NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Your attendance is requested at a meeting to be held in the

The Guildhall, St. Giles Square, Northampton, NN1 1DE.

on Monday, 19 May 2014

at 6:00 pm**.**

D Kennedy
Chief Executive

AGENDA

1.	**APOLOGIES** Please contact Democratic Services on 01604 837722 or democratic services@northampton.gov.uk when submitting apologies for absence.	
2.	**MINUTES**	
3.	**DEPUTATIONS / PUBLIC ADDRESSES**	
4.	**DECLARATIONS OF INTEREST**	
5.	**MATTERS OF URGENCY WHICH BY REASON OF SPECIAL CIRCUMSTANCES THE CHAIR IS OF THE OPINION SHOULD BE CONSIDERED**	
6.	**CALL CARE REPORT** (Copy herewith)	Marion Goodman (Head of Customers and Communities)
7.	**FINANCIAL MONITORING REPORT** (Copy herewith)	Glenn Hammons (Chief Finance Officer)
8.	**ACCOUNTING POLICIES** (Copy herewith)	Rebecca Smith (Assistant Head of Finance)
9.	**EXTERNAL AUDIT UPDATE - EXTERNAL AUDIT PLAN 2012/13** (Copy herewith)	Yola Geen, (External Auditor - KPMG)

10. DRAFT INTERNAL AUDIT ANNUAL REPORT

Kate Mulhearn, Internal Auditor (PWC)

(Copy herewith)

11. EXCLUSION OF PUBLIC AND PRESS

THE CHAIR TO MOVE:
"THAT THE PUBLIC AND PRESS BE EXCLUDED FROM THE REMAINDER OF THE MEETING ON THE GROUNDS THAT THERE IS LIKELY TO BE DISCLOSURE TO THEM OF SUCH CATEGORIES OF EXEMPT INFORMATION AS DEFINED BY SECTION 100(1) OF THE LOCAL GOVERNMENT ACT 1972 AS LISTED AGAINST SUCH ITEMS OF BUSINESS BY REFERENCE TO THE APPROPRIATE PARAGRAPH OF SCHEDULE 12A TO SUCH ACT."

12. KPMG FRAUD BRIEFING

Yola Geen, (External Auditor - KPMG)

(Copy herewith)

Public Participation

Members of the public may address the Committee on any non-procedural matter listed on this agenda. Addresses shall not last longer than three minutes. Committee members may then ask questions of the speaker. No prior notice is required prior to the commencement of the meeting of a request to address the Committee.

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Monday, 17 March 2014

PRESENT: Councillor Larratt (Chair); Councillor Hibbert (Deputy Chair); Councillors Davies

1. APOLOGIES

Apologies were received from Councillors Golby, Nunn and Palethorpe.

2. MINUTES

Following an amendment to the minutes of the previous meeting that confirmed that Chris Dickens was from PriceWaterHouse Cooper and not KPMG, the Minutes of the meeting held on 13th January 2014 were confirmed and signed by the Chair as a true record.

3. DEPUTATIONS / PUBLIC ADDRESSES

There were none.

4. DECLARATIONS OF INTEREST

There were none.

5. MATTERS OF URGENCY WHICH BY REASON OF SPECIAL CIRCUMSTANCES THE CHAIR IS OF THE OPINION SHOULD BE CONSIDERED

There were none.

6. EXTERNAL AUDIT PLAN

The External Auditor- (KMPG) submitted a report and commented that the external audit for last year had gone smoothly and that the same was expected for 2013/14. He noted that there had been 1 extra risk identified for the year but explained that the statutory responsibilities remained the same. It was explained that professional standards required the auditors to consider two additional risks for all organisations, and they were Management Override of controls and Fraudulent Revenue recognition, both of which were significant risks for all councils

The extra risk identified was explained as being the Local Government Pension Scheme (LGPS) Triennial Revaluation and noted that there was a risk that data provided could be inaccurate and thus affected the actuarial figures in the accounts. It was further noted that finance function was the responsibility of LGSS and a risk was that the new organisation may have an impact on the production of the 2013/14 accounts. It was noted that there had been ongoing dialogue between LGSS Finance and the Auditors to ensure the progress of Audit.

In response to a question from a Member, it was explained that the risk surrounding LGPS would not impede on next year's audit, but that there was an aggravated risk with regards to the TUPE of staff and LGSS and that this would need to be properly reflected. In response to a further question, it was noted that there had always previously been an arrangement with the Audit Commissions that allowed for Northamptonshire County Council to charge the NBC for provision of data for Auditors, it was very unlikely to occur.

RESOLVED:

That the report be noted.

7. FINANCIAL MONITORING REPORT

The Assistant Head of Finance submitted a report and elaborated thereon. It was explained that the report presented the Committee with the financial position, an update on parking income and the Council's outstanding debt as at the 31st January 2014.

In response to a request for a comparison between 'pay on exit' car park income figures and pay and display figures where car parks had changed payment method, the Assistant Head of Finance would confirm whether this information was held. It was noted that due to the mid period installation of 'pay on exit' machines, any figures available would only allow for a month on month comparison. The information would be fed back at a later date.

In response to a further question, it was explained that the £69K shortfall in rental income due to vacant premises was unlikely to be one property, but that further information would be circulated to members of the Committee once this had been clarified.

RESOLVED:

1. That the contents of the following finance reports be considered:
    - General Fund Revenue Monitoring (Appendix 1);
    - General Fund Capital Monitoring (Appendix 2);
    - HRA Revenue Monitoring (Appendix 3);
    - HRA Capital Monitoring (Appendix 4).
2. That the position on car parking income and usage as at 31 January (Appendix 5) be noted.
3. That the latest position in relation to the Council's outstanding debts as at 31 January (Appendix 6) be noted.
4. That consideration be given as to whether the Committee required any additional information in order to fulfil its governance role.
5. That the financial position to 31 January reflects the post transfer of support service functions to LGSS be noted.

8. PERFORMANCE REPORT

The Borough Secretary submitted a report and noted it had previously been to Cabinet on the 24th February 2014 and provided performance date and commentary for the Audit Committee to assist in their function to monitor the performance of the Council.

The Chair noted that the previously discussed Call Care Report would be taken to the next Audit Committee meeting on the 19th May 2014

RESOLVED:

That the report be noted.

9. NBC CERTIFICATION OF GRANTS AND RETURNS REPORT

The External Auditor submitted a report, which provided and update on the progress of the external audit and noted that there was a requirement for them to report on grants and returns. It was noted that two of the returns were unqualified with no adjustments and noted that Council Tax and Benefits needed qualifying and marginal adjustments were made, calculated as being 0.0001%. It was reported that work had been undertaken in good order and that fees had been kept to a minimum

RESOLVED:

That the report be noted.

10. INTERNAL AUDIT UPDATE

The Internal Auditor (PWC) submitted a report and updated the Committee on the final reports that had been issued following completed reviews in accordance with the 2013/14 Audit Plan. It was noted that there had been a number of changes to the Plan as consideration needed to be given to processes that had transitioned to LGSS and further noted that the Council should expect assurances from them with regards to the internal audit.

In response to a question asked the Internal Auditor commented that there had been a delay on the Empty Homes report, due to a number of sensitive issues but noted that it was close to completion. Responding to a further question, it was noted that the audit of the Environmental Services Contract management would consider the contract as a whole and not specific issues within the service area. The Borough Secretary explained that PWC had been asked to examine the contract but that there had been a number of issues that had delayed its progress but that a thorough and sound piece of work wold be undertaken which could also be applicable to future contracts. Responding to a question of the Committee with regards to the ‘Cultural Exemption’ (meaning that future tickets would not be subject to VAT) it was noted that information relating to whether this could be applied for retrospectively for the Alive@Delapre event for 2013 would be circulated to the Committee at a later date.

RESOLVED:

That the report be noted.

The meeting concluded at 18.43pm

Appendices

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Call Care Service update

AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	19th May 2014
Policy Document:	NO
Directorate: Management Board	Customers and Communities
Accountable Cabinet Member	Cllr Markham

1. Purpose

1.1 Update regarding the Call Care Service

2. Recommendations

2.1 To note the current position of the Call Care Service, potential future options and option currently being pursued.

2.2 To note the actions required to enable the Call Care Service to transform into a fit for purpose service with potential for future growth.

3. Issues and Choices

3.1 Report Background

The Council continues to keep the options available regarding its Call Care service under review to establish the future direction of the service and methods of delivery. The options include:

- Retain and seek to grow the Call Care service
- Retain the service but outsource the call monitoring and handling provision
- Cease provision of the service and 'signpost' users to other providers

The Council's Call Care service has around 3,500 customers including sheltered housing tenants, other Council tenants and other residents within and outside of Northampton. The service takes around 6,000 calls per month. The Council's out-of-hours response service (predominantly housing repairs) is delivered through the team.

Specific challenges for the service include the potential loss of £260,000 income from Supporting People (via the Housing Revenue Account) and a reduction in income as a result of a fall in the number of customers. Conversely, opportunities exist in relation to expanding the service through active marketing and through development of other areas linked to Telecare and Telehealth.

In January 2013, the Council produced an initial appraisal of "Call Care Future Options" and a Marketing Plan. The appraisal examined a wider range of options looking at options for the future of the service. The appraisal recommended the retention and growth of the service; however more activity is required to actively market or grow the service so in January 2014, a further options appraisal was undertaken with a specific emphasis on how the service could be retained and grown.

3.2 **Issues**

1. The call care service has operated at a deficit against a budgeted surplus over recent financial years.

2. There had been no proactive marketing of the Call Care service in recent years and so work on marketing the service has been undertaken including a leaflet sent out with this year's Council Tax demand.

3. The County council's Olympus care offering has taken some clients from Call Care.

4. The current shift pattern and process for shift scheduling will be reviewed to enable maximum use of resources.

5. The current Call Care team will be trained for skills and expertise to run the service on a more commercial basis.

6. The service will need investment in new Lifelines to replace the existing Lifeline 400 units.

7. The demographic changes along with advances in Telecare and Telehealth technology give an opportunity to develop and expand the Call Care service to a greater number of private and corporate clients and to widen the range of service offerings. The telecare market is growing rapidly both nationally and locally with over 370 organisations now registered with the Telecare Services Association (TSA)

8. The 3 main options – retain and grow, outsource monitoring or closure of service – all required investment during 2014/15 and would all result in a further in-year deficit.

9. Resources, expertise and investment are all required to effectively market any enhanced Call Care service. In the case of the other options there would be redundancy, procurement and transition costs.

10. The service can be retained and grown and can move back into surplus, provided that its structure and processes are transformed to make it fit for purpose.

What action is required?

To compete effectively in this marketplace Call Care will need to offer the quality and range of services that the potential client base are expecting, to deliver consistently high levels of service, to provide, maintain and improve the equipment and technology provided to clients and to proactively market their services.

The required actions are set out below:
Staffing operations (timescale – 6 months)
The current staffing and shift structure reflects the higher level of connections and calls that were in existence. In addition the new structure needs to build in the requirements for operating a commercial business unit. This will need to include:

- Development of new staffing structure
- Revision to shift system
- Increased multi-skilling
- Review of role and reporting lines for Emergency Response Co-ordinators
- Review of on-call payments
- Improved utilisation of staff during overnight and other ‘quiet’ periods
- Inclusion/ strengthening of marketing and business development roles
- Commercial awareness and cultural change training

<u>Systems and Processes</u> (timescale – 3 to 6 months)

Review and development of processes to support:

- Responding to and processing sales enquiries
- Invoicing
- Credit control
- Accounting and reporting
- Signposting

<u>Technology</u> (timescale – 3 to 6 months)
Improve the use and deployment of technology through:
Sourcing replacement Lifelines (e.g. Lifeline Vi)
Maximisation of PNC7 reporting potential
Improving permissions and access to PNC7 to support multi-skilling
Investigation of other equipment and peripherals

<u>Marketing</u> (timescale – 3 months)

The Marketing Plan produced in 2013 contains a number of valid recommendations in terms of marketing activity and will be be refreshed and provided with clear timescales and resources. Specific activities planned include:

Development of a full Business Plan
An analysis of new customers and cancellations to identify reasons/ routes for accessing the service and any controllable reasons for cancellation
Ensuring effective relationship management with corporate clients
Development of Unique Selling Point and branding
Reviewing the pricing structure, in particular out-of-Borough clients and self-installation options
Website development
Communication Plan

3.3 Choices (Options)

1. Retain and seek to grow the Call Care service

2. Retain the service however outsource the call monitoring and handling provision

3. Cease provision of the service and 'signpost' users to other providers

4. Implications (including financial implications)

4.1 Policy

4.1.1 There are no specific policy implications arising from this report.

4.2 Resources and Risk

4.2.1 Should no action be taken and no review of staffing, processes, technology and marketing take place then the current projected deficit will continue to grow due to:

Continued 'churn' and net loss of Lifeline customers; over the 12-month period to November 2013, approximately 28% of Lifelines were cancelled which after allowing for new Lifeline installations represents a net loss of 8%.
The effects of salary inflation.

Should the marketing of the service not achieve the required income to move the call care service into at least cost neutral then the option of achieving savings through the closure of the service and signposting of service users to other providers would need to be considered. The option for closure involves a number of risks including reputational and the cost of transition.

The retention of the service and outsourcing of monitoring requires a similar level of transitional costs and risk to the option of closing the service. For this option to be effective then the Council would still need to undertake similar marketing activity in order to maintain revenue to the service.

Given the risks involved the case for closure or outsourcing is not sufficiently compelling at this stage, and it is therefore recommended to pursue the option of retention and growth, subject to keeping this under review.

To mitigate the financial position of recurring deficits the budget for 2014/15 included a one off budget pressure of £150,000 to enable the service to continue its operation whilst this review on future service provision was undertaken.

4.3 Legal

There are no specific legal implications arising from this report

4.4 Equality

There are no specific equality implications arising from this report

4.5 Consultees (Internal and External)

Employees within the Call Care Team and users of the call care service.

4.6 Other Implications

Not applicable

5. Background Papers

None

Marion Goodman
Head of Customer and Cultural Services
Ext. 7721

Appendices: 6

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Financial Monitoring Report

AGENDA STATUS: **PUBLIC**

Audit Committee Meeting Date:	19 May 2014
Policy Document:	No
Directorate:	Finance Directorate LGSS
Accountable Cabinet Member:	Cllr Alan Bottwood

1. Purpose

1.1 To present Committee with the financial position to 28 February.

1.2 To update Committee on car parking income and usage to 28 February.

1.3 To update Committee on the position regarding the Council's outstanding debts as at 31 March.

2. Recommendations

2.1 To consider the contents of the following finance reports:

- General Fund Revenue Monitoring (Appendix 1);
- General Fund Capital Monitoring (Appendix 2);
- HRA Revenue Monitoring (Appendix 3);
- HRA Capital Monitoring (Appendix 4).

2.2 To note the position on car parking income and usage as at 28 February (Appendix 5).

2.3 To note the latest position in relation to the Council's outstanding debts as at 31 March (Appendix 6).

2.4 To consider whether Committee requires any additional information in order to fulfil its governance role.

2.5 To note that the financial position to 28 February reflects the post transfer of support service functions to LGSS.

3. Issues and Choices

3.1 Report Background

3.1.1 A Finance and Performance report is presented to Cabinet quarterly (including the outturn report). Finance reports are published monthly on the intranet except at the beginning, and during the final months, of the financial year.

3.1.2 Committee has asked to receive these reports which are brought to the first available meeting following their production.

3.1.3 Committee has also asked for more detailed information regarding car parking income and usage, and debt recovery.

3.2 Issues

3.2.1 The Council's revenue and capital position as at 28 February 2014 (Period 11) is set out in Appendices 1-4.

3.2.2 Significant variances at this point in the year are as follows:

3.2.2.1 General Fund Revenue – (£148k) adverse

Note: for ease of understanding adverse variations (i.e. additional costs or reductions income) are shown without brackets, while favourable variations (increased income or cost savings) are shown within them.

	£000
Controllable Service Budgets	(239)
Debt Financing & HRA Recharges	91
General Fund Revenue	**(148)**

The major variations are detailed below.

Asset Management

- Other Buildings and Land £31k - reflects mainly a £69k shortfall in rental income due to vacant premises either waiting to be re-let or being marketed for disposal. The use of an earmarked reserve (£60k) is reflected in the figures.

Head of Major projects and Enterprise

- Head of Major Projects and Enterprise £80k forecast due to the cost of interim cover to the financial year end supporting the Enterprise project and Regeneration areas.

Head of Planning

- Development Control (£564k) favourable mainly due to forecast better fee income than budgeted due to a higher level of planning applications in year.

Housing

- Housing Services £272k adverse forecast mainly split over Call Care £96k, Private Sector Housing Solutions £224k, and a budgeted staff efficiency of £50k that is forecast not to be achieved, partially offset by underspend of (£30k) forecast staff vacancy savings on Home Choice and Resettlement. This forecast is unchanged from Period 10.

Borough Secretary

- Legal (£168) favourable mainly due to additional income received for legal costs. If realised this amount will be requested to be moved to an earmarked reserve to help fund any additional Legal costs incurred in future years.
- Housing Benefits £99k adverse mainly due to a lower level of Benefit Subsidy recoverable from the Department for Works and Pensions in relation to Rent Allowances.

Head of Customers and Cultural services

- Car Parking -£0k - The forecast shortfall in car parking income continues to improve, with daily ticket income at £100k and the shortfall in season ticket is £70k..The forecast variance has taken into account the use of reserve of (£75k), for the August extended free parking, and (£81k) of an earmarked car parking reserve. In addition to this Car parking has received a reduction in rent on St Peter's Way and a reduction in NNDR on Commercial Street totalling (£72k)
- Museums - £55k adverse – Agency costs of £95k and reduced donations of £15k are partially offset by vacancy savings £55k.

Corporate Budget

- Debt Financing £279k adverse mainly due to a fall in available investment interest rates in year to date. This shortfall can be mainly met from the debt financing earmarked reserve, which was specifically set up to deal with the budgetary risks of fluctuations in interest rates. The use of this reserve up to (£200k) is now reflected in the figures.. The remaining £79k overspend relates to accounting technical adjustments reflecting higher charges to revenue of financing the 2012-13 capital programme spend.

3.2.2.2 HRA Revenue – £76k adverse

- Supporting People funding of £550k was reduced significantly from the end of September but partly covered by transitional funds until the end of March.. This is partly offset by a forecast underspend in staffing costs within the Wardens service as the result of a restructure. A reserve was prudently created in anticipation of the Supporting People changes occurring and is sufficient to meet the remaining net shortfall in year.
- Repairs and Maintenance - £41k adverse – mainly on responsive works based on current contractor levels although this continues to be managed down. A drawdown from reserves and a further capitalisation of expenditure on void dwellings of £2.5m and £1m respectively is reflected in the figures. Housing management are continually reviewing this position.
- Dwelling rents due in year is forecasted to be under-recovered by £364k adverse due to increased Right to Buys in 2012/13 and current

year. Rent Rebate Subsidy deductions are forecast to be nil for the year resulting in a (£96k) saving to the HRA.
- Increase in Bad Debt Provision is now reflecting the latest forecast position saving of (£335k). The impact of Welfare reforms on the arrears position has not been as quick to materialise as forecast.

3.2.2.3 Capital Programme -

- GF Capital Programme – With financial year end approaching there are a number of variations being forecast totalling £3m. A number of these schemes, totalling £2.1m, are being re-phased into 2014/15 financial year and will require the budget to be carried forward. The Capital Programme Board is in place and has started reviewing and monitoring delivery of capital projects. There is no change to forecast from Period 10 reporting.
- HRA Capital Programme – is forecasted to be underspent by £3.4m with £2.7m being re-phased into 14/15 financial year..

3.2.3 Appendix 5 shows the monthly levels of car parking usage and income to 28 February.

3.2.4 The managed debt analysis and commentary to 28 February are shown at Appendix 6.

3.3 Choices (Options)

3.3.1 None

4. Implications (including financial implications)

4.1 Policy

4.1.1 There are no specific policy implications arising from this report.

4.2 Resources and Risk

4.2.1 Ongoing monitoring of the Council's budget and capital programme enables early intervention and appropriate remedial action, thus mitigating risks to the Council's financial viability and to its reputation.

4.3 Legal

4.3.1 There are no specific legal implications arising from this report.

4.4 Equality

4.4.1 There are no specific equalities implications arising from this report.

4.5 Consultees (Internal and External)

4.5.1 None at this stage.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 Regular reporting of the Council's financial position helps to ensure the proper stewardship of the Council's resources. Active financial management contributes to the delivery of value for money services, enabling public money to be used to maximum benefit.

4.7 Other Implications

4.7.1 Not applicable

5. Background Papers

None

Glenn Hammons
Chief Finance Officer, Telephone 01604 366521

General Fund Revenue Budget Forecasts 2013/14
February 2014

Division	Ksa	Service Area	Revised Budget £000's	Forecast £000's	Forecast Variance £000's	RAG Status	Description
	DR02	Director of Regeneration, Enterprise & Planning	227	216	(11)	G	
Director of Regeneration, Enterprise and Planning			227	216	(11)	G	
	FA01	Asset Management	1,445	1,439	(6)	G	(£19k) underspend on staff mainly due to vacant posts. The budgeted contribution towards repair and maintenance of monuments and memorials has been reduced resulting in an income shortfall of £9k. Further £7k overspend is related to the marketing of premises and also anticipated £29k overspend on office move expenditure. Offset by additional NNDR appeal savings of (£15k). (£17k) of income to be received in relation to survey of old bus depot not previously forecast.
	FA06	Other Buildings & Land	(1,603)	(1,571)	31	G	£69k shortfall in rental income and £16k NNDR overspend due to vacant premises waiting to be re-let or being marketed for disposal. and other minor overspends. This is offset by (£9k) surplus on insurance premium income and also by (£15k) underspend on other premises costs such as utilities, building cleaning, etc. A potential drawdown from earmarked reserves for the shortfall in rental income £60k is now reflected.
Asset Management			(157)	(132)	25	G	
	RG01	Head of Major Projects and Enterprise	139	219	80	A	Overspend mainly due to the cost of the interim cover forecast to the end of financial year.
	RG02	Regeneration & Investment	889	931	42	G	£30k overspend due to delay in restructure implementation which is partly offset by underspend in the Town Centre Team. £6k overspend on subscriptions and software licences. £3k overspend to carry out a business survey in Northampton and £3k advertising & publicity expenditure for the Bus interchange.
Major Projects and Enterprise			1,028	1,150	122	R	
	PE02	Building Control	(35)	(28)	7	G	
	PE03	Development Control	337	(228)	(564)	B	(£56k) underspend on staff mainly due to vacant posts. (£512k) surplus due to the high level of planning applications in the year. This is offset by £3k from various supplies & services.
	PE06	Head of Planning	115	115	(0)	G	
	PE15	Joint Planning Unit Manager	257	257	0	G	
	PE17	Planning & Regen Central Support	106	97	(8)	G	
	PE18	Town Centre Team	187	158	(29)	G	Delay in restructure implementation has resulted in saving. Held to cover overspend in Regeneration and Investment.
	RG04	Planning Policy & Conservation	634	607	(27)	G	(£53k) underspend on vacant posts. This is being offset by £25k NBC contribution to the Heritage Gateway.
Head of Planning			1,600	978	(622)	B	
Director of Regeneration, Enterprise & Planning			**2,698**	**2,212**	**(486)**	**B**	
	DR05	Director of Housing	190	188	(2)	G	
Director of Housing			190	188	(2)	G	
	CS02	Call Care	(67)	29	96	A	Overspend mainly due to the £285k forecast underachievement of income for lifelines and charges to other organisations, offset by underspend on staff costs due to vacant posts (£190k). Other variances were less than £5k individually.
	HS05	Home Choice & Resettlement	461	431	(30)	G	Staff vacancies across the service area.
	HS12	Housing Options	603	588	(15)	G	
	HS13	Head of Strategic Housing	137	144	7	G	
	PE09	Travellers Sites	22	19	(3)	G	
	PE12	Private Sector Housing Solutions	14	238	224	R	Additional £47k of HMO enforcement costs which will result in additional income in the future, expenditure offset by drawdown from reserves of £76k. £146k deficit in DFG fees due to income relating to 2013/14 being taken against last year.
	RG03	Housing Strategy	29	25	(4)	G	
Head of Strategic Housing			1,200	1,474	274	R	
Housing			**1,390**	**1,662**	**272**	**R**	

Division	Ksa	Service Area	Revised Budget £000's	Forecast £000's	Forecast Variance £000's	RAG Status	Description
	FA04	Non Distributed Costs	4,571	4,571	0	G	
	DR03	Director of Resources	(105)	(111)	(7)	G	
	LGSS	Local Government Shared Service	8,912	8,912	0	G	
	HR01	Human Resources	148	152	4	G	
	GC08	Communications	255	244	(11)	G	
	GC15	Emergency Planning	52	55	2	G	
	PI20	Performance and Change	(14)	(11)	2	G	
	HS02	Head of Finance & Resources	15	15	0	G	
	FA02	Financial Services	154	169	14	G	
	FA03	Audit	215	215	0	G	
	FA05	Investments	9	9	(0)	G	
	FA19	Exchequer Service	85	85	1	G	
	HS01	Benefits	(1,325)	(1,226)	99	A	Reflects a lower than budgeted level of anticipated Benefit Subsidy recoverable from the DWP, primarily in relation to Rent Allowances.
	HS03	Revenues	(565)	(560)	5	G	
	PR01	Procurement	24	19	(4)	G	
	CX01	Chief Exec	181	180	(1)	G	
	GC02	Civic and Mayoral Expenses	97	109	13	G	
	GC05	Overview and Scrutiny	44	45	1	G	
	GC06	Councillor & Managerial Support	536	529	(6)	G	
	LD02	Electoral Services	187	177	(10)	G	
	LD03	Land Charges	(11)	(22)	(11)	G	
	LD04	Legal	261	93	(168)	B	The Risk Managers vacant post generates a savings of (£38k). In Records Management a post has been seconded but temporary replaced by agency with a net savings of (£3k). Agency staff in Legal before transferring to LGSS cost £15k. Savings on training (£7k) has been offered. (£135k) additional income received for Legal Services. It is being requested to go into a reserve to fund any additional legal costs incurred in 2014/15.
	LD08	Democratic Services	299	271	(28)	G	A Democratic Services Officer post has been vacant for most of 2013/14. There was also another post vacant for the first 6 months of 2013/14 due to a secondment. A overspend on publication previously forecasted was actually for a two year subscription and therefore a year end adjustment will be needed and the overspend will be reduced.
Borough Secretary			14,026	13,920	(106)	B	
Borough Secretary			**14,026**	**13,920**	**(106)**	**B**	
	DR01	Director of Customers and Communities	282	274	(8)	G	
Director of Customers and Communities			282	274	(8)	G	
	CE02	Community Safety	515	559	44	G	CCTV electricity costs £8K, and unachieved CCTV income £35k.
	CE04	Leisure Contract	741	736	(6)	G	
	LD05	Licensing	(243)	(232)	11	G	
	PE07	Pest Control	42	8	(34)	G	The saving of (£34k) has come about due to lower than anticipated uptake of the free rat control service.
	PE10	Commercial Services	336	346	9	G	
	PE11	Environmental Protection	1,175	1,081	(94)	G	(£62k) vacant posts, (£5k) cleaning and rubbish removal not required, £6k vehicle allowances, (£5k) animal welfare costs and (£5k) reduced burial costs. (£23k) increased income due to greater commercial requirement for advice and information.
	PE16	Head of Public Protection	75	80	5	G	
	SS09	Environmental Services Contract	6,390	6,428	38	G	£92k for 2 years of Staff Dispute issue now settled and £38k overspend on the Contract due to changes in Indexation rates. A potential drawdown from reserves of £92k for specific contract issues is now reflected.
	SS20	Environmental Services	27	53	26	G	£155k skip income which will not be achieved. £20k Waste Partnership costs. WBD Admin team overspent due to removal of budget for prior year savings £8K (£5k) reduced utilities. A potential drawdown from reserves of £155k for specific contract issues is now reflected.
	GC04	Policy	8	8	0	G	
	GC09	Community & Other Grants	1,270	1,258	(11)	G	
	GC10	Community Development	90	106	16	G	
	GC11	Community Centres	404	398	(6)	G	
	LS01	Head of Partnership Support	11	4	(6)	G	
	SS01	Neighbourhood Management	0	(11)	(11)	G	
Head of Communities and Environment			10,840	10,821	(20)	G	

Division	Ksa	Service Area	Revised Budget £000's	Forecast £000's	Forecast Variance £000's	RAG Status	Description
	CE06	Museums and Arts	626	680	55	A	External donations received are £15k less than budgeted. There is various vacant posts in Museums saving (£55k), however agency costs have been incurred of £95k.
	CS03	Head of Customer & Cultural Services	105	114	9	G	
	CS04	Customer Access	1,288	1,247	(42)	G	Various employee underspends due to vacant posts (£47k). Software licenses £5k due to a late invoice received.
	CS05	Print Unit	181	227	47	G	Outsourced printing costs are £15k over budget. There is an additional £9k on employees due mainly to vacancy factor and National Insurance. There will also be a shortfall in external income for printing work carried out for Voluntary groups, charities etc. £10k. Additional Photocopying costs of £13k.
	PI02	Information Technology	347	327	(20)	G	
	PI14	Telephones	36	52	15	G	
	CE03	Events	236	271	34	G	Several new events hosted incurring additional staffing and infrastructure costs.
	CE23	Town Centre Management	15	10	(5)	G	
	CE24	Car Parking	(1,504)	(1,504)	(0)	G	£17k additional Employee costs. Premises costs (£72k) due to reduced rent for St Peter's Way car park and reduced NNDR on Commercial Street. Further offset by increase in electricity of due to carbon budget reduction. £26k security costs partly offset by reduced security costs in the bus station. Income is reflecting a £184k shortfall. A potential drawdown from reserves of (£75k) for the free parking scheme and (£81k) for other parking pressures are reflected in this figure.
	CE26	Bus Station	254	258	5	G	
	FA08	Office Accommodation	1,436	1,446	10	G	Net loss of income on Fish Street £9k. Agency costs at Westbridge Depot £7k and a reduction of income £2k. In the Post Room there is additional expenditure of £13k on employees but there is a savings of (£23k) on postages.
	FA09	Markets	69	70	1	G	
Head of Customer & Cultural Services			3,089	3,198	109	R	
Director of Customers and Communities			**14,211.02**	**14,292.28**	**81**	A	
Total Service Budgets			**32,325**	**32,087**	**(239)**	B	
		Debt Financing	1,855	1,934	79	A	Outturn on the GF debt financing budget at period 11 is forecast at £279k over budget. The overspend is mainly due to a significant fall in available investment interest rates in recent months. £200k of the shortfall can be met from the debt financing earmarked reserve, which has been specifically set up to deal with the budgetary risks of fluctuations in interest rates. The remaining £79k overspend relates to MRP, where charges arising from the financing of the capital programme in 2012-13 are higher than budgeted. A savings target assigned to this budget was based on an assumption of slippage in the 2012-13 capital programme that was not realised.
		Recharges to the HRA	(143)	(131)	12	G	Debt Financing recharges to HRA.
		Council Tax and other funding			0	G	
		Contribution to GF Balances			0	G	
Total Corporate Budgets			**1,712**	**1,803**	91	A	
Total General Fund			**34,038**	**33,889**	**(148)**		

NORTHAMPTON BOROUGH COUNCIL

CORPORATE FINANCIAL REPORTS (CAPITAL) : (Cost Centre & Head of Service)
FINANCIAL YEAR 2013/2014
PERIOD 11 (February 2014)

GF CAPITAL

Project Code & Project Description	Approved Budget February 2013	Approved Changes In Year	Latest Approved Budgets	YTD Actual Expenditure	Forecast Year End Spend	Forecast Under(-) /Over(+)spend	Budget Carried Forward	Forecast Variance RAG	Slippage RAG
	A	B	C=A+B	D	E	F=E-C	G		
	£	£	£	£	£	£	£		
No Assigned Budget Manager (BM999)									
BA999 - Transfer Account - Gf - Uco	0	0	0	-960,362	0	0	0	G	G
Total for DIV Not applicable	**0**	**0**	**0**	**-960,362**	**0**	**0**	**0**	G	G
Francis Fernandes (FF1)									
BA145 - Cliftonville Move; New ways of working	0	14,767	14,767	-10,000	14,767	0	0	G	G
Total for Corporate	**0**	**14,767**	**14,767**	**-10,000**	**14,767**	**0**	**0**	G	G
BA383 - Cinepod - Royal & Derngate Theatre	0	240,216	240,216	240,216	240,216	0	0	G	G
BA647 - IT Infrastructure - PC Replacement with VDI Terminals	65,000	0	65,000	17,728	65,000	0	0	G	G
Total for Director of Resources	**65,000**	**240,216**	**305,216**	**257,944**	**305,216**	**0**	**0**	G	G
BA165 - COM; Document Management	0	98,071	98,071	0	98,071	0	0	G	G
BA646 - Re-furbishment of the Great Hall kitchen	0	67,895	67,895	64,240	67,895	0	0	G	G
BA660 - Northampton Town Fc Loan	0	4,500,000	4,500,000	4,500,000	4,500,000	0	0	G	G
BA661 - Northampton Saints Loan	0	5,500,000	5,500,000	5,500,000	5,500,000	0	0	G	G
Total for Head of Finance & Resources	**0**	**10,165,966**	**10,165,966**	**10,064,240**	**10,165,966**	**0**	**0**	G	G
Julie Seddon (JS14)									
BA167 - I Love My Parks	0	14,222	14,222	9,143	14,222	0	0	G	G
Total for Director of Customers & Communities	**0**	**14,222**	**14,222**	**9,143**	**14,222**	**0**	**0**	G	G
Marion Goodman (MG3)									
BA173 - Multi-Function Devices (MFD's)	0	29,628	29,628	0	29,628	0	0	G	G
BA193 - Refurbishment - Northampton Museum and Art Gallery	0	0	0	-60	0	0	0	G	G
BA207 - IT Infrastructure - Servers and Network Storage	270,000	0	270,000	147,029	270,000	0	0	G	G
BA384 - Cultural Quarter Street & Building Signage	0	25,000	25,000	0	25,000	0	0	G	G
BA677 - Art from the Golden Age	0	6,000	6,000	3,000	6,000	0	0	G	G
BA764 - One Stop Shop, CRM	0	29,966	29,966	450	29,966	0	0	G	G
BA786 - Data Network Improvements	0	59,300	59,300	18,802	59,300	0	0	G	G
BA808 - IT Network Replacement Programme	0	11,698	11,698	269	11,698	0	0	G	G
BA893 - Microsoft Office 2010 Upgrade	0	40,000	40,000	34,577	40,000	0	0	G	G
Total for Head of Customer & Cultural Services	**270,000**	**201,592**	**471,592**	**204,067**	**471,592**	**0**	**0**	G	G
BA665 - Grosvenor Car Park - Pay on Foot	0	200,000	200,000	129,256	200,000	0	0	G	G
Total for Head of Town Centre Management	**0**	**200,000**	**200,000**	**129,256**	**200,000**	**0**	**0**	G	G
Richard Birchett (RB5)									
BA659 - Call Care Project (part of prevention programme)	0	113,864	113,864	99,786	113,864	0	0	G	G
BK010 - Countrywide Climate Friendly Commmunities	0	46,617	46,617	46,042	46,617	0	0	G	G
BK013 - Empty Homes Programme	632,090	416,045	1,048,135	27,551	1,048,135	0	216,045	G	R
BK014 - CBL Sub-regional scheme	0	0	0	695	0	0	0	G	G
BK015 - DFG's Owner Occupiers	1,475,000	908,542	2,383,542	1,731,102	2,383,542	0	0	G	G
BK029 - Hot Property 3	0	3,874	3,874	3,624	3,874	0	0	G	G
BK044 - Decent Homes Assistance	0	38,809	38,809	36,036	38,809	0	0	G	G
BK050 - Wrapped Up Scheme	0	24,053	24,053	31,649	24,053	0	0	G	G
BK051 - Fuel Poverty Fund County Wide	0	466,274	466,274	420,041	466,274	0	0	G	G
Total for Head of Strategic Housing	**2,107,090**	**2,018,078**	**4,125,168**	**2,396,525**	**4,125,168**	**0**	**216,045**	G	A
Susan Bridge (SB11)									
BA210 - Jeffrey Room Audio and Visual Improvements	0	750	750	750	750	0	0	G	G
BA645 - S106 Contributions to Other Local Authorities	0	165,000	165,000	165,000	165,000	0	0	G	G
BA656 - Victoria Street Bus Shelters	0	17,500	17,500	18,032	18,032	532	0	G	G
BA657 - Billing Lane Park Public Art Project	0	48,600	48,600	7,020	27,540	-21,060	21,060	G	R
BA658 - West Hunsbury Park Public Art Project	0	21,600	21,600	28,620	21,600	0	0	G	G

CORPORATE FINANCIAL REPORTS (CAPITAL) : (Cost Centre & Head of Service)
FINANCIAL YEAR 2013/2014
PERIOD 11 (February 2014)

NORTHAMPTON BOROUGH COUNCIL

GF CAPITAL

Project Code & Project Description	Approved Budget February 2013	Approved Changes In Year	Latest Approved Budgets	YTD Actual Expenditure	Forecast Year End Spend	Forecast Under(-) /Over(+)spend	Budget Carried Forward	Forecast Variance RAG	Slippage RAG
	A	B	C=A+B	D	E	F=E-C	G		
	£	£	£	£	£	£	£		
BA663 - Duston Wetlands Development & Implementation	0	15,000	15,000	0	15,000	0	0	G	G
BA664 - Hunsbury Hill Riverstone Way Play Improvements	0	42,000	42,000	40,603	42,000	0	0	G	G
BA667 - Eastfield Park - Cross Park Pathway	0	41,370	41,370	0	41,370	0	0	G	G
BA668 - Abington Street - Opening Up to Traffic	0	150,000	150,000	0	150,000	0	0	G	G
BA670 - Waterside Improvements (Southbridge)	0	0	0	0	0	0	0	G	G
BA883 - Planning IT Improvements (HPDG)	0	191,335	191,335	653	161,335	-30,000	0	G	G
Total for Head of Planning	**0**	**693,155**	**693,155**	**260,678**	**642,627**	**-50,528**	**21,060**	G	G
Simon Dougall (SD6)									
BA122 - Fire Safety Improvement Works	0	7,969	7,969	902	7,969	0	0	G	G
BA132 - St Crispin Changing Rooms, Toilet, Car park	0	750,989	750,989	0	0	-750,989	750,989	B	R
BA133 - St Crispin Football Pitches and Play Provision	0	192,116	192,116	133,806	152,116	-40,000	0	G	G
BA136 - Water Management Works	100,000	94,200	194,200	74,966	78,516	-115,684	115,684	B	R
BA138 - Cemeteries Refurbishment Works	25,000	0	25,000	5,979	15,742	-9,258	9,258	G	R
BA146 - Water Hygiene - Monitoring Improvements	0	82,000	82,000	0	82,000	0	0	G	G
BA169 - Northampton Skatepark	0	1,940	1,940	1,235	1,940	0	0	G	G
BA179 - Abington Park, Changing Room refurbishment	0	0	0	303	0	0	0	G	G
BA180 - Strategic Property Investment	0	500,000	500,000	0	500,000	0	0	G	G
BA186 - Improvement to Parks Infrastructure	150,000	27,200	177,200	37,712	112,905	-64,295	64,295	G	R
BA187 - Racecourse Bowling Green Footpaths	0	0	0	277	0	0	0	G	G
BA188 - Royal and Derngate Roof Replacement Works	297,000	0	297,000	220,433	297,000	0	0	G	G
BA189 - Corporate Asset Improvements	200,000	0	200,000	2,197	197,550	-2,450	2,450	G	G
BA190 - Investment Properties Enhancements	50,000	84,107	134,107	70,013	40,734	-93,373	93,373	G	R
BA194 - Guildhall Renewals	75,000	39,000	114,000	110,660	114,000	0	0	G	G
BA197 - Delapre Abbey Restoration Minor Projects	100,000	248,972	348,972	20,554	21,916	-327,056	327,056	B	R
BA368 - Upton Park Pedestrian & Cycle Bridge	0	79,147	79,147	-1,237	21,984	-57,163	57,163	G	R
BA385 - Town Centre Enhancements	0	77,230	77,230	68,277	64,588	-12,642	0	G	G
BA648 - Allotments	58,000	0	58,000	0	58,000	0	0	G	G
BA649 - Skate Park Toilet & Kiosk	150,000	0	150,000	147,943	149,663	-337	0	G	G
BA650 - Lifts - Improvement Works	150,000	0	150,000	0	172,299	22,299	0	G	G
BA651 - Car Parking Signage	200,000	0	200,000	198,209	204,000	4,000	0	G	G
BA652 - Visitor Signage in Town Centre	80,000	0	80,000	0	0	-80,000	80,000	G	R
BA653 - Delapre Abbey Restoration	50,000	129,715	179,715	63,430	179,715	0	0	G	G
BA654 - St Lukes Field - Improvement works	0	50,000	50,000	0	0	-50,000	50,000	G	R
BA655 - Sea Cadets Building - Refurbishment	0	13,475	13,475	13,475	13,475	0	0	G	G
BA666 - Greyfriars Bus Station Demolition	0	500,000	500,000	143,181	368,525	-131,475	131,475	B	R
BA678 - Site 11 Land Remediation	0	685,000	685,000	0	685,000	0	0	G	G
BA887 - Grosvenor Greyfriars Car Park Improvement Works	0	2,689	2,689	0	0	-2,689	0	G	G
BA889 - Mayorhold Car Park - Drainage Works	0	76,725	76,725	0	0	-76,725	76,725	G	R
BA891 - Bus Interchange	1,500,000	4,456,407	5,956,407	6,075,290	5,956,407	0	0	G	G
BA892 - Urgent Lift Renewals	70,000	181,500	251,500	108,654	227,914	-23,586	0	G	G
BA894 - Mounts Baths Roof	0	4,375	4,375	225	4,375	0	0	G	G
Total for Major Projects and Enterprise	**3,255,000**	**8,284,756**	**11,539,756**	**7,496,484**	**9,728,333**	**-1,811,423**	**1,758,468**	B	R
Steve Elsey (SE3)									
BA356 - Community Centres Refurbishment	50,000	0	50,000	47,859	50,000	0	0	G	G
Total for Head of Partnership Support	**50,000**	**0**	**50,000**	**47,859**	**50,000**	**0**	**0**	G	G
BA211 - Extension of Duston Cemetery	0	40,450	40,450	0	450	-40,000	40,000	G	R
BA872 - Night Safe & Target Hardening - SSNP	0	13,825	13,825	1,770	13,825	0	0	G	G

CORPORATE FINANCIAL REPORTS (CAPITAL) : (Cost Centre & Head of Service)
FINANCIAL YEAR 2013/2014
PERIOD 11 (February 2014)

GF CAPITAL

Project Code & Project Description	Approved Budget February 2013	Approved Changes In Year	Latest Approved Budgets	YTD Actual Expenditure	Forecast Year End Spend	Forecast Under(-) /Over(+)spend	Budget Carried Forward	Forecast Variance RAG	Slippage RAG
	A	B	C=A+B	D	E	F=E-C	G		
	£	£	£	£	£	£	£		
BA895 - Allotment Provision	0	84,970	84,970	1,990	84,970	0	0	G	G
BA896 - Guildhall Loft Insulation Salix project	0	0	0	-658	0	0	0	G	G
BA897 - Grosvenor Car Park T5 Lighting Upgrades	0	7,614	7,614	2,585	7,614	0	0	G	G
BA898 - St Michaels Car Park Led Lighting	0	17,211	17,211	0	17,211	0	0	G	G
Total for Head of Communities and Environment	**0**	**164,070**	**164,070**	**5,687**	**124,070**	**-40,000**	**40,000**	G	R
TOTALS	**5,747,090**	**21,996,822**	**27,743,912**	**19,901,521**	**25,841,961**	**-1,901,951**	**2,035,573**	B	A

NORTHAMPTON BOROUGH COUNCIL

HOUSING REVENUE ACCOUNT
FINANCIAL YEAR 2013/2014

For Period Ending 28 February 2014

	£000s Current Budget	£000s Actuals	£000s Forecast Outturn	£000s Variance	RAG Status
INCOME					
Rents - Dwellings Only	(49,464)	(44,181)	(49,100)	364	
Rents - Non Dwellings Only	(1,091)	(1,071)	(1,079)	12	
Service Charges	(2,748)	(2,386)	(2,553)	195	
Other Income	(85)	(37)	(68)	17	
Total Income	**(53,388)**	**(47,675)**	**(52,800)**	**588**	**R**
EXPENDITURE					
Repairs and Maintenance	15,205	13,259	15,245	41	
General Management	5,601	3,064	5,483	(118)	
Special Services	3,553	3,479	3,549	(3)	
Rents, Rates, Taxes & Other Charges	81	75	81	0	
Increase in Bad Debt Provision	750	380	415	(335)	
Rent Rebate Subsidy Deductions	96	0	0	(96)	
Total Expenditure	**25,286**	**20,257**	**24,774**	**(512)**	**B**
Net Cost of Services	**(28,103)**	**(27,418)**	**(28,026)**	**76**	**A**
Net Recharges from the General Fund	5,246	4,952	5,402	157	
Interest & Financing Costs	6,047	5,605	6,115	68	
Depreciation/MRA	11,823	10,838	11,823	0	
Net Contribution (from) / to Earmarked Reserves	9,987	8,475	9,686	(302)	
Net Transfer From / (To) Working Balance	**5,000**	**2,452**	**5,000**	**(0)**	
Working Balance b/f	(5,000)	(5,000)	(5,000)	0	
Working Balance Outturn	**0**	**(2,548)**	**(0)**	**(0)**	**G**

Notes on Forecast Variances

Rents - Dwellings Only
Right to Buy completions in 2013-14 continue to be greater than expected, resulting in reduced rental income.

Service Charges
Supporting People funding has been withdrawn at the end of September, but transisitional funds of a lower amount are being received and are anticipated to continue to the end of March 2014. This shortfall is partly offset by a reduction in staffing costs within the Wardens service (see Special Services below). Note that a reserve was prudently created in anticipation of this occurrence and is sufficient to meet the remaining net shortfall.

Repairs and Maintenance
There has been a drawdown from reserves of £2.5m and a estimated £700k capitalisation of costs to cover an estimated £3.2m additional expenditure on void properties.

General Management
Vacant posts within the service have resulted in a projected saving on staff costs.

Rents, Rates, Taxes & Other Charges
Changes in legislation are expected to increase the amount of Council Tax payable on void properties.

Bad Debt Provision
Lower contribution to the Bad Debt Provision, reflecting lower levels of rent arrears than projected.

Rent Rebate Subsidy Deductions
Following the de-pooling of Service Charges last year, the HRA is not liable to make any contribution towards Rent Rebate expenditure.

Net Recharges from the General Fund
This overspend reflects the inclusion of internal Housing recharges that had previously been incurred as direct service expenditure.

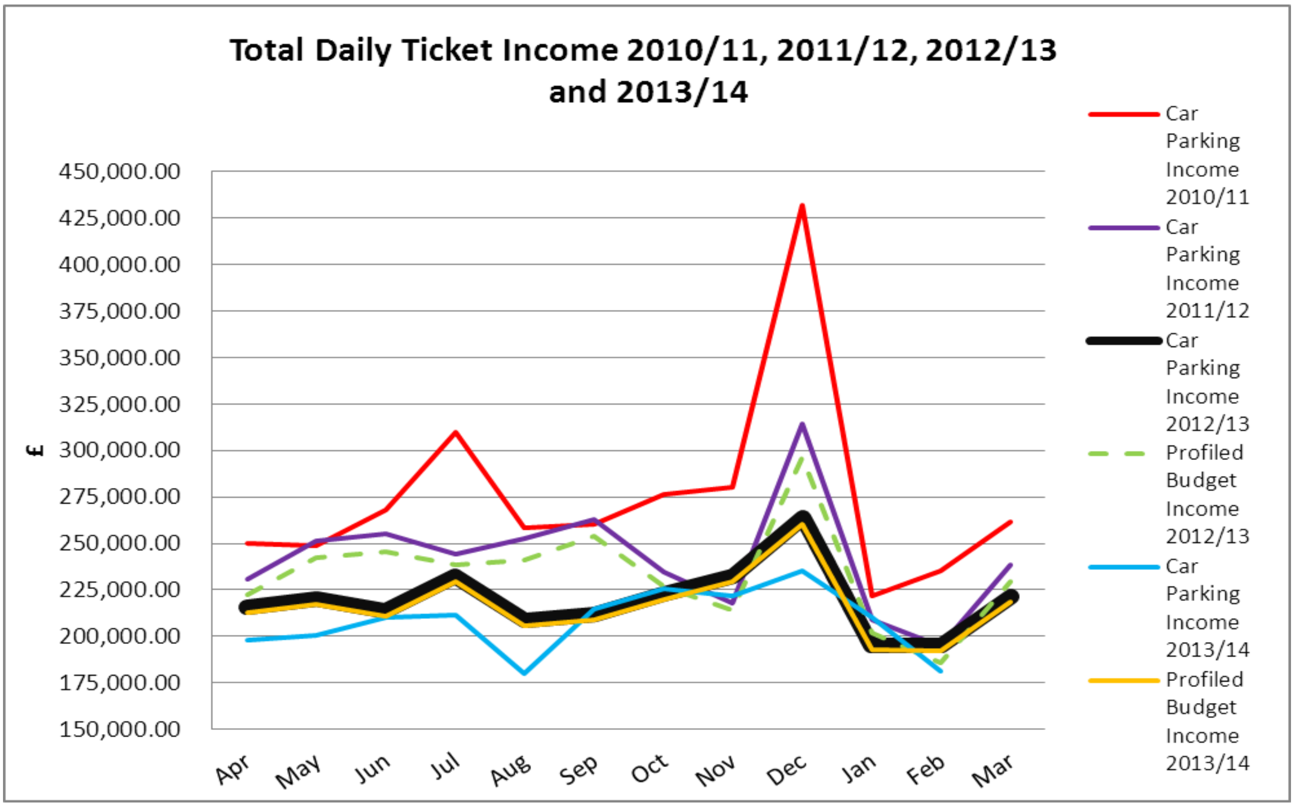
Appendix 4

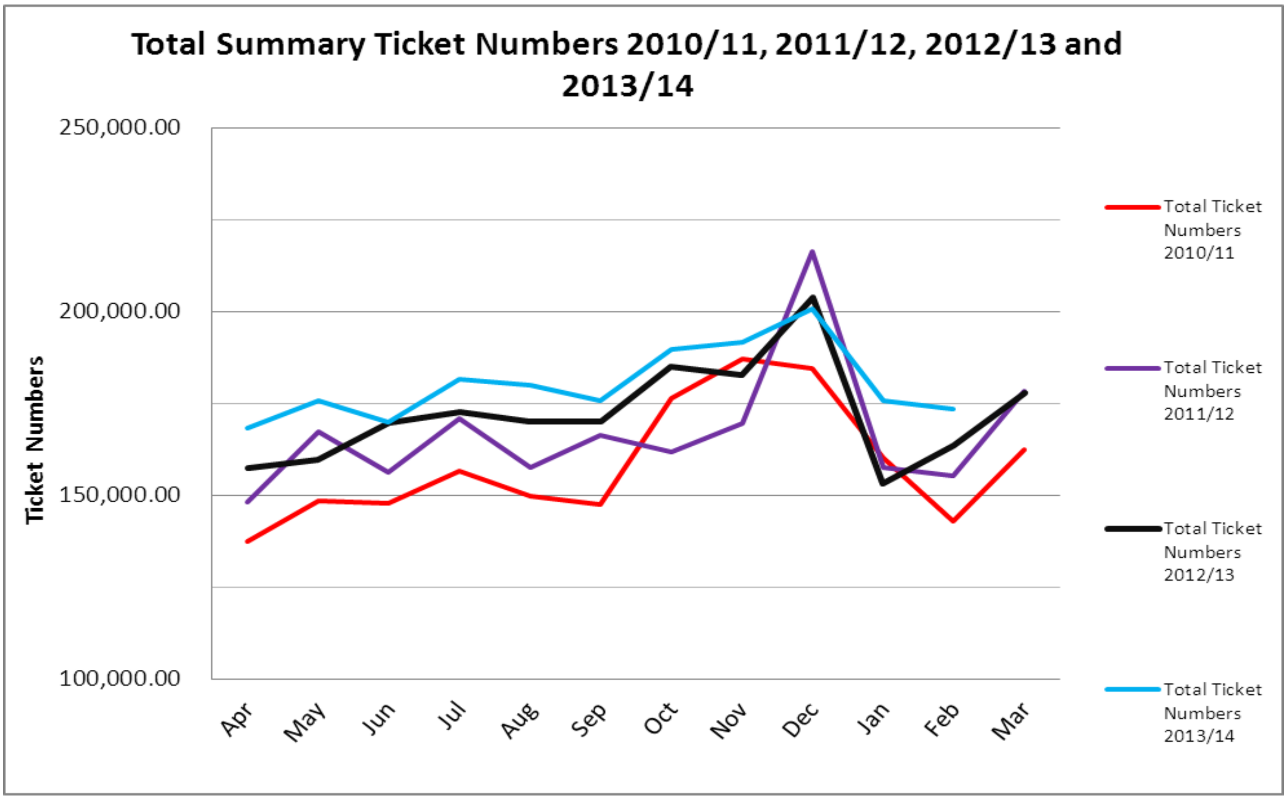
CORPORATE FINANCIAL REPORTS (CAPITAL) : (Cost Centre & Head of Service)
FINANCIAL YEAR 2013/2014
PERIOD 11 (February 2014)

NORTHAMPTON BOROUGH COUNCIL

HRA CAPITAL

Project Code & Project Description	Approved Budget February 2013	Approved Changes In Year	Latest Approved Budgets	YTD Actual Expenditure	Committed Expenditure	Forecast Year End Spend	Forecast Under(-) /Over (+)spend	Budget Carried Forward	Forecast Variance RAG	Slippage RAG
	A	B	C=A+B	D	E	F	G=F-C	H		
	£	£	£	£	£	£	£	£		
Head of Landlord Services (HOLS)										
BH003 - Garages Roofs & Doors Replacement	40,000	0	40,000	35,147	7,721	40,000	0	0	G	G
BH009 - Fire Safety Works - communal areas	100,000	0	100,000	74,409	36,054	100,000	0	0	G	G
BH011 - Capital Improvement Works	0	200,000	200,000	0	0	200,000	0	0	G	G
BH013 - Digital Aerial Upgrade	0	0	0	954	0	0	0	0	G	G
BH014 - Estate Regeneration	100,000	347,728	447,728	0	47,058	447,728	0	0	G	G
BH020 - Periodical Electrical Works	125,000	0	125,000	108,789	34,782	125,000	0	0	G	G
BH021 - New Communal Boilers	0	0	0	4,218	1,524	0	0	0	G	G
BH022 - Community Energy Savings Programme (CESP)	0	1,852,060	1,852,060	1,449,796	3,071	1,482,537	-369,523	0	B	G
BH140 - Disabled Grant - Major Repairs	1,000,000	250,000	1,250,000	872,776	375,967	1,250,000	0	0	G	G
BH302 - Minor Adaptations for People with Disabilities	100,000	0	100,000	88,510	10,895	100,000	0	0	G	G
BH304 - Complete Roofs	100,000	551,312	651,312	578,538	50,161	651,312	0	0	G	G
BH305 - Structural Repairs	300,000	0	300,000	332,868	2,792	300,000	0	0	G	G
BH317 - Decent Homes	17,752,900	0	17,752,900	13,757,553	1,603,585	17,752,900	0	0	G	G
BH321 - Door & Window Replacement	30,000	0	30,000	17,938	7,045	30,000	0	0	G	G
BH324 - Gas Appliance Replacement - Planned Ptnrship	500,000	0	500,000	327,798	16,954	500,000	0	0	G	G
BH325 - Gas Appliance Replacement - Responsive	500,000	0	500,000	815,537	0	500,000	0	0	G	G
BH329 - Asbestos Remedial Action	50,000	0	50,000	8,045	80	50,000	0	0	G	G
BH338 - Capital Voids	0	0	0	255	0	0	0	0	G	G
BH345 - Kitchen replacement	115,000	11,841	126,841	35,784	478,190	126,841	0	0	G	G
BH351 - Door Entry Updates	100,000	25,940	125,940	87,193	19,471	125,940	0	0	G	G
BH354 - Lift Refurbishment	0	0	0	4,450	2,550	0	0	0	G	G
BH364 - Environmental enhancements to housing land	100,000	64,065	164,065	18,055	7,550	164,065	0	0	G	G
BH365 - Walkways	100,000	100,000	200,000	0	0	200,000	0	0	G	G
BH368 - Communal Area Upgrades	200,000	147,210	347,210	103,664	8,460	347,210	0	0	G	G
BH373 - Change of Use	100,000	0	100,000	2,075	2,095	100,000	0	0	G	G
BH374 - CCTV	50,000	0	50,000	0	0	20,000	-30,000	0	G	G
BH375 - Lift Refurbishment St Katherines Court	100,000	0	100,000	0	0	0	-100,000	100,000	B	R
BH376 - Little Cross Street Walkway Renewal	562,000	0	562,000	37,278	136,906	8,430	-553,570	553,570	B	R
Total for Head of Landlord Services	**22,124,900**	**3,550,156**	**25,675,056**	**18,761,631**	**2,852,910**	**24,621,963**	**-1,053,093**	**653,570**	B	G
Richard Birchett (RB5)										
BH370 - Repurchase of Former Council Houses	1,000,000	500,000	1,500,000	793,090	0	1,072,000	-428,000	0	B	G
BH371 - Off Grid to Renewable Technologies	0	82,999	82,999	57,032	0	82,999	0	0	G	G
BH372 - Green Deal Contribution & Energy Efficiency	50,000	0	50,000	0	0	50,000	0	0	G	G
Total for Director of Housing	**1,050,000**	**582,999**	**1,632,999**	**850,122**	**0**	**1,204,999**	**-428,000**	**0**	B	G
BH366 - Sheltered Housing Improvements	1,000,000	650,000	1,650,000	28,865	1,956	28,865	-1,621,135	1,621,135	B	R
BH367 - IT Capital	200,000	184,514	384,514	0	0	0	-384,514	384,514	B	R
Total for Head of Strategic Housing	**1,200,000**	**834,514**	**2,034,514**	**28,865**	**1,956**	**28,865**	**-2,005,649**	**2,005,649**	B	R
TOTALS	**24,374,900**	**4,967,669**	**29,342,569**	**19,640,618**	**2,854,866**	**25,855,827**	**-3,486,742**	**2,659,219**	B	A





Narrative

Notes:

1) The volume of tickets issued to the end of period 11 was 94,013 higher than for the same period in 2012/13.

2) However, income to the end of February was £91k less than budgeted for 11 months of 2013/14

Managed Debt Analysis - Rolling Year 2012/13 into 2013/14

	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR
TOTAL ARREARS	**17,325,924**	**16,640,530**	**17,025,467**	**15,443,109**	**15,248,935**	**15,552,879**	**14,733,381**	**15,043,497**	**14,348,298**	**15,085,675**	**14,739,676**	**13,133,970**
Awaiting Action	641,349	602,565	538,313	805,818	723,259	686,348	648,018	623,721	672,446	534,433	687,385	578,997
Debt in Progress	16,684,575	16,037,965	16,466,850	14,637,471	14,512,216	14,866,531	14,085,363	14,419,776	13,675,852	14,551,242	14,052,291	12,554,973
% Inactive debt [PI]	**3.70%**	**3.62%**	**3.16%**	**5.22%**	**4.83%**	**4.41%**	**4.40%**	**4.15%**	**4.69%**	**3.54%**	**4.66%**	**4.41%**
CTAX	8,797,424	8,477,350	8,149,267	7,807,401	7,632,608	7,430,390	7,283,755	7,743,309	6,857,434	6,657,270	6,479,327	6,281,511
Inactive	130,826	86,370	71,102	110,975	126,796	123,521	93,710	123,507	84,934	102,804	100,021	103,752
In progress	8,666,598	8,390,980	8,078,165	7,696,426	7,505,812	7,306,869	7,190,045	7,619,802	6,772,500	6,554,466	6,379,306	6,177,759
Inactive debt	**1.49%**	**1.02%**	**0.87%**	**1.42%**	**1.66%**	**1.66%**	**1.29%**	**1.60%**	**1.24%**	**1.54%**	**1.54%**	**1.65%**
NNDR	2,691,043	2,175,195	1,650,440	1,654,550	1,562,198	1,162,504	1,114,542	587,168	639,286	556,580	894,658	543,491
Inactive	0	0	0	0	0	0	0	0	0	0	0	0
In progress	2,691,043	2,175,195	1,630,136	1,654,550	1,562,198	1,162,504	1,114,542	587,168	639,286	556,580	894,658	543,491
Inactive debt	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
FTA	924,649	887,309	883,694	912,056	908,012	886,670	881,820	924,882	845,330	806,846	819,024	784,750
Inactive	38,339	30,293	20,639	20,024	14,051	17,649	16,866	15,167	31,602	9,616	17,306	28,324
In progress	886,310	857,016	863,054	892,032	893,960	869,021	864,954	909,715	813,728	797,230	801,718	756,426
Inactive debt	**4.15%**	**3.41%**	**2.34%**	**2.20%**	**1.55%**	**1.99%**	**1.91%**	**1.64%**	**3.74%**	**1.19%**	**2.11%**	**3.61%**
HBOP	4,158,957	4,245,908	4,313,173	4,351,868	4,412,030	4,381,953	4,334,922	4,389,823	4,413,462	4,552,047	4,503,010	4,515,411
Inactive	430,087	452,654	418,400	636,779	573,531	528,023	511,988	460,922	434,249	377,749	509,969	399,861
In progress	3,728,870	3,793,254	3,894,773	3,715,089	3,838,499	3,853,930	3,822,934	3,928,901	3,979,213	4,174,298	3,993,041	4,115,550
Inactive debt	**10.34%**	**10.66%**	**9.70%**	**14.63%**	**13.00%**	**12.05%**	**11.81%**	**10.50%**	**9.84%**	**8.30%**	**11.33%**	**8.86%**
SD	753,851	854,768	2,028,893	717,234	734,087	1,691,362	1,118,342	1,398,315	1,592,786	2,512,932	2,043,657	1,008,807
Inactive	42,097	33,248	28,172	37,860	22,340	17,155	25,454	24,125	121,661	44,264	60,089	47,060
In progress	711,754	821,520	2,000,722	679,374	711,747	1,674,207	1,092,888	1,374,190	1,471,125	2,468,668	1,983,568	961,747
Inactive debt	**5.58%**	**3.89%**	**1.40%**	**5.28%**	**3.04%**	**1.01%**	**2.28%**	**1.73%**	**7.64%**	**1.76%**	**2.94%**	**4.66%**

- <u>Overall debt levels as at 31st March 2014</u>
  Compared to the same period last year, unmanaged debt is £57,582 more than the same period last year and the overall total arrears are £642,716 more.

- <u>Council Tax as at 31st March 2014</u>
  Unmanaged debt is £7,776 less than the same period last year and the overall outstanding arrears are £191,323 more. Arrears collection is up on last year.

- <u>Business Rates as at 31st March 2014</u>
  Unmanaged debt remains unchanged. The overall outstanding arrears are £232.291 less than the same period last year.

- <u>Former Tenant Arrears as at 31st March 2014</u>
  Unmanaged debt is £1.692 less than the same period last year and the overall outstanding arrears are £29,753 less.

- <u>Housing Benefit Overpayments Payments as at 31st March 2014</u>
  Unmanaged debt is £71,160 more than the same period last year and the overall outstanding arrears are £392,713 more, due to an increase of appeals and an increase in pended overpayments, and the financial climate of trying to recover a low priority debt.

- <u>Sundry Debts as at 31st March 2014</u>
  Unmanaged debt is £4,110 less than the same period last year and the overall outstanding balance is £321,724 more. There are currently 5 accounts with balances over £100,000.

- <u>Priority Debts as at 31st March 2014</u>
  As a result of priority debt as defined by the Corporate Debt Policy we now have debt on hold awaiting clearance of priority debts. This is broadly broken down as FTA £22,851, OPHB £251,595, and SD £1,150 as at 31st March 2014. As more cases reach consideration for court action this category of debt pending other priority debt will increase.

Appendices
1

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	**Accounting Policies**

AGENDA STATUS: **PUBLIC**

Audit Committee Meeting Date:	19^{th} May 2014
Policy Document:	Yes
Directorate:	LGSS Finance
Accountable Cabinet Member:	Cllr A Bottwood

1. Purpose

1.1 The purpose of the report is to bring the accounting policies to Audit Committee for approval

2. Recommendations

2.1 It is recommended that Audit Committee approve the Accounting Policies set out at Appendix 1.

2.2 It is also recommended that Audit Committee agrees that in future only changes to the accounting policies will be brought for approval.

3. Issues and Choices

3.1 Report Background

3.1.1 The accounting policies outline how Northampton Borough Council will account for all income, expenditure, assets and liabilities held and incurred during the financial year.

3.1.2 It is good practice to bring these policies to those charged with governance for approval each year.

3.1.3 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.

3.1.4 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.

3.1.5 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.

3.1.6 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.

3.2 Issues

3.2.1 The Accounting Policies are shown at appendix 1 and are split into 4 main groups:

- Accounting Concepts and General Principles (page 1)
- Capital Accounting (page 2)
- Revenue Accounting (page 12)
- Treasury Management (page 17)

3.2.2 There are only a few minor changes this year compared to 2012/13, which are as follows:

- Policy c **Cost of Services** – Updated to reflect the current year Service Reporting Code of Practice Date – only trivial differences in the 2013/14 Code compared to 2012/13.

- Policy ag **Revenue Reserves** – Updated to reflect the fact that the £3.1m general fund balance is for 2013/14 only. The Budget Report to Council explained that for 2014/15 a higher general fund balance of £4.9m is recommended following the review of earmarked reserves in 2013/14 and consequent reduction in those.
- Policy ar **General Government Grants** – Updated to reflect the change from the national rates pool and redistributed NNDR to the new Retained Business Rates scheme.

3.2.3 It is proposed that only changes to the Accounting Policies will be brought for approval in future years.

3.3 Choices (Options)

3.3.1 The Committee can approve the accounting policies as appended.

3.3.2 The Committee can agree to receive only changes to the accounting policies in future.

3.3.3 The Committee can ask to see all accounting policies each year in future.

3.3.4

4. Implications (including financial implications)

4.1 Policy

4.1.1 The report agrees the accounting policies for Northampton Borough Council.

4.2 Resources and Risk

4.2.1 The Accounting Policies outline how the Council will account for all income, expenditure, assets and liabilities held and incurred during the financial year.

4.2.2 If the Council does not comply with the required standards there is a risk that its Statement of Accounts could receive an adverse audit opinion.

4.2.3 There are no resource requirements.

4.3 Legal

4.3.1 There are no legal implications arising from this report

4.4 Equality

4.4.1 There are no equalities implications arising from this report

4.5 Consultees (Internal and External)

4.5.1 There has been a degree of discussion with the Council's auditors, KPMG, as part of the audit of the Statement of Accounts which included these policies last summer.

4.6 Other Implications

4.6.1 There are no other implications.

5. Background Papers

5.1 Statement of Accounts for Northampton Borough Council 2012/13

5.2 Code of Practice for Local Authority Accounting in the United Kingdom 2013/14 Accounts

5.3 Code of Practice for Local Authority Accounting in the United Kingdom 2013/14 Accounts – Guidance notes

5.4 Service Reporting Code of Practice for Local Authorities 2013/14

Rebecca Smith, Assistant Head of Finance, LGSS
01604 363868

Accounting Policies

Accounting Principles and General 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 swould 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 Cost of Services

Internal service costs (e.g. Human Resources) are apportioned across the core service areas to represent the total cost of delivering that service to the public.

This is in accordance with the costing principals of the CIPFA Service Reporting Code of Practice 2013/14 (SERCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to benefits received, with the exception of:

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

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

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 into 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.

l 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.

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.

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 UKPS 1.3 of the RICS Valuation Standards. 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 34% of market value. Individual components are valued at Depreciated Historic Cost.
    - **Vehicles and Assets under construction** within PPE are held at fair value.
    - **Community Assets -** the Authority recognises Community Assets at depreciated historic cost (not revalued).
    - **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).

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 acquisition and disposal. This is in accordance with regulations. 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 acquisition and disposal, the Authority charges a quarter of the annual depreciation where the asset is owned on the first day of each financial quarter.

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

Asset Group	**Useful Economic Lives (UELs)**
Kitchens	20 years
Bathrooms	30 years
Windows and Doors	30 years
Heating Systems	20 years
Lights and Electric	25 years

p 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.

q 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.

r Defining an Operating Lease

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

s 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.

t 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.

u 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.

v 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.

w 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.

PFI Credits are treated as general revenue government grants.

x Capital Grants and Contributions

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

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

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

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

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

Relevant Government Grants are treated in accordance with this policy.

y Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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

z Minimum Revenue Provision (MRP)

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

Where a historical debt liability was created prior to 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.

As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives are assessed on a basis that most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it is grouped together in a manner that reflects the nature of the main component of expenditure and is only be divided up in cases where there are two or more major components with substantially different useful economic lives.

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.

aa Capital Reserves

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

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

Revenue Accounting

ab Recognition of Revenue Expenditure.

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

ac Employee Costs

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

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

Short-term employee benefits:

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

Termination Benefits

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

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

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

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

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

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

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

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

ad Revenue Grants and Contributions

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

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

ae Carbon Reduction Commitment Scheme

The Authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase, which will last until 31 March 2014. The Authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Authority is recognised and reported in the costs of the Authority's services and is apportioned to services on the basis of energy consumption

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 £3.1m for 2013/14. This level of general working balance is considered reasonable due to the mitigation of some risks through the holding of earmarked reserves.

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

Insurance Provision/Reserve

Surpluses or deficits required in the insurance provision are charged or credited back to individual services. Claims paid that are not recognised in the provision are funded from this reserve. Any changes required to the Insurance Reserve will be debited or credited to the MIRS.

Subsidy Equalisation Reserve

Subsidy claims are very much reliant upon regulations issued by the grant paying bodies. These can change in-year and so the net cost of benefit payments and subsidy claims from the Government can be extremely volatile. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

Core Business Systems Reserve

The Core Business Systems Reserve will be used to improve the main financial and subsidiary financial systems of the Council to streamline administrative processes and improve the quality of information and controls. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

Building Maintenance Reserve

This reserve consists of balances set aside from revenue to finance any major unanticipated maintenance projects. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

Supporting Business and Economic Growth Reserve

This reserve has been set up to finance corporate initiatives to support business and economic growth in the local area. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

Change and Performance Reserve

This reserve will continue to support strategic business reviews and other service reviews that will improve the performance of the Council. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

Debt Financing Reserve

This reserve has been set up to mitigate the additional market risks inherent in treasury management transactions during this period of worldwide economic uncertainty. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

Rent Deposit Scheme

The rent deposit scheme reserve supports part of the Council's anti-homelessness policies. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

Leasing

The leasing reserve is used to equalise the impact of lease agreements to revenue over the life of the lease. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

Carbon Management

This reserve is used to hold funding for carbon management initiatives and includes funds the Council has saved from operating such initiatives and also the balance of funding received from Salix (which is an independent social enterprise, a not for profit company limited by guarantee), which must be used specifically for this purpose. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

General Reserve

The General Reserve allows the Council to commit funding to individual projects which may spread across more than one year. This reserve is also used for any contingency sums set aside during budget setting to mitigate risks within the budget. It also holds General Fund grants where any conditions have been met pending matching expenditure. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

Arts Reserve

This is used to finance the purchase of exhibits for the Museum and Art Gallery. Any changes required to this Reserve will be debited or credited to the Movement in Reserves Statement.

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. Any changes required to these Reserves will be debited or credited to the Movement in Reserves Statement.

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 of the replacement loan subject to a minimum period of 10 years with the case of discounts. 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 into two types:

- **Loans and receivables -** assets that have fixed or determinable payments but are not quoted in an active market

  Loans and receivables 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 derecognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

- **Available-for-sale assets -** assets that have a quoted market price and/or do not have fixed or determinable payments.

Available-for-sale assets 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

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Movement in Reserves Statement. The exception is where impairment losses have been incurred these are debited to the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Reserve. Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. Any gains and losses that arise on the derecognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

- **Financial assets at fair value through income and expenditure** – The council does not generally deal in derivatives but may take out forward loans from time to time as part of its overall Treasury Management Strategy.

an Interests in Companies and Other Entities

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

For **Council Dwellings** the following components are valued, enhanced and depreciated separately – Kitchen, Bathroom, Windows and Doors, Heating Systems and 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.

ar 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.

Appendices
1

AUDIT COMMITTEE REPORT

Report Title	External Audit Plan 2012/13

AGENDA STATUS: **PUBLIC**

Audit Committee Meeting Date:	19th May 2014
Policy Document:	No
Directorate:	LGSS
Accountable Cabinet Member:	Cllr Alan Bottwood

1. Purpose

1.1 This report presents the external Audit Plan prepared by KPMG for consideration.

2. Recommendations

2.1 To note the Audit Plan 2013/14.

3. Issues and Choices

3.1 Report Background

3.1.1 Each year the authority's external auditors prepare an audit plan for the final accounts audit defining their approach, resource requirements, etc as well as the expected fee. This document is attached at appendix A

3.2 Issues

3.2.1 The report presents the External Audit Plan 2013-14 for consideration. The Audit Plan outlines the statutory responsibilities of the auditors as well as covering the work they will undertake auditing the Whole of Government Accounts return and the Annual Governance Statement. It also explains the KPMG approach to establishing their value for money opinion.

3.2.2 There are a couple of areas to draw the committee’s attention to, the first being the provisional fee, which can be found on page 18 of the attached Audit Plan along with the assumptions on which that fee is based. These assumptions include the time set aside for the audit, a period of 3 weeks, which is shorter than most previous external audits this authority has experienced

3.3 Choices (Options)

3.3.1 The Committee is invited to comment on the Audit Plan and matters arising from it.

4. Implications (including financial implications)

4.1 Policy

4.1.1 There are no policy implications arising from this report.

4.2 Resources and Risk

4.2.1 The Committee is asked to note that there is a risk of the audit fee increasing if the timescales etc. detailed in the Audit Plan are not delivered

4.3 Legal

4.3.1 There are no legal implications arising from this report

4.4 Equality

4.4.1 There are no equalities implications arising from this report

4.5 Consultees (Internal and External)

4.5.1 None.

4.6 Other Implications

4.6.1 Not applicable

5. Background Papers

5.1 Appendix 1 – Audit Plan 2013/14

Yola Geen
Audit Manager, KPMG

Appendix 1

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External audit progress report and technical update

Northampton Borough Council

April 2014

External audit progress report and technical update – March 2014

This report provides the audit committee with an overview on progress in delivering our responsibilities as your external auditors.

The report also highlights the main technical issues which are currently having an impact in local government.

If you require any additional information regarding the issues included within this report, please contact a member of the audit team.

We have flagged the articles that we believe will have an impact at the Authority and given our perspective on the issue:

- High impact
- Medium impact
- Low impact
- For info

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Progress report

External audit progress report – April 2014

This document provides the audit committee with a high level overview on progress in delivering our responsibilities as your external auditors.

At the end of each stage of the audit we issue certain deliverables, including reports and opinions. A summary of progress against these deliverable is provided in Appendix 1 of this report

Area of responsibility	Commentary
Audit planning	We have completed our risk based audit planning for the 2013/14 audit of your financial statements and VfM conclusion. We have agreed the Audit Plan with management and it was presented to the Audit Committee in March.
Financial statements	2013/14 Our interim audit is taking place during April 2014, we will report findings from the interim visit if necessary to the June Audit Committee meeting. Our audit of your draft financial statements will take place during July/August. We will issue our opinion on your financial statements by 30 September 2014.
Value for Money	2013/14 Our work on the VFM conclusion will commence as part of our interim audit visit in April and will conclude during our final accounts visit in July/August. We will issue our VFM conclusion by 30 September 2014
Certification of claims and returns	2013/14 We are currently planning our certification of claims and returns work and will report further to you at the next Audit Committee meeting.

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Technical update

Technical update

Area	Level of Impact	Comments	KPMG perspective
Final local government finance settlement 2014/15	● High	On 5 February 2014 the Government published the final local government finance settlement for 2014/15. In addition, the Government has proposed that any council tax increases made by billing or precepting authorities of 2 per cent or more will be subject to a referendum. For more information, visit https://www.gov.uk/government/speeches/final-local-government-finance-settlement-2014-to-2015	***The committee may wish to consider the progress the Council has made on addressing the funding cuts and the impact this has on services***
Draft order published reflecting changes to council tax calculations	● High	The draft Localism Act 2011 (Consequential Amendments) Order 2014 was published on 9 January 2014. It proposes changes to sections 73 to 79 of the Localism Act 2011 that require billing authorities, major precepting authorities and local precepting authorities in England to calculate a council tax requirement for a financial year. Previously, such authorities were obliged to calculate a budget requirement for a financial year. The draft Order makes amendments to: • section 31A(5) of the Local Government Finance Act 1992 (LGFA 1992) to exclude sums that have been or are transferred from an authority's general fund to its collection fund; • section 42A of the LGFA 1992 to ensure that grant repayments are taken into account as expenditure under section 85(4)(a) of the Greater London Authority Act 1999 (GLA 1999); and • schedule 6 of the GLA 1999 to provide that, if the approved consolidated budget or council tax requirement is found to be excessive, the GLA must agree a substitute consolidated budget or council tax requirement before (or after) the end of the financial year, if it has not already done so. The draft Order will have effect in relation to financial years beginning 1 April 2014.	***The committee may wish to consider whether the Council considered the impacts of the proposed changes when assessing their council tax requirement for 2014/15 and beyond***

Technical update

Area	Level of Impact	Comments	KPMG perspective
Housing Revenue Accounts transfers – DCLG letter	Low	On 26 November, the Department of Communities and Local Government (DCLG) wrote to all local authority chief finance officers enquiring about potential transfers of funds from the Housing Revenue Account to the General Fund. DCLG is requesting the information as it 'is considering whether it would be appropriate, where funds have been transferred, to determine or direct that such funds should be returned to the Housing Revenue Account'. The letter can be found at https://www.gov.uk/government/publications/transfer-of-funds-from-the-housing-revenue-account-to-the-general-fund	***Please discuss this with your audit team if this is likely to impact the Authority in 2013/14***
Annual fraud and corruption survey 2013/14	Low	On 7 April 2014 the Audit Commission plans to issue its annual fraud and corruption survey to local authorities. The survey will ask officers for information about all detected fraud and corruption for the financial year 2013/14, and, as in previous years, the intention is to carry this out under section 48 of the Audit Commission Act 1998. The survey will be open for officers to complete and submit between 7 April 2014 and 16 May 2014. As in previous years, auditors will be asked to review the data for consistency with their existing knowledge of the Council.	***The Authority should put arrangements in place to capture the information required for the survey and complete it before the deadline***

Technical update

Area	Level of Impact	Comments
Future of local audit – consultation on secondary legislation	**For information**	The Department of Communities and Local Government (DCLG) carried out a 4 week consultation from 25 November 2013 on the secondary legislation that may be needed to give effect to the new local audit arrangements set out in the Local Audit and Accountability Bill, currently before Parliament. For more information on the future of local audit, visit the DCLG website: http://localaudit.readandcomment.com/
Local Audit and Accountability Act 2014	**For information**	The Local Audit and Accountability Act 2014 received Royal Assent on 30 January. The Act makes it possible for the Audit Commission to close, in line with the Government’s expectations, on 31 March 2015. In its place there will be a new framework for local public audit, due to start after the Commission’s current contracts with audit suppliers end in 2016/17, or in 2019/20 if they are extended. A transitional body will oversee the contracts in the intervening period. In the statement the Commission’s Chairman explains the main aims of the organisation in its final 14 months. Jeremy Newman also confirms plans are already in place for many of the residual responsibilities that will transfer to new organisations and highlights those for which a new owner has not yet been agreed. The Audit Commission’s press release is available to view on its website: http://www.audit-commission.gov.uk/2014/01/finish-line-in-sight-for-audit-commission/
Are other local authorities making more money? (CIPFA article)	**For information**	“In this period of prolonged austerity, it is essential for local authorities to take advantage of the various income generation streams available to them if they wish to raise additional revenue as a means of providing funding for services. “ Read the full article at: http://www.cipfa.org/policy-and-guidance/articles/are-other-local-authorities-making-more-money

Area	Level of Impact	Comments
Value for money data briefing on benefits administration	For information	The Commission has published Councils' expenditure on benefits administration, the latest in its series of value for money (VFM) data briefings analysing data in the VFM profiles tool. The briefing compares the cost of benefits administration to councils with the Department of Work and Pensions (DWP) funding received. The briefing reports that costs exceeded funding by £361 million in 2012/13, but identifies significant variations in the amount each council spends when compared with other councils of similar size and caseload. To read the report, visit: http://www.audit-commission.gov.uk/2014/01/administration-and-overpayment-of-benefits-cost-councils-829-million/ Visit the VFM profiles tool website at: http://www.audit-commission.gov.uk/information-and-analysis/ The briefing also reports that in 2012/13 councils paid £468 million more in benefits than they received in subsidy from DWP. Councils are encouraged to use the national and local data to get a better understanding of their performance and costs and consider the scope to reduce their costs by improving their efficiency and reducing errors, overpayments and fraud. Previous briefings on council tax collection, social care for older people, income from charging and business rates are also available on the at http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2/
Judicial review over lost waste credits	For information	Two local authorities have withdrawn their application for a judicial review against Defra's decision to remove £65 million in waste infrastructure credits. North Yorkshire County Council and City of York Council said continuing with the judicial review, which was due to be heard at the end of the month, "would not be in the public interest". Their grounds of challenge included that the Secretary of State did not make the decision to withdraw the credits after the councils had approved the plans for the £1.4 billion Allerton Waste Recovery Park in a proper manner and Defra failed to follow its own published criteria. In a statement, North Yorkshire and City of York said: "If the councils proceeded with the judicial review, and were successful, Defra would be required to repeat the decision making process but it is now clear that the likely outcome would be that Defra would reach the same conclusions and the funding support for the project would not be reinstated." North Yorkshire County Council and York City Council have spent more than £7million over eight years on expert advice over plans for the site near Harrogate. If the scheme does not go ahead the councils could be liable for a termination payment to contractors AmeyCespa of up to £5m. Bradford and Calderdale councils, who also had a judicial review claim against Defra over the withdrawal of waste infrastructure credits, have settled their claim.

Technical update

Area	Level of Impact	Comments
Administration of Benefits, including overpayments, cost councils £829m (Audit Commission article)	For information	Councils administer housing benefit on behalf of central government. They also administered council tax benefit until it was replaced in April 2013 by local council tax support schemes. Councils' local arrangements, such as how quickly, accurately and efficiently they process claims, affect the amount they spend administering benefits and the amount of subsidy they receive from the Department for Work and Pensions (DWP). By improving their performance, councils can reduce their costs, which are in excess of £800 million per year. Read the full article http://www.audit-commission.gov.uk/2014/01/administration-and-overpayment-of-benefits-cost-councils-829-million/
High central costs in some councils need greater scrutiny (Audit Commission article)	For information	The Audit Commission has published new analysis of data on English councils' central management costs in its briefing, Councils' Centrally Managed Spending: Using Data From the Value for Money Profiles. Overall spending on corporate and democratic management reduced by 13 per cent from 2003/04 to 2012/13, while spending on central management support to services increased by 10 per cent. However, gaps and inconsistencies in councils' recorded spending in these areas will, the Commission says, hinder councils' attempts to identify savings and undermines accountability to taxpayers. As a result, the Commission is calling for greater local scrutiny and more consistent reporting by councils of their central management spending. Read the full article http://www.audit-commission.gov.uk/2014/02/high-central-costs-in-some-councils-need-greater-scrutiny-2/
Councils show financial resilience, but must continue adapting (Audit Commission report)	For information	The Audit Commission's latest research, Tough Times 2013: Councils' Responses to Financial Challenges From 2010/11 to 2013/14, shows that England's councils have demonstrated a high degree of financial resilience over the last three years, despite a 20 per cent reduction in funding from government and a number of other financial challenges. But, the Commission says, with uncertainty ahead, councils must carry on adapting in order to fulfil their statutory duties and meet the needs of local people. The report can be viewed at: http://www.audit-commission.gov.uk/wp-content/uploads/2013/11/Tough-Times-2013-Councils-Responses-to-Financial-Challenges-w1.pdf

Area	Level of Impact	Comments
Auditing the Accounts 2012/13: Local government bodies (Audit Commission report)	For information	On Thursday 12 December 2013, the Audit Commission published its Auditing the Accounts 2012/13: Local government bodies report. The report summarises the quality and timeliness of financial reporting by principal and small bodies. Principal bodies include councils, police authorities, fire and rescue authorities, and other local government bodies. Small bodies include parish councils and internal drainage boards. The report covers the timeliness and quality of financial reporting and summarises: • auditors' work on the 2012/13 financial statements; • auditors' work on the Whole of Government Accounts returns; • auditors local value for money work; • the public interest reports and statutory recommendations issued by auditors since our last report, issued in December 2012; and • the key financial reporting and financial management challenges facing bodies for 2013/14. The report can be found at: http://www.audit-commission.gov.uk/ata1213e

Area	Level of Impact	Comments
Not all Council Tax support schemes will achieve the objectives outlined by the DCLG (NAO report)	For information	The National Audit Office has found that the Department for Communities and Local Government worked together effectively with local authorities to ensure Council Tax support was introduced on schedule. Not all local authorities' support schemes, however, will achieve the expected objectives outlined by the Department before the policy was implemented. The Department reduced the funding for Council Tax support by 10 per cent, equating to a saving for central government of £414 million in 2013-14. Its 'localization' of Council Tax support required local authorities to design their own local support schemes. Most local authorities have reduced support for claimants to meet some of their funding reduction. Seventy-one per cent of local authorities have introduced schemes that require working age claimants to pay at least some council tax regardless of income. Most local authorities also used new powers to charge more Council Tax on some properties, such as second and short-term empty homes, to help offset the funding reduction for Council Tax support. The National Audit Office found that all of a sample of 207 local authorities had taken advantage of these additional powers, raising an estimated additional income of £178 million. The Department expects local authorities to implement schemes which protect vulnerable people and improve work incentives. The task for local authorities to meet these different objectives whilst managing their funding reduction is complex, and may require trade-offs. Today's report found, for example, that 41 per cent of local authorities have introduced minimum payments of Council Tax with no protections for vulnerable groups, other than those mandated for pensioners and war pensioners. The Department takes the view that scheme designs are local decisions and it does not plan to intervene in local authorities' scheme choices. The financial impact of the localization of Council Tax support will vary between local authorities and depends on a range of factors. For many local authorities, the reduction in funding for Council Tax support combines with other funding and welfare changes to put extra pressure on their budgets. According to the NAO, the Department must do more to satisfy itself that local authorities can manage the cumulative impact of funding and welfare changes.

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Appendix

Appendix 1 – 2013/14 Audit deliverables

At the end of each stage of our audit we issue certain deliverables, including reports and opinions.

Our key deliverables will be delivered to a high standard and on time.

We discuss and agree each report with the Council's officers prior to publication.

Deliverable	Purpose	Timing	Status
Planning			
Fee letter	Communicate indicative fee for the audit year	April 2013 (officers) March 2014 (Audit Cttee)	Complete
External audit plan	Outline our audit strategy and planned approach Identify areas of audit focus and planned procedures	March 2014	Complete
Interim			
Interim report (if needed)	Details and resolution of control and process issues. Identify improvements required prior to the issue of the draft financial statements and the year-end audit. Initial VFM assessment on the Council's arrangements for securing value for money in the use of its resources.	April 2014	TBC
Substantive procedures			
Report to those charged with governance (ISA+260 report)	Details the resolution of key audit issues. Communication of adjusted and unadjusted audit differences. Performance improvement recommendations identified during our audit. Commentary on the Council's value for money arrangements.	September 2014	TBC
Completion			
Auditor's report	Providing an opinion on your accounts (including the Annual Governance Statement). Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).	September 2014	TBC
WGA	Concluding on the Whole of Government Accounts consolidation pack in accordance with guidance issued by the National Audit Office.	September 2014	TBC
Annual audit letter	Summarise the outcomes and the key issues arising from our audit work for the year.	October 2014	TBC
Certification of claims and returns			
Certification of claims and returns report	Summarise the outcomes of certification work on your claims and returns for Government departments.	January 2015	TBC

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Internal Audit Annual Report 2013/2014

Northampton Borough Council

May 2014

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Contents

Distribution List

For action	Senior Management Team
	Heads of Service
For information	Audit Committee
	Francis Fernandes, Monitoring Officer
	Glenn Hammons, Section 151 Officer

This document has been prepared only for Northampton Borough Council and solely for the purpose and on the terms agreed with Northampton Borough Council under our engagement letter dated 8th July 2013.

1. Executive summary

Background

This report outlines the work we have carried out during the year and includes the Head of Internal Audit's annual opinion on the adequacy and effectiveness of Northampton Borough Council's framework of governance, risk management and control.

Whilst this report is a key element of the framework designed to inform the Annual Governance Statement, there are also a number of other important sources to which the Audit Committee should look to gain assurance, including from the Local Government Shared Service (LGSS). This report does not supplant the Audit Committee's responsibility for forming their own view on governance, risk management and control.

This report covers the period from 1 April 2013 to 31 March 2014. The specific time period covered by our work for each individual audit is recorded in Section 3.

Scope

In accordance with the Public Sector Internal Audit Standards (PSIAS), the Head of Internal Audit is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, agreed with management and approved by the Audit Committee, which should provide a reasonable level of assurance, subject to the inherent limitation of internal audit (covering both the control environment and the assurance over controls) described below and set out in Appendix 1. The opinion does not imply that Internal Audit have reviewed all risks relating to the organisation.

Our findings are based upon and limited to the results of the internal audit work performed as set out in the Internal Audit Risk Assessment and Plan approved by the Audit Committee on 20 May 2013. All changes have been outlined in our update reports taken to the Audit Committee during the year.

Internal audit work was performed in accordance with PwC's Internal Audit methodology which is in conformance with the Public Sector Internal Audit Standards. As a result, our work and deliverables are not designed or intended to comply with the International Auditing and Assurance Standards Board (IAASB), International Framework for Assurance Engagements (IFAE) and International Standard on Assurance Engagements (ISAE) 3000.

The Public Sector Internal Audit Standards require the annual report to include the results of the Internal Audit function's quality assurance and improvement programme. Please refer to Appendix 4 for this information.

Transition to the Local Government Shared Service

The 2013/2014 internal audit plan was approved by the Audit Committee before the Council's back office functions were outsourced to the Local Government Shared Service (LGSS). The 2013/14 internal audit plan was reassessed in light of this organisational change and revisions were agreed with the Council's Monitoring Officer and Section 151 Officer and reported to the Audit Committee in our Internal Audit Update Reports.

A number of areas identified for internal audit review in the original annual audit plan transitioned either in full, or in part, to the LGSS. We engaged in an exercise to map out the processes and controls that remain within the Council and those that operate within the LGSS. For those processes, which remain within the Council, we reviewed and reported on the adequacy and/or effectiveness of governance, risk management, and internal control. Processes that have transitioned fall under the remit of the LGSS internal audit plan and were outside the scope of our internal audit plan.

Auditable Unit	*Internal audit scope*
Debtors Creditors IBS Creditors Fixed Assets Cash	Some controls remain in Northampton Borough Council. These have been assessed and included in the scope or our annual opinion.
General Ledger Payroll Housing Benefits Finance - Agresso IT General Computer Controls Procurement	Key controls fall entirely outside the scope of Northampton Borough Council.

We have summarised the results of internal audit work performed by the LGSS in Appendix 3, however we have not validated this work and it does not form part of our opinion.

Opinion

Our opinion is based solely on our assessment of whether the controls in place support the achievement of management's objectives as set out in our Internal Audit Risk Assessment and Plan and Individual Assignment Reports.

We have completed the program of internal audit work for the year ended 31 March 2014 with the exception of the reviews noted in Section 3 for which the fieldwork is complete but the reports are yet to be issued. Some reports remain in draft where management comments are still awaited.

Our work identified [1 high, 9 medium and 23] low risk rated findings. However, during the course of our work, we have become aware of other issues that we believe could have, or have had an impact upon Northampton Borough Council's system of internal control. These matters were raised by management rather than as a direct result of our agreed programme of work. Taken together, we believe that there is some risk that management's objectives may not be fully achieved. Improvements are required in those areas to enhance the adequacy and/or effectiveness of governance, risk management and control.

The key factors that contributed to our opinion are summarised as follows:

- **HR – Absence monitoring -** The key weakness identified in this report relates to the lack of adherence to the absence management policy which leaves the Council open to the risk of ongoing high levels of staff absence and the related cost.
- **Housing – Review of Empty Homes Programme -** An additional piece of work was undertaken in the year at the request of management which identified a number of control weaknesses and a failure to consistently apply the established financial processes.

A summary of the key findings are described in further detail on pages 3 to 6.

Acknowledgement

We would like to take this opportunity to thank Northampton Borough Council's staff, for their co-operation and assistance provided during the year.

2. Summary of findings

Our annual internal audit report is timed to inform the organisation's Annual Governance Statement.

A summary of key findings from our programme of internal audit work for the year work is recorded in the table below:

Description	*Detail*
Overview We completed 21 internal audit reviews (including value enhancement reviews). This resulted in the identification of [0 critical, 1 high, 9 medium and 23 low] risk findings to improve weaknesses in the design of controls and / or operating effectiveness.	Our audit plan was scoped to address the Authority's key risks and strategic objectives. We mapped each review to these areas in our 2013/14 Internal Audit plan. We have completed our internal audit plan in line with the set timescales, subject to the amendments agreed by management.
Internal Control Issues During the course of our work we identified a number of weaknesses that we consider should be reported in your Annual Governance Statement.	The following high risk area has been identified in 2013/14: **Absence monitoring:** • The key weakness identified in this report relates to the lack of compliance with procedures set out in the Absence Policy. During our specialist review of the Empty Homes Programme, we also noted a number of control weaknesses and a failure to apply the established financial processes. This has reported to management separately.
Good practice We also identified a number of areas where few weaknesses were identified and / or areas of good practice.	The following reviews were classified as low risk in 2013/14: • Treasury management • Budgetary control • Debt recovery • Collection Fund • Asset management • Housing Allocations • Fixed assets • Creditors

3. Internal Audit work conducted

Introduction

Our internal audit work was conducted in accordance with our letter of engagement dated 8 July 2013, Public Sector Internal Audit Standards, and the Risk Assessment and Plan.

The table below sets out the results of our internal audit work and implications for next year's plan. The direction of travel is also analysed so management can consider whether they should take action to reverse a trend or address stagnation.

We also include a comparison between planned internal audit activity and actual activity, to assist with budgeting and forward planning.

Results of individual assignments

Audit unit	*Report status*	*Period covered*	*Report classification*	*Number of findings*			
				Critical	*High*	*Medium*	*Low*
Treasury Management	Final	April - June	Low Risk	0	0	0	2
Budgetary control	Final	April – October	Low Risk	0	0	0	4
Debt Recovery	Final	April – July	Low Risk	0	0	0	0
Collection Fund	Final	April – July	Low Risk	0	0	1	1
Asset Management	Final	April – July	Low Risk	0	0	0	3
Debtors	Not yet issued	April - February	-	-	-	-	-
Creditors	Draft	April - February	Low Risk	0	0	0	1
IBS Creditors	Final	April- November	Medium Risk	0	0	1	4
Fixed assets	Not yet issued	April - February	Low Risk (provisional)	-	-	1	3
Absence Monitoring	Draft	April - January	High Risk	0	1	2	2
Housing allocations	Draft	April - February	Low Risk	0	0	1	1
Environmental Services – Performance Monitoring	Final	April - January	Medium Risk	0	0	2	2
ICT – Bring your own devices	Final	April - May	Low Risk	0	0	1	0
			Total	**[0]**	**[1]**	**[9]**	**[23]**

In addition we have carried out the following value enhancement reviews where no overall risk rating has been provided:

- Planning Application System Specifications Review (Phase 1): System Specification
- Alive @ Delapre
- Empty Homes Programme
- Car Park Income Review and Route Map for Improvement
- LGSS Contract Management (draft)
- Housing Rents : Data analytics (draft)
- Bus Interchange Project Post Implementation Review (draft)
- Review of Risk Management Activity (report not yet issued)

Implications for next year's plan

The 2014/15 Internal Audit Risk Assessment and Plan will be developed to ensure there is appropriate work performed to consider the controls and processes in place in relation to Northampton Borough Council's operations. Consideration will be given to the arrangements in place with the LGSS to ensure those financial processes and controls operating within the LGSS on behalf for the Council are appropriately included in the LGSS internal audit plan.

Direction of control travel

Finding rating	Trend between current and prior year	Number of findings		
		2013/14	2012/13	2011/12
Critical	↔	[0]	0	0
High	↔	[1]	1	4
Medium	↓	[9]	15	30
Low	↓	[23]	48	38
Total	↓	[33]	64	72

It should be noted that the mix and focus of our internal audit plans have differed between years and therefore these results may not be directly comparable. Due to the transition of Finance, HR and IT, in particular, to the LGSS, the number of value protection reviews has reduced in the current year and fewer findings reported.

Implications for management

Management should look to concentrate on higher risk areas and those with deteriorating performance to ensure that controls in these areas are improved. Actions may include raising awareness, training, increasing compliance checks or improved escalation processes.

Comparison of planned and actual activity

Audit Unit	*Audit Type*	*Budgeted days*	*Actual days*	*Comment*
Cross-cutting				
Risk Management	Value enhancement	8	8	Review of a selection of the various risk management activities and functions that have taken place throughout the year and presentation of evidence of risk monitoring and reporting. Report not yet issued.
Governance	Value enhancement	10	5	Governance questionnaire based on CIPFA Delivering Good Governance Framework. Remaining days to be delivered in Q1 2014/15.
Business Continuity	Value protection	10	1	Days reallocated to contract assurance work. Audit to be considered in 2014/15 plan.
Corporate Fraud	Value protection	8	-	Days reallocated to contract assurance work. Audit to be considered in 2014/15 plan.
Procurement	Value protection	10	-	Transitioned to LGSS.
Treasury Management	Value protection	5	5	Final report issued.
Budgetary Control	Value protection	8	8	Final report issued.
Insurance claims	Value protection	8	-	Defer to 2014/15.
General Ledger	Value protection	7	1	Transitioned to LGSS.
Debtors	Value protection	7	7	Report not yet issued.
Creditors	Value protection	6	6	Draft report issued.
Payroll	Value protection	6	1	Transitioned to LGSS.
Cash	Value protection	6	4	Key controls and processes relating to bank reconciliations have transitioned to LGSS. NBC retains some petty cash, cash floats and cash receipting processes. These will be assessed as part of directorate reviews in 2014/15.
Creditors (IBS)	Value protection	7	7	Final report issued.
Fixed Assets	Value protection	8	8	Report not yet issued.
Expenses	Value protection	5	-	Defer to 2014/15 and consider as part of directorate reviews.
Housing Benefits	Value protection	8	-	Transitioned to LGSS
Debt Recovery	Value protection	5	5	Final report issued
Collection Fund	Value protection	7	7	Final report issued.
Housing Rents	Value protection	8	8	Draft report issued.
Total		**147**	**81**	
Departmental				
Human Resources – Absence monitoring	Value protection	8	8	Draft report issued.
Finance – IT GCC review	Value protection	10	-	Transitioned to LGSS.

Landlord Services – Travis Perkins	Value protection	15	7	Days transferred to the IBS creditors review. Final report issued.
Strategic Housing – Housing allocations	Value protection	8	8	Draft report issued.
Planning - System Specifications Review	Value enhancement	8	8	Final report issued.
ICT Operations – Bring your own devices	Value protection	14	14	Final report issued.
Environmental Services – Performance Monitoring	Value protection	15	15	Final report issued.
Regeneration and Development – Bus interchange project	Value enhancement	15	15	Draft report issued.
Asset management	Value protection	7	7	Final report issued.
Town Centre Management – Car park income review	Value enhancement	10	10	Draft report issued.
Culture and Leisure – Delapre Park concerts	Value enhancement	8	8	Final report issued.
Housing - Empty Homes Programme	Specialist	-	38	Final report issued.
Post LGSS reviews	Value protection	30	8	Additional scoping work on Core Financial Systems to map out areas of risk and control that remain within NBC and those that have transferred to LGSS and subsequently develop the internal audit approach for those areas.
LGSS contract management	Specialist	-	22	Draft report issued.
Environmental Services contract management	Specialist	-	2	Review deferred to 2014/15 at the request of management.
Total		**148**	**170**	
Other				
Project management	n/a	20	30	Additional meetings and planning as a result of organisational change.
Review of HR issues	Specialist	-	26	Internal audit days allocated to specialist review of specific HR issues.
Total		**20**	**56**	
		315	**307**	

Adjustments to the original agreed audit plan

The following adjustments were made to the audit plan originally agreed by the Audit Committee. These have been reported as part of the Progress Reports to the Audit Committee during the year.

Review	Days	Comments
Removed from 2013/14 plan		
Business Continuity	-9	Processes and controls have been evolving during the period post transition to LGSS. These reviews will be considered in 2014/15 when the policies and procedures, roles and responsibilities are defined and embedded.
Corporate Fraud	-8	
Governance	-5	"Good governance" questionnaire will be distributed and results reported in Q1 2014/15.

Landlord Services – Travis Perkins	-15	The scope of the IBS creditors review was extended to assess the operating effectiveness of the new controls in relation to Travis Perkins
Insurance claims	-8	Timing not considered appropriate. To be included in the 14/15 audit plan.
Expenses	-5	Financial processing has transitioned to LGSS. Scope of review to be considered as part of Directorate reviews in the 2014/15 audit plan.
Cash	-2	Key controls and processes relating to bank reconciliations have transitioned to LGSS. NBC retains some petty cash, cash floats and cash receipting processes. These will be assessed as part of directorate reviews in 2014/15.
General ledger	-6	The process has transitioned to LGSS and is outside the scope of this internal audit plan.
Payroll	-5	
Housing benefits	-8	
Finance IT review	-10	
Procurement	-10	
Post LGSS reviews	-22	Days reallocated to contract assurance review.
Total	**-113**	
Included in the 2013/14 plan		
IBS Creditors	+ 7	Scope of the review extended to consider the new controls in relation to the Travis Perkins service agreement
Empty Homes Programme	+38	Response to management request to undertake some fact finding work in relation to the Empty Homes Programme.
LGSS Contract Assurance	+22	We reviewed the LGSS contract and existing contract governance arrangements to identify best practice contract management procedures to be applied in the monitoring of services delivered by LGSS under the shared service function contract.
Environmental Services Contract Management	+2	Scope of work agreed however at the request of management the review has been deferred to 2014/15.
Specialist review of HR issues	+26	Response to management request to review some specific issues identified in HR.
Project management	+10	Additional meetings and planning as a result of organisational change.
Total	**+105**	
Overall net position	**-8**	

4. Follow up work conducted

Within the Risk Assessment and Plan days were assigned within each review for following up recommendations raised during previous periods in order to assess whether agreed actions had been implemented by management.

We considered prior year recommendations as part of all the reviews undertaken within the 2013/14 Internal Audit Risk Assessment and Plan. We have considered the progress made and reported this where relevant in each individual report issued throughout the year. There are no matters that we wish to specifically draw out here.

During the year we developed a web-based audit recommendation tracking system ("TrAction"). All recommendations relating to 2012/13 internal audit reports have been uploaded. The majority of these relate to areas that have moved to the Shared Service and should be considered by the LGSS internal audit team as part of their on-going internal audit programme.

Recommendations arising as a result of 2013/14 reviews will be tracked and reported as part of the 2014/15 internal audit plan.

Appendices

Appendix 1: Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have prepared the Internal Audit Annual Report and undertaken the agreed programme of work as agreed with management and the Audit Committee, subject to the limitations outlined below.

Opinion

The opinion is based solely on the work undertaken as part of the agreed Risk Assessment and Plan, which provided for 21 internal audit reviews (including value enhancement reviews) in 307 days. The work addressed the control objectives agreed for each individual internal audit assignments as set out in our Individual Assignment Reports.

There might be weaknesses in the system of internal control that we are not aware of because they did not form part of our programme of work, were excluded from the scope of individual internal audit assignments or were not brought to our attention. As a consequence management and the Audit Committee should be aware that our opinion may have differed if our programme of work or scope for individual reviews was extended or other relevant matters were brought to our attention.

Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls relating to Northampton Borough Council is for the period 1 April 2013 to 31 March 2014. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

The specific time period for each individual internal audit is recorded within section3 of this report.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and our examinations as internal auditors should not be relied upon to disclose all fraud, defalcations or other irregularities which may exist.

Appendix 2: Basis of our classifications

Report classifications

The report classification is determined by allocating points to each of the findings included in the report

Findings rating	*Points*
Critical	40 points per finding
High	10 points per finding
Medium	3 points per finding
Low	1 point per finding

Report classification		*Points*
●	Critical risk	40 points and over
●	High risk	16– 39 points
●	Medium risk	7– 15 points
●	Low risk	6 points or less

Individual finding ratings

Finding rating	*Assessment rationale*
Critical	A finding that could have a: • ***Critical*** impact on operational performance; or • ***Critical*** monetary or financial statement impact; or • ***Critical*** breach in laws and regulations that could result in material fines or consequences; or • ***Critical*** impact on the reputation or brand of the organisation which could threaten its future viability.
High	A finding that could have a: • ***Significant*** impact on operational performance; or • ***Significant*** monetary or financial statement impact; or • ***Significant*** breach in laws and regulations resulting in significant fines and consequences***; or*** • ***Significant*** impact on the reputation or brand of the organisation.
Medium	A finding that could have a: • ***Moderate*** impact on operational performance; or • ***Moderate*** monetary or financial statement impact; or • ***Moderate*** breach in laws and regulations resulting in fines and consequences; or • ***Moderate*** impact on the reputation or brand of the organisation.
Low	A finding that could have a: • ***Minor*** impact on the organisation's operational performance; or • ***Minor*** monetary or financial statement impact; or • ***Minor*** breach in laws and regulations with limited consequences; or • ***Minor*** impact on the reputation of the organisation.
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Appendix 3: LGSS report findings

A number of areas identified for internal audit review in the original annual audit plan transitioned either in full, or in part, to the LGSS. We engaged in an exercise to map out the processes and controls that remain within the Council and those that operate within the LGSS. For those processes, which remain within the Council, we reviewed and reported on the adequacy and/or effectiveness of governance, risk management, and internal control. Processes that have transitioned fall under the remit of the LGSS internal audit plan and were outside the scope of our internal audit plan.

The LGSS Internal Audit function has undertaken reviews in the areas detailed below and will provide a separate report of their findings. This does not form part of our opinion.

Audit unit	Report status
Appendix attached below	

In the event that, pursuant to a request which Northampton Borough Council has received under the Freedom of Information Act 2000 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), it is required to disclose any information contained in this terms of reference, it will notify PwC promptly and consult with PwC prior to disclosing such information. Northampton Borough Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Act to such information. If, following consultation with PwC, Northampton Borough Council discloses any such information, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

This document has been prepared only for Northampton Borough Council and solely for the purpose and on the terms agreed with Northampton Borough Council in our agreement dated 8 July 2013. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

Appendix 3

The current position of the audits undertake by LGSS Internal Audit are set out in the table below. As these reports are either in their final draft or work in progress stage a full report will be presented to Audit Committee at a future meeting

LGSS Internal Audit

Auditable Area	Assurance	Status
Debtors and Cash Creditors IBS Creditors Fixed Assets	Substantial Substantial Work in progress	Draft Draft
General Ledger Payroll Housing Benefits Bank Reconciliation	Substantial Work in progress Agreed for completion 14/15 Substantial	Draft Draft

Internal Audit gives an overall opinion on the level of assurance provided by the controls within the area audited. The level of assurances are defined below:

<u>Level of Assurance</u> <u>Definition</u>

Full Assurance	There is a sound system of control designed to address the relevant risks with controls being consistently applied.
Substantial Assurance	There is a sound system of control, designed to address the relevant risks, but there is evidence of non-compliance with some of the controls.
Moderate Assurance	Whilst there is a basically a sound system of control, designed to address the relevant risks, there are weaknesses in the system, that leaves some risks not addressed and there is evidence of non-compliance with some of the controls.
Limited Assurance	The system of control is weak and there is evidence of non-compliance with the controls that do exist which may result in the relevant risks not being managed.
No Assurance	There is no system of internal control. Risks are not being managed.

Agenda Item 12

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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By virtue of paragraph(s) 2, 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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