5,276	Maturing in 20-30 years	198
4,683	Maturing in 30-40 years	16,253
134,115	Maturing in 40-50 years	174,069
241,874		247,637

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g) Investments

31 March 2019	Investment Type	31 March 2020
£000		£000
	Cash and Cash Equivalents	
200	Deposit and Notice Accounts	965
12,295	Money Market Funds	32,275
12,495		33,240
	Current Investments - Under 1 Year	
5,017	Fixed Term Investments	-
	Long Term Investments - Over 1 Year	
7,586	Fixed Term Investments	7,247
12,603		7,247
	Short Term Investments	
23,127	Certificates of Deposit	5,016
23,127		5,016
48,225	Total	45,503

h) Soft Loans

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

31 March 2019	Material Soft Loans	31 March 2020
£000		£000
4,240	Opening Balance	3,971
27	Write down of fair value adjustments in year	27
(220)	Loans repaid	(220)
(77)	IFRS9 Credit loss provision	-
3,971	Closing balance	3,777

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

8. CONSTRUCTION CONTRACTS

In 2019-20, the Council did not have any external construction contracts in progress.

9. DEBTORS

Debtors	Long-term 31 March 2019 £'000	Long-term 31 March 2020 £'000	Short-term 31 March 2019 £'000	Short-term 31 March 2020 £'000
Central Government Bodies	-	-	9,561	29,973
Central Government Bodies			9,561	29,973
Other Local Authorities	-	-	3,244	4,453
Less Impairment Allowance	-	-	0	-8,299
Other Local Authorities			3,244	-3,846
Other entities and Individuals	48,494	19,905	19,271	36,902
Less Impairment Allowance	-	-	(1,525)	(8,041)
Other entities and Individuals*	48,494	19,905	17,746	28,861
TOTAL	48,494	19,905	30,551	54,988

The Council provides loans to third parties to support local businesses and regeneration. (See below)

University of Northampton repaid £20m of the loan in January 2020 and the balance of £8.5m is due to be repaid in March 2021 and this is now included in the short term debtors class above.

Counterparty	Purpose of loan	Start date	End Date	Initial Loan Value £'000	Amount Outstanding at 31 March 2020 £'000
Saints Rugby Club (NTRFC)	To support stadium expansion and associated development	22-Jan-14	22-Jan-39	5,500	3,520
University of Northampton	To support the creation of a waterside campus in Northampton	10-Mar-16	10-Mar-21	28,500	8,500
		10-Mar-16	10-Mar-56	17,500	16,517

10. CASH AND CASH EQUIVALENTS

2018-19 £'000	Cash and Cash Equivalents	2019-20 £'000
12	Cash Held by the authority	7
(1,345)	Operating Account used as part of cash management/ overdraft	(166)
200	Deposit Account Facilities with banks	965
12,295	Deposits with money market funds	32,275
12,495	Total Cash Equivalents	33,240
11,162	Total Cash and Cash Equivalents	33,081

11. CURRENT ASSETS HELD FOR SALE

There were no assets transferred to Held for Sale in 2019-20 and in 2018-19

12. CREDITORS

31 March 2019 £'000		31 March 2020 £'000
(13,780)	Central Government Bodies	(34,679)
(7,527)	Other Local Authorities	(8,722)
-	Public Corporations and Trading Funds	(96)
(23,243)	Other entities and Individuals	(14,838)
(44,550)	TOTAL	(58,335)

13. PROVISIONS

Long Term Provisions

	Insurance Provision	Business Rates Appeals	Other Provisions	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2019	(55)	-	(5)	(60)
Additional Provisions Made	(167)	-	-	(167)
Unused Amounts Reversed	12	-	5	17
Balance at 31 March 2020	(211)	-	-	(211)

Short Term Provisions

	Insurance Provision	Business Rates Appeals	Accumulated Absences	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2019	(184)	(5,927)	(59)	(6,170)
Additional provisions made	(270)	(1,685)	-	(1,954)
Amounts used	26	145	-	171
Unused amounts reversed	120	-	-	120
Balance at 31 March 2020	(307)	(7,467)	(59)	(7,833)

a) Insurance Provision

The provision covers the following risks:

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

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

The estimated cost of outstanding claims is held in the Insurance provision as at 31 March 2020; an actuarial forecast of future valid claims made against 2019-20 and before, is held in the Insurance Reserve.

b) Business Rates Appeals Provision

Following the localisation of the Business Rates Retention Scheme, The Council is now liable for the impact of its share of the effects of any appeals against business rates ratings assessments decided by the Valuation Office Agency (VOA), including the effects of any backdating. The provision at 31st March 2020 is therefore based on the number of appeals that have been made to the VOA at the balance sheet date,

Notes to the Core Financial Statements

split between long-term and short-term, depending on when the appeals are expected to be settled. Disclosure has been made in the Contingent Liabilities note (note 27) for other risks associated with appeals.

This note excludes the Collection Fund provisions for appeals, which are shown in the Collection Fund notes in section G to these Accounts.

14. USABLE RESERVES

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

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

31 March 2019 £'000		31 March 2020 £'000
68,593	Usable Reserves	60,315

15. UNUSABLE RESERVES

a) Balances

31 March 2019 £'000	Unusable Reserves	31 March 2020 £'000
(276,463)	Revaluation Reserve	(290,617)
(227,266)	Capital Adjustment Account	(237,812)
(113)	Deferred Capital Receipts Reserve	(101)
(1,666)	Collection Fund Adjustment Account	(250)
836	Financial Instruments Adjustment Account	1,149
141,857	Pensions Reserve	127,556
59	Short Term Compensated Absences Account	59
(362,756)	Total	(400,016)

b) Revaluation Reserve

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

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

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

Notes to the Core Financial Statements

2018-19			Revaluation Reserve	2019-20		
General Fund	Housing Revenue Account	Total		General Fund	Housing Revenue Account	Total
£000s	£000s	£000s		£000s	£000s	£000s
(55,045)	(212,926)	(267,972)	Balance at 1 April	(60,000)	(216,463)	(276,464)
(8,380)	(16,997)	(25,377)	Upward Revaluation of assets	(19,839)	(14,549)	(34,388)
2,150	2,850	5,000	Downward Revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	2,706	2,428	5,134
(6,230)	(14,147)	(20,377)	(Surplus) or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(17,133)	(12,121)	(29,254)
826	7,712	8,538	Difference between fair value depreciation and historical cost depreciation	2,142	7,670	9,812
449	2,898	3,347	Accumulated gains on assets sold or scrapped	40	5,250	5,290
1,275	10,610	11,885	Amounts written off to the Capital Adjustment Account	2,182	12,920	15,102
(60,000)	(216,463)	(276,464)	Balance at 31 March	(74,951)	(215,664)	(290,617)

c) Financial Instruments Adjustment Account

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

2018-19 £'000		2019-20 £'000
380	Balance at 1 April	352
(28)	Soft Loans - Statutory Fair Value Adjustments	(27)
352	Balance at 31 March	325

Notes to the Core Financial Statements

d) Financial Instruments - Short Term Investments

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

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

2018-19 £'000		2019-20 £'000
26	Balance at 1 April	484
506	CCLA Property Fund initial unrealised revaluation loss	-
532	Surplus or Deficit on revaluation of Investments not posted to the Surplus or Deficit on the Provision of Services	484
(26)	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure as part of Other Investment Income	-
(22)	CCLA Property Fund year-end unrealised revaluation gain	339
484	Balance at 31 March	823

e) Capital Adjustment Account

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

Notes to the Core Financial Statements

2018-19			Capital Adjustment Account	2019-20		
General Fund £'000	HRA £'000	Total £'000		General Fund £'000	HRA £'000	Total £'000
(32,121)	(202,742)	(234,864)	Balance at 1 April	(20,430)	(206,836)	(227,266)
			Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
18,451	18,494	36,944	Charges for depreciation and impairment of non current assets	3,393	23,111	26,504
1,273	10,644	11,917	Revaluation losses on Property, Plant and Equipment	3,258	15,117	18,375
(950)	(9,350)	(10,300)	Revaluation gains on Property, Plant and Equipment	(4,288)	(2,670)	(6,958)
92	-	92	Amortisation of intangible assets	63	-	63
1,439	-	1,439	Revenue expenditure funded from capital under statute	4,322	-	4,322
99	7,836	7,935	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	164	10,512	10,676
20,404	27,623	48,027	Total	6,913	46,069	52,982
(1,274)	(10,610)	(11,884)	Adjusting amounts written out of the Revaluation Reserve	(2,182)	(12,920)	(15,102)
19,130	17,013	36,143	Net written out amount of the cost of the Revaluation Reserve	4,731	33,149	37,880
			Capital financing applied in the year:			
(3,193)	(5,021)	(8,214)	Use of the Capital Receipts Reserve to Finance new capital expenditure	(5,107)	(8,782)	(13,889)
-	(13,614)	(13,614)	Use of the Major Repairs Reserve to finance new capital expenditure	-	(13,207)	(13,207)
(2,897)	-	(2,897)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital expenditure	(8,930)	(1,634)	(10,564)
(1,375)	-	(1,375)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1,978)	-	(1,978)
-	(2,466)	(2,466)	Capital expenditure charged against the General Fund and HRA balances	-	(5,841)	(5,841)
(7,465)	(21,102)	(28,567)	Total	(16,899)	(29,463)	(46,362)
40	(5)	35	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(1,198)	(5)	(1,203)
(14)	-	(14)	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	(860)	-	(860)
(20,430)	(206,836)	(227,266)	Balance at 31 March	(34,657)	(203,154)	(237,812)

Notes to the Core Financial Statements

f) Deferred Capital Receipts Reserve

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

2018-19 £'000	Deferred Capital Receipts Reserve	2019-20 £'000
(123)	Balance at 1 April	(113)
-	Transfer of deferred sale proceeds credited as part - of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-
10	Transfer to the Capital Receipts Reserve upon receipt of cash	12
(113)	Balance at 31 March	(101)

g) Pensions Reserve

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

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

2018-19 £'000	Pensions Reserve	2019-20 £'000
137,385	Balance at 1 April	141,857
6,267	Remeasurements of the net defined liability/(asset)	(15,325)
4,825	Retirement benefits debited or credited to the provision of services in the Comprehensive Income and Expenditure Statement	7,384
(6,620)	Employer's pensions contributions and direct payments payable in the year	(6,360)
141,857	Balance at 31 March	127,556

Notes to the Core Financial Statements

h) Collection Fund Adjustment Account

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

2018-19 £'000	Collection Fund Adjustment Account	2019-20 £'000
(1,293)	Balance as at 1 April	(1,666)
(60)	Amounts by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	484
(313)	Amounts by which NNDR income credited to the Comprehensive Income and Expenditure Statement is different from NNDR income calculated for the year in accordance with statutory requirements	932
(1,666)		(250)

i) Short Term Compensated Absences Account

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

2018-19 £'000	Short Term Compensated Absences Account	2019-20 £'000
59	Balance as at 1 April	59
-	Movements in year	-
59	Balance as at 31 March	59

j) Unequal Pay Back Pay Account

The Unequal Pay Back Pay Account compensates for the differences between the rate at which the Authority provides for the potential costs of back pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the General Fund Balance until cash might be paid out to claimants. The information available at this time is that any further settlements of Unequal Pay Back Pay are unlikely to be made and there is not a reserve against this.

Notes to the Core Financial Statements

16. INTANGIBLE ASSETS

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £199k charged to revenue in 2019-20 was charged to the appropriate cost centres and then absorbed as an overhead across all the service headings in the Net Expenditure of Services where the original service charged was an overhead. It is not, therefore, possible to quantify exactly how much of the amortisation is attributable to each service heading.

No item of capitalised software is individually material to the financial statements

2018-19		2019-20
Other Assets		Other Assets
£'000		£'000
	Balance at start of year	
5,235	Gross carrying amounts	5,443
(4,684)	Accumulated amortisation	(5,056)
551	Net carrying amount at start of year	388
	Additions:	
74	Purchases	81
	- Other Disposals - Gross Book Value	(184)
	- Other Disposals - Amortisation	179
133	Changes of Asset class - Gross Book Value	502
	- Changes of Asset class - Amortisation	(4)
(371)	Amortisation for the Period	(199)
388	Net carrying amount at end of year	762
	Comprising:	
5,297	Gross carrying amounts	5,842
388	Net carrying amount at end of year	762

17. MEMBERS' ALLOWANCES

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

2018-19 £'000	Members' Allowances	2019-20 £'000
	Expenditure	
5	Mayor/Deputy Mayor Allowance	17
420	Members' Allowances	432
425	Total	449

18. OFFICERS' REMUNERATION

a) Senior Officers

Position	Position Group	Year	Notes	Salary (inc Fees & Allowances)	Total Remuneration excl Pension Contributions	Total Remuneration inc Pension Contributions
				£'000	£'000	£'000
Chief Executive	Chief	2019/20	1	159	159	185
		2018/19		127	127	148
Borough Secretary	Solicitor	2019/20	2	100	100	116
		2018/19		87	87	101
Head of Customer & Cultural Services	Head of Service	2019/20		80	80	93
		2018/19		77	77	90
Head of Housing & Wellbeing	Head of Service	2019/20		80	80	93
		2018/19		76	76	88
Head of Planning	Head of Service	2019/20		80	80	93
		2018/19		76	76	89
Head of Regeneration, and Economic growth	Head of Service	2019/20	3	62	62	72
		2018/19		-	-	-
Head of Finance (Section 151 Officer)	Head of Service	2019/20	4	102	102	108
		2018/19		83	83	83
Total for the year		2019/20		662	662	760
		2018/19		525	525	598

Notes to the Core Financial Statements

Notes: 2019-20

- 1 - Chief Executive was paid market supplements in 2019-20
- 2 - Borough Secretary was paid election fees in 2019-20
- 3 - Head of Regeneration and Economic Growth was appointed in April 2019
- 4 - Head of Finance was appointed to the post in June 2018.

b) Officers paid over £50,000

The Council is required, under the Accounts and Audit Regulations 2003 (regulation 7(2)) to disclose the number of employees whose remuneration was £50,000 or more (excluding employer's pension contributions). This is shown in bands of £5,000 in the table below:

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

2018-19 No. of Employees	Remuneration Band	2019-20 No. of Employees
8	£50,000 - £54,999	9
2	£55,000 - £59,999	4
1	£60,000 - £64,999	-
1	£65,000-£69,000	-
12		13

c) Exit Packages

Exit Package cost band (including special payments)	Number of compulsory redundancies		Number of other agreed departures		Total Number of exit packages by cost band (b + c)		Total cost of exit packages in each band	
	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20
£0 - £20,000	1	-	-	1	1	1	7	4
£20,001 - £40,000	1	-	1	-	2	-	44	-
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	1	-	-	-	1	-	107	-
£150,001 - £200,000	1	-	-	-	1	-	328	-
Total	4	-	1	1	5	1	486	4

Notes to the Core Financial Statements

19. EXTERNAL AUDIT COSTS

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

2018-19 £'000	External Audit Costs	2019-20 £'000
62	Fees payable to our External Auditors with regard to their services carried out as appointed Auditor (Section 5 Audit Commission Act 1998)	62
11	Fees payable to the Auditor for the certification of Grant Claims and Returns (Section 28 Audit Commission Act 1998)	16
141	Additional Charges due to overruns 2016/17 and 2017/18	27
0	Additional charges due to overruns 2018-19	445
9	Fees payable in respect of other services provided by the	5
224		554

- The final 2018-19 external audit fee variations have yet to be agreed

20. GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019-20:

2018-19 £'000		2019-20 £'000
	Credited to Taxation and Non-Specific Grant Income	
(886)	Revenue Support Grant	-
(3,082)	New Homes Bonus	(2,595)
(2,274)	S.31 Small Business Rate Relief	(3,231)
(860)	Local Growth Fund - Vulcan Works	(3,523)
(107)	St Crispins	-
(114)	St James Mill	-
(101)	Upton Country Park	(1,695)
(153)	Mounts Baths - Sport England	-
215	Mounts Bath - Northampton Leisure Trust contribution	-
(120)	Playgrounds and allotments	(370)
-	North West Relief Road	(3,060)
(247)	Other Grants Individually Less Than £100,000	(154)
(7,730)	Total	(14,626)
	Credited to Services	
-	DFG Grant Income	(1,407)
(1,461)	Additional Housing Admin. Grant	(232)
(213)	Housing Benefit Admin. Grant	(869)
(958)	HRA Rent Rebates Grant	(21,967)
(25,698)	Non HRA Rent Rebates	(1,995)
(1,634)	Rent Allowance Grant	(29,785)
(34,936)	Discretionary Housing Payments	(207)
(441)	Section 106 Contributions	(111)
(158)	Northamptonshire County Council Recycling Credits	(1,931)
(1,615)	Northampton County Council Contribution for Grounds Maintenance	(166)
(155)	Joint Planning Unit Contribution	(66)
(83)	COVID-19 Funding	(138)
-	Homelessness Support	(1,307)
(1,233)	Total of Other Grants not included in the above	(840)
(68,584)	Total	(61,020)

Current Liabilities

2018-19 £'000	Grant Income Unapplied - Current Liabilities	2019-20 £'000
	Capital Grants Receipts in Advance	
10	Other Grants/Contributions Individually Less Than £100,000	-
10	Total - Capital Receipts in Advance	-
	Revenue Grants Receipts in Advance:	
1	Grants/Contributions Individually Less Than £100,000	1
11	Total - all Receipts in Advance	1

Long Term Liabilities

2018-19 £'000		2019-20 £'000
	Capital Grants Receipts in Advance:	
873	S106 - SW Country Park - Swan Valley	-
342	S106 - Land at Upton SWD Ph1 re Country Park	-
125	S106 - Southern Development Link road	102
2,480	S106 - Princess Marina	842
330	S106 - Sainsbury's Sixfields	255
850	S106 - Land at Booth Rise	850
1,876	S106 - Banbury Lane	948
380	S106 - Wellingborough Rd	-
230	S106 - Goldings School	223
182	S106 - Former Abington Vale School Site	182
354	S106 - Old Towcester Road	-
130	S106 - Project Angel	130
397	S106 - Upton Country Park	160
349	S106 - Land at Danes Camp Way	303
1,637	S106 - Former Kingsthorpe MS, Northfield	-
2,007	S106 - Park Campus	2,007
196	S106 - Land at Nunn Mills	138
125	CIL - Development of Former Green Oaks Primary School	125
205	CIL - Gambrel Road	205
929	West Northamptonshire Development Corporation	929
1,255	Capital Contributions - General	1,222
649	Other Grants/Contributions Individually Less Than £100,000	556
15,897	Total	9,175
	Revenue Grants Receipts in Advance:	
155	S106 - Pineham	155
-	CIL - Various Applications	1,138
547	Other Grants/Contributions Individually Less Than £100,000	652
701	Total	1,944
	Donated Assets Account:	
-	Total	-
16,599	Grand Total	11,119

Notes to the Core Financial Statements

21. RELATED PARTIES

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

Central Government

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

Northampton Partnership Homes

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

Members of the Council

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2019/20 is shown in Note 17.

During 2019/20 expenditure to the value of £1.476m (2018/19 £1.3m) was paid or granted to parties where members had an interest or where they serve as a nominated representative on the outside body. Income to the value of £0.323m (2018/19 £0.149m) was receivable from these parties. Parties with transactions over £1k are shown below:

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

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

Notes to the Core Financial Statements

Expenditure 2018-19 £'000	Organsation	Expenditure 2019-20 £'000
403	Brackmills Industrial Estate	439
337	Northampton Town Centre Ltd	311
301	Northampton Theatres Trust	226
62	Community Law	64
59	Delapre Abbey Trust	212
49	Northampton Leisure Trust	20
16	The Hope Centre	7
1	Growing Together Northampton	8
15	Museum of Leathercraft	20
15	Community Spaces Northampton	97
13	Northampton Rape Crisis	0
0	Northampton Islamic Association	37
1	Northampton Town of Sanctuary	0
10	SEMLEP	10
1	Duston Parish Council	7
6	Northampton Town Football in the Community Charity	0
6	Scooters 2 go	4
1	Alliston Gardens Youth & Community Centre	5
0	Abington Youth Drop in Centre	1
0	Caring and Sharing	4
1	Golby's Garden Centre	0
1	Far Cotton Association	2
1	Friends of Eastfield Park	1
1,298	Grand Total	1,476

At 31st March 2020, the outstanding balances with these parties were debtors of £120k (2018/19 £74k); creditors of £36k (2018/19 £310k).

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

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

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

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

Notes to the Core Financial Statements

Senior Officers of the Council

During 2019/20 there were no disclosures made in relation to related parties by Senior Officers of the Council.

Other Public Bodies

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

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

DRAFT

22. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

Capital Financing	2018-19 £'000	2019-20 £'000
Opening Capital Financing Requirement	301,900	310,421
Capital Investment		
Property, Plant & Equipment	36,257	57,254
Heritage Assets	106	989
Investment Properties	-	5,198
Intangible Assets	74	81
Revenue Expenditure Funded from Capital Statute	1,439	4,322
Sources of finance		
Capital receipts	(8,564)	(13,889)
Sums set aside from capital receipts	-	-
Government grants and other contributions	(2,897)	(11,449)
Sums set aside from revenue	(1,285)	(1,988)
Write Down of Third Party Loans	(529)	(20,536)
Direct Revenue contributions	(16,080)	(19,384)
Closing Capital Financing Requirement	310,421	311,019
<i>Explanation of movements in year:</i>		
Increase in underlying need to borrow	8,607	298)
Increase/(decrease) in Capital Financing Requirement	8,607	(298)

3. LEASES

Leases - Authority as Lessee - Operating Leases

Operating Leases

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

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

2018-19 £'000	Local Authority as Lessee - Operating Leases	2019-20 £'000
10	Not later than one year	6
6	Later than one year and not later than five years	-
-	Later than five years	-
16	Minimum lease payments	6
-	Future minimum lease sub lease payments receivable	-

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

2018-19 £000	Local Authority as Lessee - Operating Leases	2019-20 £000
	Minimum Lease Payments	
18	Contract Hire	9
4	Other	-
(1)	Sublease payments received	-
21	Total	9

Authority as LessorFinance Leases

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

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

2018-19 £'000	Leases - Authority as Lessor - Finance Leases	2019-20 £'000
107	Gross investment in leases Other Land and Buildings	89
	Net present value of minimum lease payments receivable	
11	Current	12
70	Non-current	59
81	Present value of minimum lease payments receivable	71
26	Unearned finance income	18

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

2018-19		Leases - Authority as Lessor - Finance Leases	2019-20	
Gross investment in leases	NPV of minimum lease payments receivable		Gross investment in leases	NPV of minimum lease payments receivable
£'000	£'000		£'000	£'000
17	11	Not later than one year	17	12
69	52	Later than one year and not later than five years	69	56
20	18	Later than five years	3	3
106	81	Minimum lease payments receivable	89	71

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

Notes to the Core Financial Statements

Operating Leases

i) Periods

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

- The provision of other land and buildings including shops and industrial units to meet local demand for commercial premises.
- The provision of community assets to meet residents' community needs.
- To provide infrastructure enabling current and future construction to service local demand for housing and commercial property.

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

2018-19 £'000	Operating Leases - Authority as Lessor Minimum Lease Payments	2019-20 £'000
1,927	Not later than one year	1,823
6,855	Later than one year and not later than five years	6,428
54,473	Later than 5 years	53,080
64,061	Total	61,331

The minimum lease payments receivable do not include rents that are contingent on future events, such as adjustments following rent reviews.

In 2019-20, no contingent rents were receivable by the Authority (2018-19 £11k).

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

24. IMPAIRMENT LOSSES

During 2019-20, the council has recognised material impairment losses totalling £9.9m in relation to Council Dwellings. £9.9m was recognised in the Surplus/Deficit on the Provision of Service. The council reversed £493k material impairment losses in 2019-20. Further details can be found in the table below:

Assets	Material Impairment Loss - Recognised in year £000s	Material Impairment Loss - Reversed in year £000s	Events/Circumstances
Housing Revenue Account			
Council Dwellings	(9,904)	131	Recognising the works identified for the HRA Capital Programme/Reversed due to change of circumstances.
Non Council Dwellings	-	8	Reversed due to change of circumstances.
General Fund			
Other Land and Buildings	-	325	A decline in valuation specific to the assets/Reversed due to change of circumstances.
Surplus Assets	-	22	Reversed due to change of circumstances.
Investment Properties	-	6	Reversed due to change of circumstances.
Total	(9,904)	493	

25. TERMINATION BENEFITS

There were no material or significant termination benefits paid in 2019-20 as set out in note 18c.

26. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes:

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

The Authority participates in one post-employment scheme:

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

Transactions Relating to Post-employment Benefits:

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

Notes to the Core Financial Statements

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

Local Government Pension Scheme 2018/19 £000	Comprehensive Income and Expenditure Statement	Local Government Pension Scheme 2019/20 £000
	Cost of Services:	
	Service cost comprising:	
3,440	Current service cost	4,155
1,273	Past service cost (including curtailments)	(156)
(3,361)	Gain from settlements	-
	Financing and Investment Income and Expenditure	
3,473	Net interest expense	3,385
4,825	Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	7,384
	Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:	
9,551	Return on plan assets (excluding the amount included in the net interest expense)	34,310
-	Actuarial gains and losses arising on changes in demographic assumptions	(9,325)
(15,400)	Actuarial gains and losses arising on changes in financial assumptions	(16,445)
(418)	Other experience*	(23,865)
11,092	Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	22,709
	Movement in Reserves Statement	
(1,795)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	1,024
	Actual amount charged against the General Fund Balance for pensions in the year:	
6,620	Employers' contributions payable to scheme	6,360

Notes to the Core Financial Statements

* Other Experiences

The experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred (e.g. known investment returns, actual pension increase orders, reflection of any funding valuation which has taken place since the last report etc); and the effects of changes in actuarial assumptions (split between financial and demographic). Per Hyman Robertson report

Pension Assets and Liabilities Recognised in the Balance Sheet:

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements		Total	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
	£'000	£'000	£'000	£'000	£'000	£'000
Present value of the defined benefit obligation	325,877	288,305	13,791	1,867	339,668	290,172
Fair value of plan assets	(197,811)	(162,616)	-	-	(197,811)	(162,616)
Net liability arising from defined benefit obligation	128,066	125,689	13,791	1,867	141,857	127,556

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements		Total £000	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
	£'000	£'000	£'000	£'000	£'000	£'000
Opening fair value of scheme assets	202,555	197,811	-	-	202,555	197,811
Interest income	4,897	4,691	-	-	4,897	4,691
Remeasurement gain/(loss):	(14,063)	-	--	-	(14,063)	-
- The return on plan assets, excluding the amount included in the net interest expense	9,551	(34,310)	-	-	9,551	(34,310)
Contributions from employer	5,760	5,513	-	-	5,760	5,513
Contribution from employees into the Scheme	590	651	-	-	590	651
Contribution in respect of unified benefits	860	847	-	-	-	-
Unfunded benefit paid	(860)	(847)	-	-	-	-
Benefits Paid	(11,479)	(11,740)	-	-	(11,479)	(11,740)
Closing fair value of scheme assets	197,811	162,616	-	-	197,811	162,616

Notes to the Core Financial Statements

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements		Total	
	2018-19 £'000	2019-20 £'000	2018-19 £'000	2019-20 £'000	2018-19 £'000	2019-20 £'000
Opening balance at 1 April	339,940	325,877	-	13,791	339,940	339,668
Current service cost	3,440	4,155	-	-	3,440	4,155
Interest cost	8,370	8,076	-	-	8,370	8,076
Contribution from scheme participants	590	651	-	-	590	651
Remeasurement gain/(loss):						
Actuarial gains/losses arising from changes in demographic assumptions	-	(9,325)	-	-	-	(9,325)
Actuarial gain/losses arising from changes in financial assumptions	15,400	(16,445)			15,400	(16,445)
Other experience	418	(23,865)			418	(23,865)
Past service cost (Including Curtailments)	1,273	(156)			1,273	(156)
Present value of unfunded liabilities	(13,791)	11,924	13,791	(11,924)	-	-
Unfunded benefit paid	(860)	(847)	-	-	(860)	(847)
Benefits Paid	(11,479)	(11,740)	-	-	(11,479)	(11,740)
Liabilities extinguished on settlements	(17,424)	-	-	-	(17,424)	-
Closing present value of scheme liabilities	325,877	288,305	13,791	1,867	339,668	290,172

Local Government Pension Scheme assets comprised:

Fair value of scheme assets	Assets comprised of:	Fair value of scheme assets
2018-19 £'000		2019-20 £'000
4,642	Cash and cash equivalents	2,478
	Equity instruments:	
	By industry type	
21,700	Consumer	4,036
7,610	Manufacturing	1,755
11,286	Energy and utilities	1,100
12,313	Financial institutions	1,610
7,757	Health and care	1,108
10,622	Information technology	1,219
71,288	Total equity	10,828
	Bonds:	
	By sector	
16,927	Government	17,545
16,927	Total bonds	17,545
	Private Equity:	
3,569	All	3,559
3,569	Total private equity	3,559
	Property	
	By type	
15,641	UK Property	12,232
496	Overseas Property	841
	Retail	
16,137	Total property	13,074
	Investment Funds and Unit Trusts:	
70,014	Equities	93,344
14,356	Bonds	12,020
878	Infrastructure	9,768
85,248	Total investment funds and unit trusts	115,132
197,811	Total assets	162,616

The investments above are undertaken by the actuaries who have the discretion to invest under the powers granted to them.

Basis for Estimating Assets and Liabilities

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

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1 April 2013.

Notes to the Core Financial Statements

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2018-19	2019-20
Mortality Assumptions:		
Longevity at 65 for Current Pensioners:		
- Men	22.1	21.5
- Women	24.2	23.7
Longevity at 65 for Future Pensioners:		
- Men	23.9	22.3
- Women	26.1	25.1
Rate of Increase in Pensions	2.5%	2.0%
Rate of Increase in Salaries	2.8%	2.5%
Rate for Discounting Scheme Liabilities	2.4%	2.3%

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

Change in assumptions at 31 March 2020:	Approximate increase to Employer Liability %	Approximate Monetary Amount £'000
0.5% decrease in Real Discount Rate	7%	21,098
0.5% increase in the Salary Increase Rate	0%	815
0.5% increase in the Pension Increase Rate	7%	20,180

Asset and Liability Matching (ALM) Strategy

The pensions committee of Northamptonshire County Council has agreed to an asset and liability matching strategy (ALM) that matches, to the extent possible, the types of asset invested to the liabilities in the defined benefit obligation. The fund has matched assets to the pensions' obligations by investing in long-term fixed interest securities and index linked gilt-edged investment with maturities that match the benefits payments as they fall due. This is balanced with a need to maintain the liquidity of the fund to ensure that it is able to make current payments. As is required by the pensions and (where relevant) investment regulations the suitability of various types of investment have been considered, as has the need to diversify investments to reduce the risk of being invested in too narrow a range. A large proportion of the assets relate to equities (80% of scheme assets), bonds (18%) and cash (2%). These percentages are materially the same as the comparative year. The scheme also invests in properties as a part of the diversification of the scheme's investments.

Notes to the Core Financial Statements

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2022.

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

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

27. CONTINGENT LIABILITIES

The Council is potentially liable for the following:

Northampton Partnership Homes

- As set out in the explanatory forward and Group Accounts, NBC set up an Arm's Length Management Organisation on 5th January 2015, Northampton Partnership Homes (NPH). NPH is a company limited by guarantee, and as such, NBC is liable for all losses experienced by NPH, and is also the guarantor for NPH's pension liabilities. See Group Accounts for disclosure of the financial performance of NPH in 2019-20.

Business Rates

- Following new Local Authority funding arrangements for Business Rates in April 2013, NBC now assumes a proportion of the liability for refunding businesses who appeal to the Valuation Office (VO) against the rateable value of their properties.
- The estimated value of appeals within NBC's billing authority borders that had been lodged but their success deemed only possible as per IAS 37 totalled £6.1m. These therefore constitute a contingent liability, with NBC's share (40%) of these appeals being £2.4m.

Other – various

- The Council has received Deposits under Section 106 agreements, which may be repayable if the conditions for each agreement are not met. No provision has been made in the accounts for any interest that may become repayable under the terms of the individual agreements. If every one of these deposits becomes repayable with interest, the Council's maximum liability for interest payable as at 31st March 2020 is estimated to be £0.54m.
- Financial guarantee for Home Group - a Housing Association. Under the 1987 (Bond issue) "Under the 1987 [bond issue] Home Group raised finance to carry out development in a number of local authority areas. In so doing they entered into arrangements with local authorities for the purchase of land in return for nomination rights over 50% of the properties constructed. In addition the local authorities agreed to indemnify bond holders against a fixed percentage of indebtedness under the bonds incurred by Home Group. Home Group in turn gave a counter indemnity to the said local authorities for the same amount. Thus, for so long as Home Group remains solvent, there is no practical likelihood of a claim under the indemnity being made against a participant local authority. The NBC proportion is 1.35% of £82.5m representing a value of £1.1m.

Notes to the Core Financial Statements

- There are a number of outstanding insurance claims that have been received of £1.3m as assessed by our Insurance actuary. These have been assessed and an estimated provision has been charged to the accounts of £518,153 therefore the estimated value of the insurance claims outstanding is £753,047.
- Council Empty Home Scheme (2012-14) leases expire during 2020/21 and beyond. The leases contain only limited information about the condition in which the properties will be returned to the landlord. Although inspections are being carried out to determine the current condition of the properties, the number and size of any dilapidations claims will obviously not be known until the leases expire. It is anticipated that total dilapidations costs can be met from the funds that have been set aside, for this purpose, in earmarked housing reserves. £100k - £120k.

28. CONTINGENT ASSETS

The Council is currently monitoring the following contingent assets:

- In previous years the administration costs associated with the Enterprise Zone were greater than the business rates uplift created. Therefore, previously the difference was reported as a contingent asset, as this proportion of the costs were still to be reimbursed from the future business rates uplift expected to be collected within the zone. The business rates uplift within the zone now exceeds the total administration costs, so this no longer needs to be disclosed as a contingent asset.'
- NBC has lodged a court claim for money lent to Northampton Town Football Club for £2.76m.
- There is an obligation upon National Grid (NG) (owners of property) to pay to NBC part of monies advanced by WNDC to NG for remediation of land. Retention payment due to NBC by 2024 is £300k.

29. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

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

Credit Risk

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

The risk exposure from investment counterparties is minimised through policies and procedures set out in the Council's Treasury Management Practices and accompanying Schedules and its Annual Investment

Notes to the Core Financial Statements

Strategy. These require that deposits are not made with financial institutions unless they meet identified minimum credit criteria that include, but is not entirely dependent on, external credit ratings, including sovereign ratings.

The Annual Investment Strategy also imposes value and investment period limits for each category of approved counterparty. In 2019-20 the maximum limits for placements with individual or group counterparties were £20m and 3 years for the UK government and UK nationalised or part nationalised banking institutions, £15m and 3 years for other UK counterparties and overseas counterparties with AAA sovereign ratings, £15m for AAA CNAV Money Market Funds and £10m and 3 years for UK local authorities and overseas counterparties with AA+ sovereign rating. Within this ceiling, lower limits apply in many instances depending on credit ratings and other factors specific to each institution.

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

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

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

The Council's maximum exposure to credit risk in relation to its investments totalling £51.6m in banks, building societies and other institutions cannot be assessed generally as the risk of any counterparty failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2020 that this was likely to crystallise.

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

Exposure to Credit Risk	Amount at 31 March 2020	Historical Experience of Default	Historical Experience Adjusted for Market Conditions at 31 March 2019	Estimated Maximum Exposure to Default and Uncollectability at March 2020	Estimated Maximum Exposure at March 2020
	£'000	%	%	£'000	£'000
Mortgages	17	0.00%	0.00%	0	0
Finance Leases	12	0.00%	0.00%	0	0
Customers: Tenants	4,063	2.44%	2.44%	99	55
Customers: Sundry Debtors	2,252	22.19%	22.19%	500	1,553
Deposits with Banks and Financial Institutions	51,691	0.00%	0.00%	0	0
	87,233			599	1,608

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

Notes to the Core Financial Statements

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

As shown in Table 1, at 31st March there were outstanding loans to third parties of £29.1m. Such loans, by their nature, do carry a degree of risk. However, all are secured according to the terms of the individual loan agreement.

Of the £93.5m total exposure to credit risk £6.3m is past its due date for payment. The past due, but not impaired, amount can be analysed by age as follows:

Aged Debt Analysis	31 March 2020	31 March 2019
	£'000	£'000
Less than three months	5,255	4,439
Three to six months	270	961
Six months to one year	318	140
More than one year	473	3,452
	6,316	8,992

Impairment on the debtor's financial asset has been identified, standing at a total of £16.4m at the end of 2019-20

Collateral

The authority holds collateral against a number of mortgages. The balance sheet value of the principal amount outstanding is currently £17k in 2019-20 (£14k in 2018-19). The terms and conditions relating to the pledge are standard in all the mortgages held and set out the rights and responsibilities of the Council and the mortgage holder

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

Liquidity Risk

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

The maturity analysis of financial liabilities is as follows:

Maturity Profiles of Financial Liabilities	31 March 2020	31 March 2019
	£,000	£,000
Less than one year	(54,915)	(19,336)
Between one to two years	(12,002)	(20,623)
Between two to five years	(19,426)	(43,673)
More than five years	(226,780)	(203,506)
	(313,123)	(287,138)

Notes to the Core Financial Statements

Amounts maturing within one year include short-term creditors, short-term grants and Section 106 funding commitments, short-term borrowing, principal due within 12 months on annuity and EIP (Equal Interest Instalment) loans, and long-term loans maturing within the next 12 months. PWLB loans totalling £13.5m are due for maturity during 2020-21. Repayment of these will be funded from internal borrowing, new loans, or a combination of both. Longer-term maturities consist of long-term debt (including finance leases), and long-term grants and Section 106 funding.

Market Risk

Interest Rate Risk

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

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

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

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

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

According to this assessment strategy, at 31 March 2020, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

Financial Effect of 1% increase in interest rates	Amount at 31 March 2020 £'000	Amount at 31 March 2019 £'000
Increase in interest payable on variable rate borrowing	-	3
Increase in interest receivable on variable rate investments	(531)	(317)
Increase in government grant receivable for financing costs	-	-
Impact on Surplus or Deficit on the Provision of Services	(531)	(314)
Share of overall impact credited to the HRA	(236)	116
Impact remaining on General Fund	(767)	(198)
Increase in fair value of fixed rate investment assets	620	137
Impact on Other Comprehensive Income and Expenditure	620	137
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	214	236

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

Price Risk

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

Foreign Exchange Risk

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

Notes to the Core Financial Statements

30. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2018-19 £'000	Operating Activities	2019-20 £'000
(14,536)	Net Deficit on the Provision of Services	(15,261)
2018-19 £000	Operating Activities	2019-20 £000
16,479	Depreciation	16,600
(22,555)	Impairment and downward valuations	(9,133)
380	Amortisation	403
8,840	Increase(-)/Decrease in Creditors	8,306
(13,938)	Increase/Decrease (-) in Debtors	4,152
25	Increase/Decrease (-) in Inventories	(18)
(1,795)	Movement in Pension Liability	1,024
7,935	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	10,839
307	Movement in Provisions	1,814
43,692	Other non-cash items charged to the deficit on the provision of services	28,547
39,370	Total	62,534

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

2018-19 £'000	Items removed from net cost of service that are investing/financing activities	2019-20 £'000
(1,335)	Other Operating (Income)/ Expenditure	(9,089)
(1,487)	Any other items for which the cash effects are investing or financing activities	(314)
(2,822)	Total	(9,403)

Notes to the Core Financial Statements

31. CASH FLOW STATEMENT – OPERATING ACTIVITIES (INTEREST)

2018-19 £'000	Operating Activities (Interest)	2019-20 £'000
(1,802)	Interest Received	(2,005)
7,890	Interest Paid	7,800
6,088	Total	5,795

32. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2018-19 £'000	Cash Flows from Investing Activities	2019-20 £'000
(36,425)	Purchase of Property, Plant and Equipment	(62,663)
(15,000)	Purchase of short-term and long-term investments	(25,000)
(58,000)	Purchase of Short Term Investments	-
69,000	Proceed from Short Term Investment	-
20,000	Proceeds from short-term and long-term investments	48,000
1,335	Proceeds from the Sale of Property, Plant and Equipment	9,089
1,487	Capital Grants Received	-
(17,603)	Total	(30,573)

33. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2018-19 £'000	Cash Flows from Financing Activities	2019-20 £'000
550	Cash Receipts of short and long-term borrowing	40,000
(11,097)	Repayments of short and long-term borrowing	(25,378)
(10,547)	Total	14,622

F1. HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE

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

2018-19 £'000	Housing Revenue Account	2019-20	
		£'000	£'000
	Income		
(48,945)	Dwelling Rents	(48,421)	
(1,045)	Non Dwelling Rents	(1,003)	
(3,023)	Charges for services & facilities	(2,506)	
3	Contributions Towards Expenditure	(23)	
(53,009)	Total Income		(51,952)
	Expenditure		
13,911	Repairs & Maintenance	13,759	
	Supervision & Management		
9,133	General Management	9,937	
6,158	Special Services	6,426	
247	Rent, Rates, Taxes & other charges	171	
20,065	Depreciation, Impairment & Revaluation of Fixed Assets	35,693	
80	Debt Management Costs	80	
502	Increased in provision for bad/doubtful debts	236	
50,096	Total Expenditure		66,302
(2,913)	Net Cost of Services		14,350
744	HRA Services share of Corporate and Democratic Core		800
(2,169)	Net Cost of HRA Services		15,149
(564)	Gain (-) or Loss on sale of HRA Fixed Assets		1,522
	Interest Payable and other similar charges		
6,156	Interest and Investment Income		6,035
3	Pensions interest cost and expected return on pensions assets		1
-	Non Specific Grant Income		(1,634)
(14,180)	Surplus or deficit on revaluation of non current assets		(12,121)
(10,754)	Surplus (-) or Deficit for the year on HRA services		8,952

F2. a) MOVEMENT IN HOUSING REVENUE ACCOUNT RESERVE

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

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

2018-19 £'000	Statement of Movements on the Housing Revenue Account Balance	2019-20 £'000
(10,754)	Surplus (-) / Deficit for the year on the HRA Income and Expenditure Account	8,952
10,754	Adjustments between accounting basis and funding basis under the legislative framework	(8,952)
-	Increase (-) / Decrease in the HRA Balance for the Year	-
(5,000)	HRA Balance brought forward	(5,000)
(5,000)	HRA Balance carried forward	(5,000)

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F2. b) Reconciling Items for the Statement of Movement on the Housing Revenue Account Balance

2018-19 £'000	Reconciling Items for the Statement of Movement on the Housing Revenue Account Balance	2019-20 £'000
	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	
2,466	Capital Expenditure	5,841
(16,143)	Revaluation Losses	(25,024)
9,359	Revaluation Gains	2,678
-	Capital Grants and Contributions Transferred to the Capital Adjustment A/c	1,634
564	Gain or Loss on sale of HRA non-current assets	(1,522)
(4)	HRA share of contributions to or from the pensions reserve	(3)
(3,758)	Total	(16,396)
	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	
14,180	Transfers to / from (-) Revaluation Reserve	12,121
4	Employer's contributions payable to the Northamptonshire County Council Pension Fund and retirement benefits payable direct to pensioners	3
328	Net transfers to / from (-) earmarked reserves	(4,681)
14,512	Total	7,443
10,754	Net additional amount required to be credited or debited to the HRA balance for the year	(8,952)



F3. NOTES TO THE HRA

1. PRIOR YEAR ADJUSTMENTS

There are no prior year adjustments in relation to the Housing Revenue Account in 2019-20.

2. HRA ASSETS AND CAPITAL TRANSACTIONS

- a) At 31st March 2020 the Council was responsible for managing 11,358 units of accommodation (excluding shared ownership properties):

Type of Property	Number of Bedrooms				Total
	One	Two	Three	Four+	
Flats-Low Rise	1,519	499	141	3	2,162
Flats-Medium Rise	1,554	818	119	4	2,495
Flats-High Rise	394	82	7	-	483
Houses & Bungalows	862	2,259	2,784	313	6,218
Total	4,329	3,658	3,051	320	11,358

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

Type of Property	Stock at 01/04/2019	Stock Movements			Stock at 31/03/2020
		Sales	Additions	Other	
Flats	4,900	(43)	67	(67)	4,857
Houses & Bungalows	6,517	(82)	72	(6)	6,501
Dwellings (excl. Shared)	11,417	(125)	139	(73)	11,358
Shared Ownership	71	(3)			68
Totals	11,488	(128)	139	(73)	11,426

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

2018-19 £'000	Net Balance Sheet Value	2019-20 £'000
	Operational Assets	
176,069	Council Dwellings - Land	175,627
410,828	Council Dwellings - Buildings	409,796
15,180	Other Housing Land and Buildings	14,540
346	Other Operational Assets	1,471
602,423	Total Operational Assets	601,434
8,521	Non Operational Assets	17,952
610,945	Total Net Balance Sheet Value	619,387
1,397,373	Vacant Possession Value as at 1st April	1,393,865

d) Capital Receipts

2018-19 £'000	Housing Capital Receipts	2019-20 £'000
(8,594)	Dwelling Sales	(9,122)
(8,594)	Total	(9,122)
1,072	Payable to the Secretary of State	1,072
(7,522)	Useable Capital Receipts	(8,049)

e) Capital Expenditure and Financing

2018-19 £'000	HRA Capital Expenditure and Financing	2019-20 £'000
	Expenditure	
23,482	Dwellings	38,755
90	Re-Purchase of Former Council Housing	3,317
377	Other Property	479
23,949	Total Expenditure	42,551
	Financing	
2,845	Borrowing	13,088
5,021	Useable Capital Receipts	8,782
2,467	Revenue Contributions	5,841
13,614	Major Repairs Reserve	13,207
-	Grants	1,634
23,949	Total Financing	42,551

3. ARREARS

During 2019-20, arrears as a proportion of gross income was 4.9%. This represent an increase of 0.7% since 2018-19 when the proportion was 4.2%. The figures for rent arrears are detailed below.

2018-19 £'000	Rent Arrears	2019-20 £'000
2,040	Gross Arrears at 31 March	2,362
(1,004)	Prepayments	(830)
1,036	Net Arrears at 31 March	1,532
1,062	Provision for bad debts	1,081

4. VACANT POSSESSION VALUE

2018-19 £'000	HRA Vacant Possession Value	2019-20 £'000
1,397,373	Vacant Possession Value as at 31st March	1,393,865

2018-19 £'000	HRA Existing Use	2019-20 £'000
586,897	Existing Use Value as at 31st March	585,423

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

a) Depreciation and Amortisation

2018-19 £'000	Depreciation, Amortisation and Impairment	2019-20 £'000
	Operational Assets	
12,628	Dwellings	12,859
347	Other Property	323
24	Vehicles, Plant & Equipment	24
12,999	Total Depreciation	13,207
279	Intangible Assets	136
279	Total Amortisation	136

5,495	Dwellings	9,904
5,495	Total Impairment	9,904
18,772	TOTAL	23,247

b) Revaluation Gains and Losses

2018-19			2019-20	
I&E £'000	RR £'000		I&E £'000	RR £'000
10,501	2,354	Council Dwellings	15,053	2,146
142	496	Other Housing Land and Buildings	63	282
4	-	Non Operational Assets	4	-
10,648	2,850	Revaluation Losses	15,120	2,428
(8,686)	(16,666)	Council Dwellings	(2,421)	(14,300)
(664)	(331)	Other Housing Land and Buildings	(229)	(147)
-	-	Other Operational Assets	(20)	(102)
(9)	-	Non Operational Assets	(8)	-
(9,359)	(16,997)	Revaluation Gains	(2,678)	(14,549)
1,289	(14,147)	Total	12,442	(12,121)

6. MAJOR REPAIRS RESERVE

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

The transactions on the Major Repairs Reserve are detailed below:

2018-19 £'000	Major Repairs Reserve	2019-20 £'000
(616)	Balance B/Fwd	0
(12,999)	Council Dwellings Depreciation	(13,207)
(13,614)		(13,207)
13,614	Amount used to finance Capital Expenditure	13,207
13,614		13,207
0	Balance C/Fwd	0

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G1. COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

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

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

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

The scheme allows the Council to retain a proportion of the total NNDR received. The initial Northampton Borough Council share is 40% with the remainder paid to precepting bodies. For NBC, the NNDR precepting bodies are Central Government (25% share), Northamptonshire County Council (34% share) and Northamptonshire Commissioner Fire and Rescue Authority (1%). The NBC share is then subject to a tariff payment to Government, which was £30.7m in 2019-20 (£30.1m in 2018-19). The residual amount is then compared to the assessment in the Local Government Finance Settlement and any growth above the Settlement level is subject to a levy payment to Government.

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

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

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

2018-19 Council Tax £'000	2018-19 NNDR £'000	2018-19 Total £'000		2019-20 Council Tax £'000	2019-20 NNDR £'000	2019-20 Total £'000
			INCOME			
(115,842)	-	(115,842)	Council Tax (net of benefits, discounts & transitional relief)	(123,915)	-	(123,915)
-	(102,675)	(102,675)	Income collectable from business ratepayers	-	(103,453)	(103,453)
(115,842)	(102,675)	(218,517)	TOTAL INCOME	(123,915)	(103,453)	(227,367)
			EXPENDITURE			
			Precepts & demands:-			
82,680	-	82,680	Northamptonshire County Council	84,572	-	84,572
14,782	-	14,782	Northamptonshire Police and Crime Commissioner	16,765	-	16,765
-	-	-	Northamptonshire Commissioner Fire and Rescue Authority	4,157	-	4,157
15,794	-	15,794	Northampton Borough Council	16,622	-	16,622
			National Non-Domestic Rates			
-	48,917	48,917	Payments to Central Government	-	24,670	24,670
-	9,788	9,788	Payments to Northamptonshire County Council	-	33,551	33,551
-	-	-	Payments to Northamptonshire Commissioner Fire and Rescue Authority	-	987	987
-	39,137	39,137	Amount retained by Northampton Borough Council	-	39,472	39,472
-	283	283	Cost of collection	-	284	284
-	-	-		-	-	-
-	1,344	1,344	Other - Enterprise Zone	-	2,026	2,026
-	-	-		-	-	-
-	2,162	2,162	Transitional Protection Payments	-	1,115	1,115
				-	-	-
			Bad & Doubtful Debts / Appeals			
(567)	1,009	441	Provisions	1,206	4,667	5,873
			Contributions			
2,680	(2,212)	468	Towards previous years' Collection Fund surplus/ (deficit)	4,054	285	4,338
115,368	100,427	215,795	TOTAL EXPENDITURE	127,376	107,056	234,432
(474)	(2,248)	(2,723)	Net (Surplus)/deficit for the year	3,462	3,603	7,065
			COLLECTION FUND BALANCE			
(2,631)	570	(2,061)	Balance brought forward at 1st April	(3,105)	(1,678)	(4,783)
(474)	(2,248)	(2,723)	Net Deficit/(surplus) for the year (as above)	3,462	3,603	7,065
(3,105)	(1,679)	(4,784)	Balance carried forward at 31 March	356	1,925	2,282
			Allocated to:-			
-	(839)	(839)	Central Government	-	133	133
(2,270)	(168)	(2,438)	Northamptonshire County Council	248	989	1,237
(399)	-	(399)	Northamptonshire Police and Crime Commissioner	49	-	49
			Northamptonshire Commissioner Fire and Rescue Authority	12	33	45
(436)	(671)	(1,107)	Northampton Borough Council	48	770	818
(3,105)	(1,678)	(4,783)	Fund Balance c/fwd	356	1,925	2,282

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

The total non-domestic rateable value as at 31 March 2020 was £249.4m (2018-19 £247.2m). The National Non-Domestic Rate multiplier for 2019-20 was 50.4p (2018-19 49.3p). The small business non-domestic rating multiplier for 2019-20 was 49.3p (2018-19 46.6p).

2. COUNCIL TAX

The Council's tax base, i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings for 2019-20, was calculated as follows: -

2018-19 Band D Equivalents	Band	Estimated no of taxable properties 2019/20 after discounts	Ratio	2019-20 Band D Equivalents
21.3	A(-)	34.2	5/9	19.0
14,544.4	A	22,627.9	6/9	15,085.3
13,612.3	B	17,846.2	7/9	13,880.4
18,266.5	C	20,771.3	8/9	18,463.4
9,936.9	D	10,083.8	9/9	10,083.8
6,453.1	E	5,282.6	11/9	6,456.6
3,433.1	F	2,412.2	13/9	3,484.3
2,012.1	G	1,217.0	15/9	2,028.3
98.5	H	50.4	18/9	100.8
68,378.0	Gross Council Tax Base			69,601.8
1,504.3	Non-collection provision			1,531.2
66,873.7	Council Tax Base Used for setting the Precept			68,070.5

The provision for non-collection was set at 1.7% for 2019-20 (2.2% 2018-19).

3. ANALYSIS OF IN-YEAR CONTRIBUTIONS TO FUND DEFICITS

2018-19 £'000	In year allocation of surplus - Council Tax	2019-20 £'000
(1,106)	Central Government	142
(221)	Northamptonshire County Council	28
(885)	Northampton Borough Council	114
(2,212)	Total deficit recovered	285

2018-19 £'000	In year allocation of surplus - Council Tax	2019-20 £'000
1,948	Northamptonshire County Council	2,820
349	Northamptonshire Police & Crime Commissioner	529
-	Northamptonshire Commissioner Fire and Rescue Authority	139
383	Northampton Borough Council	565
2,680	Total Surplus paid out	4,054

4. PROVISION FOR BAD AND DOUBTFUL DEBTS

2018-19 £'000	Bad and Doubtful Debts - Council Tax	2019-20 £'000
10,016	Bad Debt Provision B/fwd	8,347
(1,076)	Write-offs	(2,067)
(25)	Council tax benefit transferred to reserve	(7)
(567)	Provision Made in Year	1,206
8,347	Bad Debt Provision c/f	7,479

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

2018-19 £'000	Bad and Doubtful Debts - NNDR	2019-20 £'000
1,649	Bad Debt Provision B/fwd	1,279
(1,321)	Write offs of uncollectible debt	(821)
951	Allowance for non collection	817
1,279	Bad Debt Provision c/f	1,276
(328)	Amounts written off in year not charged to provision	-

The Collection Fund account also provides for provisions for appeals against the rateable valuation set by the Valuation Office Agency (VOA) not settled as at 31st March 2020:

2018-19 £'000	Provision for Appeals - NNDR	2019-20 £'000
14,431	Appeals Provision B/fwd	14,817
(1,898)	Amounts used in year	(362)
2,284	Additional provisions made	4,212
14,817	Appeals Provision C/fwd	18,666

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GROUP ACCOUNTS

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

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

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

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

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

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

H1. GROUP ACCOUNTS CORE STATEMENTS

GROUP MOVEMENT IN RESERVES STATEMENT

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

Group Movement in Reserves Statement	Single Entity Usable Reserves	Single Entity Unusable Reserves	Total Single Entity Reserves	Authority share of reserves of subsidiary	Total Group Reserves
	£000s	£000s	£000s	£000s	£000s
Balance at 31 March 2018 Brought forward	(66,339)	(366,401)	(432,741)	13,013	(419,729)
<u>Movement in reserves during 2018/19</u>					
Total Comprehensive Expenditure and Income	14,535	(13,144)	1,391	2,652	4,043
Adjustments between accounting basis and funding basis under regulations	(16,790)	16,790	-0	-	-0
Transfers to/from Earmarked Reserves	-	-	-	-	-
(Increase) / Decrease in Year	(2,255)	3,646	1,391	2,652	4,043
Balance at 31 March 2019 carried forward	(68,594)	(362,755)	(431,350)	15,665	(415,685)
<u>Movement in reserves during 2019/20</u>					
Total Comprehensive Expenditure and Income	15,261	(44,241)	(28,980)	(5,489)	(34,469)
Adjustments between accounting basis and funding basis under regulations	(6,980)	6,980	-	30	30
Transfers to/from Earmarked Reserves	-	-	-	-	-
Increase / (Decrease) in Year	8,282	(37,261)	(28,980)	(5,459)	(34,439)
Balance at 31 March 2020 carried forward	(60,313)	(400,016)	(460,330)	10,206	(450,124)

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2018/19			GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	2019/20		
Gross Expenditure £000s	Gross Income £000	Net Expenditure £000		Gross Expenditure £000s	Gross Income £000	Net Expenditure £000
			INCOME AND EXPENDITURE ON SERVICES			
5,210	(196)	5,014	Chief Executive	2,247	(68)	2,179
54,964	(54,762)	202	Housing	72,326	(54,091)	18,235
2,106	(330)	1,776	Borough Secretary	2,273	(892)	1,381
34,011	(5,457)	28,554	Customers & Communities	19,612	(4,624)	14,988
69,915	(67,384)	2,531	Chief Finance Officer	64,792	(58,845)	5,947
7,798	(5,594)	2,204	Planning	2,578	(1,900)	678
2,632	(2,203)	429	Economy Assets and Culture	11,529	(6,690)	4,839
176,636	(135,926)	40,710	COST OF SERVICES	175,357	(127,110)	48,247
15,462	(16,796)	(1,335)	Other Operating Expenditure	15,494	(12,073)	3,421
32,233	(23,368)	8,865	Financing and Investment Income and Expenditure	61,062	(53,661)	7,401
45,738	(79,309)	(33,571)	Taxation and Non-Specific Grant Income	42,257	(85,524)	(43,267)
		14,670	(Surplus) or Deficit on Provision of Services			15,801
		(19,411)	Surplus or deficit on revaluation of Property, Plant and Equipment assets			(28,916)
		8,788	Actuarial gains / losses on pension assets/liabilities			(21,354)
		(10,623)	Other Comprehensive Income and			(50,270)
		4,047	TOTAL COMPREHENSIVE INCOME AND EXPENDITURE			(34,469)

GROUP BALANCE SHEET

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

31st March 2019 £000s	Group Balance Sheet	31st March 2020 £000s
719,603	Property, Plant & Equipment	748,114
28,220	Heritage Assets	33,636
13,794	Investment Property	24,672
388	Intangible Assets	762
7,586	Long Term Investments	0
48,494	Long Term Debtors	27,152
818,085	Long Term Assets	834,336
28,144	Short Term Investments	5,023
135	Inventories	125
36,511	Short Term Debtors	54,813
12,856	Cash and Cash Equivalents	41,210
77,646	Current Assets	101,171
(5,506)	Short Term Borrowing	(14,449)
(51,426)	Short Term Creditors	(65,865)
(6,170)	Provisions	(7,833)
(63,102)	Current Liabilities	(88,147)
(16,599)	Receipts in Advance	(11,119)
(60)	Provisions	(211)
(241,874)	Long Term Borrowing	(247,637)
(158,411)	Other Long Term Liabilities	(139,156)
(416,944)	Long Term Liabilities	(398,123)
415,685	Net Assets	449,238
69,483	Usable Reserves	61,351
346,202	Unusable Reserves	388,772
415,685	Total Reserves	450,123

GROUP CASH FLOW STATEMENT

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

2018-19 £'000	Group Cashflow Statement	2019-20 £'000
(14,667)	Net surplus or (deficit) on the provision of services	(15,801)
39,513	Adjustment to surplus or deficit on the provision of services for noncash movements	69,844
(2,822)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(9,403)
22,024	Net Cash flows from operating activities	44,639
(17,603)	Net Cash flows from Investing Activities	(30,907)
(10,547)	Net Cash flows from Financing Activities	14,622
(6,126)	Net increase or decrease in cash and cash equivalents	28,354
18,982	Cash and cash equivalents at the beginning of the reporting period	12,856
12,856	Cash and cash equivalents at the end of the reporting period	41,210

H2. NOTES TO THE GROUP ACCOUNTS

1. Group boundary

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

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

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

2. Intra-group transactions

During 2019-20 the Council made payments of £67.2m to Northampton Partnership Homes (51.1m in 2018-19). During 2019-20 the Council received payments of £3.4m from Northampton Partnership Homes (£3.7m in 2018-19). At 31st March 2020 there was a debtor balance of £1.4m (£9.3m in 2018-19), and a creditor balance of £0.2m (£12.1m in 2018-19) with Northampton Partnership Homes

3. Basis of consolidation

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

4. Business activities of Northampton Partnership Homes

Northampton Partnership Homes is responsible for the following services:

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

5. Accounting policies

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

6. Corporation Tax

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

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

7. Group Cash Flow Statement – Operating Activities

2018-19 £'000		2019-20 £'000
16,479	Depreciation	16,600
(22,555)	Impairment and downward valuations	(9,133)
380	Amortisation	403
(2,582)	Increase/(decrease) in creditors	30,041
(2,576)	Increase/(decrease) in debtors	(11,026)
11	Increase/(decrease) in inventories	10
(1,579)	Movement in pension liability	1,749
307	Contributions to/(from) provisions	1,814
7,935	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	10,839
43,693	Other non-cash items charged to the net surplus or deficit on the provision of services	28,547
39,513		69,844

2018-19 £'000		2019-20 £'000
(1,335)	Other Operating (Income)/ Expenditure	(9,089)
(1,487)	Any other items for which the cash effects are investing or financing cash flows	-
(2,822)		(9,403)

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

2018-19 £'000		2019-20 £'000
1,802	Interest received	(2,005)
(7,890)	Interest paid	7,800
(6,088)		5,795

9. Group Cash Flow Statement – Investing Activities

2018-19 £'000		2019-20 £'000
(36,425)	Purchase of property, plant and equipment, investment property and intangible assets	(62,997)
(58,000)	Purchase of Short Term Investments	-
(15,000)	Purchase of short-term and long-term investments	(25,000)
1,335	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	9,089
20,000	Proceeds from short-term and long-term investments	48,000
69,000	Proceeds from Available for Sale Financial Instruments	-
1,487	Capital Grants Received	-
(17,603)	Net cash flows from investing activities	(30,907)

10. Group Cash Flow Statement – Financing Activities

2018-19 £'000		2019-20 £'000
550	Cash receipts of short- and long-term borrowing	40,000
(11,097)	Repayments of short- and long-term borrowing	(25,378)
(10,547)	Net cash flows from financing activities	14,622

Group defined benefit pension scheme

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

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

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

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

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

	2018/19	2019/20
Cost of Service	£000s	£000s
Current service cost	6,081	7,371
Past service cost (including curtailments)	1,288	(156)
Effect of settlements	(3,361)	0
Pension contribution adjustment	0	0
net interest expense	3,843	3,787
Total post employment benefits charged to the surplus or deficit on the provision of services	7,851	11,002
Other post employment benefits charged to the comprehensive income and expenditure statement		
Return on plan assets (excluding the amount included in the net interest expense)	(10,798)	35,451
Actuarial gains and losses arising on changes in demographic assumptions	0	(9,325)
Actuarial gains and losses arising on changes in financial assumptions	19,168	(9,275)
Other expenditure	418	(23,865)
Total post-employment benefits charged to the comprehensive income and expenditure statement	16,639	3,988
Movement in reserves statement		
Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the code	(1,579)	1,783
Employers contributions payable to the scheme	9,430	9,219

Reconciliation of the movements in fair value of scheme assets:

	2018/19	2019/20
	£000s	£000s
Opening fair value of scheme assets	221,974	221,935
Interest income	5,460	5,307
Remeasurement gain/(loss)	(14,063)	0
Return on plan assets excluding the amount included in the net interest expense	10,798	(35,451)
Contributions from employer	9,430	8,412
Contributions from employees into the scheme	1,036	1,120
Benefits paid	(12,700)	(12,139)
Closing fair value of scheme assets	221,935	189,184

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

	2018/19	2019/20
	£000s	£000s
Opening present value of scheme liabilities	373,176	380,346
Current service cost	6,081	7,371
Interest cost	9,303	9,094
Contribution from scheme participants	1,036	1,120
Remeasurement gain/(loss)		
Actuarial gains/losses arising from changes in demographic assumptions	0	(9,325)
Actuarial gains/losses arising from changes in financial assumptions	(11,632)	(23,615)
Actuarial gains/losses arising from other experience	519	(23,865)
Past service cost	500	(156)
Benefits paid	(12,700)	(12,986)
Closing present value of scheme liabilities	380,346	327,984

Fair value of plan assets:

	2018/19	2019/20
	£000s	£000s
Equity securities		
Consumer	24,262	4,094
Manufacturing	8,530	1,776
Energy & utilities	12,620	1,126
Financial institutions	13,758	1,638
Health and care	8,711	1,121
Information technology	11,941	1,237
Other	0	0
Debt securities		
UK Government	19,009	17,696
Private equity		
All	4,025	28,524
Real Estate		
UK property	18,226	13,278
Investment funds and unit trusts		
Equities	78,443	94,285
Bonds	16,214	12,133
Infrastructure	879	9,768
Cash and cash equivalents		
All	5,319	2,509
Total	221,935	189,184

11. Group External Audit costs

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

Group Auditor Fees	2018/19	2019/20
	£'000	£'000
Northampton Borough Council Auditor Fees	224	554
Northampton Partnership Homes Auditor Fees	31	28
Total Group Auditor Fees	255	582

GLOSSARY OF TERMS

Accruals

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

Actuary

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

Actuarial Basis

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

Actuarial Gains and Losses

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

Actuarial Valuation

An actuary undertakes valuations by checking what a pension scheme's assets are worth compared to its liabilities. The actuary then works out how much needs to be paid into the scheme by the employer and the members to make sure that there will be enough money to pay the pensions when they are due.

Admitted Bodies

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

Amortisation

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

Appointed Auditors

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

Balance Sheet

A statement of the assets, liabilities and other balances at the end of an accounting period. The Balance Sheet combines all the accounts of an authority, excluding trust funds, as they are not at the disposal of the council.

Capital Adjustment Account

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

Capital Expenditure

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

Capital Receipts

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

Cash Equivalents

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

Code

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

Community Assets

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

Council Tax

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

Creditor

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

Current assets

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

Current Liabilities

An amount which will become payable or could be called in within the next accounting period

Debtor

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

Deferred Grants

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

Deferred Capital Receipts

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

Defined Benefit Scheme

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

Depreciation

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

DRC

Depreciated Replacement cost. A method of valuation which provides the current cost of replacing an asset with its modern equivalent

Dividend

The distribution of profits by a company to its shareholders. The dividend may be passed or cut if profits fall.

Earmarked Reserves

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

External Audit

The independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Authority has made proper arrangements to secure value for money in its use of resources.

Fair Value

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

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a liability of another, it covers both financial assets and liabilities.

General Fund (GF)

This is the main revenue account of the council. Day to day transactions are conducted through this account, except for those relating to the Housing Revenue Account, Collection Fund or any other trust funds held by the Council.

Grants

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

Housing Benefit

An allowance to persons receiving little or no income to meet their rent. Benefits can be paid by Local Authorities but refunds in part are received from Central Government.

Impairment

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

Infrastructure Assets

Expenditure on works of construction or improvement but which have no tangible value, such as construction of, or improvement to highways.

Intangible Assets

Non-monetary assets that cannot be seen, touched or physically measured, but can be identified as a separate asset.

Reporting Standards

The Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of a Local Authority. It is based on International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) plus UK Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards (FRS).

Inventory

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

Member

A Councillor, a member of the Council.

Ministry of Housing, Communities and local Government (MHCLG)

MHCLG is a Central Government Department with the overriding responsibility for determining the allocation of general resources to Local Authorities.

Minimum Revenue Provision (MRP)

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

Net Book Value (NBV)

The value of an asset after depreciation.

Net Realisable Value

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

Non-Current Asset

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

Non-Distributable Costs

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

Non Operational Assets

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

Officer

Employee of the Council.

Operating Leases

Leases other than a finance Lease

Operational Assets

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

Payment in Advance

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

PFI Credits

The financial support provided to Local Authorities to part fund PFI capital projects. These are provided to the County Council direct.

Precept

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

Private Finance Initiative (PFI)

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

Provision

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

Provision for Bad and Doubtful Debts

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

Prudential Borrowing

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

Public Works Loan Board (PWLB)

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

PVEQ

Plant, Vehicles and Equipment.

Reserves

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

Revaluation Gain

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

Revenue Support Grant (RSG)

Government funding which provides general support for council services.

Straight Line Basis

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

Subsidiary

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

Surplus

The remainder after taking away all expenses from income.

Treasury Management Strategy

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

Useful Life

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

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J1. ACCOUNTING POLICIES

Appendix 1 – Accounting Policies 2019-20

1.1 INTRODUCTION

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

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

This document outlines how Northampton Borough Council (the Council) will account for all income, expenditure, assets and liabilities held and incurred during the 2018-19 financial year.

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

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

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and certain categories of financial instrument.

A **Glossary of Terms** can be found in section I.

1.2 ACCOUNTING PRINCIPLES

a **Going Concern**

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

b **Accruals Concept**

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

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

c **Overheads and Support Costs**

The costs of overheads and support services are charged to service segments in accordance with the authorities' arrangements for accountability and financial performance.

d Value Added Tax

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

e Changes in Accounting Policy

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

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

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

f Previous Year Adjustments

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

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

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

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

g Events after the Balance Sheet date

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

h Exceptional and extraordinary items and prior period adjustments

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

i Contingent assets and liabilities

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

Capital Accounting

j Recognition of Capital Expenditure (de-minimis Policy)

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

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

The capital cost of an asset is recognised to be:

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

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

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

k Non-Current Asset Classification

The Authority manages its assets in the following categories:

- **Intangible Assets.**

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

- **Property, Plant and Equipment Assets**

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

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

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

Test for Community Assets:

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

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

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

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

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

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

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

- **Assets Held for Sale**

The Authority will classify assets as held for sale where:

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

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

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

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

I Non-Current Asset Valuation Methodology

The various classifications of assets as outlined in accounting policy k are valued on differing basis. Where not explicitly stated otherwise, property revaluations are completed by an RICS qualified valuer, on a 5 year rolling programme i.e. 20% of the Council's assets are revalued each year. Valuations are carried out in accordance with IFRS Fair Value Measurement.

Where there is an upward revaluation, the carrying value is increased and the associated credit charged directly to the revaluation reserve. This is then reflected in the MIRS as a revaluation gain.

Where there is a revaluation, which results in a lower than carrying amount valuation, this is treated in line with accounting policy m impairment of assets. Exceptionally, gains might be credited to the Surplus/Deficit on Provision of Services where they arise from the reversal of a loss previously charged to a service.

Valuations are completed as follows:

- **Intangible Assets** - the Authority recognises Intangible Assets at cost. The Authority will revalue intangible assets annually where there is determinable market value for the asset.
- **Property Plant and Equipment** - Property Assets are held at fair value, which is the amount that would be paid for the asset in its existing use. This requirement is met by providing a valuation on the basis of exiting use value (EUV) in accordance with IFRS 13. As a matter of last resort, where no other valuation method can be used, depreciated replacement cost is used.
 - **Council Dwellings** – Land and building structure are valued at EUV for Social Housing, being an appropriate percentage of market value. Individual components are valued at Depreciated Historic Cost. (Since 17-18 SoA individual components are also valued at EUV for Social Housing).
 - **Vehicles and - Assets Under Construction** – are held at fair value Original documents incorrect, these assets are held at depreciated historic and historic cost respectively.
 - **Community Assets** - the Authority recognises Community Assets at depreciated historic cost.
 -
 - **Infrastructure Assets** - the Authority recognises Infrastructure Assets at depreciated historic cost (not revalued).
- **Investment Property Assets** - Investment Properties are annually revalued at fair value, which is to be interpreted as the amount that would be paid for the asset in its highest and best use, i.e. market value. This includes investment property under construction. The fair value of investment property held under a lease is the lease interest.
- **Assets Held for Sale** - Assets held for sale are held at fair value.
- **Heritage Assets** – Heritage Assets are held at valuation where practicable (and at depreciated historic cost where it is not practicable to obtain a valuation).
- **Surplus Assets** – these are described in our accounting policies as follows:
 - Surplus Assets** are assets which the Authority no longer operates from, however do not meet the definition of held for sale. All surplus assets are treated in the same way as operational assets of the same type (valuation, depreciation, recognition etc). They are therefore valued on a fair value basis

m Impairment of Non-Current Assets

The accounting policy has been created in accordance with IAS 36.

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

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

The Authority recognises impairment as:

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

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

n Disposal of Non-Current Assets

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

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

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

o Depreciation / Amortisation Methodology

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

Residual values

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

Useful Economic Lives of assets are:

Asset Group	Useful economic Lives (UELs)
Council Dwellings	50 years
Housing Buildings	10-70 years*
Other Buildings	4-69 years*
Land	Not depreciated
Community Assets	15-50 years*
Heritage Assets	Not depreciated*
Infrastructure Assets	25 years
Intangible Assets	3-10 years*

Vehicles, Plant and Equipment	3-25 years*
Investment Properties	Not depreciated
Assets Held for Sale	Not depreciated
Surplus Assets	5-60 years*

* Depending on the nature of the specific asset

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

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

Component Type	Useful Economic Lives (UELs)
Kitchens	20 years
Heating Systems, Lights and Electrics	23 years
Bathrooms	25 years
Windows and Doors	25 years
Roof	25 years

p Component Accounting

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

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

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

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

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

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

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

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

q Leases

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

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

r **Defining a Finance Lease**

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

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

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

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

s **Defining an Operating Lease**

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

t **Lessee Accounting for a Finance Lease**

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

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

u Lessor Accounting for a Finance Lease

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

v Lessor Accounting for an Operating Lease

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

w Lessee Accounting for an Operating Lease

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

x Service Concession Agreements (PFI and other similar contracts)

PFI and similar arrangements are usually agreements with the private sector for the construction or enhancement of fixed assets needed to provide services to a public sector body. PFI and similar contracts are assessed against criteria within IFRIC 12 (Service Concession Arrangements) to determine whether the risks and rewards incidental to ownership lie with the Authority or the contractor.

Where these lie with the contractor, all payments made during the life of the contract are chargeable to revenue as incurred.

Where these lie with the Authority, the Authority shall assess them against two tests:

- a) The local authority controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and where
- b) The local authority controls – through ownership, beneficial entitlement or otherwise – any significant residual interest in the infrastructure at the end of the term of the arrangement.

Where test a) is met but not test b) the arrangement is reviewed to see if it contains an embedded lease, in which case this will be accounted for in accordance with the Authority's leasing policies.

Where test b) is met but not test a) the Authority will recognise the difference between the expected value of the fixed assets at the end of the arrangement and the amount (if any) it will have to pay the contractor then.

Where both tests are met the Authority will recognise a Property, Plant or Equipment asset in the Balance Sheet for value of the construction costs. Once recognised this asset is treated in line with the Authority's other PPE assets. A corresponding long-term liability of equal value is also recognised.

Payments made during the life of the contract are split into finance costs, capital costs and service costs. The split of payments is calculated at the inception of the contract and is based on the inherent interest rate within the original agreement. Finance costs are chargeable to the Comprehensive Income and Expenditure Statement as Interest payable. Capital Costs reduce the level of liability in the Balance Sheet. Service costs are chargeable to the relevant revenue service expenditure. Pre-payments or Dowry payments reduce the level of liability at the start of the contract.

y Capital Grants and Contributions

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

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

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

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

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

Relevant Government Grants are treated in accordance with this policy.

z Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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

aa Minimum Revenue Provision (MRP)

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

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

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

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

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

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

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

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

ab Capital Reserves

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

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

Revenue Accounting**ac Recognition of Revenue Expenditure.**

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

ad Employee Costs

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

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

Short-term employee benefits:

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

Termination Benefits

- **Redundancy Costs** - The obligation to pay redundancy costs occurs when there is a formal plan to create redundancies, which has been approved. The plan would include the location, function and approximate number of employees affected; the termination benefits offered; and the time of implementation. When these recognition criteria have been met the Authority recognises the costs associated with this in the service revenue expenditure and create a creditor in the Balance Sheet.

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

- **Pensions Costs**

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

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

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

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

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

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

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

ae Revenue Grants and Contributions

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

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

af Provisions

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

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

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

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

ag Revenue Reserves

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The 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 shown within the Movement in Reserves Statement. The level of general working balance is considered reasonable due to the mitigation of some risks through the holding of earmarked reserves.

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

ah Council Tax Recognition

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

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

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

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

ai Inventories and long-term contracts

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

aj Provisions for bad and doubtful debts

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

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

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

Treasury Management

ak Definition of Treasury Management Activities

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

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

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

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

al Financial Liabilities

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

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

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

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

am Financial Assets

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

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

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

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

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

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

Financial Assets Measured at fair value through Profit and Loss are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument.

Values are based on the following principles:

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

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

- **Expected Credit Loss Model**

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

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

The Authority has provided a historic loan to Northampton Saints Rugby Club, which is secured against land assets that's value exceeds the loan principal. For the purposes of Credit Loss provision, this over-collateralised security against default is ignored. Given that Northampton

Saints Rugby Club have presented recent Statements of Accounts showing losses, the Authority has prudently begun to set aside loss allowances. This provision will then be built up on the basis of the cumulative change in lifetime expected credit losses since initial recognition, a loss provision of £77k has currently been set aside. The Authority maintains an ongoing working relationship with Northampton Saints Rugby Club, who have consistently met all scheduled principal and interest repayment on the loan so far.

Fair Value through other comprehensive income – the Authority holds an investment in the CCLA Local Authority Property Fund that it makes an irrevocable election to classify at Fair value through other comprehensive income. This investment is eligible for the election as the Authority considers it meets the definition of an equity instrument in paragraph 11 of IAS32 and is neither held for trading (the Council holds this investment as a long term strategic investment) nor is contingent consideration recognised by an acquirer in a business combination to which IFRS3 applies. The CCLA Property Fund have issued a notice that it may require up to six months' notice to honour redemption requests to allow for the orderly disposal of underlying assets. This investment is therefore not considered to be a 'puttable' instrument as despite the Authority having the ability to request repayment, it does not have a contractual right to 'put' the instrument back to the issuer for immediate redemption of cash.

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

an Interests in Companies and Other Entities

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

ao Business Improvement Districts

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

ap Cash and Cash Equivalents

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

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

aq General Government Grants

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

ar Group Accounts

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

as Non Domestic Rates

The Local Government Finance Act 2012 amended the 1988 Local Government Finance Act to give local authorities the power to retain a proportion of funds obtained from business rates in their area. The changes under the 'Localisation of Business Rates' means that from April 2013, local authorities retain a share of the income they collect from business rates as funding to meet the cost of service provision. Prior to this date, all business rates in England were paid to Central Government from the billing authorities, and a proportion was then paid back to each authority as Formula Grant. The Department for Communities and Local Government guidance indicates that each billing authority should formally set a Business Rate Baseline each year. This baseline will be the authority's estimate of the business rates it forecasts to collect in the following financial year, net of any reductions such as reliefs and estimated cost of appeals. As such, the business rates the Council collected and retained are adjusted for the anticipated outcome of the on-going national backlog of Business Rate appeals cases, which are still currently being assessed by the Valuation Office.

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J2. GENERAL INFORMATION

1. PRIOR YEAR ADJUSTMENTS

There have been no material prior periods adjustments identified that require disclosure within Note 1 of the accounts for 2019-20.

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

Under The Code of Practice on Local Authority Accounting disclosure of the impact of accounting standards issued but not yet adopted is required. Following a review of the relevant standards it has been determined that there would be no material changes to the accounts if these were to have been adopted. The relevant standards being introduced for 2020/21 are:

- Amendments to IAS 28 Investment in Associates and Joint Ventures: Long term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement
- Amendments to references to the *Conceptual Framework* in IFRS Standards

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies laid out in Appendix J1, the Council has had to make certain critical judgements about complex transactions or those involving uncertainty about future events.

In the accounts these are as follows:

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

Valuations of Council Dwellings have been based on the latest Government guidance. Useful economic lives are based on estimates either from professional (RICS qualified) valuers in the case of property, and service experts in relation to other assets. Infrastructure has a useful economic life of 25 years in line with CIPFA guidance.

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

The existing 2016/17 valuation of Delapre Golf Course was completed using the investment method of valuation. The rental income was considered and the passing rent was capitalised at a yield that was felt to be sufficient to reflect the risk profile of the property as an investment, taking into account the covenant strength of the tenant, the likely sustainability of the rent and the length of the lease

However, Royal Institution of Chartered Surveyors (RICS) guidance suggests that as Golf Course valuation is a specialised sector of the market and comparable evidence is scarce, the accurate valuation of golf courses will depend on many issues, some of which are not found when valuing other property types, including:

- An understanding of golf, its development and operation;
- An appreciation of the physical features of the property in question and other factors influencing value;
- A thorough understanding of the trading accounts of the business;

- An ability to prepare accurate forecasts for the fair maintainable trade; and
- A detailed knowledge of the market.

For 2016-17, the Council did not have all of the required information to fully undertake a valuation of the Course based on RICS Guidance. The impact of substituting the investment method of valuation is currently unknown and therefore does present an element of uncertainty on the valuation figure which it has not been possible to quantify.

For 2017-18, 2018-19 and 2019-20, the valuation of Delapre Golf Course was completed by specialist valuers, using a methodology based on the RICS guidance and the latest trading accounts provided by the tenant.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends, and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Authority's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment (excluding land) - Depreciation & Useful Lives	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be carried out in relation to individual assets. The current economic climate makes it uncertain how much the authority will be able to spend on repairs and maintenance on these assets, so there is uncertainty in the useful economic lives allocated to each asset.	If useful economic lives are reduced there would be an increase in depreciation and a reduction in the carrying value of the assets. It is estimated that the annual depreciation charge for buildings would increase by approximately £0.3m for every year that useful lives had to be reduced.
Property, Plant and Equipment (excluding land) - Valuations	Assets are valued each year by professional valuers using appropriate valuation methods, judgements, and assumptions. Council dwellings are valued as at 1 April annually, non-investment properties with a closing value of over £300k the previous year are revalued mid-year, and other non-investment property is valued on a 5-year rolling programme part way through the year. The assumptions used and timings of these valuations introduce a degree of estimation risk if property values differ from the valuations used.	The net book value of an asset at 31 March is the value of that asset as it appears on the Balance sheet. - A 1% variation in value on Dwellings is equivalent to £4.1m - A 1% variation in value on other operational property is equivalent to £0.7m

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	<p>Council dwellings are valued by reference to representative properties across the housing estate known as 'beacons'. Following a 100% valuation of the portfolio in 2017-18, the portfolio was subject to annual desktop reviews at 1st April and 31st March and will be the next 3 years, then subject to a further full revaluation in 2023.</p>	<p>This process is in compliance with MHCLG (previously DCLG) guidance.</p>
Benefit Overpayments Provision	<p>The Authority has made a provision of £5.6m in respect of Overpayments to Benefit Claimants. This provision is based upon an analysis of outstanding debt as at year end and is considered prudent in light of the highly uncertain nature of future recovery levels.</p>	<p>As the provision for Benefit Overpayments is currently set at 87.5% of the overall debt, any movement in the level of overpayments will have a corresponding, equivalent impact on the level of provision required.</p>
Insurance Provision and Reserve	<p>The Council has made a provision of £0.5m for actual insurance claims outstanding and a reserve of £1.1m is set aside for unknown future claims. The amount in the reserve is based upon an actuarial report from our independent advisors, who have specialist experience in forecasting.</p>	<p>If the insurance provision proves to be insufficient then funds can be transferred from the insurance reserve. If the level of insurance reserve were to prove incorrect, then the effect would be equivalent to the amount of the additional claims.</p>

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	<p>The Council has a liability for retirement benefits promised under the terms of the pension scheme of £127.6m. Liabilities are measured on an actuarial basis, estimating future cash flows discounted to present values. This estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p>	<p>If the principal assumptions used to measure the liability were to differ, then the effect would be:</p> <p>0.5% decrease in discount rate would give rise to an increase in liability of approximately £21.1m</p> <p>0.5% salary increase would give rise to an increase in liability of approximately £0.8m</p> <p>0.5% increase in Pensions rate would give rise to an increase in liability of approximately £20.2m</p>
Arrears	<p>The General Fund has provided for a bad debt provision of £0.4m. This is based on modelled assumptions of the amount of debt cleared at various time points. The model is based on past recovery rates but any changes in the economic climate could impact on the recovery of outstanding debts.</p>	<p>Any changes in the recovery of the debts will have an impact.</p>
Business Rates Appeals	<p>The council has made a provision for the effects of business rates appeals (including backdated appeals) of which the NBC element is £7.5m.</p> <p>This is based on appeals that had been lodged and were outstanding at 31 March 2019. Contingent liabilities have been disclosed in relation to the risk of new appeals that may come forward in the future and other appeals/risks that have been currently assessed as not meeting the IAS 37 criteria for requiring a provision as at 31st March 2020.</p>	<p>If appeals on the list are rejected or settled at a lower value from the amount taken into account in the appeal provision, the provision for the excess would be released. If appeals on the list are settled at a higher value than the appeal provision or appeals are settled that are not included on the list at 31 March, there would be an impact on the business rates income to the authority under the Rates Retention Scheme.</p>

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Minimum lease payments on operating leases (authority as lessor)	Future estimates of minimum lease payments contain a number of assumptions about lease rental income and lease periods; for example that leases will not be renewed at the end of their term, and that vacant properties will not be leased at a future date.	If leases are extended beyond their original term or renewed on expiry, and vacant properties are leased out, then future rental income will exceed the minimum lease payments calculated. Conversely if lessees default on their leases or payments then future rental income may be reduced.

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

5. EVENTS AFTER THE BALANCE SHEET DATE

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

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